STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of **DTE ELECTRIC COMPANY** for authority to increase its rates, amend its rate schedules and rules governing the distribution and supply of electric energy, and for miscellaneous accounting authority.	)	Case No. U-21860

At the February 19, 2026 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair
Hon. Katherine L. Peretick, Commissioner
Hon. Shaquila Myers, Commissioner

ORDER

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I. HISTORY OF PROCEEDINGS

On April 24, 2025, DTE Electric Company (DTE Electric)[1] filed an application requesting authority to increase its retail rates by approximately $574.1 million, effective as early as February 24, 2026.[2] DTE Electric also requested other forms of regulatory relief, including approval to amend its rate schedules and rules governing the distribution and supply of electric energy and the approval of several pilots and various accounting proposals. The company is currently providing service pursuant to rates established by the January 23, 2025 order in Case No. U-21534 (January 23 order). *See*, application, p. 1.

DTE Electric asserted that the rate increase sought in this case is based on the company's projections from relevant items of investment, expense, and revenue for a test year covering the 12-month period from January 1 through December 31, 2026. According to DTE Electric, the starting point for determining its revenue deficiency is the historical data from year-end 2023, which was then normalized and adjusted for known and measurable changes to arrive at the company's projected test year. *See*, *id*., pp. 2-3. DTE Electric stated that the rate increase "is necessary to allow the Company to continue to provide safe and reliable electric service, meet customers' service quality expectations, and allow the Company a reasonable opportunity to recover its costs, including a reasonable rate of return." *Id*., p. 2. DTE Electric proposed a return on equity (ROE) of 10.75% with an overall rate of return (ROR) of 6.03% after tax, 7.52% pre-tax. *Id*., p. 4. The company also requested a permanent capital structure of 50.75% equity and 49.25%

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[1] The administrative law judge and some intervenors refer to DTE Electric as DTE or as DTEE. All quotes are rendered verbatim unless otherwise indicated.

[2] In its reply brief, p. 3, DTE Electric revised its request to $562.6 million.

long-term debt and proposed a projected average rate base of approximately $23.6 billion for the test year, which includes an equity base of approximately $9.4 billion.

DTE Electric explained that its request includes "significant investments in distribution, generation, information technology and customer service," costs for the conversion of the Belle River Power Plant (Belle River) from coal to natural gas, the completion of the Trenton Channel Energy Center Battery Energy Storage System, and the costs for "plant removal associated with the decommissioning of power generation assets at River Rouge, St. Clair, and Trenton Channel Power Plants." Application, p. 2. The application addressed major capital investment projects from 2023 through 2026. Attachment 2 to the application illustrates the company's proposal for allocating the revenue among its rate classes, and Attachment 3 provides "[a] comparison of typical bills and proposed rates for Residential Service Rate D1.11." *Id*., p. 3. The company also proposed changes to its tariffs and the expansion of the infrastructure recovery mechanism (IRM) to include the recovery of distribution capital expenditures related to electric vehicles (EVs) and distributed energy resources (DERs) for 2028 and 2029. *See*, *id*., p. 3. DTE Electric requested regulatory asset treatment for certain merchant fees and issuance costs related to a federal loan program, and regulatory liability treatment for any overrecovery of Midwest Energy Resources Company (MERC) operating and maintenance (O&M) costs. The company also requested "cost recovery of its variable compensation programs that are used to attract and retain employees with the requisite skills and experience to provide quality customer service, make DTE Electric's employees' total compensation externally competitive, and differentiate total compensation based on organizational and individual contributions." *Id*., p. 4. The application also included several proposed pilots.

On April 25, 2025, Administrative Law Judge Sally L. Wallace (ALJ) adopted a protective order for use in this matter.

On May 22, 2025, the ALJ conducted a prehearing conference at which the ALJ recognized the intervention of the Michigan Department of Attorney General (Attorney General),[3] and granted petitions to intervene filed by City of Ann Arbor (Ann Arbor); Michigan Environmental Council (MEC), Natural Resources Defense Council, Inc. (NRDC), Sierra Club, and Citizens Utility Board of Michigan (CUB) (collectively, MNSC); Environmental Law and Policy Center of the Midwest, Ecology Center, Inc., Union of Concerned Scientists, and Vote Solar (collectively, the Clean Energy Organizations or CEOs); Michigan Energy Innovation Business Council (MEIBC), Institute for Energy Innovation (IEI), and Advanced Energy United (collectively, MEIU); Foundry Association of Michigan; Energy Michigan, Inc.; The Kroger Co. (Kroger); Utility Workers Union of America, AFL-CIO Local 223; Michigan Municipal Association for Utility Issues (MAUI), Michigan Coalition to Protect the Public Rights of Way (PROTEC); Soulardarity and We Want Green, Too (collectively, the Detroit Area Advocacy Organizations or DAAOs); Electrify America, Inc. (Electrify America); Gerdau MacSteel, Inc. (Gerdau); Great Lakes Renewable Energy Association, Inc. (GLREA); Walmart Inc. (Walmart); Association of Businesses Advocating Tariff Equity (ABATE); International Transmission Company d/b/a ITCTransmission (ITC); and Michigan Cable Telecommunications Association, Inc (MCTA). DTE Electric and the Commission Staff (Staff) also participated in the proceeding. A schedule for the case was established by the ALJ in accordance with the 10-month timeframe set forth in MCL 460.6a(5).

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[3] DTE Electric, the Staff, and some intervenors refer to the Attorney General as AG. All quotes are rendered verbatim unless otherwise indicated.

On June 19, August 15, and September 18, 2025, DTE Electric filed revised direct testimony and exhibits.

On August 21-22, 2025, direct testimony and exhibits were filed by the Staff; the Attorney General; ABATE; Ann Arbor; the CEOs; CUB; the DAAOs; Electrify America; Energy Michigan; ITC; MEC, NRDC, and CUB; MEIU; MNSC; NRDC and CUB; PROTEC; and Walmart, some of which were filed confidentially. On August 22, 2025, CUB filed confidential testimony and an exhibit. On August 22 and September 17, 2025, the Attorney General filed confidential direct testimony and exhibits. On September 2, 17-19, and 24-25, 2025, the DAAOs, the Attorney General, DTE Electric, and the Staff filed revised direct testimony and exhibits.

On September 12, 2025, DTE Electric, the Staff, ABATE, the DAAOs, Kroger, and MEIU filed rebuttal testimony and exhibits. On September 15, 2025, the DAAOs provided corrected service of its rebuttal testimony.

On September 22, 2025, DTE Electric filed a motion to file surrebuttal testimony and an exhibit. The ALJ granted the motion on September 22, 2025. On September 24, 2025, DTE Electric filed surrebuttal testimony and an exhibit.

Evidentiary hearings were held on September 24-26, and 30, 2025, wherein testimony and exhibits were bound into the record and cross-examination took place.

The Staff, the Attorney General, ABATE, Ann Arbor, the CEOs, the DAAOs, Electrify America, Energy Michigan, ITC, Kroger, MEIU, MNSC, PROTEC, and Walmart filed initial briefs on October 24, 2025. DTE Electric filed public and confidential initial briefs on October 24, 2025. DTE Electric, the Staff, ABATE, Ann Arbor, the CEOs, the DAAOs, Energy Michigan, Kroger, MEIU, and MNSC filed reply briefs on November 14, 2025. The Attorney General filed public and confidential reply briefs on November 14, 2025.

On December 22, 2025, the ALJ issued a proposal for decision (PFD) in this matter. Exceptions were filed by DTE Electric, the Staff, the Attorney General, ABATE, Ann Arbor, the CEOs, the DAAOs, MEIU, MNSC, and PROTEC on January 9, 2026. Replies to exceptions were filed by DTE Electric, the Staff, the Attorney General, ABATE, Ann Arbor, the CEOs, the DAAOs, ITC, MNSC, and PROTEC on January 22, 2026. The record in this matter consists of 5,514 pages of transcript and 768 exhibits admitted into evidence.[4]

II. LEGAL STANDARDS

In its initial brief, DTE Electric noted the Commission's statutory and administrative jurisdiction for setting rates in this case. *See*, DTE Electric's initial brief, p. 14. The company stated that "[a]ll Commission decisions must be authorized by law, and the Commission's findings must 'be supported by competent, material and substantial evidence on the whole record.'" *Id*., (quoting Const 1963, art 6, § 28). In addition, DTE Electric asserted that "[e]xpert testimony is 'substantial' only if it is offered by a qualified expert who has an informed and rational basis for his or her view, even if other experts disagree." DTE Electric's initial brief, p. 14 (quoting *Great Lakes Steel v Public Service Comm*, 130 Mich App 470, 481; 334 NW2d 321 (1983)) (emphasis added by DTE Electric). Furthermore, the company stated that the preponderance of evidence standard applies in this proceeding, wherein DTE Electric has the initial burden of proving its case by a preponderance of the evidence and any party challenging that evidence must present evidence demonstrating that the company's position is unreasonable and the party's position is correct.

DTE Electric also asserted the applicability of "constitutional protections against 'takings' and confiscatory rates under the Fifth Amendment to the U.S. Constitution, which is applicable to the

[4] The record in this case also contains confidential transcript and exhibits filed under seal.

states through the Fourteenth Amendment." DTE Electric's initial brief, p. 17. The company noted that the Michigan Constitution provides similar protections. DTE Electric argued that case law dictates that while there may be reductions in some utility costs, there may be increases in other utility costs and the Commission must set rates accordingly. In addition, the company contended that it "is entitled to a commensurate return of and on its investment in providing utility service." *Id*., p. 18 (footnote omitted). Moreover, DTE Electric stated that the Commission must set rates that "facilitate DTE Electric's financial health for the benefit of its electric customers and shareholders." *Id*., p. 19 (footnote omitted). Finally, the company noted that the Commission is prohibited from implementing retroactive rates.

The DAAOs noted the Commission's authority to set just and reasonable rates and cited case law describing how the Commission is to balance investor and public interests in determining just and reasonable rates. In addition, the DAAOs asserted that:

> MCL § 460.6a requires a utility to place in evidence facts that the utility relies on to support the justness and reasonableness of its proposals. The Commission has interpreted this statutory provision to require the Company [to provide] "thorough, detailed, and meaningful" evidence for the Commission to approve the application. Without this evidence, "the Commission's hands are tied," and the Commission cannot find that the costs are just and reasonable.

DAAOs' initial brief, p. 8 (quoting June 7, 2012 order in Case No. U-16794 (June 7 order), p. 13).

The CEOs also argued that DTE Electric has the burden of proof to demonstrate that its proposals are just and reasonable by a preponderance of the evidence, citing the Commission's findings in the June 7 order. CEOs' initial brief, p. 8. The CEOs contended that if DTE Electric "fails to provide thorough, detailed, and meaningful evidence demonstrating that its proposals are just and reasonable by a preponderance of the evidence," the Commission must deny the company's application. CEOs' initial brief, p. 8. The CEOs cited case law in support. *See*, *id*., pp. 8-9.

In reply to DTE Electric, the Attorney General asserted that she has addressed this same issue in previous DTE Electric cases. She stated that "[i]t bears reiterating here that, regardless of whether Staff or any Intervenor presents any information, evidence, or testimony challenging a specific issue, DTE has the burden of proof with regard to that issue." Attorney General's reply brief, p. 3 (citing the December 14, 2015 proposal for decision in Case No. U-17131-R, pp. 39-42). The Attorney General contended that the company must provide "thorough, detailed, and meaningful evidence to support its burden of proof for a project or projected costs." Attorney General's reply brief, p. 3 (citing the June 7 order, p. 13). She stated that an intervenor's only obligation is to argue that DTE Electric has failed to provide sufficient evidence to support their request; there is no burden on the intervenor to disprove the company's position.

In its reply brief, DTE Electric reiterated that the Commission must set rates for a return of and on its investment in providing utility service. The company also restated the constitutional protections against takings and confiscatory rates. DTE Electric noted that, according to MCL 460.11, the Commission must set rates "'equal to the cost of service to each customer class.'" DTE Electric's reply brief, p. 5 (quoting MCL 460.11). Finally, the company argued that contrary to the suggestions by some intervenors that the Commission function as an agency to advance policy changes, the Commission's authority is conferred by statute and that authority cannot be "expand[ed] . . . through its own acts or assumption of authority." DTE Electric's reply brief, p. 6.

The ALJ recited the legal standards applicable to a general rate case, first noting that the Commission applies the preponderance of the evidence standard when making findings of fact and weighing conflicting evidence in a case. *See*, PFD, pp. 30-31. The ALJ stated that:

> [i]n considering whether rates are just and reasonable, it is the result reached, and not the methods employed, that is controlling. Further, the Commission has broad

> discretion in determining the appropriate amount of investment on which a return will be computed. For example, in discussing the Commission's predecessor agency, the Michigan Railroad Commission, the Michigan Supreme Court has held that "[w]hat return a public utility shall be entitled to earn upon its invested capital and what items shall be considered as properly going to make up the sum total of that invested capital are questions of fact for the determination of the commission[.]" Additionally, ratemaking is a legislative function, and the Commission is not bound by any particular method or formula in the exercise this legislative function.

PFD, p. 31 (quoting *City of Detroit v Michigan R Comm*, 209 Mich 395, 433; 177 NW 306 (1920)).

In exceptions, DTE Electric reiterates its constitutional rights, including its due process rights and the right to be protected from confiscatory rates and takings. Furthermore, the company asserts that, according to the Michigan Constitution, "all Commission decisions must be authorized by law, and the Commission's findings must 'be supported by competent, material and substantial evidence on the whole record.'" DTE Electric's exceptions, p. 6 (quoting Const 1963, art 6, § 28). DTE Electric also states that the ALJ correctly noted that the preponderance of evidence standard applies in this case. The company contends that once the company has proved its case by a preponderance of evidence, the burden of proof shifts to other parties to demonstrate their position is correct.

The Attorney General replies:

> noting her disagreement with DTE's exceptions and her support for the ALJ's findings and discussion in the Legal Standards section. The AG greatly appreciates the time and diligence the ALJ put into the discussion in this section, which does a good job of presenting the proper standards of review and framework for rate cases. The AG replies that the ALJ's analysis in the PFD is correct and recommends that the Commission reject DTE's exceptions to the contrary.

Attorney General's replies to exceptions, p. 6 (citing the PFD, pp. 30-31).

The Commission has addressed the issue of burden of proof in a number of cases, most recently in the September 30, 2025 order in Case No. U-21806 (September 30 order), the

November 7, 2024 order in Case No. U-21291 (November 7 order), and the July 2, 2024 order in Case No. U-21461 (July 2 order):

> The Commission agrees with the ALJ that other parties to the case do not have the same burden of proof as does the utility but reiterates that the Commission employs the preponderance of the evidence standard when making findings of fact or weighing conflicting evidence. The Commission is tasked with weighing and evaluating the evidence of each party to the proceeding and may choose the evidence that results in a reasonable and just outcome. The preponderance of the evidence standard may be appropriately applied to evidence offered by parties to the case that conflicts with the utility's evidence but should not be construed to mean that if the utility presents evidence, it may then shift the burden of proof to the parties to the case to disprove that evidence.

September 30 order, p. 6; *see also*, November 7 order, pp. 8-9, July 2 order, pp. 7-8, and October 25, 2017 order in Case No. U-18224, pp. 14-15.

The Commission's final decision in this case is based on a proper application of law and weighing of evidence in the record. In addition, the Commission reiterates that it "does not have a duty to facilitate the financial health of a utility beyond ensuring that the rates of a utility are just and reasonable." November 7 order, p. 9 (citing MCL 460.557(4)). The Commission finds that the final decision in this case represents the appropriate balance between customer and shareholder interests in the ratemaking process of fixing just and reasonable rates and ensures that the utility has the opportunity to earn a reasonable return of and on its investments in this matter. *See*, *Bluefield Waterworks & Improvement Co v Pub Serv Comm of West Virginia*, 262 US 679, 690-694; 43 S Ct 675; 67 L Ed 1176 (1923) (*Bluefield*); *Fed Power Comm v Hope Natural Gas Co*, 320 US 591, 603 (1944) (*Hope*); *Michigan Bell Tel Co v Mich Pub Serv Comm*, 332 Mich 7, 38; 50 NW2d 826 (1952).

III. TEST YEAR

In its application, the company stated that "[t]he historical test year being used by DTE Electric is the calendar year ended December 31, 2023. This 12-month period was then normalized and adjusted for known and measurable changes, as supported by the Company's witnesses in this case, to arrive at the Company's January 1, 2026 through December 31, 2026 projected test year." Application, pp. 2-3.

ABATE objected to the company's use of a projected test year, asserting that it allows the company to recover expenditures and expenses before they have been verified to be actually incurred. *See*, ABATE's initial brief, pp. 6-7. ABATE contended that these large and unverified rate increases have had several adverse effects on rate payers. First, ABATE stated, customers are experiencing rate increases sooner than necessary because DTE Electric may recover expenditures and expenses based on uncertain future projections. Second, ABATE argued that rates based on a projected test year are higher than if the rates were based on a historical test year. Third, ABATE asserted that a projected test year:

> has allowed and continues to allow DTE to fill its projections with proposed capital expenditures and expenses that either DTE has not irrevocably committed to making or otherwise can avoid if it finds it advantageous to do so to improve its realized rate of return for its shareholders. This allows DTE to collect revenue from its customers for capital expenditures or expenses it does not ultimately incur or has not yet incurred when rates are placed into effect, unreasonably benefitting DTE's shareholders at the expense of DTE's customers.

4 Tr 3389. Fourth, ABATE argued that a projected test year prevents the Staff and intervenors from effectively reviewing the company's projected capital expenditures for reasonableness because "they are not actual capital expenditures and expenses reflected on DTE's books, but rather projections developed over many separate cost subaccounts and revenue categories." 4 Tr 3389. In addition, ABATE asserted that with the 10-month compressed time frame for rate cases,

the Staff and intervenors may unintentionally overlook the company's cost projections that are inappropriate.

ABATE also argued that DTE Electric's projected bridge period and test year expenditures and expenses are not actually known and measurable changes to the historical test year. Rather, ABATE contended that "[k]nown and measurable changes are changes to costs that are inescapable and precisely identifiable in amount and timing. Future capital expenditures and projected expenses are often not inescapable, not precisely identifiable in amount and timing, or both." 4 Tr 3390; *see also*, ABATE's initial brief, pp. 7-8. ABATE stated that examples of known and measurable changes are "[n]ormalization to address the effects of volatility," "[a]nnualization to address costs," "[c]osts that only occurred during the later months of the historical test year and are expected to continue at that same level on a going forward basis," and "[i]mminent changes in costs that will occur during the period between the end of the historical test period and the date new base rates go into effect and are expected to continue on a going forward basis." 4 Tr 3391.

ABATE averred that the Commission is not *required* to set rates using a projected test year and cited the November 2, 2009 order in Case No. U-15645 (November 9 order), in which the Commission stated that a utility "'may use projected costs and revenues for a future consecutive 12-month period' to develop its requested rates and charges." 4 Tr 3392 (quoting the November 9 order, p. 8). ABATE contended that if the utility relies on a projected test year, it has the burden to substantiate its projections, and if the utility does not provide sufficient support, the Commission may choose an alternative method, which may include the use of a historical test year. *See*, ABATE's initial brief, p. 3.

ABATE noted that in three of the last four rate cases, DTE Electric:

> reported large revenue sufficiencies for its historical test year that have ranged from $80.5 to $111.7 million. This means that, in each of these historical test years (calendar years 2020, 2021 and 2022), DTE received revenues $80.6 to $111.7 million higher than necessary to earn its authorized rate of return during that historical test year, which totaled over the three years to approximately $285.8 million -- well in excess of the $150.5 million revenue deficiency DTE is reporting for its 2023 historical test year in this current proceeding.

4 Tr 3391; *see also*, ABATE's initial brief, p. 5. In addition, ABATE asserted that if the company's historical test year values were more closely examined, it may reveal costs that are not recoverable in rates.

In summary, ABATE requested that the Commission ensure "(i) that the projected expenses and investments included in DTE's projected test year are truly necessary to provide reliable electric service at the lowest reasonable cost; (ii) that DTE is essentially irrevocably committed to incur them or otherwise cannot avoid them; and (iii) they are precisely quantified by DTE with respect to their amount and timing." 4 Tr 3385; *see also*, ABATE's initial brief, p. 9.

DTE Electric responded, "disagree[ing] with ABATE's contention that the Commission is legally authorized to reject the use of a forward test year," and arguing that a projected test year is authorized by law. 3 Tr 1003; *see also*, DTE Electric's initial brief, pp. 21-22. The company also disputed ABATE's definition of "known and measurable changes[;]" rather, DTE Electric asserted that "[t]he forward test year is a projection of the expenditures that are likely to be made given the information known at the time of the rate case filing." 3 Tr 1004. Furthermore, the company objected to ABATE's claim that a projected test year unreasonably increases rates for customers:

> [u]nder a forward test year methodology, base rates are proposed for a future twelve-month period and, once approved by the Commission, go into effect no earlier than the start of that future period. As such, the implementation of new rates matches the projected costs approved by the Commission. This matching of costs and rates supports the timely recovery of costs and helps ensure the Company can continue investing in projects and programs that deliver benefits to customers, such as improvements in reliability.

3 Tr 1004. Finally, the company noted that the Commission has adopted new rate case filing requirements that direct a utility to provide expanded and detailed support for rate requests, which the Staff and intervenors can then challenge the recovery of the proposed expenditures and expenses, if they so wish.

MNSC acknowledged that the use of a projected test year was intended to reduce regulatory lag. However, MNSC stated that "despite the apparent logic of advance regulatory review of utility investment plans, it is precisely this advance review that paradoxically creates the most significant unintended consequence: the practical elimination of a regulator's ability to disallow costs from customer recovery." 5 Tr 4648. MNSC asserted that the use of projected test years shifts investment risk from shareholders to customers and results in unintended consequences for customers.

The ALJ acknowledged ABATE's concerns regarding the use of projected test years, however she found that "the Commission has consistently determined that it is not unreasonable to use a projected test year to set rates for the period following the expected date of a Commission order." PFD, p. 37. She noted that the Commission most recently addressed this issue in the January 23 order, finding that, pursuant to state law, a utility is permitted to use projected costs for a future 12-month period to develop its requested rates and charges. In addition, the ALJ noted that:

> the Commission has made clear that it is not required to accept those projections that it finds insufficiently supported or where it determines that there is a likelihood that the funds will not be spent as planned. If DTE fails to provide sufficient support, the Commission may disregard the projection, or it may employ some other means (such as a historical amount or average) to arrive at a reasonable and prudent amount.

PFD, p. 38.

No exceptions or replies to exceptions were filed.

The Commission notes that ABATE, MNSC, and DTE Electric made almost identical arguments regarding the use of a projected test year in Case No. U-21534. On pages 25-26 of the January 23 order, the Commission stated:

> MCL 460.6a(1) provides that "[a] utility may use projected costs and revenues for a future consecutive 12-month period in developing its requested rates and charges." The statutory language plainly provides the utility with the opportunity to develop requested rates based on projected costs and revenues. It does not require the Commission to approve such requested rates. Thus, the Commission has rejected ABATE's arguments several times. *See*, *e.g*., November 18, 2022 order in Case No. U-20836, p. 8 (November 18 order); and December 1[, 2023] order [in Case No. U-21297 (December 1 order)], p. 9. The Michigan Court of Appeals has twice affirmed the Commission on this issue. *In re Application of DTE Electric Co*, unpublished per curiam opinion of the Court of Appeals, issued December 21, 2021 (Docket No. U-353767); and *In re Application of DTE Electric Co to Increase Rates*, unpublished per curiam opinion of the Court of Appeals, issued February 25, 2021 (Docket Nos. 349924 and 350008). Nothing in the instant record persuades the Commission to deviate from those (and many other) prior rulings.

Similarly, in this case, the Commission finds that the parties have not presented any new information or arguments that would persuade the Commission to alter its decision. Furthermore, as stated in the January 23 order, "[t]he Commission will continue to evaluate every projection presented by the applicant utility for evidence of reasonableness and prudence and to rely on alternatives to the projected test year where appropriate." January 23 order, p. 26.

IV. RATE BASE

Rate base refers to total utility plant (i.e., the capital invested in all plant in service, plant held for future use, and construction work in progress (CWIP)), less the company's depreciation reserve (consisting of its accumulated depreciation, amortization, and depletion), plus the utility's working capital requirements. DTE Electric initially projected a total rate base of $23.56 billion for the test year, which was later adjusted to $23.5 billion in its initial brief. *See*, DTE Electric's

initial brief, pp. 23-24. The Staff projected a rate base of $23.17 billion. *See*, Staff's initial brief, p. 8 and Appendix A.

A. Contingency

DTE Electric noted that "[a]s the Commission has repeatedly found, although allowing for contingency may be appropriate in project planning, the inclusion of these costs in customer rates is unjust and unreasonable." 4 Tr 2085-2086 (quoting May 2, 2019 order in Case No. U-20162 (May 2 order), p. 6). In this case, the company argued that it is reasonable to include contingencies in its cost estimates because many industry associations, including the United States Department of Energy, Project Management Institute, and Association for the Advancement of Cost Engineering (AACE) International "consider contingency a necessary component of project cost estimation." 4 Tr 2099. DTE Electric also noted that several other states allow utilities to include contingencies in cost estimates. Accordingly, the company asserted that it is fair and reasonable and a best practice for the Commission to include contingency in cost estimates.

The Staff objected, asserting that:

> [t]he Commission has made its position clear that contingency should not be recovered in rates. In Case No. U-20940, the Commission disallowed $13 million of contingency costs and explained in its order on 12/9/2021, "contingency is a forward looking, forecasted amount added to a budget to address unknown and unforeseen events. Once an amount has been spent, however, it is no longer a contingency but rather an actual expenditure and becomes subject to the reasonableness and prudence review that all actual expenditures undergo."

5 Tr 5179 (quoting the December 9, 2021 order in Case No. U-21940, p. 10). The Staff argued that it "is unable to review contingency expenditures for reasonableness and prudence because it is unknown what contingency dollars will be used for before they are spent." 5 Tr 5179. The Staff noted that no party objected to the Staff's position in rebuttal and, therefore, the Staff

recommended that the Commission reject DTE Electric's request to include contingency expenses in future proceedings.

The ALJ noted that DTE Electric did not address this issue in its brief and, therefore, it appears that the company has abandoned the issue. However, she stated that:

> it is worth recognizing that Staff cited the Commission's order in Case No. U-20940 for the Commission's finding that actual costs incurred may be included in a subsequent rate case for a review of reasonableness and prudence, and potential recovery. Notably, the Company has filed rate cases on an annual basis for many years and there is no reason to believe that such a practice will not continue. Thus, the Company is at no articulated risk for delay in seeking recovery of actual costs incurred above those forecasted and approved for a project.

PFD, p. 41. The ALJ agreed with the Staff, asserting that DTE Electric failed to present sufficient evidence demonstrating that the Commission should deviate from "its now decade-long stance that contingency should be excluded from rate base," and therefore, the Commission should reject the company's proposal. *Id*.

In exceptions, DTE Electric disagrees with the ALJ's finding that there is "'no articulated risk for delay in seeking recovery of actual costs incurred above those forecasted and approved for a project.'" DTE Electric's exceptions, p. 14 (quoting PFD, p. 41). The company argues that if the company includes the investment in a subsequent rate case, DTE Electric cannot recover the costs incurred between the time the investment was made and the recovery of the investment. The company states, "[t]hus, the regulatory lag associated with disallowance of otherwise reasonable and prudent investments does result in lost recovery." DTE Electric's exceptions, p. 14 (citing 3 Tr 979).

The Attorney General replies, asserting that "[w]hile inclusion of contingency costs is not specifically at issue in this case, as DTE has made no request that they be included, the AG agrees with Staff and the ALJ that the inclusion of contingency costs in a fully projected test year is, as a

general matter, inappropriate and would only serve to drive up costs." Attorney General's replies to exceptions, pp. 9-10. She requests that the Commission adopt the ALJ's findings and recommendation.

The Commission finds that the ALJ's recommendation is reasonable and prudent and should be adopted. As noted by the ALJ, the Commission has repeatedly found that although contingency may be appropriate for project planning, including these uncertain costs in customer rates is unjust and unreasonable. *See*, November 19, 2015 order in Case No. U-17735, pp. 7-11; December 11, 2015 order in Case No. U-17767, pp. 19-20; December 9, 2016 order in Case No. U-17999, pp. 4-6; January 31, 2017 order in Case No. U-18014 (January 31 order), pp. 12-13; March 29, 2018 order in Case No. U-18322, p. 11; April 12, 2018 order in Case No. U-18370, p. 5; September 13, 2018 order in Case No. U-18999, p. 5; May 2 order, p. 6; September 26, 2019 order in Case No. U-20322, p. 41; and December 17, 2020 order in Case No. U-20697, p. 9; December 9, 2021 order in Case No. U-21940, p. 10. The Commission agrees with the ALJ that DTE Electric has not provided sufficient evidence in this case to depart from that determination.

B. Capital Expenditures and Increase in Rate Base

The Attorney General noted that:

> [i]n this general rate case, DTEE has proposed capital expenditures of $2.6 billion for 2024, another $2.6 billion for 2025, and an additional $2.8 billion for 2026. The total proposed capital expenditures over this 36-month period are $8.0 billion. These amounts exclude expenditures under the Infrastructure Recovery Mechanism (IRM), which include an additional $588 million in 2027, $814 million in 2028, and more than $1.0 billion in 2029. These expenditures follow capital expenditures of $5.2 billion made during the prior two years, in 2022 and 2023.

4 Tr 3422 (citing Exhibit A-12, Schedule B5; Exhibit A-33, Schedule X1; and DR AGDE-8.232b). She stated that until 2011, DTE Electric's capital expenditures were below $1 billion annually. However, the Attorney General asserted that in the last 15 years, the company's capital

expenditures have tripled. She noted that in this case, "[t]he Company's proposal in this case would increase rate base by 11%, to $23.6 billion, which is more than double the amount of DTE's rate base just 10 years ago." Attorney General's initial brief, p. 12 (citing 4 Tr 3423). The Attorney General contended that this increase in capital expenditures has negatively impacted customer bills.

The Attorney General noted that there appears to be two motivations behind the company's proposed increases. She stated that:

> [f]irst, there is some necessary replacement of aging infrastructure and new capital spending to address market growth that have required an increase in capital expenditures. While some of the work is necessary and should be performed, DTE's recent requests have included hundreds of millions of dollars in expensive automation projects, digital projects, a dizzying number of pilot projects, information technology projects, and office remodeling, all of which are unrelated or only tangentially related to fundamental infrastructure upgrades and serve mainly to increase rate base and customer costs without providing commensurate customer value.

Attorney General's initial brief, pp. 12-13. Second, the Attorney General argued that, for DTE Electric, "large increases in capital expenditures result in double-digit increases in rate base, which in turn fuels earnings growth, dividend growth[,] and stock price appreciation for shareholders." *Id*., p. 13. She stated that it is important for the Commission to consider these tremendous rate increases and the significant burden these place on customers, especially residential customers.

MNSC expressed similar concerns regarding DTE Electric's proposed capital expenditures. MNSC asserted that "DTE's capital spending has skyrocketed in recent years," and MNSC is "concerned about the impact of DTE's rapidly increasing capital spending on rates over the long term, the associated impact on Michigan's economy generally, and the associated impact on the state's low-income consumers specifically. [MNSC is] also concerned that the capital spending

increases on which DTE is focused will continue to be unsuccessful at improving reliability." 4 Tr 4599-4600.

The ALJ stated that she "acknowledges that the issues raised by the Attorney General and MNAG are of significant concern but nevertheless finds they are best addressed by scrutinizing the Company's proposed investments to ensure that they are reasonable and prudent, including benefits that are demonstrated to exceed the costs, as this [ALJ] endeavors to do. This [ALJ] further notes that affordability issues are addressed in detail below." PFD, pp. 43-44.

In exceptions, DTE Electric contends that the record does not support the Attorney General's and MNSC's concerns. DTE Electric cites statistics that the company claims have been improved by reliability-focused capital and that the company has demonstrated that "its proposed investments will produce benefits that exceed costs." DTE Electric's exceptions, p. 17. Accordingly, the company requests that the Commission disregard the Attorney General's and MNSC's unsubstantiated claims.

The Attorney General replies that:

> [t]he data clearly show that DTE's customers are not receiving reliability improvements anywhere near commensurate with the significant outlay of capital costs they are paying in rates. In addition, as laid out by [Attorney General witness] Mr. Alvarez and as pointed to by the ALJ, DTE's rapidly growing rate base is best thought of as an outstanding liability that customers must repay – in other words, artificial depression of rates right now, at the expense of future customers.

Attorney General's replies to exceptions, p. 11 (citing Figure 2 at 5 Tr 4603). She asserts that the ALJ's findings are well-supported and that "the Commission should rely upon [the ALJ's] discussion and context to guide its decision-making and reject DTE's general exception to the contrary." Attorney General's replies to exceptions, pp. 11-12.

The Commission agrees with the ALJ that the Attorney General's and MNSC's concerns are best addressed by carefully reviewing DTE Electric's proposed expenditures, as detailed more fully below.

C. Production Plant (non-nuclear)

1. Trenton Channel Seawall and Greenway

DTE Electric explained that, in 2023, the company spent $51.5 million for decommissioning efforts at the Trenton Channel Power Plant, which "included awarding the demolition contract, initiation of asbestos abatement and environmental clean-up. Equipment removal in plant outbuildings along with their demolition and the plant's electrical isolation was initiated. Electrical isolation of the plant was completed, and the plant reached a cold, dark, and dry state." 3 Tr 579. The company stated that, in 2024, it spent $36.5 million "to complete asbestos abatement, remove equipment inside the plant, and demolish stacks and the main turbine house. The stacks were demolished in May 2024 and the main turbine house was demolished in June 2024. The Company also began final site grading and soil remediation activities." 3 Tr 579. DTE Electric asserted that, for 2025, the company projects that $7.5 million will "be spent to conclude soil remediation and final site grading. Performing these activities in the second quarter of 2025 will complete the decommissioning process." 3 Tr 579. The ALJ noted that these expenditures do not appear to be contested. *See*, PFD, p. 45.

Regarding the Trenton Channel sea wall and greenway, DTE Electric explained that the purpose of the project is "to restore the integrity of the seawall at the Trenton Channel Power Plant and to install a pedestrian greenway path along the Detroit River while also meeting the permitting requirements of the US Army Corps of Engineers, Michigan EGLE [Department of Environment, Great Lakes, and Energy], and the City of Trenton," which "includes removal of deteriorated sheet

piles, maintenance of existing piles and installation of new piles along the Detroit River and Slocum Canal shorelines." 3 Tr 579-580. The company stated that from 2023 to 2025, DTE Electric has spent $900,000 to begin the engineering process for the design of the seawall, natural shoreline, and greenway path. DTE Electric proposed to spend $514,000 in the bridge period and $9.5 million for the test year "to complete engineering, design, and construction of the seawall for the riverfront and canal and complete engineering and design of the greenway path." 3 Tr 580; *see also*, DTE Electric's initial brief, p. 35.

ABATE objected to the inclusion of the projected Trenton sea wall and greenway expenditures, asserting that "[t]he Appropriation Request document provided by DTE is for $1.1 million in 2022 and 2023 and does not support the level of expenditures shown in the Company's Exhibit A-12, Schedule B5.1." 4 Tr 3254. ABATE noted that in the January 23 order, the Commission disallowed the company's request for $9.5 million for this same project because DTE Electric had not received additional internal review and approval for the project. ABATE contended that:

> [t]he Company has provided no indication in its testimony that it has received additional internal review and approval for amounts beyond the $1.1 million that was approved in the last case. Further, the Company provided actual capital spending by the project through May 2025 in response to discovery request ABDE-1.15. This response shows capital spending of negative $285,000 in January through May 2025. Thus, the Company has not demonstrated that this proposed investment is likely to be made during the bridge period or projected test year and thus has not demonstrated that the investment is truly reasonable, prudent, and worthy of recovery, in accordance with the Commission's Order in Case No. U-21534.

4 Tr 3255 (citing Exhibit AB-7, pp. 25-31); *see also*, ABATE's initial brief, p. 10. Because the company has failed to provide evidence that it complied with the Commission's directive in the January 23 order, ABATE requested that the Commission reject the proposed expenditures for the project.

The Attorney General noted that, according to Exhibit A-12, Schedule B5.1, line 25, "[t]he forecasted cost for the seawall project is $4.8 million for 2026 and the greenway path is $7.2 million, with $4.6 million planned for 2026 and the remainder in 2027." 4 Tr 3458. In addition, she noted that according to a discovery response, the company states that the greenway path is still in the design phase and the seawall project has not yet received internal approval. *See*, 4 Tr 3458 (citing Exhibit AG-10); *see also*, Attorney General's initial brief, pp. 48-50; Attorney General's reply brief, p. 16. Therefore, the Attorney General asserted that because the "projects are still in the preliminary phase of development," it is "premature to include in rate base" and the expenditures should be rejected. 4 Tr 3458.

DTE Electric disagreed with ABATE and the Attorney General, stating that Exhibit AB-8:

> shows a signed appropriation request for $1.1 million for the Trenton Channel Seawall project. This funding supports the design and engineering of the project components. Spend through May 2025 totals $0.9 million, approaching the appropriated amount for design and engineering. An appropriation request that includes the full project budget will be executed once the design and engineering are complete.

3 Tr 709. The company requested that the Commission reject ABATE's and the Attorney General's proposed disallowance for the Trenton Channel seawall and greenway project because it is required through its agreement with the City of Trenton to restore sections of the seawall to ensure environmental and pedestrian safety and "there is no reason to expect that the Trenton Channel Seawall project will not be completed." DTE Electric's reply brief, p. 36.

The ALJ noted that:

> [t]he $1.1 million expenditure request in this case appears to match the $1.1 million that ABATE notes was approved in Case No. U-21534. In that case, the Commission specifically concluded that, even for a project that "is likely to be carried out at some point," the projection had to be both objectively reasonable and likely to be carried out during the test year to be considered reasonable and prudent. Based on this rationale, the Commission allowed recovery of the $1.1 million that

> had already received Company appropriations approval, but disallowed the remaining $9.8 million that had been projected for the 2025 test year.

PFD, p. 49 (citing ABATE's initial brief, pp. 10-11 and January 23 order, pp. 51-53). The ALJ stated that because of the agreement between DTE Electric and the City of Trenton, this project must be completed at some point in the future. Therefore, she found it reasonable to recommend approval of the $514,000 the company requested for the bridge period. However, the ALJ asserted that DTE Electric "has not provided the documentation of progress required by the Commission in [Case No.] U-21534 for approval of the remaining $9.456 million." PFD, p. 49. Accordingly, the ALJ recommended that the Commission disallow the company's proposed $9.5 million capital expenditure for the Trenton Channel sea wall and greenway project for the test year.

DTE Electric excepts, arguing that it "provided competent, material, and substantial evidence" supporting the recovery of the proposed expenditures and that the ALJ "gives no record-based reason to conclude that the planned 2026 test-year expenditures are not likely to be incurred during the projected test period." DTE Electric's exceptions, p. 18. The company reiterates testimony explaining the expenditures for the project and restates that the project is necessary and will be completed during the projected test year. *See*, *id*., p. 19. DTE Electric requests that the Commission decline to adopt the ALJ's recommendation.

In reply, ABATE notes that in the January 23 order, the Commission stated that DTE Electric could seek recovery of additional amounts beyond the $1.1 million approved for this project if the amounts were supported and had received additional internal review and approval. ABATE contends that, according to the company, "'[a]n appropriation request that includes the full project budget will be executed once the design and engineering are complete,' essentially acknowledges that it did not meet the Commission's direction. As such, further cost recovery is unreasonable at this time." ABATE's replies to exceptions, p. 2 (quoting 3 Tr 709). In addition, ABATE argues

that DTE Electric shows a capital spending of negative $285,000 for January through May 2025. Accordingly, ABATE asserts that the company has not demonstrated that the spending is likely to occur during the bridge period or test year and failed to show that internal review and approval had occurred for additional expenditures for the project. Therefore, ABATE requests that the Commission adopt the ALJ's recommendation.

The Attorney General also replies to DTE Electric, asserting that "[t]he ALJ's analysis in this section is thorough and her conclusions identifying the speculative and unsupported nature of DTE's cost projections are completely supported." Attorney General's replies to exceptions, p. 12. She requests that the Commission adopt the ALJ's recommendation.

The Commission finds that the ALJ's recommendation should be adopted. The Commission agrees with ABATE and the Attorney General that the projected $9.5 million for 2026 is not likely to be spent during the bridge period or test year. DTE Electric acknowledges that the project is still in the design phase and is not expected to be complete until 2027. *See*, Exhibit AG-10, p. 1; 3 Tr 708. In addition, DTE Electric states that "[a]n appropriation request that includes the full project budget will be executed once the design and engineering are complete." 3 Tr 709. This indicates to the Commission that the project still does not have internal approval for the significant projected costs post-design phase. Additionally, on page 27 of Exhibit AB-7, it shows a negative $285,000 spending for the Trenton Seawall project from January through May 2025. Therefore, the Commission finds that the company failed to support the proposed $9.5 million request for the test year. However, the Commission agrees with the ALJ that DTE Electric's request for $514,000 for the bridge period is "reasonable to allow planning and engineering to continue." PFD, p. 49; *see also*, Exhibit A-12, Schedule B5.1, p. 2.

2. Monroe Fly Ash Basin Closure

DTE Electric noted that in 2015, the U.S. Environmental Protection Agency promulgated a Steam Electric Effluent Limitation Guidelines rule that "require[s] all liquid discharges to the environment from fly ash transport systems to cease by December 31, 2023." 3 Tr 565. Accordingly, the company asserted, it was required to convert from a wet fly ash handling system to a dry system at the Monroe Power Plant (MPP). The company explained that:

> [c]onversion to a dry fly ash handling system required installation of new equipment to pneumatically transport ash from each generating unit's precipitator to new storage silos. The project included installation of transport piping from the unit precipitator hoppers to the local unit silos and installation of transport piping from the local unit silos to two central storage silos. Blowers were installed to convey the fly ash to the respective ash silos.

3 Tr 565; *see also*, 3 Tr 1628. DTE Electric stated that in 2023, $14.4 million was spent to continue bottom ash removal and transportation, and, in 2024, $9.4 million was spent to complete the bottom ash removal and transportation. *See*, 3 Tr 572. The company asserted that, for the bridge period, $700,000 will "be spent for final project closeout activities including closure certification." 5 Tr 572.

Finally, DTE Electric explained that the MPP fly ash basin:

> will be closed in place by dewatering the pond, grading the existing fly ash, and installing an impervious synthetic membrane cover. The existing fly ash basin utilizes a 400-acre pond with water depths up to 40 feet to contain approximately 28 million cubic yards of fly ash. In accordance with the Company's 2022 IRP [integrated resource plan] Order, and as discussed in further detail in Company Witness Uzenski's direct testimony, recovery of Monroe Power Plant investments for this project made after January 1, 2025 will be through a regulatory asset . . . .

3 Tr 572-573 (citing Exhibit A-12, Schedule B5.1, pp. 2-9); *see also*, 3 Tr 1629. According to the company, $3.8 million was spent for engineering and design in 2023, and $4.8 million was spent in 2024 for continued engineering and design and development of a request for proposal (RFP) to perform the basin closure. *See*, 3 Tr 573. In addition, DTE Electric projected that $13.9 million

will need to be spent in 2025 "to award the ash basin closure construction contract and begin project construction, establish a trailer and staging area, begin procurement of a basin liner cap, and complete permit procurement." 3 Tr 574. Moreover, the company projected $107.8 million in MPP fly ash basin expenditures for the test year, asserting that the expenditures are necessary "for on-site activities including dewatering the 410-acre pond, mass grading, material delivery, and liner cap and synthetic turf installation." 3 Tr 574. DTE Electric stated that it expects complete closure of the MPP fly ash basin by December 28, 2028, to comply with federal regulations.

The Attorney General noted that she requested from the company additional details about the capital spending for this project for 2023 through 2026. She stated that:

> [i]n response, the Company identified certain specific costs for each year with what appear to be "ballpark" cost estimates for Labor ($102 million), Dewatering ($58 million), and Earth Moving ($43.6 million). The Company also provided an October 2023 version of the basin closure plan that shows wide ranges of dates for major tasks to be completed spanning from 2024 to 2028 and completion in the second quarter of 2029.

4 Tr 3454. In addition, the Attorney General noted that in response to the Staff's discovery response, DTE Electric stated that it had not yet obtained approval from the company's board of directors for the capital expenditures for this project, but that approval was expected in fall 2025. *See*, 4 Tr 3454-3455 (citing Exhibit AG-7). Moreover, the Attorney General asserted that she sent an additional discovery request to the company and that DTE Electric responded that "[t]he RFP evaluation for the construction management firms to perform the basin closure is currently in progress and the final service provider has not been selected." Exhibit AG-7, p. 8. In the Attorney General's opinion, it appears that the company is still finalizing implementation of the project and, although DTE Electric may begin work in 2025 and continue work into 2026, "it is premature to include 100% of the 2026 capital expenditures in the regulatory asset account and in rate base in this rate case. Given the status of the project, it is unlikely that the Company will spend the entire

forecasted $107,809,000 in 2026." 4 Tr 3455; *see also*, Attorney General's initial brief, pp. 45-46; Attorney General's reply brief, p. 15. Therefore, she recommended that the Commission remove half of the projected expenditures for 2026, or $53.88 million, from the regulatory asset account. *See*, 4 Tr 3455-3456; Attorney General's initial brief, p. 46; Attorney General's reply brief, p. 15.

In reply, DTE Electric contended that the MPP fly ash basin project is required to be completed pursuant to federal and state regulations and that, due to the scale of work required, the full projected amount of expenditures should be included in the test year. The company stated that "[m]anagement has approved funds to proceed with the work as scheduled, additional formal funding approvals will be gained in the ordinary course to complete the required environmental rule-based work as the implementation plan is finalized, and contractors will be selected to perform the work." 3 Tr 708; *see also*, DTE Electric's initial brief, p. 35. DTE Electric requested that the Commission reject the Attorney General's recommended disallowance.

The ALJ agreed with the Attorney General that "[w]ithout the selection of a contractor, and without the bulk of the necessary approvals for project spending, this [ALJ] agrees with the Attorney General that it is unlikely that the Company will spend the bulk of the projected $107.8 million in 2026." PFD, p. 53. Accordingly, she recommended that the Commission adopt the Attorney General's proposed disallowance of $53.88 million for the test year.

In exceptions, DTE Electric objects to the ALJ's recommendation, asserting that "closure of the Monroe Fly Ash Basin is a mandatory environmental compliance project, required 'to comply with federal and state environmental regulations.'" DTE Electric's exceptions, p. 20 (quoting 3 Tr 707). The company reiterates that it spent $3.8 million in 2023 and $4.8 million in 2024 to engineer and design the closure of the MPP fly ash basin. DTE Electric also restates that $13.9 million will be needed in 2025 and $107.8 million in 2026 to complete closure of the fly ash

basin and "that management has already approved funds to proceed with the work as scheduled." DTE Electric's exceptions, p. 21. In the company's opinion, there is no evidence on the record demonstrating that the project is unnecessary or unlikely to proceed on schedule. Accordingly, DTE Electric requests that the Commission decline to adopt the ALJ's recommendation.

The Attorney General replies to DTE Electric stating that "[n]either the ALJ nor the AG discounted the necessity of this project or ignored DTE's planned schedule. Rather, they correctly pointed out that DTE has not even selected a contractor, does not have requisite internal approvals, and admits that the project timeline already extends beyond the test year, before it has even started in earnest." Attorney General's replies to exceptions, p. 14 (citing 4 Tr 3454-3455; Exhibit AG-7). Accordingly, she reiterates that it is premature to approve the expenditures for the project in its entirety. The Attorney General requests that the Commission approve the ALJ's recommendation.

The Commission finds the ALJ's recommendation to be reasonable and prudent and that it should be adopted. In response to the Attorney General's discovery request, DTE Electric stated that "[t]he RFP evaluation for the construction management firms to perform the basin closure is currently in progress and the final service provider has not been selected." Exhibit AG-7, p. 8. And, although the company stated that management has approved the funds to proceed with the work as scheduled, DTE Electric noted in discovery that its Board of Directors had yet to provide full authorization for the expenditures for the MPP fly ash basin closure—this approval was expected in Fall 2025. *See*, Exhibit AG-7, p. 9. The Commission recognizes that this is a mandatory environmental compliance project and acknowledges the need to complete the project. However, given that the company has yet "to award the closure contract and mobilize construction" and has not demonstrated that the bulk of the work will be completed in the test year, the Commission finds the Attorney General's recommendation to remove half of the

proposed $107.81 million from the regulatory asset account to be reasonable and that it should be adopted.

3. Trenton Channel Battery Energy Storage System

DTE Electric stated that for the Trenton Channel Battery Energy Storage System (BESS) project, $5.3 million was spent in 2023 "to bid equipment and award a contract, and procure long lead materials (i.e., electrical breakers and transformer)" and "$103.0 million was spent to take delivery of major electrical equipment and begin site preparation and construction in the fourth quarter of 2024." 3 Tr 586. The company projected that for the bridge period, $260 million will be spent on batteries and electrical collection equipment and to complete construction of the substation and BESS electrical switchyard. For the test year, DTE Electric projected $41.4 million "to be spent on final payments, commissioning, performance testing, and capacity testing for the entire site." 3 Tr 586.

The Attorney General objected to the company's projected capital expenditures for the bridge period and test year. She noted that in discovery, DTE Electric:

> reported that the total spending forecasted in the rate case filing had changed. Where previously the total cost of the project was forecasted at $409.7 million, the revised cost is now $378.5 million, or $31.2 million less. Specifically, for 2025 the forecasted capital expenditures are now $74,311,000, or $185,778,000 lower than the $260,089,000 previously forecasted. For 2026, the new forecast is $195,175,000 instead of $41,350,000, or $153,825,000 higher.

4 Tr 3456 (citing Exhibit AG-8). Furthermore, the Attorney General stated that in response to additional discovery requests, the company noted that it was required to enter into a new contract with a new battery supplier and that it had finalized the BESS equipment contract but still needed to finalize three supporting contracts, which total $33.48 million.

She argued that "[g]iven the major changes that have occurred with this project with the involvement of a new supplier, the multiple parties involved, and the still experimental nature of

the technology, it is likely that further delays in the implementation and the timing of capital expenditures will occur." 4 Tr 3457. Thus, the Attorney General recommended that the Commission approve a disallowance of $185.78 million from 2025 capital expenditures and an increase of $120.35 million for the test year, which results in a revised 2026 forecast of $153.83 million. *See*, 4 Tr 3457. In addition, she requested that the Commission approve a $33.48 million disallowance due to uncertainty associated with the project. *See*, 4 Tr 3457.

The Staff also noted that, according to DTE Electric, the contracted battery supplier for this project filed for bankruptcy on June 9, 2025. The Staff also noted that the company executed a new battery supply agreement on August 4, 2025, that sets the commercial operation date (COD) as December 2026 and reduced the overall project costs from $409.6 million to $378.5 million. *See*, 5 Tr 5041. The Staff stated that it "recommend[ed] the Company provide all of the revenue deficiency impacts in rebuttal, so parties and the Commission may understand how this update in costs would impact the Company's requested relief." 5 Tr 5041.

In rebuttal, DTE Electric agreed that as a result of the revised project forecast for the Trenton Channel BESS project, the Attorney General's recommended disallowance of $31.2 million is reasonable. *See*, 3 Tr 696. However, the company objected to the Attorney General's proposed $33.5 million disallowance for contracts that are not yet final. DTE Electric asserted that:

> the remaining work that has not yet been contracted includes the continuation of engineering and construction services [redacted] continuation of owners engineering services [redacted] and costs associated with test energy for commissioning the project ([$]0.51 million). Of the $33.5 million [Attorney General] Witness Coppola proposes for disallowance, [redacted] is related to the continuation of engineering and construction services. The Company is currently in active discussions with the vendor for these services . . . .

3 Tr 697; *see also*, DTE Electric's initial brief, pp. 32-34. The company contended that this work is required to complete the project, which will be placed in service in 2026. 3 Tr 697, 1607.

In response, the Attorney General maintained that it is unreasonable for DTE Electric to recover the $33.5 million in expenditures for contracts that have not been finalized. She stated that "[a] more reasonable course of action is to disallow costs at this time and instruct DTE that it can come back for recovery of costs when it has a more firm grasp on what it will actually need. That way, DTE can present a more finalized design, have a fuller understanding of site configuration, and a fuller understanding of the schedule." Attorney General's initial brief, p. 48; *see also*, Attorney General's reply brief, pp. 13-15. Therefore, the Attorney General requested that the Commission approve her requested $33.5 million disallowance.

The Staff stated that after reviewing the rate deficiency impacts provided by DTE Electric in rebuttal, the Staff agreed with the company that the new final battery supply contract will "reduc[e] the expected rate impact of this project by $2.7 million compared to previous cost estimates." Staff's initial brief, p. 13. The Staff disagreed with the Attorney General's recommendation to disallow $33.5 million associated with three yet-to-be finalized contracts. The Staff asserted that DTE Electric provided persuasive rebuttal testimony that:

> all other contracts for work for the project have been completed, and only approximately $0.5 million of this recommended disallowance is for new contracted work, for test energy for commissioning. Given the significant developments that have occurred, and the specificity of the currently unsigned work as provided in the Company's rebuttal, the Company has shown that the $33.48 million for unsigned contractual work is reasonable.

Id., p. 14 (citing 3 Tr 698). Thus, the Staff recommended that the Commission reject the Attorney General's proposed $33.5 million disallowance.

The ALJ stated that the parties seem to agree that, following the execution of a new battery supply contract, DTE Electric's forecasted capital expenditures for this project have been reduced. Accordingly, she recommended that the Commission adopt the $31.2 million disallowance set forth in Exhibit S-11.3. In addition, she "recommend[ed] a downward adjustment, based on [DTE

Electric witness] Ms. Guillaumin's confidential rebuttal testimony and DTE's confidential brief, that should be incorporated into the final revenue requirement." PFD, p. 59 (citing DTE Electric's confidential brief, p. 33).

In exceptions, the Attorney General asserts that it appears that the ALJ failed to address the Attorney General's proposed $33.5 million disallowance for capital expenditures related to yet-to-be finalized contracts for this project. She states that:

> [t]o the extent that the ALJ's silence is interpreted by the Commission as a recommended rejection, the [Attorney General] takes exception here and argues that the Commission should disallow the entire $64.7 million in Trenton Channel BESS costs identified by the [Attorney General] ($31.2 million + $33.48 million), plus the additional amount identified by the ALJ and in the [Attorney General]'s reply brief.

Attorney General's exceptions, pp. 4-5.

DTE Electric replies, asserting that the Attorney General's exceptions "recommending disallowance disregards the competent, material and substantial evidence in the record supporting recovery of the Trenton BESS project costs, as agreed to between the Company and Staff." DTE Electric's replies to exceptions, p. 2 (citing the PFD, p. 59). The company reiterates the arguments set forth in testimony and briefing and contends that recovery of these expenditures in this case is well supported and not premature.

The Commission finds the ALJ's recommendation to be reasonable and prudent and that it should be adopted. As noted by the ALJ, the parties agree that DTE Electric's agreement with a new battery supplier reduced the overall project costs by $31.2 million. *See*, DTE Electric's initial brief, p. 33; Staff's initial brief, pp. 12-14; Attorney General's initial brief, p. 47. Accordingly, the Commission finds that the company's forecasted capital expenditures should be reduced by $31.2 million. In addition, the Commission adopts DTE Electric's downward adjustment as set forth in the company's confidential rebuttal testimony and confidential brief.

The Commission agrees with the Attorney General that it appears that the ALJ did not address her proposed $33.5 million disallowance for capital expenditures related to yet-to-be finalized contracts for this project. The Commission finds persuasive DTE Electric's testimony that "the work is related to the continuation of engineering, construction, and owners engineering services, as well as test energy for commissioning the project, and is clearly required to complete the project," and that the project is expected to be placed in service during the test year. DTE Electric's initial brief, p. 34 (citing 3 Tr 697-698). The Staff agreed, stating that "[a]s identified by the Company, all other contracts for work for the project have been completed, and only approximately $0.5 million of this recommended disallowance is for new contracted work, for test energy for commissioning." Staff's initial brief, p. 14 (citing 3 Tr 698). Thus, the Commission finds that DTE Electric has demonstrated that the $33.5 million proposed to complete the project in the test year is reasonable and should be approved.

4. Slocum Battery Energy Storage System

DTE Electric stated that "the five Slocum peakers (14 MW [megawatts] in total) were retired in 2023 to facilitate the construction of the new Slocum" BESS, which has a rating of 14 MW and "will store excess energy that is generated on the grid during off-peak hours. This energy will then be available for dispatch during higher-priced peak hours." 3 Tr 545, 585.

The company asserted that the Slocum BESS is projected to be completed and in commercial operation by 2025. DTE Electric noted that it spent $10.1 million in 2023 "to finish engineering, continue the procurement of materials, complete the construction bid package, issue an RFP, and award the construction contract. Additionally, the existing diesel peakers and their supporting equipment were decommissioned and removed from the site." 3 Tr 585. Moreover, DTE Electric

asserted that it spent $26.3 million to complete the BESS installation. According to the company, it will need to spend $700,000 for final project closeout costs.

The Attorney General stated that, in discovery, DTE Electric "provided a table that shows the total actual project cost was $10.4 million higher than the initial cost estimate. Of the $10.4 million higher cost, $6 million is attributed to higher prices of Lithium [sic] used in the batteries, $2.7 million to higher labor costs, $0.9 million additional engineering and design, and $1.4 million in higher overheads." 4 Tr 3459. She asserted that the cost of the Slocum BESS is 30% higher than projected and, as a result, the company had a responsibility to mitigate cost increases or abandon the project if it became cost prohibitive. In addition, the Attorney General contended that DTE Electric failed to conduct a benefit/cost analysis (BCA) and, instead, "claim[ed] only that the project provided several unquantified benefits. 4 Tr 3460. Accordingly, she recommended that the Commission disallow 50% of the cost overruns, which would be $4.35 million for 2024 and $655,00 for 2025. The Attorney General argued that "[t]he 50% disallowance fairly splits the impact of the cost overruns with customers and provides a clear line of cost accountability for the Company." 4 Tr 3460.

DTE Electric responded that, in Case No. U-21534, the company explained the Slocum BESS project costs were expected to increase because of increased costs for lithium and construction bids. In addition, the company stated that it "provided additional information during discovery related to project cost increases discussed in that case, some of which Staff included as Exhibit S-10.3 in Case No. U-21534." 3 Tr 704. DTE Electric noted that the Commission approved the full project costs in the January 23 order, with the exception of $2 million for uncertain overhead costs. Furthermore, the company noted that the BCA for this project was discussed in Case No. U-20836, and in Case No. U-21297, the Commission declined to adopt the

Attorney General's proposed full disallowance for this project, wherein she claimed that the company had failed to sufficiently complete a BCA. Therefore, DTE Electric asserted that the Commission should reject the Attorney General's proposed disallowance in this case because it "fails to consider information presented and decided in previous rate cases." 3 Tr 706.

The Attorney General disagreed, stating that "[s]imply because DTE 'updates' project costs as it goes along, to alert the Commission and others to overruns, does not mean that those costs should be recovered from customers." Attorney General's initial brief, p. 50. She contended that in discovery requests, DTE Electric stated that to reduce costs, it bid out the major components of the project. In the Attorney General's opinion, "[r]equesting bids for the project is not a corrective action to rein in cost overruns. It is only one of the initial steps prior to starting construction. Therefore, it is apparent that faced with cost overruns, the Company took no corrective steps to reduce or avoid cost increases." *Id*., p. 51.

In response, DTE Electric reiterated its description of the project and expenditures and restated that the costs of the project were approved by the Commission in the January 23 order. *See*, DTE Electric's initial brief, pp. 31-32; DTE Electric's reply brief, p. 16. Additionally, the company asserted that the Attorney General "fails to demonstrate that any costs incurred to complete the BESS project were unreasonable or imprudently incurred." *Id*., p. 32; *see also*, DTE Electric's reply brief, pp. 16-17. The company requested that the Commission should reject the Attorney General's recommended disallowance.

The Attorney General argued that "[t]his project has been discussed now in numerous rate cases, with costs continuing to rise in each subsequent case." Attorney General's reply brief, p. 12. She stated that DTE Electric should be held accountable for excessive cost overruns otherwise there is no incentive for the company to control costs on future projects.

The ALJ found that DTE Electric provided a reasonable explanation for the Slocum BESS and the associated expenditures. She stated that "[t]he $26.3 million spent in 2024, and the projected $0.7 million requested for project completion costs for 2025, are facially reasonable. And DTE is correct in arguing that no party has provided a factual or legal basis for disallowing project expenses previously approved by the Commission." PFD, pp. 62-63. Therefore, the ALJ recommended that the Commission approve DTE Electric's projected test year expenditures for this project.

The Attorney General excepts, asserting that the ALJ failed to provide any discussion about why the expenditures for the project are "facially reasonable." Attorney General's exceptions, p. 6 (quoting the PFD, p. 62). In the Attorney General's opinion, she provided a clear explanation about history of the project, the cost overruns, the lack of a BCA, and the company's failure to control costs. In addition, she contends that the "facially reasonable" standard cited by the ALJ is not a standard by which the Commission can approve recovery. *Id*. Rather, the Attorney General asserts that "[a]ll of DTE's requests must be considered in the context of what is being requested and for what purpose." *Id*., p. 7. She requests that the Commission adopt her proposed 50% disallowance.

In reply, DTE Electric asserts that the Attorney General:

> fail[s] to engage with the record explaining the cost drivers or the project's timely placement in service and operational purpose. The Company identified the specific causes of the variance—lithium market conditions and realized construction bids—and the PFD appropriately weighed that evidence, finding no factual or legal basis to disallow prudent, project-completion spending even though final costs exceeded early estimates.

DTE Electric's replies to exceptions, pp. 4-5. Accordingly, the company requests that the Commission adopt the ALJ's recommendation.

The Commission finds the ALJ's recommendation to be reasonable and prudent and that it should be adopted. DTE Electric testified that the Slocum BESS was completed and began commercial operation in 2025. *See*, 3 Tr 585. In addition, as noted by DTE Electric, in the January 23 order, the Commission approved the full project costs for this case with the exception of $2 million related to uncertainty for overhead. The company also stated that contrary to the Attorney General's claims, DTE Electric performed a BCA for this pilot in Case No. U-20836 and noted that the Staff found it "would provide a value to the ratepayers in multiple ways." 3 Tr 705 (quoting 2 Tr 5317 in Case No. U-20836).

Although the Attorney General claims that the project cost overruns of 30% above original projections are "a tremendous variance from DTE's projections that should be held against the Company," the Commission finds compelling DTE Electric's explanation that the bridge year expenditures were incurred "for final project closeout costs" and that the cost increases, compared to the original forecast, are attributable to an increase in lithium costs and final construction bids. Attorney General's initial brief, p. 50; 3 Tr 585; *see also*, 3 Tr 704-706. Accordingly, the Commission declines to adopt the Attorney General's proposed disallowance and finds that DTE Electric's requested $700,000 for final project closeout costs should be approved.

5. Blue Water Energy Center Kiewit Final Payment

DTE Electric explained that the Blue Water Energy Center (BWEC) is a 1,127 MW baseload combined-cycle gas turbine generating plant that became commercially operational in June 2022. *See*, DTE Electric's initial brief, pp. 36-37. The company stated that in 2023, it "recorded a net credit to the project in the amount of $4.6 million, primarily driven by a $1.4 million credit for a refund from ITC that was higher than anticipated due to an interest rebate and a $3.2 million credit for a Canadian tax refund on natural gas purchased to support startup testing." 3 Tr 581. In

addition, DTE Electric noted that in 2024, it spent $300,000 for project closeout activities and projected spending $6 million in 2025 for the final payment to Kiewit, the company responsible for constructing BWEC. According to the company, it "currently forecasts total project capital expenditures of $946.8 million, which is below the $951.8 million approved by the Commission in the April 27, 2018 Order in Case No. U-18419 [(April 27 order)]." 3 Tr 581; *see also*, DTE Electric's initial brief, p. 37.

The Attorney General objected to the company's projected expenditures, asserting that DTE Electric failed to explain "why additional payments were being made to Kiewit given the various construction quality problems uncovered after completion of the plant." 4 Tr 3461. She stated that DTE Electric is proposing more than $84 million in capital expenditures to repair, upgrade and overhaul transformers, water pumps, heaters and controls, steam turbine valves, and turbine hot gas paths only three to four years after the plant went into commercial operation. *See*, Attorney General's initial brief, pp. 52-53. The Attorney General asserted that "[i]t is apparent that the Company is not holding Kiewit accountable for poor performance and is rewarding the contractor with additional payments at the expense of customers who are asked to foot the bill. The Company has not adequately addressed in this case the construction deficiencies and the need to undertake additional capital expenditures." 4 Tr 3461; *see also*, Attorney General's initial brief, p. 53. Therefore, she requested that the Commission disallow the $6 million for the final payment to Kiewit and "direct the Company to fully document and justify in the next rate case why there is a need to undertake large capital expenditures in 2025 and 2026 for a plant that went operational less than four years ago." 4 Tr 3462.

DTE Electric responded that the final payment to Kiewit is contractually required. The company also stated that "[p]unchlist item resolution and certain equipment modifications to

optimize performance and reliability, which are the final steps associated with contractual project completion, are completely consistent with ordinary commercial experience." 3 Tr 702-703; *see also*, DTE Electric's initial brief, p. 37. Regarding the Attorney General's request that the company fully document and justify all large expenditures for BWEC in DTE Electric's next rate case, the company contended that it is already doing this. DTE Electric asserted that the Commission should approve its proposed expenditures for the final payment to Kiewit, stating that "BWEC is fully operational and was commissioned consistent with ordinary commercial experience and the final payment is appropriate." 3 Tr 703.

The Attorney General objected to the company's argument that the costs for this project were less than what the Commission approved in the April 27 order. She stated that "simply because costs come in below a prior projection does not make those expenditures reasonable and prudent. DTE still has the burden of showing that its actions and decisions were reasonable." Attorney General's reply brief, p. 17. The Attorney General reiterated her concerns about the $84 million in needed repairs for a facility that has been in operation for less than three years.

The ALJ acknowledged the Attorney General's concerns but found that the $6 million final payment to Kiewit is not unreasonable. However, she stated that:

> while the information provided in the ordinary course of the average rate case is generally sufficient to establish the reasonableness of expenses, given the close call in this case regarding some of the BWEC expenditures, while it is still a new plant, the Company should pay particular attention to mproviding [sic] the justification for any extraordinary expenses sought for the BWEC going forward.

PFD, p. 66.

In exceptions, the Attorney General disagrees with the ALJ that the payment to Kiewit is reasonable. She asserted that "having customers pay this additional amount to Kiewit is not reasonable, given the myriad ongoing problems with the site, which include poor performance of

the contractor, the evident construction deficiencies that necessitated additional work and capital expenditures, and ongoing litigation in related power supply cost recovery cases." Attorney General's exceptions, p. 8. The Attorney General disputes the company's characterization of the expenditure as "contractually required," arguing that "[i]t was DTE's responsibility to properly structure its contracts so as to protect itself and its customers from shoddy workmanship and excessive repair/upgrade costs on a brand new plant." *Id*., pp. 8-9. Accordingly, she requests that the Commission adopt her proposed $6 million disallowance for the final payment to Kiewit for BWEC.

DTE Electric replies, arguing that the Attorney General did not persuasively rebut the company's evidence that "the final payment to Kiewit is contractually required to complete the project, and that resolving punch list items and equipment modifications to maximize performance and reliability are part of normal project completion." DTE Electric's replies to exceptions, p. 6 (citing 3 Tr 702-703). Therefore, the company requests that the Commission adopt the ALJ's recommendation.

The Commission finds the ALJ's recommendation to be reasonable and prudent and that it should be adopted. DTE Electric testifies that "BWEC is fully operational and was commissioned consistent with ordinary commercial experience and the final payment is appropriate. 3 Tr 703. Although the Attorney General contends that the company is not holding Kiewit accountable for poor performance and work quality problems at BWEC, DTE Electric responds that the final $6 million payment is contractually required and is related to "[p]unchlist item resolution and certain equipment modifications to optimize performance and reliability, which are the final steps associated with contractual project completion, are completely consistent with ordinary

commercial experience." 3 Tr 703. The Commission finds the company's explanation of the $6 million expenditure persuasive and that it should be approved.

6. Routine Projects

The Attorney General requested that the Commission disallow a total of $63.7 million for five projects she claims are in the preliminary development phase and, therefore, have been prematurely included in rate base by the company. *See*, Exhibit AG-12, p. 1. She explained that "[i]n discovery, the Attorney General asked the Company to provide the current phase of development and the completion or in service date for each project of $3.0 million or greater forecast for 2025 and 2026." 4 Tr 3462. Regarding the projects listed by DTE Electric that are $3 million or greater, the Attorney General noted that most of them were forecasted using expected bid estimates or the company's own budget estimates. She stated that "it is apparent that projects with costs developed through budget estimates are still very preliminary and in the early phase of development with no project design yet completed." 4 Tr 3463.

DTE Electric disagreed, asserting that "[t]he five projects [Attorney General] Witness Coppola recommends for exclusion have full internal approval, a defined scope, and cost estimates based on actual costs from similar projects completed in the recent past or based on vendor proposals for the specific project." 3 Tr 700 (citing Exhibit A-54, Schedule UU5). In addition, the company provided an explanation for the five projects and contended that most of the projects have negotiated contracts, materials have been ordered and are in stock, and are on schedule to meet the planned project timelines. *See*, 3 Tr 700-701.

In response, the Attorney General asserted that DTE Electric's explanation of the projects provided "zero citations" and that the company is simply arguing that because these projects are similar to other completed projects, DTE Electric can appropriately estimate the costs. Attorney

General's initial brief, p. 54. She stated that the company "admits in rebuttal that all [it] provided in direct testimony *and* in response to discovery was [a] high level definition that did not cover work that has been completed should be disqualifying for these costs." *Id*. (emphasis in original). The Attorney General contended that DTE Electric failed to demonstrate that these projects are sufficiently developed to be included in rate base and, therefore, should be excluded from recovery in this case.

DTE Electric argued that it explained, in detail, each of the five projects in its initial brief. *See*, DTE Electric's reply brief, p. 23. In addition, the company asserted that the Attorney General:

> mischaracterizes the Company's response to AGDE-12.345 (Exhibit AG-74, p. 1) as "confirm[ing] that the Company failed to provide full information." This assertion is incorrect and not supported by any reasonable interpretation of the identified discovery response, which disagrees with [the] assertion that the Company "failed to provide full information" and clearly points the AG to where DTE Electric provided detail on the current phase of development for each project. Again, the AG has failed to identify any specific planned activity that is even arguably imprudent, or forecasted cost that is undefined and not reasonably supported, and the Commission should not accept at face value mischaracterizations of discovery responses and the record.

Id., pp. 23-24 (quoting the Attorney General's initial brief, pp. 54-55). Accordingly, the company requested that the Commission reject the Attorney General's proposed disallowance.

The ALJ agreed with the Attorney General, stating that DTE Electric's discovery response in Exhibit AG-12 failed to provide sufficient detail. She noted that, "on page 2, the facility, unit, and project description are provided, as well as a 'high level breakdown' of the purpose of the project (safety, reliability, environmental), and the expected in-service date. However, under 'current phase of development' the projects are characterized as 'bid estimate,' 'budget estimate' or 'full detail, firm price estimate.'" PFD, p. 68 (quoting Exhibit AG-12). The ALJ explained that she cross-referenced this information with Table 1 on page 555 of volume 3 of the transcript, which

"indicates that a bid estimate is equivalent to a Class 3 estimate under the AACE cost estimate classifications. This is also not the information the Attorney General requested when asking for the specific phase of development." PFD, p. 69 (citing Exhibit AG-12, p. 2). In addition, the ALJ found that the information in Exhibit A-54, Schedule UU5, was provided too late in the case for the Attorney General or other parties to evaluate it. Accordingly, she recommended that the Commission disallow the $63.7 million for these projects or, in the alternative, "consider a disallowance consistent with Staff adjustments for IT projects with equivalent AACE cost estimates, as discussed in more detail below." PFD, p. 69.

DTE Electric excepts, asserting that "the record demonstrates these are specific, routine, and timely maintenance and reliability projects, and are not speculative projects." DTE Electric's exceptions, p. 22 (citing 3 Tr 698-702 and DTE Electric's initial brief, pp. 38-40). The company reiterates the details of the projects and states that DTE Electric's discovery response to the Attorney General "is clearly responsive to the request (at a bare minimum a reasonable, good faith attempt to be responsive) . . . ." DTE Electric's exceptions, p. 23. In addition, DTE Electric contends that Exhibit A-54 contains workpapers, which were included with the initial application in this case, that were available for months for the Attorney General's inspection. Furthermore, the company disputes the ALJ's characterization of the information being provided "too late in the proceeding," arguing that it was provided in rebuttal and that the Attorney General "had full opportunity to evaluate the accuracy of Exhibit A-54, Schedule UU5 at the hearing." *Id*., p. 24 (quoting the PFD, p. 69). Finally, DTE Electric asserts that the ALJ's recommendation to "consider a disallowance consistent with Staff adjustments for IT Projects with equivalent AACE estimates" is not supported by the Staff, the Attorney General or any other party and should be

rejected. DTE Electric's exceptions, p. 24. Thus, the company requests that the Commission decline to adopt the ALJ's recommendation.

In reply, the Attorney General asserts that "the fact that DTE witness Ms. Guillaumin admitted in rebuttal that all she provided in direct testimony and in response to discovery was high level definition that did not cover work that has been completed, should be disqualifying for these costs." Attorney General's replies to exceptions, p. 15. She contends that the ALJ conducted a thorough analysis of this issue, her recommendation is supported by the record, and, therefore, the Commission should adopt the ALJ's recommendation.

The Commission finds the ALJ's recommendation to be reasonable and prudent and should be adopted. In response to the Attorney General's request for more information on these projects, DTE Electric provided a chart listing the current phase of development for these projects as "budget estimate." As a result, in testimony, the Attorney General recommended that the projected expenditures for these projects be disallowed because they were "developed through budget estimates [that] are still very preliminary and in the early phase of development with no project design yet completed." 4 Tr 3463. The company responded in rebuttal that the description set forth in discovery was "a high-level definition and [it did] not completely specify what work has been completed." 3 Tr 700. DTE Electric then pointed to a table in direct testimony and Exhibit A-54, Schedule U55, stating that the projects have "full internal approval, a defined scope, . . . and cost estimates based on actual costs from similar projects completed in the recent past or based on vendor proposals for the specific project." 3 Tr 700. The company noted in rebuttal that most contracts have been negotiated and materials have been ordered for the BWEC hot gas path overhaul and steam turbine valve projects. *See*, 7 Tr 701-702.

However, as noted by the ALJ and the Attorney General, DTE Electric failed to provide detailed information regarding the phase of development until rebuttal, too late in the proceeding to allow the other parties to fully evaluate the information. The Commission has addressed this issue in previous rate cases, stating that "including 'placeholder' amounts in the company's initial filing, and then attempting to justify these amounts later is unreasonable." January 31 order, pp. 30-31; *see also*, November 8, 2022 order in Case No. U-20836, p. 193; May 8, 2020 order in Case No. U-20561, p. 141; December 17, 2020 order in Case No. U-20697, pp. 17-18; September 8, 2016 order in Case No. U-17895, p. 37; January 11, 2010 order in Case No. U-15768, pp. 9-10. Therefore, the Commission finds that the $63.7 million disallowance proposed by the Attorney General should be approved.

D. Midwest Energy Resource Company/Fuel Supply

DTE Electric noted that MERC is a wholly owned subsidiary of the company that "consist[s] of a coal terminal which provides coal transportation and transshipment services to DTE Electric and other third-party customers through its Superior, Wisconsin terminal." 3 Tr 720. The company stated that, consistent with the July 26, 2023 order in Case No. U-21193, MERC is planned for retirement at the end of June 2026. In addition, DTE Electric explained that:

> Exhibit A-12, Schedule B5.2 shows capital expenditures for Fuel Supply and MERC for the historical test period 2023, as well as forecasted capital expenditures for the 24-month projected bridge period (January 1, 2024, through December 31, 2025) and the 12-month projected test year ending December 31, 2026. It should be noted that in Case No. U-21534, the Company proposed that any net assets remaining at MERC after operations cease, be securitized (along with the Belle River coal assets).

3 Tr 724.

The ALJ noted that, according to DTE Electric, no party took issue with these expenditures and, therefore, recommended that Commission approval of the expenditures. *See*, PFD, p. 70; *see also*, DTE Electric's initial brief, p. 41.

No exceptions were filed on this issue and, therefore, the Commission finds that the ALJ's recommendation to approve these expenditures should be adopted.

E. Nuclear Production

DTE Electric stated that the total expenditures for routine and small projects, non-routine and large projects, and nuclear fuel for the Fermi 2 nuclear plant are $264 million. The company also asserted that the bridge period nuclear generation expenditures are $399.6 million and the projected test year expenditures are $187.4 million. *See*, 3 Tr 420-421. DTE Electric contended that the projected expenditures "accurately represent[] the capital expenditures that can reasonably be expected to continue operation of nuclear assets of similar age and vintage. [This] summation of projects reflects DTE Electric's commitment to ensure the safe and reliable operation of Fermi 2 through its current operating license expiration in 2045." 3 Tr 486.

The Attorney General objected to the expenditures for several projects.

1. Security System Computer

DTE Electric explained the general expenditure pattern for routine and small projects expenditures. The company stated that replacement of the security system computer differs from the general expenditure pattern because it is a multi-year project "with predominantly online implementation." 3 Tr 438. Specifically, DTE Electric asserted that the "project replaced the Fermi 2 Security System Computer which includes specialized computer servers, video cameras, other access control and detection devices, and communication cabling. The replacement project was completed and the project was placed in-service in February 2025." 3 Tr 438.

The company contended that replacement of the security system computer was necessary to address an aging and obsolescent security system and to construct an additional access control building to improve security. According to DTE Electric:

> [t]his major plant security system is an aspect of the regulatory-required Fermi 2 Security Protection Plan per Code of Federal Regulation 10 CFR 73.55 which requires a physical security plan that must "ensure that the capabilities to detect, assess, interdict, and neutralize threats up to and including the design basis threat of radiological sabotage as stated in 10 CFR 73.1, are maintained at all times" and "provide defense-in-depth through the integration of systems, technologies, programs, equipment, supporting processes, and implementing procedures as needed to ensure the effectiveness of the physical protection program."

3 Tr 438-439; *see also*, DTE Electric's initial brief, p. 91. In addition, the company asserted that "[a] security system computer used in the security of a nuclear power plant can be reasonably expected to be in service for approximately 10 – 15 years" and that "[a]spects of the Fermi 2 security system computer such as the communications cabling have been in service for more than thirty years . . . ." 3 Tr 440. DTE Electric contended that the security system computer and components should be replaced to ensure that the company can adhere to nuclear safety priorities and regulatory commitments. The company stated that it will incur $17 million in capital expenditures for the historical test year, $16.1 million for the bridge period, and $0 for the projected test year. 3 Tr 438.

The Attorney General disputed the company's proposed expenditures for this project. She noted that in the January 23 order, the Commission approved a total cost of $39.2 million for this project through the projected test year. The Attorney General asserted that in this case, DTE Electric is reporting that the total project cost is now $41.6 million. She argued that $2.4 million in excess of the amount approved in the January 23 order should be disallowed for the bridge period because it "will provide a clear signal that repeating cost overruns will not be tolerated and the Company will be held accountable to control costs." 4 Tr 3465.

DTE Electric responded that replacement of the security system computer "is an infrequent, complex undertaking with several scoping changes" that is "necessary, reasonable, and prudent for the Company to support the Fermi 2 Physical Protection Plan even if the activities are incremental to the prior approved total cost projection." 3 Tr 523. The company explained that it had to perform additional on-site testing, updates to cycle assessments, and final system adjustments, which increased the total project costs by $2.4 million. 3 Tr 523.

The Attorney General disagreed with the company that the cost overruns for this project are confined to this case. She stated that:

> [t]he initial project cost was estimated at $9,948,000, but in [Case No.] U-21534 it ballooned to $39,173,000, for an increase of $29,225,000, or basically 400%. The Attorney General argued against those excessive cost overruns in that case, and while the Commission declined to adopt those disallowances in its [Case No.] U-21534 order, this is now additional cost overruns that DTE is seeking to recover, on top of the 400% overruns from the previous case.

Attorney General's initial brief, p. 57 (citing 6 Tr 3622 in Case No. U-21534); *see also*, Attorney General's reply brief, p. 32. The Attorney General noted that in this case, she submitted a discovery request asking the company why it did not hold the contractor responsible for the increased contractor costs. According to the Attorney General, "[t]he response repeats [DTE Electric witness] Mr. Davis's rebuttal testimony and holds no one accountable, choosing instead to attempt to recover the higher costs from customers." Attorney General's initial brief, p. 57; *see also*, Attorney General's reply brief, p. 32.

In response to the Attorney General's claim that the expenditures for this project have exceeded those approved in the January 23 order, DTE Electric stated that:

> [t]he AG incorrectly frames the adjustment (claiming a ~$9.9 million estimate climbed to ~$39.2 million in Case No. U-21534, and thus opposes the additional $2.4 million that increases the total to ~$41.6 million). The AG's Initial Brief mischaracterizes the increased cost of the Security System Computer project initiated in 2023 as "cost overruns" exceeding 300% when, in fact, the scope of the

> project—which the AG concedes the Commission reviewed and accepted in the Case No. U-21534 January 23, 2025 Order— evolved, as planned, and the initial $9.9 million was a partial appropriation of funds to initiate the project.

DTE Electric's reply brief, pp. 66-67 (citing the January 23 order, pp. 61-62). The company reiterated that the expenditures are necessary to complete critical and necessary upgrades to comply with Nuclear Regulatory Commission requirements.

The ALJ noted that the Commission addressed similar arguments in the January 23 order. She stated that:

> [w]hile it is true that DTE's explanation of additional site acceptance testing, more new cameras and microwave zones, added cyber assessments, and final system adjustments is not as clear as the nine changes outlined in Case No. U-21534, no one disputes that the computer is now in service. The additional $2.4 million expenditure does not appear to be unreasonable to complete the project and final installation.

PFD, p. 75. Accordingly, the ALJ recommended that the Commission approve DTE Electric's proposed expenditures for improvements to the security system computer.

The Attorney General excepts, asserting that the ALJ's recommendation improperly focuses on the fact that the computer is now in service. She states that "[i]t is unclear why the fact that DTE was able to put the computer into service supports the reasonableness and prudence of the millions of dollars in cost overruns associated with this project." Attorney General's exceptions, p. 10. The Attorney General reiterates that the cost overruns for this project are unjustified and that the Commission should disallow the $2.4 million expenditure to incent the company to control excess spending.

In reply, DTE Electric notes that it "provided competent, material and substantial evidence supporting the reasonableness of costs incurred for the security system computer project. The PFD finds the Company's capital expenditures for the security system computer program to be reasonable and recommends that the Commission reject the Attorney General's proposed

adjustment." DTE Electric's replies to exceptions, p. 9 (citing 3 Tr 524-526; PFD, pp. 74-75). The company requests that the Commission adopt the ALJ's recommendation.

The Commission finds the ALJ's recommendation to be reasonable and prudent and that it should be adopted. The Attorney General requests a disallowance of $2.4 million to hold DTE Electric accountable for cost overruns and a failure to control costs regarding the security system computer replacement project. However, the Commission finds that DTE Electric provided sufficient evidentiary support for the specific drivers for this additional $2.4 million adjustment. Specifically, the company explains that:

> the $2.4 million adjustment in total project capital expenditures was to support "additional site acceptance testing, addition of new cameras and microwave zones, additional updates to cyber assessments and final system adjustments." The actions taken still are necessary, reasonable, and prudent for the Company to support the Fermi 2 Physical Protection Plan even if the activities are incremental to the prior approved total cost projection.

3 Tr 523 (quoting Exhibit AG-13, p.1). In addition, the company states that additional on-site testing, additional updates to cycle assessments, and final system adjustments were necessary because the initial:

> testing revealed unsatisfactory performance from the integrated system. Though the components of the system passed their factory acceptance testing and the initial integrated testing was completed without issue, the more complex security scenarios challenged the replacement system to respond as designed. The incremental $2.4 million of project expenditures supported understanding and mitigating these challenges.

3 Tr 523-524. Based on the evidence on the record, the Commission finds DTE Electric's explanation of the $2.4 million expenditure to be persuasive and that it should be approved.

2. Plant Radio System

DTE Electric explained that pursuant to the regulatory-required Fermi 2 Physical Security Plan and the regulatory-required Fermi 2 Radiological Emergency Response Plan, the company

replaced the existing Fermi 2 plant radio system which includes computers, radio repeaters, radio antenna, uninterruptible power supplies and communications cabling. The company asserted the project was necessary to improve field radio communications, to reduce signal loss, and to add two additional radio frequencies bands. *See*, 3 Tr 443. DTE Electric stated that "[t]his replacement project was completed in 2025 and placed in-service in February 2025." 3 Tr 442. According to DTE Electric, the capital expenditures for the Plant Radio System project are $6 million for the historical test year, $5.1 million for the bridge period, and $0 for the projected test year.

The Attorney General disputed the company's proposed expenditures for the Plant Radio System, arguing that the projected costs are $1.3 million more than the total costs approved in the January 23 order. She stated that "[f]or the same reasons stated for the Security System Computer, [she] recommend[s] that the Commission remove the $1.3 million from the Company's forecasted 2025 capital expenditures." 4 Tr 3466.

In response, DTE Electric asserted that these expenditures are not cost overruns. Rather, the company explained that:

> [t]he project included and anticipated factory acceptance testing and on-site testing prior to in-servicing revealed unsatisfactory performance from the integrated system. Though the components of the system passed their factory acceptance testing and the initial integrated testing was completed without issue, Nuclear Generation still experienced equipment issues which resulted in lost frequencies and dead spots within certain areas of the Fermi 2 plant. These equipment issues could not be reasonably foreseen as the issues were unique to the complex and competing phenomenon of Fermi 2 usage demands and the exact environment where the equipment is located.

3 Tr 525; *see*, DTE Electric's initial brief, p. 91 and DTE Electric's reply brief, pp. 68-69.

The Attorney General stated that "[l]ike the security system, the cost overruns for the radio are not confined to this case ([Case No.] U-21534 overruns of 300%). Similarly, DTE provided no explanation for why the vendor or contractor was not held accountable for these overruns."

Attorney General's reply brief, p. 32. She requested that the Commission disallow $1.3 million to encourage DTE Electric to better control costs.

The ALJ noted that the Commission addressed similar arguments in the January 23 order, rejecting the Attorney General's proposed disallowance. The ALJ stated that she "sees no reason to deviate from past Commission action and recommends approval of the final plant radio system project costs, as requested, particularly where the radio is now in service and the relatively modest increase was used to bring this project to fruition." PFD, p. 78.

In exceptions, the Attorney General asserts that "[l]ike the above, the ALJ explicitly focused on the radio system now being in service. Also like the above, it is unclear why the fact that DTE was able to put the radio system into service supports the reasonableness and prudence of the millions of dollars in cost overruns associated with this project." Attorney General's exceptions, p. 11. She reiterates that the company's requested expenditures are project cost overruns "and if left unchecked it is likely DTE will continue to request additional recovery for this and/or similar projects in its next rate case." *Id*., p. 12.

DTE Electric replies, stating that it provided "testimony that the $1.3 million adjustment was necessary to address unanticipated radio signal dead spots that were unique to the complex and exact equipment locations," and that the ALJ found that the expenditures "were reasonable and prudently incurred." DTE Electric's replies to exceptions, p. 10 (citing PFD, p. 77). Accordingly, the company requests that the Commission adopt the ALJ's recommendation.

The Commission finds the ALJ's recommendation to be reasonable and prudent and that it should be adopted. The Attorney General requests that the Commission disallow $1.3 million to encourage DTE Electric to better control costs. However, as it did in the January 23 order, the

Commission finds that the company has again adequately supported these projects. DTE Electric explains that the plant radio system:

> is an aspect of the regulatory-required Fermi 2 Physical Security Plan and the regulatory-required Fermi 2 Radiological Emergency Response Plan and has the purpose to be the primary means of communication for plant personnel including site security and fire brigade during operations and potential accident scenarios; loss of the plant radio system would degrade plant operators' ability to safely operate the Fermi 2 Power Plant.

3 Tr 443. In addition, the company states that it is necessary to replace the plant radio system in the test year because of:

> [s]ecurity and operations vulnerabilities. Replacement of the plant radio system began in 2017 with the replacement of plant radio equipment in the Fermi 2 Main Control Room (MCR); field radio communications to the MCR were becoming increasingly inaudible within the MCR which was unduly burdening plant operators during plant operations. Additionally, radio communications within the power plant uses an antenna system installed in the early 1980s, experiences a significant signal loss between the base station and the distributed antennas and is capable of transmitting only the UHS frequency band. Replacement of the plant radio system distributed antenna system, communications cabling and uninterruptible power supplies (which is the scope of work during the bridge and projected test periods in this case) will improve plant radio signal fidelity throughout the plant and add two additional radio frequencies bands (VHS and 800 MHZ) within the power plant.

3 Tr 523-524. Based on the evidence on the record, the Commission finds DTE Electric's explanation of the $1.3 million expenditure to be persuasive and that it should be approved.

3. Routine Nuclear Projects

DTE Electric stated that capital expenditures of $64.82 million for the historical year, $90.82 million for 2024, $29.25 million for the bridge period, and $72.66 million for the projected test year are required to complete routine and small projects at Fermi 2. The company asserted that the proposed "expenditures and project make-up are generally consistent each operating cycle and peak during refueling outage periods because of the regulatory and safety requirements governing Routine and Small Projects." 3 Tr 436.

The Attorney General noted that, in discovery, she requested that DTE Electric provide more information regarding the current phase of development and the timelines and dollars to be spent on the next phase for these projects. She stated that, in response, the company "protests that the Nuclear Generation operation does not use project management phases, does not keep track of costs by project phase, and otherwise does not conform to generally accepted project management protocols, [but] it provided some basic information about projects completed, projects that are in progress, and projects that have not been started." 4 Tr 3467-3468. The Attorney General recommended that the Commission disallow $24.33 million for projects that have not yet commenced and are prematurely included in rate base.

DTE Electric disagreed with the Attorney General that these projects are in the early stages of development and that the expenditures should be disallowed for recovery in this case. Regarding the document management system and reactor recirculation system (RRS) replacements, the company stated that these projects will be in service in 2028 and 2027, respectively. In addition, DTE Electric asserted that "consistent with the accounting explained by [DTE Electric] Witness Uzenski [] these . . . 'projects that do not go into service during the projected test period have no impact on the Company's revenue requirement and deficiency.'" 3 Tr 519 (quoting 4 Tr 2436); *see also*, DTE Electric's initial brief, p. 90. Specifically, the company explained that:

> [t]hese projects are appropriate for inclusion when the Company has determined the need to initiate them, provided that proper accounting and ratemaking treatment is applied. This approach demonstrates the Company's disciplined commitment to maintaining safe and reliable Fermi 2 operations over the long term. The Company requests that the Commission find the total Nuclear Generation capital expenditures to be reasonable and prudent as these investments are consistent with the Company's prioritization of nuclear safety and its commitment to maintaining long-term reliability at the Fermi 2 Power Plant. While certain projects may not directly impact revenue requirements in this case, they represent necessary, well-justified expenditures and a Commission determination affirming their appropriateness for accounting and ratemaking purposes—rather than disallowance—is fully warranted.

3 Tr 520; *see also*, DTE Electric's reply brief, pp. 72-73.

Regarding the natural draft cooling towers, DTE Electric stated that:

> [u]nlike the Document Management System Enhancements project and the Reactor Recirculation System (RRS) Replacements projects which do not necessarily impact revenue requirement as their in-service dates extend beyond the 12-month projected test period ending December 31, 2026, the Natural Draft Cooling Towers project has an "Annual" in-service designation as shown in DTE Electric Exhibit A-12, Schedule B5.3, page 3, line 61, column (g) meaning this type of routine capital activity can initiate and complete within one year and thus impacts the Company's revenue requirement. Exhibit A-20, Schedule J2, page 25 describes the Natural Draft Cooling Tower project for the periods relevant to this proceeding including work completed in 2024 and projected work scope to replace 22 bays of fill in 2026.

3 Tr 520-521. The company asserted that materials and services have been sourced for this project and the project is expected to be in service in June 2026. *See*, DTE Electric's initial brief, p. 90; DTE Electric's reply brief, p. 73. In addition, DTE Electric noted that the project is classified as reoccurring, not continuous, because the replacement activities must be done during warmer months, the project is modular—not linear, and the replacement activities must be completed within a few-month period. *See*, 3 Tr 522.

The Attorney General objected to DTE Electric's proposed expenditures for this project, asserting that these projects are in the very early stages of development and are prematurely included in rate base. *See*, 4 Tr 3467-3468. In response to the company's claim that these expenditures are appropriately included because they are reasonable and prudent to ensure safety, the Attorney General stated that:

> [f]irst, this shows the extent to which DTE continues to use the notion of nuclear safety in an attempt to recover any and all expenditures in this area, even when they may be well outside of the test period. Second, it is these types of costs that balloon these cases to astronomical proportions; costs that are outside of the test year and are therefore even more speculative than DTE's other projections, which are already mostly hypothetical and speculative projections to begin with.

Attorney General's initial brief, p. 63. Accordingly, she recommended that the Commission disallow $24.33 million for DTE Electric's projected test year expenditures.

The ALJ found that DTE Electric provided persuasive testimony and exhibits explaining the need for the natural draft cooling tower project and recommended that the Commission approve the projected expenditures that will be incurred in 2026. However, she stated that the company had failed to sufficiently explain why the expenditures for the document management system project and the RRS replacements should be included in this case. The ALJ asserted that "given the early stages of development, DTE has not established when the expenditures will actually be incurred," and she recommended that the Commission disallow $14.68 million for these two projects. PFD, p. 82.

In exceptions, the Attorney General disagrees with the ALJ "that DTE sufficiently explained the cooling tower project or sufficiently established that this project is likely to occur during the test year. As noted in [DTE Electric witness] Mr. Davis's own rebuttal, the work scope for the cooling towers project has been approved for 'years 2025- 2026 . . . and 2027-2028.'" Attorney General's exceptions, p. 13 (quoting 3 Tr 521). She asserts that these expenditures are unlikely to be expended in the test year and should be disallowed.

DTE Electric replies that:

> the [ALJ] cites the testimony of Company witness Davis and notes that DTE Electric has already approved the work scope related to this project and identifies that the projected in-service date is June 2026. In addition, the [ALJ] notes that the Company has completed sourcing services and materials. The [ALJ] also recognizes [Company] witness Davis's testimony that the planned investments are necessary for safe and reliable Fermi 2 operations over the long term.

DTE Electric's replies to exceptions, p. 10 (citing the PFD, pp. 80, 82). Thus, the company requests that the Commission adopt the ALJ's recommendation.

DTE Electric excepts to the ALJ's recommendation regarding the document management system project and RRS replacements. The company states that "[n]otably, the [ALJ] does not dispute that DTE Electric has sufficiently explained the need for the document management system enhancements or RRS replacements." DTE Electric's exceptions, p. 26. DTE Electric acknowledges that the in-service date for these projects is outside the test year, but argues that "the timing for their implementation is not uncertain or speculative." *Id*. The company reiterates the arguments set forth in testimony and requests that the Commission decline to adopt the ALJ's recommendation regarding the expenditures for the document management system project and RRS replacements.

In reply, the Attorney General contends that the company "acknowledge[s] . . . that the projects are still in the early stages of development, with uncertain details, the in-service dates for these projects are not within the test year . . . ." Attorney General's replies to exceptions, p. 18. She reiterates that the expenditures for these projects are premature and unsupported for recovery in this case and should be disallowed.

The Commission notes that according to the company, the expenditures for the document management system and RRS replacements are necessary, reasonable, and prudent. In addition, DTE Electric states that because the projects do not go into service during the projected test year, they have no impact on DTE Electric's revenue requirement and deficiency in the instant case. *See*, 3 Tr 519. Furthermore, the Commission notes that pursuant to Exhibit A-12, p. 3, the company expects bridge period expenditures of $408,000 and test year expenditures of $9.16 million for the document management system, and test year expenditures of $5.13 million for the RRS replacements. Thus, the Commission finds that the proposed expenditures for the document management system and the RRS replacements should be approved.

Regarding the natural draft cooling towers project, DTE Electric testifies that it:

> completed work scope in Refueling Outage 22 (Cycle 22/RF22 in 2024) and also has approved work scope for years 2025–2026 (Cycle 23/RF23) and 2027-2028 (Cycle24/RF24). Sourcing of services and materials is complete with projected in-service of June 2026. The Company only classified implementation (page 4, second column from right (f)) of Cycle 23/RF23 and Cycle 24/RF24 as "Not started" which is consistent with work not scheduled to restart implementation with the replacement of 22 bays of fill until 2026.

3 Tr 521. Accordingly, the Commission finds that DTE Electric provided persuasive testimony that the proposed expenditures for the natural draft cooling towers will be spent during the proposed test year and, therefore, should be approved.

4. Non-routine Nuclear Projects

In discovery, the Attorney General requested additional information regarding non-routine nuclear projects that are $3 million or greater, including the current phase of development and the next phase with timelines and dollars to be spent in each phase. She noted that the company responded, stating that "the Nuclear Generation operation does not use project management phases, does not keep track of costs by project phase, and does not otherwise conform to generally accepted project management protocols." 4 Tr 3468-3469. The Attorney General asserted that three of the projects are in the very early stages of development and should not be included in rate base in this case. Accordingly, she recommended disallowances of $8.74 million for the bridge period and $28.3 million for the projected test year.

DTE Electric disagreed, explaining that these projects "are necessary to properly maintain the Fermi 2 asset and are incremental to normal routine capital expenditures. Non-Routine and Large Projects also include the once-in-a-plant-lifetime replacements which would not have been otherwise required except for Fermi 2 beginning its Period of Extended Operations which starts in March 2025." 3 Tr 453; *see also*, DTE Electric's initial brief, pp. 89-90; DTE Electric's reply

brief, p. 73. In addition, the company stated that projects that do not go into service during the projected test period do not impact DTE Electric's revenue requirement and deficiency.

Regarding the turbine controls replacement project, the company asserted that this "will provide Fermi 2 Power Plant with improved margins against risk of damage to the main turbine and main unit generator which, in turn, results in potential incremental carbon-free generation for the community." 3 Tr 472. DTE Electric stated that the project will be completed in 2025 and has an in-service date of 2030. The company proposed bridge period expenditures of $2.2 million and projected test year expenditures of $4.4 million. 3 Tr 471.

For the reactor recirculation motor-generator (RRMG) replacement project, DTE Electric explained that this project has a nuclear safety function. The company noted that the RRMG "motor rotors have been in service since plant start up in the 1980s and have increasing risk of developing shorts as in-service time extends past 30 years; this project will also decrease house electrical loads (i.e. make additional electrical generation available for transmission to the grid)." 3 Tr 474. DTE Electric stated that this project will be completed in Spring 2028 and placed in service in 2028. The company proposed bridge period expenditures of $7.2 million and projected test year expenditures of $17.8 million. 3 Tr 474.

Regarding the circulating water (CW) traveling screens replacement project, DTE Electric asserted that the project "will improve the margin of the CWPH [circulating water pump house] intake filtering and will incrementally improve the reliability of the main unit condenser which, in turn, may incrementally increase the amount of carbon-free electricity generation." 3 Tr 477. The company stated that the project will be complete and placed in service in 2027. DTE proposed bridge period expenditures of $100,000 and projected test year expenditures of $6.2 million. 3 Tr 477.

The Attorney General reiterated that these projects are still in the very early phases and it is not reasonable or prudent to include them in rate base in this case. *See*, Attorney General's initial brief, pp. 64-65.

The ALJ did not dispute DTE Electric's claim that these projects relate to nuclear security and safety. However, she questioned the timing of the expenditures. The ALJ explained that:

> [g]iven that the earliest of the three contested projects is not slated to go into service until 2027, [the ALJ] agrees with the Attorney General that $8,742,000 for 2025, and $28,298,000 for 2026, should be disallowed as premature. For equipment purchasing costs in advance of projects being put into service, more information regarding when essential components will be purchased, and costs of these components may be requested in a future rate case when plans are more certain. As DTE notes, removal of these costs does not affect the Company's revenue requirement.

PFD, p. 86.

In exceptions, DTE Electric disagrees with the ALJ's recommendation and "maintains that the record demonstrates these non-routine nuclear projects are specific and timely maintenance and reliability projects and are not speculative projects." DTE Electric's exceptions, pp. 27-28. The company states that these are multi-year projects and are appropriately included in rates that the time DTE Electric needs to initiate the projects, so long as appropriate accounting treatment is applied. The company requests that the Commission decline to adopt the ALJ's recommendation to disallow the expenditures in this case.

In reply, the Attorney General contends that the company "acknowledge[s] . . . that the projects are still in the early stages of development, with uncertain details, the in-service dates for these projects are not within the test year, and the current projections for completion are not until 2027 at the very earliest." Attorney General's replies to exceptions, p. 18. She reiterates that the expenditures for these projects are premature and unsupported for recovery in this case and should be disallowed.

As stated by the company, the turbine controls are at end of life and the replacement project addressed obsolescence and reduces the "risk of damage to the main turbine and main unit generator." 3 Tr 472. The Commission finds DTE Electric's testimony persuasive that this project is necessary to properly maintain Fermi 2 and is incremental to normal routine capital expenditures. In addition, the Commission finds the company's testimony and Exhibit A-12, Schedule B5.3 persuasive that DTE Electric expects to spend $2.2 million during the bridge period and $4.4 million during the test year on the project, with an in-service date of 2030. *See*, 3 Tr 471; Exhibit A-12, Schedule B5.3.

Similarly, the Commission finds that the company sufficiently supported its proposed expenditures for the RRMG replacement project. DTE Electric testifies that the RRMG motor rotors have been in service since plant start up in the 1980s, have an increased risk of developing shorts, and are negatively affecting house electrical loads. In addition, the company states that RRMG sets "provide variable power to the Fermi Reactor Recirculation System (RRS) pump motors, one RRMG set controls, and one RRS pump motor." 3 Tr 475. According to DTE Electric, the RRMG sets have a nuclear safety function because the RRS "provides sufficient flow to ensure adequate heat removal from the core." 3 Tr 475. The Commission finds the company's testimony persuasive that this project is necessary to properly maintain Fermi 2 and are incremental to normal routine capital expenditures. In addition, the Commission finds the company's testimony and Exhibit A-12, Schedule B5.3 persuasive that DTE Electric expects to spend $7.2 million during the bridge period and $17.8 million during the test year for this project, with an in-service date of 2028.

Regarding the CW traveling screens project, DTE Electric states that the purpose of the "system is to transport rejected cycle heat from the main unit condenser to the two parallel natural

draft cooling towers. The CW screens filter debris at CWPH intake as CW cycles from the cooling towers towards the main unit condenser." 3 Tr 478. The company notes that the CW traveling screens do not have a nuclear safety function but asserts that the project will incrementally improve the reliability of the main unit condenser. *See*, 3 Tr 478. The Commission finds DTE Electric's testimony persuasive that this project is necessary to properly maintain Fermi 2 and are incremental to normal routine capital expenditures. In addition, the Commission finds the company's testimony and Exhibit A-12, Schedule B5.3 persuasive that DTE Electric expects to spend $100,000 during the bridge period and $6.2 million during the test year for this project, with an in-service date of 2027.

Accordingly, the Commission finds that the company's proposed expenditures for these non-routine nuclear projects should be approved.

5. Underground Water Piping Replacement

For the underground safety-related service water piping project, DTE Electric stated that the purpose is "to replace the Fermi 2 underground portions of the safety-related service water piping associated with the Emergency Equipment Service Water (EESW) and the Residual Heat Removal System Water (RHRSW) systems." 3 Tr 459. The company explained that the underground safety-related service water piping was original to the plant's construction and had been in service for over 40 years. DTE Electric asserted that "[r]eplacement of the underground safety-related service water piping was necessary to address age-related degrading pipe-wall thickness and to ensure this pipe will continue to support plant operations through the end of the operating license in 2045." 3 Tr 459-460. The company noted that the project was completed in Spring 2024 and was placed in service. DTE Electric proposed bridge period expenditures of $18.8 million and projected test year expenditures of $0. 3 Tr 459.

The Attorney General noted that the project was originally estimated to cost $44.3 million, however the final cost for the project was $91.3 million. She stated that "[t]he explanation provided by the Company is that the project was re-evaluated after completion of Refueling Outage 21 in the spring of 2022 and the project cost estimate increased to $103 million." 4 Tr 3467. Although the Attorney General acknowledged that the final cost was less than the second estimate, she asserted that it was more than double the original estimate. She noted that in a discovery response, the company "shows that among the main contributors to the higher cost, the Company identified $12.6 million to moving the project from 'MEP [Major Enterprise Projects] to Fermi Capital.' It is not clear what this shift entailed or why it would increase the project cost by $12.6 million." 4 Tr 3467. The Attorney General stated that the company failed to justify the $12.6 million increase and recommended that the Commission disallow the expenditure.

DTE Electric disputed the Attorney General's claim that moving the project from MEP to Fermi Capital increased the project cost. The company explained that:

> [t]he "MEP to Fermi Capital" quote is a shorthand phrase used in an internal DTE Electric deliberation. The full context of the "MEP to Fermi Capital" quote used by [Attorney General] Witness Coppola is "Outage Shared Cost 12.6M [million] – Due to moving from MEP to Fermi Capital." [DTE Electric] explain[s] . . . [that] projects executed during refueling outages must account for a portion of services, materials and personnel that are shared across all outage activities and projects; the capital costs associated with these shared activities is [sic] bounded in total through reasonable and prudent execution of the refuel outage. In this specific project, the original budget request as developed by the Major Enterprise Projects (MEP) organization did not include these shared activities in its original budgeting appropriation request. These shared capital expenditures were always going to be incurred by Nuclear Generation. Though the project had initially budgeted for those shared costs to be absorbed by other capital projects, which would have been inappropriate. In response, the subsequent capital appropriation request, this time submitted by the Fermi Nuclear Generation organization, incorporated lessons learned from the RF21 (spring 2022) implementation work into the RF22 (spring 2024) work plan, and simultaneously corrected the prior exclusion by appropriately including the projected shared services costs. In other words, the $12.6 million of expenditure did not arise as a consequence of, and was not influenced by, the internal DTE organization where it was allocated or the execution of the project.

3 Tr 527 (citing 3 Tr 430). The company also clarified that the $12.6 million expenditure was not an additional or incremental expenditure. *See*, DTE Electric's reply brief, p. 70. Furthermore, DTE Electric cautioned against relying on internal company project forms as an explanation for a project because it "can lead to misunderstandings and misconceptions regarding actual project performance . . . ." 3 Tr 526; *see also*, DTE Electric's initial brief, pp. 91-92.

In response, the Attorney General contended that the company's explanation of the $12.6 million increase in expenditures is confusing and non-responsive to the Attorney General's concern. While she appreciates DTE Electric's concern for safety and reliability for nuclear generation, the company "should not get to fall back on this rationale every time there are excess costs, far and beyond what it just projected in the last rate case. DTE needs to be held accountable to rein in its spending, and to produce results within some sort of a budget – not just receiving blank checks." Attorney General's initial brief, p. 61. Moreover, the Attorney General objected to DTE Electric's assertion that the company's internal documents can be easily misunderstood. She argued that:

> [t]the Company's position is both concerning and perplexing. The project authorization documents should present an accurate and complete picture of the work to be done and the proposed cost and funding request should be complete and accurate as of that point in time. To the extent that a document requires further explanation, in response to discovery the Company should provide that additional explanation and context.

Id.; *see also*, Attorney General's reply brief, pp. 33-34. The Attorney General asserted that DTE Electric failed to sufficiently explain the increased expenditures for this project and she requested that the Commission disallow $12.6 million.

The ALJ noted that in Case No. U-21534, the company only proposed $974,000 for the underground safety-related service water piping project for the 2022 historical year. She stated

that "[t]he source of the $12.6 million being transferred, and for which approval is requested in this case, is elusive. As is the $3.8 million unused contingency referred to by [DTE Electric witness] Mr. Davis." PFD, p. 90 (citing 3 Tr 526). Because the source of the $12.6 million to be transferred to non-routine nuclear capital expenditures is unclear, the ALJ recommended that the Commission disallow the expenditure.

DTE Electric excepts, asserting that it "has explained the source of this expense many times over in the Rebuttal Testimony of Company witness Davis, through responses to discovery requests, and again in the Company's Reply Brief." DTE Electric's exceptions, p. 28. The company states that this project was commenced in 2014 and was reviewed and approved by the Commission in Case Nos. U-20162, U-20561, U-20836, U-21297, and U-21534. DTE Electric reiterates that:

> the Company's original Underground Water Piping Replacement internal project authorization of $58.8 million was incomplete as it only accounted for activities that the project had direct control over and did not account for activities and resources managed at the site level which are used on many projects (e.g. radiation protection). As site level resources are identified as necessary, they are allocated to and accounted for among the appropriate Company departments and across the specific projects that utilize these shared resources. Company witness Davis explained in his direct testimony that total 2024 Nuclear Generation capital expenditures were within 2.2% of the total projected 2024 capital expenditures depicted in Case No. U-21534, Exhibit A-12, Schedule B5.3. Accordingly, approximately $21.0 million of the Company's approved cost estimate change (of which $12.6 million was identified as the contested "Outage Shared Cost" with the notation "MEP to Fermi Capital.") resulted in no overall change to the Nuclear Generation total capital expenditures because it simply reallocated certain shared capital expenditures to the appropriate project level.

Id., p. 29 (citing 3 Tr 424-425, 526). Accordingly, the company requests that the Commission decline to adopt the ALJ's recommendation.

In reply, the Attorney General states that "DTE's exceptions again repeat its testimony, providing nothing new to the discussion, [and] ultimately argu[ing] that the Company 'has

explained the source of this expense many times over.'" Attorney General's replies to exceptions, p. 19 (quoting DTE Electric's exceptions, p. 28). She reiterates that the company failed to provide a comprehensible explanation of these expenditures and, therefore, DTE Electric did not meet its burden of demonstrating that the expenditures are reasonable and prudent. Accordingly, the Attorney General requested that the Commission adopt the ALJ's recommended disallowance.

As noted by the company, this project was completed and placed in service during Spring 2024. In addition, DTE Electric states that "the $12.6 million identified on the project authorization form was not an incremental expenditure or change in total project cost, rather it was simply a note to reflect where (in which Company organization) certain of the project costs would be incurred." DTE Electric's initial brief, pp. 91-92. The Commission finds DTE Electric's additional explanation in exceptions to be persuasive and that the company provided sufficient justification for the identified expenditure. Therefore, the Commission finds that the Attorney General's proposed disallowance should be rejected.

F. Distribution

DTE Electric noted that it "operates one of the oldest electric grids in the country," and that the company "is taking concrete action to modernize the grid, but maintaining safe and reliable operation in the future will require more than the current level of investments or routine maintenance." 3 Tr 1088-1089. The company averred that its proposed strategic investments align with the requirements of the Commission's Service Quality and Reliability Standards, Mich Admin Code, R 460.701 *et seq*.; the objectives of the financial incentives and disincentives mechanism set forth in Case No. U-21400; and the recommendations in the DTE Electric Utility Distribution Audit Report performed by Liberty Consulting Group (Liberty Audit) and filed in Case No. U-21305. DTE Electric stated that to achieve these goals, it is requesting approval for

$3.2 billion in proposed distribution capital investments for the bridge period and $1.9 billion in capital investments for the projected test year.

1. Inflation

In Exhibit A-13, C5.15, DTE Electric proposed a blended inflation rate of 3.40%, 3.00%, and 3.10% for 2024, 2025, and 2026, respectively, stating that these rates include labor inflation rates of 3.5% for 2024 and 3.0% for 2025 and 2026. 4 Tr 2424; *see also*, DTE Electric's initial brief, p. 26. The company explained that "[b]ased on existing Collective Bargaining Agreements, the Company is obligated to increase pay rates by at least 3% annually through the term of the contracts. In addition to scheduled pay rate increases, the agreements also provide for progression increases for those employees that have not yet achieved the maximum pay rate for their positions." 3 Tr 1472.

The Staff disagreed with the company's proposed blended rate, noting that the Commission has rejected the use of this rate in prior general rate cases. Instead, the Staff "use[d] the average of projections from IHS Global Insight, The Federal Reserve, and the Congressional Budget Office for future years. Past years use actual historic data." 5 Tr 4954. Accordingly, the Staff calculated inflation rates of 2.73% for 2025 and 2.66% for 2026, respectively. *See*, Staff's initial brief, p. 170. The Staff did not include an adjustment for labor inflation.

The Attorney General "applied an inflation factor to the historical cost base in order to reflect inflationary cost pressure that the Company may face in those years. The inflation factors are 2.8% for 2025 and 2.4% for 2026. These rates reflect the Consumer Price Index-Urban forecast presented in the June 2025 US Economic Outlook report prepared by S&P Global Market Intelligence." 4 Tr 3427. The Attorney General stated that compared to the rates used by DTE Electric, her rates "are more recent projections and the underlying prices in the CPI [Consumer

Price Index] reflect the full cost of goods and services, including wage increases paid by merchants and companies. To add more wage adjustments would be duplicative." 4 Tr 3427.

ABATE noted that 2024 actual O&M costs are now available; thus, DTE Electric does not need to project costs based on a non-labor inflation factor of 2.9% and a 3.5% wage adjustment. In addition, ABATE stated that DTE Electric's:

> actual annual O&M expense decreased by an average rate of 0.1% per year from 2017 to 2024, while the adjusted O&M expense decreased by an average rate of 0.9% per year. Importantly, both sets of data (actual and adjusted) show that despite inflationary pressures in 2022, DTE's actual O&M expense decreased by 2.1% relative to 2021 and its adjusted O&M expense decreased by 4.9%. DTE previously noted that 2023 was a financially challenging year. However, DTE successfully managed its costs such that O&M decreased in 2023 relative to 2022, by deferring certain activities that did not impact the safety or reliability of electric service.

4 Tr 3241-3242 (footnote omitted). ABATE objected to the company's blended inflation rate, stating that it is outdated and fails to "consider that certain escalations may be managed such that the expense may not increase at the overall cost of inflation." 4 Tr 3243; *see also*, 4 Tr 3244. Furthermore, ABATE stated that DTE Electric's actual O&M expense for the projected years has been about 6% to 11% less than the amount requested. *See*, ABATE's initial brief, p. 52.

ABATE recommended that the Commission adopt an inflation rate of 1.4% for 2025 and 2026 that are based on the Real Gross Domestic Product (GDP) Chained Price Index. ABATE explained that, "[e]ach year, the basket of goods and services is updated to reflect what people are actually buying. This is unlike the CPI, which uses a fixed basket for a set period. This makes the Real GDP index more responsive to consumer substitution – if prices of certain goods rise, people might switch to less expensive alternatives and the index will reflect that change." 4 Tr 3247; *see also*, ABATE's initial brief, p. 54. ABATE acknowledged that the Real GDP Chained Price Index "does not cure the deficiency for changes in the tenure of employees," or "consider the impact of

productivity enhancements that will likely reduce escalation of actual costs to levels below the rate of inflation." 4 Tr 3247. However, ABATE contended that it "relies on independent factors to project escalations in labor costs." 4 Tr 3247.

MNSC noted that there has been a reduction in the inflation rate since DTE Electric filed its case. MNSC stated that according to the Markit Consumer Price Index for All Urban Consumers (CPI-U) estimates provided by the company in discovery, the updated rates are 2.9% for 2024, 2.7% for 2025, and 2.4% for 2026. MNSC requested that the Commission adopt these updated rates.

Regarding the inflation factor for labor proposed by DTE Electric, MNSC contended that "[t]hese numbers do not accurately reflect the total labor costs incurred by DTEE. In 2024, total labor compensation for DTEE fell by 2.2%. Between 2019 and 2024, DTEE's total labor costs have increased at an annualized rate of 0.23%, much lower than the annual wage inflation of 3.5% and 3%, as proposed by DTEE." 5 Tr 4840 (citing Exhibit CUB-40). MNSC recommended against relying on labor cost trends because average pay increases do not accurately reflect workforce turnover, promotions, departures, or new hires who earn less than their predecessors.

MNSC proposed that wage growth should be offset with a labor productivity factor so that the escalator displays the cost of providing the same level of service. MNSC explained that:

> [t]he labor productivity factor measures how efficiently hours worked are used in production, i.e., how much can be produced without adding more worker hours. The [U.S.] Bureau of Labor Statistics (BLS) calculates labor productivity by dividing an index of real output by an index of hours worked. BLS publishes this data for all 50 states across different sectors. [MNSC] use[d] the Labor Productivity Index of Michigan private, non-farm workers to arrive at a 1.96% labor-productivity offset.

5 Tr 4842-4843 (citing Exhibit CUB-43).

In response to the Attorney General's and ABATE's recommendation that the Commission reject the company's blended inflation rate, DTE Electric asserted that its blended inflation rate method was approved in the January 23 order. *See*, DTE Electric's initial brief, p. 27. DTE Electric stated that:

> [t]he use of a composite rate continues to best reflect the inflationary pressures faced by the Company. It rightfully separates labor inflation, which is subject to Company-specific dynamics like collective bargaining agreements where there is an established rate of inflation, from non-labor inflation, as described by [DTE Electric] Witness Fix's revised direct testimony. Neither AG Witness Coppola nor ABATE Witness York provide evidence that suggests this separation is inappropriate or that the Commission erred when it approved the use of a composite rate in the Company's most recent general rate cases.

3 Tr 993.

Furthermore, DTE Electric contended that the Attorney General did not provide specific justification for her proposed inflation rate—only that it includes wage inputs. The company asserted that the Commission has considered the Attorney General's arguments in previous cases and "appropriately determined that a labor inflation specific rate is reasonable to include in the blended calculation." 3 Tr 994. Regarding ABATE's proposed use of the Real GDP Chained Price Index, DTE Electric stated that ABATE failed to provide persuasive evidence that "it is superior to the CPI-Urban rate in projecting *utility-specific* non-labor costs." 3 Tr 993 (emphasis in original). Thus, the company requested that the Commission reject the Attorney General's and ABATE's proposed inflation rate factors.

In response to the Staff's proposed inflation rates, DTE Electric stated that the Staff "does not offer discussion as to why PCE [personal consumption expenditures] inflation is appropriate, or how the CPI figures from the CBO [Congressional Budget Office] and IHS Global compare to the CPI-U used by the Company for non-labor inflation." 3 Tr 995. Additionally, the company disputed the Staff's claim that a labor specific component of inflation is unnecessary because DTE

Electric can somewhat control wage growth. DTE Electric asserted that "the generic labor costs assumed in CPI (or PCE) are not reflective of the Company's or the industry's specific wage growth considerations." 3 Tr 996 (citing 3 Tr 1472).

Responding to MNSC's recommendations regarding labor inflation productivity, DTE Electric contended that MNSC used incomparable periods for its calculation, applied historical labor productivity offsets that do not apply to future forecasts, provided no evidence of forecasted productivity offsets other than an annual average of prior years, and failed to explain why the category of "Michigan private non-farm workers" is applicable to DTE Electric or the utility industry. *See*, DTE Electric's initial brief, p. 27. Moreover, the company objected to MNSC's use of a compound annual growth rate of 0.23% "because it fails to recognize the reduction in employee headcount and the actual increases in employee compensation over that time period. In addition . . . there is no rationale for why cost reductions in prior periods would translate to future projections." 3 Tr 998; *see also*, 3 Tr 1520. The company also disputed MNSC's recommendation to reduce 2026 inflation by half. DTE Electric provided a description of its inflation methodology and stated that "[a]pplying only 50% of projected inflation in 2026, as [MNSC] Witness Bunch proposes, would essentially penalize the Company for the impact of six months of inflation costs already excluded in the historical. The Company would then only recover 2.5 years of inflation adjustment for three years of elapsed time." 3 Tr 1000; *see also*, DTE Electric's initial brief, p. 27.

The Attorney General disagreed with DTE Electric's claim that it must separate labor inflation because it is obligated to provide a 3% wage increase due to collective bargaining agreements. She noted that, in discovery, the company "disclosed that either there are no scheduled rate increases with some of its union contracts for 2026 or those increases are below the forecasted

wage increase of 3.00%. Therefore, the 3.00% forecasted wage rate increase is unsupported and excessive." Attorney General's initial brief, p. 16 (citing Confidential Exhibit AG-63). In addition, the Attorney General disputed the company's claim that the 3% wage increase is justified by nationwide salary surveys. She argued that the companies in the salary surveys are not comparable to DTE Electric and cannot be used to justify the increase. Furthermore, the Attorney General stated that, in discovery, "the Company admitted that the CPI rate already includes a labor component" and is therefore requesting recovery of "the full forecasted wage increases on top of the CPI in its blended inflation rate." Attorney General's initial brief, p. 16.

MNSC disagreed with DTE Electric's claim that it is inappropriate to apply historical labor growth rates to projected labor growth costs. MNSC stated that historical annual labor cost may be relevant to projected labor cost growth and noted that, "when asked the rationale behind the Company's 3.5% average increase in annual pay for 2024, the Company cited *historic* [sic] annual percent changes in wages as its rationale for projected *future* costs." MNSC's initial brief, p. 143 (citing Exhibit CUB-39, p. 1) (emphasis in original). MNSC asserted that it is not unreasonable to cite historical cost growth to support projected cost growth; rather, it would be unreasonable to not consider historical growth rates.

In response to DTE Electric's argument that the BLS Labor Productivity Index is inapplicable to the company, MNSC argued that the company failed to provide an alternative index for Michigan-regulated energy companies. MNSC stated that "[t]here is nothing inherently unreliable nor unreasonable in relying on the index of Michigan private non-farm workers, nor has the Company identified anything in particular indicating this index is inapplicable here." MNSC's initial brief, p. 143. Finally, MNSC contended that "[t]he Company's approach of projecting wage growth on a per employee basis eliminates the opportunity to reflect workforce productivity, plus

it is contrary to the Company's approach to calculating labor expense – which is independent of a headcount basis." *Id*., pp. 144-145.

DTE Electric responded to the Attorney General's claim that the CPI rate already includes a labor component, stating that:

> CPI-U includes a labor component. However, AG Witness Coppola failed to provide an assessment of how CPI-U is impacted by any labor and wage increases, or what the labor cost increases embedded in CPI-U might be, or how the labor and wage increase contained in CPI-U compare to the Company's labor or wage increases. A 2023 study by the Federal reserve Bank of San Francisco (https://www.frbsf.org/wp-content/uploads/el2023- 13.pdf and attachment) found that "[o]verall, labor-cost growth is responsible for only about 0.1 percentage point of recent core PCE inflation" and "Numerous studies have shown that labor costs have little impact on services inflation or inflation overall." (See attachment) Because the Company has actual information about the impact of the cost of its labor and wage increase, it is appropriate to utilize the Company's projections.

DTE Electric's reply brief, p. 12 (quoting Exhibit AG-64, p. 2). And, in response to the Attorney General's claim that the company's forecasted wage increase is not sufficiently supported, DTE Electric contended that it "provided compelling support for its projected wage increase, as well as evidence that its projected wage increases are below market." DTE Electric's reply brief, p. 12.

DTE Electric objected to MNSC's proposed inflation factors, stating that "the MNSC proposal includes the variable costs of incentives and benefits and an alleged productivity offset that has no apparent application to the Company's costs." DTE Electric's reply brief, p. 13 (citing 3 Tr 998; 1519-1520). In addition, the company asserted that MNSC provided no support for its request to reduce test year inflation by 50%.

The ALJ noted that in the January 23 order, the Commission approved the company's composite inflation rate. However, she also noted that the Commission "directed the Company 'to provide further detail on the company-specific dynamics that justify rejection of the CPI-U or a

similar widely-used rate for labor costs.' Based on the record here, this PFD finds that the Company failed to provide this information as directed." PFD, p. 100.

The ALJ stated that to develop the labor portion of the inflation rate, DTE Electric relied on collective bargaining agreements, pay progression, and standard 3% pay increases for non-represented employees. The ALJ found "that these increases, based on historical wage increases, are generally not contested by the parties, except for MNSC." PFD, p. 101. In addition, she noted that the company has significantly reduced its workforce since 2019 and has failed to account for workforce productivity in its labor inflator projection. The ALJ asserted that MNSC's:

> productivity offset is taken from the BLS which, like the CPI-U inflation rates – which DTE uses for its proposed non-labor inflation rates and for its non-represented employee component of its labor inflation rates – *see* discussion, *infra* -- are historical data. DTE does not propose an alternative productivity offset, nor does DTE indicate why the Michigan private non-farm worker category is inapplicable or what alternative category from the BLS is more appropriate here. Indeed, and most significantly, this PFD notes that DTE does not rebut or challenge generally the applicability of a labor productivity offset.

Id. (citing 5 Tr 4843; Exhibit CUB-43). Furthermore, the ALJ noted that although ABATE focuses on O&M expense, she stated that DTE Electric did not dispute ABATE's evidence showing that "total O&M expense has increased, if at all, at a rate less than inflation. While numerous factors influence actual O&M expense, one of those factors is likely to be increased productivity and workforce efficiency." PFD, p. 101.

The ALJ was not persuaded by the composite inflation rates proposed by either MNSC or DTE Electric. She therefore "recommend[ed] that the Commission adopt the updated CPI-U inflation rates of 2.9% for 2024, 2.7% for 2025 and 2.4% for 2026 as presented by MNSC, which, as the Attorney General points out, include wage inflation." *Id*., p. 102.

In exceptions, DTE Electric states that it agrees with the ALJ's use of the CPI-U inflation data. However, the company disagreed with the ALJ's recommendation to reject the labor

component of DTE Electric's proposed composite inflation rates. DTE Electric reiterates testimony detailing the company's proposed composite inflation rate and how it reflects actual labor cost. Accordingly, DTE Electric requests that the Commission decline to adopt the ALJ's recommendation and approve the company's proposed composite inflation rates, as was done in the January 23 order. *See*, DTE Electric's exceptions, pp. 32-35.

MNSC excepts, asserting that the ALJ erred by failing to adopt MNSC's recommendation to reduce labor inflation rate by 1.96% based on the historical average BLS Labor Productivity Index for Michigan private non-farm workers. MNSC notes that:

> the ALJ was "not persuaded" by [MNSC] witness Bunch's proposed productivity offset composite inflation rates due to the "calculation of past labor inflation of 0.23%." However, this assessment conflates two factors – Bunch's calculated 0.23% historic actual labor expense growth and BLS's published 1.96% labor productivity factor for Michigan private non-farm workers, used as a forward-looking productivity-offset.

MNSC's exceptions, p. 3 (quoting the PFD, p. 102). MNSC reiterates the testimony supporting the 0.23% labor inflation factor and the 1.96% labor productivity factor and requests that the Commission offset 2024, 2025, and 2036 labor inflation rates using the BLS index.

In exceptions, ABATE reiterates that DTE Electric's O&M expenses for 2024 are now known and the company overstated its 2024 O&M expense by $42.8 million. Accordingly, ABATE contends that "[a] 2.9% inflation rate for 2024 is therefore entirely unwarranted and unsupported by the record." ABATE's exceptions, p. 6. In addition, ABATE states that the ALJ acknowledged ABATE's argument that the company's actual annual O&M expense decreased at an average rate of 0.9% per year from 2017 to 2024, and that DTE Electric's actual O&M expense for the projected test year has been about 6%-11% less than forecasted. Therefore, ABATE asserts that "[g]iven this record it is neither reasonable nor prudent to adopt the CPI-U inflation rates recommended by the PFD." *Id*., p. 7. ABATE requests that the Commission decline to adopt

the ALJ's recommendation and, instead, approve a 1.4% inflation factor set by the Real GDP Chained Price Index.

DTE Electric replies that:

> [w]hile the Company acknowledges that the CPI-U inflation rate includes a labor component, the Company stands by its proposal to use composite inflation rates that reflect[] its actual labor cost. The Commission has previously approved the Company's composite inflation rates, noting that the blended rates "separate labor inflation, which is subject to Company-specific dynamics like collective bargaining agreements, from non-labor inflation." Record evidence substantiates the Company's labor factor.

DTE Electric's replies to exceptions, p. 12 (quoting the January 23 order, pp. 74-75). The company also restates its disagreement with MNSC's proposed labor factor of 0.23%, stating that the record demonstrates an annual compound growth rate of 3.27%, and noting that the Commission has previously rejected a similar proposal from MNSC. Accordingly, DTE Electric requests that the Commission reject ABATE's, MNSC's, and the ALJ's recommendations and, instead, adopt the company's blended inflation rates that are consistent with the Commission's findings in the January 23 order.

MNSC replies that it:

> supports the ALJ's rejection of the Company's labor rate because it does not reflect the Company's historic experience with wage increases over time. The Company's argument that the Commission has previously accepted the Company's composite inflation rates is insufficient to support approval in this case, especially considering the Commission has raised concerns about the Company's separation of labor rates and questioned DTEE's use of a non-standardized labor rate such as CPI-U.

MNSC's replies to exceptions, p. 1 (citing the January 23 order, pp. 74-75). MNSC requests that the Commission adopt the CPI-U rates for non-labor and offset 2024, 2025, and 2026 labor inflation using the BLS index. In the alternative, MNSC recommends that the Commission adopt ABATE's proposed inflation rates.

In her replies to exceptions, the Attorney General agrees with the ALJ that "DTE failed to provide the level of further detail on the company-specific dynamics that could justify rejection of the CPI-U or a similar widely-used rate for labor costs, as directed by the Commission in the last rate case." Attorney General's replies to exceptions, p. 21. In addition, she agrees that the company failed to show that it offset actual inflation with productivity gains and cost savings. Accordingly, the Attorney General recommends that the Commission adopt the ALJ's proposed updated CPI-U inflation rates.

In the January 23 order, the Commission declined to adopt ABATE's proposed use of the Real GDP Chained Price Index, "find[ing] that ABATE failed to show how the Real GDP Chained Price Index is superior to the CPI-Urban for either labor or non-labor costs or why the Real GDP Chained Price Index's customer substitution treatment is superior to the periodic updates made in the CPI's basket of goods." *Id*., p. 76. In this case, the Commission finds persuasive DTE Electric's argument that ABATE:

> has not provided compelling evidence that [the Real GDP Chained Price Index] is superior to the CPI-Urban rate in projecting *utility-specific* non-labor costs. [ABATE] discusses, for example, how the Real GDP Chained Price Index accounts for consumer substitution, but does not demonstrate that it is appropriate for utility-specific costs, especially considering the limited ability a utility has for substitution.

3 Tr 994 (emphasis in original). In addition, ABATE concedes that the Real GDP Chained Index "does not cure the deficiency for changes in the tenure of employees but relies on independent factors to project escalations in labor costs . . . ." 4 Tr 3247. Accordingly, the Commission finds ABATE's recommendation to use the Real GDP Chained Price Index to be unpersuasive.

The Commission agrees with the ALJ that MNSC did not sufficiently support its proposed composite inflation rates. As noted by DTE Electric, MNSC's compound annual growth rate includes "total wages, including incentive compensation and employee benefits," both of which

are "subject to variability among years and are not predictive of future costs." 3 Tr 1520. In addition, the Commission is not persuaded by MNSC's proposal that "[t]he 2026 test year adjusted inflation factor [should be] reduced by 50% because this adjustment assumes the test year O&M expenses will be spread evenly over the test year and only half of inflation will be affecting customer rates." 5 Tr 4851. The Commission finds that MNSC failed to adequately respond to DTE Electric's claim that MNSC's proposed 50% reduction would "penalize the Company for the impact of six months of inflation costs already excluded in the historical. The Company would then only recover 2.5 years of inflation adjustment for three years of elapsed time." 3 Tr 1000. Thus, the Commission declines to adopt MNSC's inflation proposal.

In the January 23 order, the Commission approved the company's "use of the blended rate, and direct[ed] DTE Electric, in its next rate case, to provide further detail on the company-specific dynamics that justify rejection of the CPI-U or a similar widely-used rate for labor costs." January 23 order, p. 75. The Commission agrees with the ALJ that, in this case, "the Company failed to provide this information as directed." PFD, p. 100. The Commission also agrees with the ALJ that it is unreasonable for the company to not assume an offset for workforce productivity in its labor inflation projection.

After a review of the parties' proposals, the Commission finds the Staff's proposed inflation rates to be the most persuasive. The Staff notes that it used the average of projections from IHS Global Insight, The Federal Reserve, and the CBO for future years and used actual historical data for past years to calculate its proposed inflation rates. *See*, 5 Tr 4954. As noted by the Staff, DTE Electric's "composite inflation rate contains a wage component the Company is partially in control of. The CPI-Urban index that the Company incorporates into its 'blended' inflation factor is, alone, much lower than the actual inflation factors the Company utilized in its calculations, and

closer to Staff witness Ufolla's inflation Factors." 5 Tr 5193. In addition, the Commission agrees with the Staff that DTE Electric's proposed blended rate does "not include offsetting reductions to O&M based on efficiency gains that accompany experience." Staff's initial brief, p. 153. Accordingly, the Commission finds that the Staff's proposed inflation rate of 2.95% reflects the actual average historical inflation rate for 2024 and, therefore, should be adopted. *See*, Exhibit S-4, Schedule D3a. In addition, the Commission finds the Staff's proposed 2.73% and 2.66% for 2025 and 2026, respectively, should be approved. *See*, 5 Tr 4954. This results in a reduction to base capital projections in the amount of $5.58 million for 2025 and $9.6 million for 2026.

2. Base Capital and Constant Dollar Averaging

DTE Electric explained that base capital "supports the necessary and critical set of investments that are responsive to emergent or specific customer needs including Customer Connections, Relocations, Others, and the Emergent Replacements for Storm, Non-Storm, and Substation Reactive programs." 3 Tr 1091. The company also stated that its requests for emergent replacements and customer connections, relocations, and other are based on constant dollar averaging (CDA) which "converts actual 'nominal' dollars to constant 'real' dollars via an upward adjustment in dollars to reflect inflation." 4 Tr 3164.

3. Constant Dollar Averaging

DTE Electric stated that CDA "adjusts for the impact of inflation on historical costs, providing for a more accurate forecast of future costs. That is, [CDA] maintains the purchasing power of being able to purchase the same units of materials and labor over time." 4 Tr 3165; *see also*, DTE Electric's initial brief, pp. 28-29. According to the company, inflation has increased 18% from January 2019 through December 2022 and, therefore, doing the same volume of work in 2023 as

was done in 2019 costs substantially more. DTE Electric asserted that "[d]eveloping cost forecasts based on [CDA] of historical costs is a recognized practice in cost forecasting and planning. The Department of Defense (DoD) and the Government Accountability Office, for example, rely on inflation-adjusted historical costs to achieve cost forecasting integrity and fiscal accountability." 4 Tr 3166-3167. In addition, the company contended that CDA is used by utilities in California, Massachusetts, Pennsylvania, and Alberta, Canada.

Next, DTE Electric explained that:

> [t]he year-over-year reductions in emergent replacements (storm) of 15.70 percent in 2020 and 54.10 percent in 2022 as shown in Table 2 can be explained by year-over-year reductions in customer restorations and interruptions of 12.40 percent in 2020 and 47.10 percent in 2022 as shown in Table 3. The tables show the weather events in 2020 and 2022 resulted in fewer customer outages and fewer customer restorations, which resulted in a reduction in volume of work and expenditures. A reduction in overall expenditures therefore should not necessarily be viewed as an indication of the absence of inflation but in these cases a reduction in volume of work. A similar relationship generally applies to the other expenditures in Table 2 (above): that is, fluctuations in expenditures from one year to the next can generally be explained by changes in the cost of materials and labor as well as the volume of activity.

4 Tr 3170-3171. The company also noted that the costs for materials used during emergent replacements has increased more swiftly than the increase in CPI-U, which has reduced DTE Electric's purchasing power. *See*, 4 Tr 3172-3173. Similarly, DTE Electric contended that "[t]here has been an upward trend in distribution operations contract labor rates over the past several years based on the Company's collective bargaining agreements," which have also negatively affected the company's purchasing power for labor. 4 Tr 3173.

DTE Electric noted that the Commission declined to approve the use of CDA for average emergent and other base distribution capital cost in the January 23 order, finding that the company had provided insufficient evidence that it was appropriate to apply CDA to historical costs for emergent replacements; connections, new load, and relocations; electric system equipment, normal

retirement units changeout, and improvement blankets; and general plant, tools, and equipment. The company asserted that it has faced "very high inflationary pressures . . . in the last several years," and the Commission's decision to disallow the use of CDA "in the calculation of average emergent and other base distribution capital cost . . . will result in underfunding these expenditures. 3 Tr 982-983. DTE Electric argued that it has provided sufficient evidence to support the use of CDA, and that without this inflation adjustment, the company will not be able to perform the same volume of repair work during current emergent events at the same cost that was incurred in the past.

The Staff disagreed with DTE Electric, stating that the company failed to address the Commission's concerns with CDA set forth in the January 23 order. The Staff asserted that:

> [t]he Company did not provide a convincing argument that it is necessary to inflate the years within the five-year average for Emergent Replacements or the three-year average for Customer Connections, Relocations, and Other. There is also still not a consistent trend upward within these programs. For Emergent Replacements, the Storm along with the Substation Reactive sub-programs showed a downward movement in both 2020 and 2022, and the Non-Storm sub-program showed a downward movement in 2020. For the Customer Connections, Relocations, and Other, the Relocations along with NRUC [normal retirement unit change-out] and Improvement Blankets sub-programs show a downward movement in 2022, and the Electric System Equipment along with the General Plant, Tools & Equipment and Miscellaneous sub-programs show a downward movement in 2023.

5 Tr 5273. The Staff recommended removing the historical five-year inflation adjustment to emergent replacements of $50.03 million for 2025 and $51.58 million for 2026. *See*, 5 Tr 5273. In addition, the Staff requested a $14.46 million disallowance for 2025 and a $14.91 million disallowance for 2026 to remove the historical three-year inflation adjustment to Customer Connection, Relocations, and Other. *See*, Staff's initial brief, p. 19.

The Attorney General also objected to DTE Electric's proposal to apply CDA to historical emergent replacement costs. She stated that "[i]f any inflation was experienced in those prior

years, it is reflected in the actual amounts paid. It is simply an unsupported fabrication to inflate historical costs to arrive at an adjusted historical base and to then further inflate those costs for future years with projected inflation factors." 4 Tr 3433; *see also*, Attorney General's initial brief, p. 19. The Attorney General asserted that she agrees with using a five-year normalization approach to forecast capital expenditures, however she argued that it should be calculated using actual capital expenditures from prior years, not altering the expenditures with assumed costs that were not incurred. The Attorney General also noted that the Commission rejected the use of CDA in the January 23 order and she contended that the company has not provided any new evidence that would persuade the Commission to alter that decision.

Furthermore, the Attorney General contended that DTE Electric has not adequately supported the cost increases and is attempting to retroactively recover additional costs by using CDA. *See*, Attorney General's initial brief, p. 19. She noted that in discovery, she asked whether the company uses CDA "in forecasting costs and revenues for internal budgets and capital programs presented to its Board of Directors and external parties. In response, the Company stated that it had not done any research or analysis on that question. This is a clear indication that no such methodology is used by the Company for internal financial purposes." 4 Tr 3430-3431.

Additionally, the Attorney General asserted that DTE Electric was unable to provide evidence that any non-utility companies or the DoD use the CDA methodology to set prices on goods and services or to pay suppliers. *See*, Attorney General's initial brief, pp. 26-27. She argued that CDA adjustments do not need to be made to historical costs to protect the company's purchasing power, stating that:

> [g]oods and services have no purchasing power. They are the items being purchased. The volume and mix of goods and services can change every year depending on the number of storms and the materials that need to be replaced. . . . Adjusting historical costs that already reflect the inflation in that year with a

> general inflation factor that occurred in a subsequent year has no relevance and is simply an artificial exercise to increase the amount of requested rate increase.

4 Tr 3432-3433. Finally, the Attorney General stated that the Federal Reserve cut interest rates in September and October 2025, which undermines the company's argument that it needs increased interest rates and the use of CDA to accurately forecast emergent replacements expenditures. *See*, Attorney General's reply brief, pp. 11-12.

ABATE noted that in the January 23 order, the Commission declined to adopt DTE Electric's proposed CDA methodology and directed the company to provide evidence supporting any inflation adjustment to historical expenditures. ABATE contended that DTE Electric failed to provide adequate evidence to support use of the methodology, stating that the company:

> acknowledges the fact that a significant driver of variability in expenditures is the volume of work required. The volume of work required is dependent on the level of storm activity that actually occurs in a particular year. Storm activity can vary significantly from year to year and the storm-related emergent replacement expenditures follow suit . . . . [ABATE] believe[s] an uninflated five-year average is a reasonable starting point for the development of DTE's future test year projections. The uninflated five-year average historical capital expenditure amount recognizes both 1) that increases in material and labor costs have occurred over time and 2) that there is uncertainty around the level of storm activity that will occur in the future test year and thus, uncertainty around the volume of work that will be required.

4 Tr 3261 (citing 4 Tr 3170).

MNSC disagreed with DTE Electric that increased distribution operations contract labor rates require CDA. MNSC stated that the company's proposal "does not account for any changes in labor productivity over that period. The Commission should expect continuous improvement in labor productivity, as occurs in the rest of the economy." 5 Tr 4764. In addition, MNSC asserted that some utility regulators have approved CDA for specific capital expenditures. However, MNSC noted that "many of these are in the context of performance-based ratemaking, adjusting rates subject to a revenue cap, allowing for inflation adjustments while accounting for productivity

offsets, and including consumer dividends. Two out of the three examples shared by [DTE Electric] Witness Lyons for capital additions use performance-based ratemaking." 5 Tr 4770. MNSC recommended that the Commission reject the company's proposal for CDA for distribution operations capital expenditures, or in the alternative, "establish a contested case process for Distributed Grid Planning and implement a performance-based ratemaking approach for DTE's Distribution Capital, including its Base Capital programs, with spending subject to approval in the contested Distribution Grid Plans." 5 Tr 4770.

DTE Electric responded, arguing that "Company Witness Lyons presents a compelling case in both his direct and rebuttal testimony supporting the use of CDA to forecast costs. He clearly demonstrates the need to adjust historical spending to reflect current economic conditions and validates CDA as a reasonable and appropriate forecasting method." 4 Tr 2807. The company also argued that it provided additional evidence that there is a consistent increasing trend in material and labor costs that underscores the volatility and increases in emergent replacements and customer connections, relocations, and other capital expenditures.

In response to the Staff's and the Attorney General's claims that there is not a consistent upward trend in emergent replacements expenditures, DTE Electric contended that it "provided evidence showing year-over-year fluctuations in Emergent Replacement (storm) costs can be explained by year-over-year fluctuations in customer interruptions and restorations." 4 Tr 3182 (citing 4 Tr 3170); *see also*, 4 Tr 3172. In addition, the company asserted that it provided evidence that emergent replacement costs are volatile and that contract labor costs have increased over the last few years. *See*, 4 Tr 3183-3184.

DTE Electric disputed the Attorney General's claim that the company is attempting to retroactively recover costs through use of CDA. The company asserted that its "use of CDA is

only to develop more accurate cost forecasts. Costs are more accurately forecasted when the impact of inflationary trends has been normalized." 4 Tr 3185. Moreover, DTE Electric rejected the Attorney General's assertion that the use of CDA is "an artificial exercise to increase the amount of requested rate increase." 4 Tr 3185 (quoting 4 Tr 3433). The company stated that:

> [a]djusting historical costs with a general inflation factor that occurs in subsequent years is highly relevant because it reflects the change in price levels from the initial year to the subsequent years. If for example a product costs $100 in the initial year, then the price level of that product would be $100. If in the subsequent year there is a general inflation factor of 5.00 percent, then the price level of the product increases to $105. Thus, tracking general inflation identifies the price level of the product in subsequent years. If inflation adjustment was not applied, the assumption for price levels would remain at $100, ignoring the impact of general inflation. This would understate the cost of the product in future years.

4 Tr 3185-3186. DTE Electric continued to assert that the DoD and at least one other utility use CDA. Finally, the company contended that the AACE "notes the importance of inflation-adjusting historical costs when estimating future costs . . . ." 4 Tr 3189.

DTE Electric also objected to MNSC's request that the Commission disallow CDA, asserting that the company provided evidence demonstrating that these expenditure categories are volatile and increasing. *See*, 4 Tr 3191-3195. Moreover, the company disagreed with MNSC's claim that distribution operations labor rates have not been trending upward. The company stated that:

> contract labor costs have increased significantly since 2019; 18% for underground, 31% for overhead and 34% for tree trimming. Additionally [MNSC] Witness Jester overlooks material cost, a key component of [CDA]. As shown on page 12 of [DTE Witness Hill's] direct testimony, material costs have risen by 21% to 468% from 2020-2024 across major categories. Material purchases represent approximately 15% of base capital expenditures. His argument against using constant dollar averaging fails to account for these substantial cost increases.

4 Tr 2809. In addition, DTE Electric disputed MNSC's claim that CDA should be linked to the Distribution Grid Plan and performance-based ratemaking. According to the company, MNSC's recommendation "lacks a clear basis and is unsupported by evidence." 4 Tr 2812.

In response to ABATE, DTE Electric reiterated that it provided evidence demonstrating that these expenditure categories are volatile and increasing. *See*, 4 Tr 3195. The company disagreed with ABATE's claim that the uninflated historical average properly recognizes increased labor and material costs and uncertainty around the volume of work.

The ALJ noted that DTE Electric's proposed use of CDA was disputed in the company's previous general rate cases and that the Commission's orders have been somewhat inconsistent on the issue. She stated that the company focuses on the Commission's statement in the January 23 order that the Commission's decision might be different if DTE Electric provided persuasive evidence that emergent replacements and other capital expenditures and O&M healthcare expenses are "both volatile and consistently trending upward." PFD, p. 113 (quoting the January 23 order, p. 73). The ALJ noted that DTE Electric claims that emergent replacement costs are volatile and trending upward and that the company asserts that it provided evidence demonstrating the increase in unit costs for materials and labor over a five-year historical period. However, she found:

> DTE's reasoning and focus on a small number of unit costs unpersuasive. When noting upward trends, the Commission specifically referred to trends in total costs for a given category, not unit costs. DTE's reasoning ignores the Commission's finding that it may change its decision if there were volatility "and" an upward trend in costs, that is that the Commission may approve CDA if the evidence shows upward trending costs "despite" the volatility. The evidence on the record does not demonstrate this, as noted by Staff, within Emergent Replacements the Storm and Substation Reactive categories showed a downward movement in both 2020 and 2022, and the Non-Storm category showed downward movement in 2020. It is noted that downward trends were specifically noted by the Commission when it rejected CDA in Case No. U-21534.

PFD, p. 114. In addition, the ALJ asserted that DTE Electric failed to address the Commission's request that the company provide an analysis for the need for CDA in light of productivity gains from significant capital investments. She stated that "[a]s for DTE's argument that removing CDA will result in underfunding these expenditures, this [ALJ] finds that if in future rate cases

DTE continues to propose the use of CDA, it should provide discrete evidence of how its expenditures have been underfunded by the absence of CDA." *Id*.

Accordingly, the ALJ recommended that, using Exhibit A-12, Schedule B5.4, the Commission should disallow $68.48 million for 2025 and $66.48 million for 2026 that was applied to all applicable base capital programs. She declined to recommend that the Commission adopt MNSC's proposal to tie CDA to the company's distributed generation plan (DGP) or performance-based ratemaking.

DTE Electric excepts, stating that it disagrees with the ALJ's characterization of the Commission's past decisions regarding CDA. According to the company:

> CDA has been utilized to project the Company's Emergent capital and O&M expense since 2018. This adjustment was presented and approved in Case Nos. U-20162 (the adjustment was undisputed, and presented the Company's Exhibit A-12), U-20561 (May 8, 2020 Order at p.86), U-20836 (November 18, 2022 Order p. 63), and U-21297 (December 1, 2023 Order p. 75-76). It was not until the Company's most recent electric rate case, Case No. U-21534, that the Commission disallowed the use of CDA for the projection of Emergent Replacements.

DTE Electric's exceptions, p. 36. DTE Electric reiterates that it provided persuasive evidence that these expenditures are volatile and consistently trending upward. *See*, *id*., p. 37 (citing 4 Tr 2762-2766, 3001-3003, 3005, 3023-3024, 3171-3175).

In response to the ALJ's claim that the company has focused on a small number of unit costs, DTE Electric states that the unit costs are not a small number and the finding fails to consider increased material and labor costs. Furthermore, the company objects to the ALJ's determination that costs were reduced in 2020 and 2022 and, therefore, the application of CDA is unnecessary. DTE Electric contends that it "provided evidence that the trend was due to a reduction in work volume and expenditures and not due to downward pricing trends. The Company also demonstrated, in accordance with the Commission's order, that these expenditure categories are

volatile and consistently increasing." DTE Electric's exceptions, p. 38 (citing 4 Tr 3170-3171). Thus, DTE Electric requests that the Commission decline to adopt the ALJ's recommendation and, instead, adopt the company's CDA proposal.

The Attorney General excepts, asserting that:

> the ALJ got confused by the rebuttal and surrebuttal of [DTE Electric] Witness Hill. [Attorney General witness] Mr. Coppola's revised testimony, as shown below, addresses all the issues that the ALJ agreed to: removal of the historical CDA adjustments by the Company and removal of the $13.7 million for 2026 for Non-Storm corrective maintenance, removal of the $8 million and $9.85 million for facility repair and corrective maintenance under the Substation Reactive Base Capital program, plus it uses the preferred approach of the latest 5 years from 2020 to 2024. Therefore, the correct disallowances are $57,268,000 for 2025 and $77,857,000 for 2026.

Attorney General's exceptions, pp. 14-15.

DTE Electric replies to the Attorney General's exceptions, disagreeing that the ALJ incorrectly calculated her proposed disallowances. The company states that "[i]n making this argument, the AG purports to establish additional disallowances of $50,025,000 for the bridge period (($23,502 + $19,099 + $4,370) x 1,000 x 1.0340 x 1.030 for 2024 and 2025 Company inflation factors) and $51,576,000 for the projected test year ($50,025,000 x 1.0310 for the 2026 Company inflation factor used on page 3 of Schedule B5.4)." DTE Electric's replies to exceptions, pp. 13-14 (citing the Attorney General's exceptions, p. 15). DTE Electric asserts that the Attorney General misreads Exhibit A-12, Schedule B5.4 and disregards testimony from company witness Hill. In addition, the company argues that "[i]n fact, the AG's presentation is contradicted when correctly applying her own methodology to Emergent Replacements . . . ." DTE Electric's replies to exceptions, p. 14. The company requests that the Commission reject the Attorney General's additional emergent replacements disallowances and, instead, adopt DTE Electric's corrected calculations and methodology set forth in Exhibit A-12, Schedule B5.4.

In replies to exceptions, ABATE reiterates that in the January 23 order, the Commission directed DTE Electric to present evidence on the need for inflationary adjustments to historical expenditures in future proceedings. ABATE restates the arguments set forth in briefing and contends that the company failed to present the requested evidence and that the Commission should deny DTE Electric's proposal to use CDA for emergent replacements in this case. *See*, ABATE's replies to exceptions, pp. 7-8.

The Attorney General reiterates the arguments set forth in briefing and asserts that DTE Electric failed to demonstrate that the use of CDA is reasonable and prudent. She states that "the ALJ's analysis and discussion in this area, along with that of the AG and other parties, is substantial and well supported and that the PFD's conclusions and recommendations should be adopted." Attorney General's replies to exceptions, p. 23.

The Commission finds the ALJ's recommendation to be reasonable and prudent and that it should be adopted. DTE Electric claims that the use of CDA is appropriate for emergent replacements because "[i]ncreases in material costs over the past several years have reduced the Company's purchasing power, that is, the Company is unable to replace the same number of *units* for the same dollar amount" and that "[t]here has been an upward trend in distribution operations contract labor rates over the past several years based on the Company's collective bargaining agreements." 4 Tr 3173 (emphasis added). In the January 23 order, the Commission found that "its response to the use of constant dollar averaging might be different if the evidence showed that these expenditure *categories* are both volatile and consistently trending upwards." January 23 order, p. 73 (emphasis added). The Commission agrees with the ALJ that, in this case, DTE Electric is relying on *unit costs*—rather than trends in total costs for a given *category*—to support its use of CDA for emergent replacements. In addition, as noted by the Staff, "[f]or the Customer

Connections, Relocations, and Other, the Relocations along with NRUC and Improvement Blankets sub-programs show a downward movement in 2022, and the Electric System Equipment along with the General Plant, Tools & Equipment and Miscellaneous sub-programs show a downward movement in 2023," demonstrating that there is not an upward trend in costs for this category. 5 Tr 5273. The Commission noted a similar downward trend in this cost category in Case No. U-21534. *See*, January 23 order, pp. 73-74. Accordingly, the Commission declines to approve DTE Electric's request to use CDA for emergent replacements in this case. The Commission opines that the use of CDA may be appropriate on a case-by-case basis.

The Commission also agrees with the ALJ that DTE Electric did not respond to the Commission's continuing directive to provide an analysis for the need for CDA given productivity gains from significant capital investments. Furthermore, the Commission finds persuasive and adopts the ALJ's recommendation that "if in future rate cases DTE continues to propose the use of CDA, it should provide discrete evidence of how its expenditures have been underfunded by the absence of CDA." PFD, p. 114. Finally, the Commission declines to adopt MNSC's proposal to tie the use of CDA to the company's DGP or performance-based ratemaking.

The Commission approves a reduction of $68.48 million for 2025 and $66.48 million for 2026 for CDA applied to all base capital programs.

4. Emergent Replacements

DTE Electric stated that emergent replacements capital expenditures include storm, non-storm, and substation reactive programs. For the storm category, the company asserted that the expenditures are "for labor and material required to restore the distribution and subtransmission systems, which consists of overhead, underground, and substation infrastructure, from damage and outages occurring during weather events called 'storms.'" 4 Tr 2768. DTE Electric explained that

a storm is defined as 760 or more customer outage events that impact 200 or more distinct circuits for longer than an hour. The company noted that the "[t]ypical material expenditures during restoration of customer outages in a storm include transformers, poles, wire / conductors, crossarms, line hardware, capacitors, reclosers, switches, and cutouts, which are most often damaged by weather and tree impacts." 4 Tr 2774. According to DTE Electric, storm expenditures are projected to be $276.4 million for the bridge period and $289.9 million for the projected test year, after applying historical inflation.

Regarding non-storm expenditures, the company explained that "[t]his category includes capital replacements required to restore power to the overhead and underground distribution systems and subtransmission electrical system and/or return to normal operating configuration during non-storm conditions." 4 Tr 2776. DTE Electric stated that non-storm conditions are defined as fewer than 760 customer outage events for the entire system. The company proposed non-storm expenditures of $233.4 million for the bridge period and $254.2 million for the projected test year, which are based on a five-year inflation-adjusted historical average of 2019-2023.

DTE Electric stated that the substation reactive category includes "emergent investments to replace broken equipment that either led to customer outages, creates risk of customer outages, or impacts the operability of the electrical system." 4 Tr 2779. The company proposed substation reactive expenditures of $56.6 million for the bridge period and $59.9 million for the projected test year. 4 Tr 2780-2781; Exhibit A-12, Schedule B5.4, p. 2.

The Attorney General asserted that DTE Electric failed to adequately support its request for increased emergent replacements capital expenditures. She recommended that the Commission use the five-year historical average of capital expenditures from 2020 to 2024 and apply the CPI-

based future inflation factors. The Attorney General stated that for the storm category, she calculated a forecasted spending amount of $237.03 million for 2025 and $242.71 million for 2026. For the non-storm category, she calculated a forecasted spending amount of $228.08 million for 2025 and $233.56 million for 2026. The Attorney asserted that for the substation reactive category, she calculated a forecasted spending amount of $43.9 million for 2025 and $44.95 million for 2026. In total, she "forecasted capital expenditures for Emergent Replacements [of] $486,712,000 for 2025 and $497,995,000 for 2026." 4 Tr 3436 (citing Exhibit A-12, Schedule B5.4). Accordingly, she requested that the Commission disallow $57.27 million for 2025 and $77.86 million for 2026 for the company's forecasted emergent replacements capital expenditures.

ABATE disagreed with DTE Electric's proposed five-year average that includes 2021. According to ABATE, "[c]alendar year 2021 was an abnormal year in terms of storm activity, resulting in nearly $400 million of storm-related emergent replacements, which DTE acknowledged in a prior rate case was unprecedented." 4 Tr 3258 (citing Exhibit A-12, Schedule B5.4). Instead, ABATE recommended that the Commission adopt a five-year average of 2019-2020 and 2022-2024, removing 2021, because "relying on actual 2021 data as the basis for future projections only serves to unnecessarily inflate DTE's projected capital expenditures in this case." 4 Tr 3259.

DTE Electric disagreed with the Attorney General's proposed disallowances, stating that she has overstated the 2026 reduction for non-storm and erroneously calculated the substation reactive reduction. The company stated that if the Commission adopts the Attorney General's proposed disallowances, the Commission should correct her calculation and add in "Projected 2025 Substation Facility Repair" and "Projected 2026 Corrective Maintenance" that are set forth in

Exhibit A-12, Schedule B5.4. In addition, DTE Electric noted that if the Commission approves the Attorney General's proposed "five-year average of 2020-2024, applied CDA and inflation. . . . [t]he result to the Company's original proposal is an increase investment of $19.2 million and $19.8 million for 2025 and 2026, respectively as shown in Exhibit A-52, Schedule SS-1." 4 Tr 2817-2818.

In response to ABATE, DTE Electric objected to the use of a non-consecutive five-year average. The company argued that "[t]he use of a five-year historic average is intended to and does appropriately account for weather volatility when forecasting future capital expenditures for Emergent Replacements. Selectively excluding the highest storm years . . . undermines the intent of a five-year average to account for year-to-year variability in weather." 4 Tr 2818-2819. DTE Electric noted that although the summer 2021 storms were historic, there was an ice storm in 2023 that was the worst in the company's history, along with six tornadoes.

The Attorney General responded that her omission of "Projected 2026 Corrective Maintenance" was not accidental. She stated that "[a]s confirmed in response to AGDE-13.359b and c, the Company provided no testimony to explain or justify this additional cost. Furthermore, no similar normalization adjustment was proposed in last rate case, [Case No.] U-21534. Therefore, this cost is unsupported and should be removed." Attorney General's initial brief, p. 28 (citing Exhibit AG-80, pp. 1-2).

Regarding the "Projected 2025 Substation Facility Repair," the Attorney General asserted that it is unclear why the company included an additional $8 million for repairs to substations that would be covered by the expenditures for substation reactive work. Thus, she recommended that it be excluded. The Attorney General stated that:

> [f]urthermore, in response to AGDE 13.360c, the Company confirmed that in the last rate case [Case] No. U-21534 with a projected test year of 2025, the Company

> did not include the two proposed capital expenditures of $8.0 million and $9,847,000 that it now wants to spend in 2025 and 2026, indicating that those newly proposed capital expenditures have not been previously determined to be necessary or were part of other recurring annual capital expenditures under the Emergent Substation Reactive category.

Attorney General's initial brief, p. 29 (citing Exhibit AG-80, p. 3).

DTE Electric objected to the Attorney General's proposed disallowance for corrective maintenance, arguing that she presented this argument for the first time in briefing. The company stated that "[t]his argument is the very type of last-minute, unsupported criticism barred by the standard established by the Commission in its January 11, 2010 Opinion and Order in Case Nos. U-15768 and U-15751 [(January 11 order)], pp 37-38." DTE Electric's reply brief, p. 64. Regarding the "Substation Facility Repair," DTE Electric contends that it provided persuasive evidence that this work is critical to replacing failed electrical grid equipment.

The ALJ opined that the five-year historical average proposed by the Attorney General is not inappropriate. However, she stated that "given the lack of clarity in the record on how DTE and the Attorney General derived their updated averages, this PFD finds that the recommendation to update the average to include 2024 costs should be rejected for Emergent Replacements." PFD, p. 120.

Regarding the "Projected 2025 Substation Facility Repair" and "Projected 2026 Corrective Maintenance," the ALJ found that DTE Electric failed to adequately support these expenditures. She found that "[t]he Company stated what these expenditures were for, but it otherwise failed to explain why they should not simply be included as part of the five-year average of Non-storm or Substation Reactive spend." *Id*. Accordingly, the ALJ recommended that the Commission disallow $13.7 million for test year non-storm corrective maintenance. In addition, she

recommended that the Commission disallow $8 million for the bridge period and $9.85 million for the projected test year for substation facility repair and corrective maintenance.

The ALJ asserted that the Commission has twice rejected ABATE's request to exclude 2021 from the five-year average, noting that the January 23 order states that "high variations in weather are becoming the norm and the Commission supports the use of the five-year average." *Id*. (quoting the January 23 order, p. 76). Thus, she recommended that the Commission decline to adopt ABATE's proposed five-year, non-consecutive average.

ABATE excepts, stating that "[a]s additional years pass and the outlier status of this year becomes more glaring, it is appropriate for the Commission to exclude 2021 from the average used to project costs." ABATE's exceptions, p. 3. ABATE reiterates that the storm events of 2021 are unprecedented and including 2021 data in the five-year average skews the forecast and unreasonably inflates DTE Electric's projected capital expenditures.

In exceptions, DTE Electric reiterates that the Attorney General did not explain or justify the adjustment for non-storm corrective maintenance in testimony. The company contends that she argued the issue for the first time in briefing, which is barred by the January 11 order. Additionally, DTE Electric asserts that it:

> fully supported the Non-Storm and Substation Reactive Corrective Maintenance as separate line items. The Company described that it is performing Corrective Maintenance, although incoming demands surpasses the available investment resulting in a backlog. This point was noted as sufficient evidence in the PFD's approval of the incremental Corrective Maintenance O&M. As of December 15, 2024, the Company determined that completing the CM backlog will require $23.5 million in reactive capital and $7.3 million in O&M expenses. Note both the O&M expense and capital investment are required for the program to perform the necessary work. Additionally, because the proposed level of Corrective Maintenance has not been performed within the five-year historical period, it is not reflected in the historical average and must therefore be shown separately.

DTE Electric's exceptions, p. 40 (citing 4 Tr 2054-2057; PFD, p. 415). The company reiterates the testimony provided in support of the facility repairs, stating that it fully justified the need for the investment. DTE Electric's exceptions, p. 41 (citing 4 Tr 2782). DTE Electric requests that the Commission decline to adopt the ALJ's recommendation.

The Attorney General replies, asserting that "DTE's rehash of its testimony is unpersuasive. The ALJ considered the entire record, balanced the competing arguments and evidence, and found DTE's presentation and responses lacking and unpersuasive. DTE's exception to the contrary should be rejected." Attorney General's replies to exceptions, p. 25. She reiterates the arguments set forth in briefing and requests that the Commission adopt the ALJ's recommendation.

In reply to ABATE, DTE Electric states that "[t]he use of a five-year historic average is intended to and does appropriately account for volatility, including due to storms, when forecasting future capital expenditures. Selectively excluding years undermines the intent of a five-year average to account for year-to-year variability in weather." DTE Electric's replies to exceptions, p. 15. The company notes that the ALJ's recommendation to use a five-year average is supported by Commission precedent and should be adopted.

The Commission finds the ALJ's recommendation to be reasonable and prudent and that it should be adopted. The Commission agrees with the ALJ that it was unclear how DTE Electric and the Attorney General updated their averages and, therefore, the Commission declines to adopt the most recent five-year period of 2020-2024, and instead finds the five-year period of 2019-2023 to be well-supported on the record. In addition, the Commission finds that ABATE's recommended non-consecutive five-year average should be rejected for the same reasons set forth in the January 23 order: "high variations in weather are becoming the norm" and the Commission supports the use of a consecutive five-year average. January 23 order, p. 76.

The Commission also agrees with the ALJ that DTE Electric failed to adequately support the inclusion of non-storm corrective maintenance and substation facility repair costs. Regarding non-storm corrective maintenance, the company testified that it is performing the work, "but incoming demands surpass the available investment." 4 Tr 2055. Furthermore, DTE Electric states that "because the proposed level of Corrective Maintenance has not been performed within the five-year historical period, it is not reflected in the historical average and must therefore be shown separately." DTE Electric's initial brief, p. 41; *see also*, 4 Tr 2053-2057. However, as noted by the Attorney General, "the Company had a backlog of 1,815 uncompleted maintenance items at the end of 2021, and in 2021 and 2022 did not complete all incoming maintenance items, increasing the backlog further to 2,738 items by the end of 2023. In response to AGDE-13.357a, the Company could not provide any information prior to 2021 to establish how the backlog came about in prior years." Attorney General's initial brief, pp. 95-96; *see*, 4 Tr 2055. In addition, the Attorney General states that:

> [i]n AGDE-13.357b, the AG requested that the Company provide the amount of corrective maintenance included in rates in prior rate cases back to 2015. The Company did not provide that information. Instead, the Company provided limited information for the actual expense incurred from 2020 to 2024. This information shows that spending on corrective maintenance has been erratic over the past five years, ranging from $1.5 million in 2024 to $4.1 million in 2022. It is befuddling to see that with the need to address the backlog of corrective maintenance, the Company spent the lowest amount in 2024 and now seeks an additional amount of $7.3 million for 2026.

Attorney General's initial brief, p. 96 (citing Exhibit AG-79, p. 6). Thus, the Commission agrees with the Attorney General that, in the last five years, DTE Electric has continued to spend less than what was included in rates and continued to defer maintenance work. The company's proposed expenditure would result in customers paying twice for non-storm corrective maintenance work.

Similarly, for the substation facility repair the Commission agrees with the ALJ and the Attorney General that the company has not adequately explained why the requested additional expenditures for these repairs would not already be included in the expenditures approved for substation reactive work. In response to the Attorney General's discovery request, DTE Electric confirmed that it did not include the $8 million for 2025 or $9.85 million for 2026 for substation facility repair and corrective maintenance in Case No. U-21534 that the company is now seeking to recover in the immediate case. *See*, 4 Tr 2815-2816; Exhibit AG-80, p. 3. The Commission finds that DTE Electric provides a description of the substation facility repairs in testimony and briefing but does not explain why the expenditures for the repairs are listed as a separate line item from substation reactive work.

Accordingly, the Commission finds that $13.7 million for test year non-storm corrective maintenance and $8 million for the bridge period and $9.85 million for the test year for facility repair and corrective maintenance should be disallowed for the substation reactive work base capital program.

Further, the Liberty Audit identified inspection and maintenance backlogs for several infrastructure types. The Commission acknowledges that, in response to the Commission's order, DTE Electric issued a report on August 29, 2025, outlining a plan "to complete one-third of the preventative maintenance backlog annually to catch up in a 3-year timeframe while prioritizing corrective actions based on system and customer impact" and a "formalized plan to address all backlogs will be shared in the next distribution system plan [(DSP)]." The Commission appreciates these commitments demonstrated in the report and emphasizes the importance of addressing DTE Electric's backlog issue, which involves corrective maintenance to repair or replace defective components. The Commission would like to clarify that the disallowances are

based on the fact that additional support is needed for increased investment levels, which must align with future distribution plans, not an indication that preventative maintenance and corrective maintenance should not be performed. The Commission looks forward to reviewing the formalized plan to address all backlogs in the next distribution plan. If the company exceeds the approved amounts, it may request recovery in a future rate case.

5. Other Base Capital Adjustments

DTE Electric presented its projected capital expenditures for Customer Connections, Relocations, and Other (being other base capital programs included in this case) in Exhibit A-12, Schedule B5.4. Expenditures in this category are broken into the following six major subcategories: (1) Connections and New Load; (2) Relocations; (3) Electric System Equipment; (4) Normal Retirement Unit Change-Out and Improvement Blankets; (5) General Plant, Tools and Equipment, and Miscellaneous; and (6) Public Lighting Department Project. The company indicated that its forecasts in this overall category are generally based on CDA applied to a historical three-year average, except for two unique and discrete projects: the I-375 Relocation project and Incremental Infrastructure for EV integration to the grid. The company also noted that these expenditures have been updated to reflect the implementation of new line extension CIAC stemming from the Commission's order in Case No. U-21297. 4 Tr 2784-2794. The Staff and the Attorney General raised concerns about the use of CDA in this cost category, similar to Emergent Replacements above. The Staff further noted a decrease in spend in 2022 and 2023, and the Attorney General recommended the use of the most recent three-year historical average from 2022-2024, instead of 2021-2023. 4 Tr 3437-3438; 5 Tr 5272-5274; Staff's initial brief, pp. 15-19; Attorney General's initial brief, pp. 30-31. DTE Electric partially addressed and

rebutted the Staff's and the Attorney General's arguments. 4 Tr 2821-2823; DTE Electric's initial brief, pp. 25-29; DTE Electric's reply brief, p. 65.

The ALJ acknowledged that the Staff and the Attorney General had the same concerns about the use of CDA in this cost category but noted that this issue was discussed and resolved earlier in the PFD. PFD, p. 121; *see also*, *id*., pp. 114-115. The ALJ further found, as also addressed earlier in the PFD, that the Attorney General's recommendation to use the 2022-2024 updated three-year average "should be denied, in light of the complexity of the calculations and lack of clarity in the record." *Id*., p. 122; *see also*, *id*., p. 120.

In exceptions, the Attorney General maintains that it is most appropriate to use the most recent three-year period to project these costs, reminding that this is what her expert witness calculated his recommended disallowances on in this case. Attorney General's exceptions, p. 16.

DTE Electric responds and asserts that, if the Commission adopts the Attorney General's 2022-2024 averaging period, any update must use CDA followed by the company's composite inflation to maintain comparability with the filed forecast. When this methodology is applied, however, DTE Electric states that it "does not produce the disallowance the [Attorney General] seeks; rather, it significantly increases Customer Connections, Relocations, and Other—by $40.2 million and $44.3 million for 2025 and 2026, respectively—relative to the Company's proposal." DTE Electric's replies to exceptions, p. 16 (citing 4 Tr 2823; Exhibit A-52, Schedule SS-1). DTE Electric thus asserts that the Commission should reject the Attorney General's incomparable arithmetic and adopt the ALJ's position on the issue.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. While it is generally appropriate to include the most recent periods when using historical averages to forecast costs, doing so must provide clarity, not confusion. Accordingly, the Commission

adopts the ALJ's findings and conclusion on the issue of the appropriate historical years to average to forecast expenditures, when appropriate, in this cost category, noting that the use of CDA in this case has already been addressed by the Commission above. *See*, PFD, pp. 120, 122; *see also*, above.

a. I-375 Relocation Project

DTE Electric included capital expenditures for its I-375 Relocation project in this case. The company indicated that it was previously notified by the Michigan Department of Transportation (MDOT) that the company needed to relocate distribution infrastructure located in the I-375 below-grade freeway corridor, which will be replaced with a grade-level boulevard, and began this work in 2023, spending $6.3 million in 2023 and $6.3 million in 2024 to relocate electric infrastructure ahead of actual road construction and consistent with MDOT requirements. The company projected an incremental expenditure of $30 million for this project, with $15 million in 2025 and $15 million in 2026. 4 Tr 2788-2789; Exhibit A-12, Schedule B5.4, p. 5, line 42, columns (h) and (i). The Attorney General recommended a full disallowance as a result of the news articles suggesting reevaluation of the entire project due to significant cost overruns and recent community pushback, leading to the likelihood that the project will be put on hold and the forecasted capital expenditures will not occur. 4 Tr 3443-3445; Exhibit AG-4; Attorney General's initial brief, pp. 34-35. DTE Electric rebutted, stating that it received a notice to vacate from MDOT, that it is required to proceed with work on this project, and that it is not reasonable to expect the entire project will be delayed and that no work will be performed by the company in 2025 and 2026. The company did, however, revise and reduce its forecasted projections to $8.4 million in 2025 and $12 million in 2026. 4 Tr 2826-2827; DTE Electric's initial brief, p. 87. The Attorney General replied, arguing that DTE Electric has not provided sufficient detail to

reconcile its positions, that it is unclear what a notice to vacate is or how it affects scope and timeline, and that the now lower forecasted expenditures create uncertainty with the project, demonstrating that they are neither reasonable nor prudent to recover at this time. Attorney General's reply brief, pp. 30-31.

The ALJ recommended that the Attorney General's proposed disallowance be denied. The ALJ reasoned that "[t]he notice to vacate is a legal document requiring DTE to remove its infrastructure from its current location and while the *Detroit News* article presented by the Attorney General indicates a delay and reevaluation of the project it does not suggest that the project will be terminated." PFD, p. 124. The ALJ thus recommended that DTE Electric's revised projected forecasts for 2025 and 2026 be accepted.

The Attorney General objects and asserts that the ALJ erred in not adopting her full proposed disallowance. The Attorney General argues:

> Importantly, the notice to vacate is inoperative if MDOT has placed the project on hold. This fact is not only shown in the record, based on the information provided in Exhibit AG-4, but also as a matter of public record on the MDOT website and the fact that no construction has started for this section of the expressway. The entire disallowance amount proposed by the [Attorney General] should be removed from the bridge period and projected test year. If the Company incurs any actual expenditures those can be included in rate base in the next rate case. Customers should not pay in rates for costs that are not likely to be incurred.

Attorney General's exceptions, p. 17. The Attorney General thus maintains that the Commission should remove the company's forecasted capital expenditures for 2025 and 2026 in this case.

DTE Electric responds and argues that the ALJ properly declined the Attorney General's proposed disallowance. The company asserts that the Attorney General's objections should be rejected as they "mischaracterize[] the evidentiary record, disregard[] the legal effect of MDOT's notice to vacate, and disregard[] the Company's updated forecasts for the project that accounts

[sic] for the current status of the project." DTE Electric's replies to exceptions, p. 17 (citing 4 Tr 2826-2827). Continuing, DTE Electric states:

> It also bears emphasis that it is not the Company's responsibility to resolve conflicting understandings or positions between two departments of the State of Michigan (the Michigan Department of Transportation and the Department of Attorney General). To the best of the Company's knowledge and belief, it has been required to vacate property associated with the I-375 Relocation project and the Company has expended time and resources to do so. It would be arbitrary and unreasonable for the Commission (under yet another state department – Department of Licensing and Regulatory Affairs) to now penalize DTE Electric for the State of Michigan's changing construction plans.

DTE Electric's replies to exceptions, pp. 17-18. DTE Electric further states that the ALJ correctly found that the notice to vacate requires the company to relocate its facilities and that the Detroit News article shows delay and reevaluation but not termination of the broader highway project and notes that the record shows that the company has already incurred $6.3 million in capital expenditures in 2023 and $6.3 million in 2024, with prudent updates of $8.4 million in capital expenditures forecasted for 2025 and $12 million forecasted for 2026. *Id*., p. 18 (citing PFD, p. 124; 4 Tr 2788-2789). Moreover, per DTE Electric:

> The [Attorney General]'s claim that the notice to vacate is "inoperative" because the project is "on hold" is unsupported. There is no evidence that MDOT rescinded or suspended the notice. The [Attorney General]'s citations are limited to media and general internet materials that the PFD correctly read as indicating delay and reevaluation, not cancellation. (PFD, p 124). As DTE Electric explained, the relocation schedule is controlled by MDOT, and it would be arbitrary to penalize the Company for the State's evolving construction timetable by disallowing all forecasted spend when the underlying legal directive remains operative. (DTE Electric's Reply Brief, p 65). Similarly, the mere assertion that "no construction has started" does not justify eliminating test-year spending. The relocation obligation exists independent of the precise timing of MDOT's mainline work, and the Company has already undertaken reasonable and prudent relocation activities and incurred costs in 2023 and 2024, with additional work planned in coordination with MDOT in 2025 and 2026. (Hill, 4T 2788-2789). The Company's updated $8.4 million (2025) and $12.0 million (2026) forecasts prudently moderate the original projections based on current information.

DTE Electric's replies to exceptions, p. 18. In conclusion, per DTE Electric, the Attorney General's proposed disallowances disregard the company's updated forecasts and provide no record evidence to support disallowing amounts tied to a mandatory MDOT relocation, and the suggestion to punt actual expenditures to the company's next rate case would "underfund an ongoing state-mandated project, and conflicts with the principle that rates should be set prospectively based on the best available evidence." *Id*., p. 19. DTE Electric thus asserts that the Commission should adopt the ALJ's recommendation and approve the company's updated lower forecasts for 2025 and 2026 as reasonable and prudent.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. The Commission agrees that, while there may be a reevaluation of this ongoing project, it does not indicate that the project is dead. *See*, Exhibit AG-4. And more importantly, per the evidence in this case, MDOT's notice to vacate is still valid and must be adhered to by DTE Electric. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, p. 124.

b. Utility Make-Ready for Electric Vehicles

DTE Electric indicated that Incremental Infrastructure for EVs, within its Customer Connections and New Load expenditures, amounts to incremental capital expenditures of $9.2 million in 2025 and $18.6 million in 2026 for the construction of EV charging infrastructure within the company's service territory and is a subset of the company's Transportation Electrification Plan (TEP). 4 Tr 2786-2787; Exhibit A-12, Schedule B5.4, p. 4, line 32. Disagreeing with the company's projections, the Attorney General forecasted these expenditures using an uninflated three-year average from 2022-2024 with CPI-inflation rates for 2025 and 2026 and also removed the incremental capital expenditures for 2025 and 2026, stating that the

company does not identify and track utility make-ready (UMR) costs for EV charger deployments, making it impossible to determine whether the company's historical base capital expenditures for UMR are accurate and whether any incremental expenditures are necessary. The Attorney General further asserted that the company has a track record of overestimating the annual registration and adoption of EVs by its customers and that the current environment and demand for EVs does not support the company's forecasted spend for UMR installations for 2025 and 2026, contrary to the company's assertions otherwise. While the Attorney General acknowledged some continued level of EV sales in 2025 and 2026, she argued that an increase in UMR installations over the actual base amount in 2024 is unlikely to occur. 4 Tr 3439-3443; Attorney General's initial brief, pp. 31-33. MEIU, on the other hand, supported the company's EV adoption forecasts in this case. 5 Tr 3930-3945. DTE Electric disagreed with the Attorney General and also noted the Staff's non-issue with the company's forecast but nevertheless agreed with the Staff to evaluate the sunsetting impacts of EV tax credits on EV adoption in the company's next TEP filing (due July 1, 2026) and the company's next electric rate case. 3 Tr 1369-1372; 4 Tr 2668-2669; DTE Electric's initial brief, p. 214; DTE Electric's reply brief, pp. 198-199.

The ALJ agreed with DTE Electric and MEIU that the company's EV forecast remains reasonable, while acknowledging that there might be a slight decrease in new EV purchases in the test year and also noting EV sales in the secondary market would not be affected by the elimination of tax credits, which the ALJ opined may also contribute to additional EV purchases requiring UMR funding. The ALJ thus recommended that the Attorney General's proposed adjustments be rejected. PFD, p. 128.

The Attorney General asserts that the ALJ erred in not adopting her proposed disallowance, maintaining that DTE Electric continues to overestimate the adoption rate of EVs and the

company's related projections for UMR capital expenditure needs. The Attorney General further states that "[t]he public record from more recent news reports shows that EV sales have decreased dramatically since the end of the federal rebates in September 2025 and this decline supports Mr. Coppola's testimony." Attorney General's exceptions, p. 18. Per the Attorney General, wishful thinking otherwise from DTE Electric and MEIU is not supported by clear evidence; even if EV sales reached the company's projected level in this case, any additional capital expenditures as a result can be included in the company's next rate case; and customers should not pay for costs that are not likely to be incurred. The Attorney General further takes issue with the ALJ's statement and reliance on the secondary EV market, asserting that the ALJ's reliance is incorrect and undermines her conclusion and recommendation. More specifically, the Attorney General states:

> Pertinently, EV sales in the secondary market (previously owned EVs) *are* affected by tax credits or the lack thereof, as those vehicles were also eligible for the Previously Owned Clean Vehicle Credit under Section 25E of the Internal Revenue Code. Therefore, the fact that less new *and* used EVs are likely to be purchased only bolsters the [Attorney General]'s argument, contrary to the supposition in the PFD. In addition, the PFD provides no citation to the record to show that registrations for used EVs/used EVs being brought into DTE's service territory from outside the territory were not counted in DTE's projections. If DTE is using "new" EV *registrations* as a proxy for projecting EV adoption, that would already include both new and used vehicles that are being registered in the state/service territory for the first time.

Attorney General's exceptions, p. 19 (footnote omitted, emphasis in original). Accordingly, the Attorney General argues that the Commission should remove the incremental forecasts of

$9.2 million for 2025 and $18.6 million for 2026 from the company's forecasted UMR capital expenditures in this case.

MEIU responds, arguing that the Attorney General's repeated attempts to use short-term news reports to undermine the company's EV adoption forecast fail to overcome the weight of the evidence provided by MEIU. MEIU states:

> In evaluating this claim, it is worth reviewing the record evidence brought to bear on this issue by MEIU on the one hand and by the [Attorney General] on the other. In MEIU's case, witness Schuster presented evidence from industry experts, including key decision makers within American auto manufacturers, alongside evidence of global trends, including increasing competition from China, and of technological developments that are making EVs both better and cheaper. 5 Tr 3934–37. All of this, she explains, "will enable continued EV adoption growth through this period of political and economic uncertainty at the federal level." 5 Tr 3937; see also 5 Tr 3938–3945.
>
> Against this, [Attorney General] witness Coppola holds up only his paraphrase of "information gathered from [unidentified] recent articles in the Wall Street Journal, the Detroit News, and other publications." 4 Tr 3442–43 & n. 21. The [Attorney General]'s Exceptions attempt to add to this a vague reference to "[t]he public record from more recent news reports" that is neither in the evidentiary record here nor specifically identified such that the [Attorney General] could make a case for judicial notice of the same. Instead, the Commission is asked to simply take the [Attorney General]'s counsel's word for it that non-specific "more recent news reports" support the [Attorney General]'s position.

MEIU's replies to exceptions, pp. 2-3. In short, MEIU asserts that the Commission should reject the Attorney General's arguments that rely on skepticism towards EVs and instead adopt the ALJ's recommendation.

DTE Electric also replies and asserts that the ALJ correctly rejected the Attorney General's proposed disallowance and that the Commission should adopt the ALJ's recommendation. The company, in this regard, recaps evidence supporting the ALJ's conclusion that, while there may be a slight downturn in new EV purchases in the test year, the company's EV forecast and UMR

funding remain reasonable and warranted. DTE Electric's replies to exceptions, pp. 19-20 (citing PFD, pp. 124-128; 4 Tr 1370-1371, 2626). DTE Electric further argues:

> The [Attorney General]'s exception rests on extra-record news reports and new assertions about post-September 2025 market conditions rather than the material and substantial evidence proffered by the Company in this case. ([Attorney General]'s Exceptions, pp 18-20). As a procedural matter, exceptions must be supported by reasoned discussion of the evidence and the law, with record citations to the portions alleged to establish the facts and may not introduce new factual material in lieu of record proof. (Mich. Admin. Code R. 792.10435(3) *". . . Exceptions and replies to exceptions containing factual allegations claimed to be established by the evidence must include a reference to the specific portions of the record where the evidence may be found. Materials incorporated by reference must be attached."*). Even aside from the procedural concerns, however, the record here already accounts for potential policy headwinds, as the Company agreed to Staff's recommendation to evaluate the impacts of sunsetting federal EV tax credits, among other factors, in its next TEP filing. (Freeman, 5T 5205). The Company's acceptance of Staff's recommendation evidences a prudent and iterative planning approach. Even if growth moderates, the substantial stock of EVs already registered within the service territory will continue to require make-ready infrastructure to charge reliably and safely. (Leuker, 3T 1370-1371).

DTE Electric's replies to exceptions, p. 20 (footnote omitted; emphasis in original). Moreover, per DTE Electric, the ALJ's and Attorney General's discussions regarding secondhand EVs "is of no moment," as "[t]he PFD grounded its recommendation in the record showing that DTE Electric's forecast is reasonable despite a short-term dip in demand" and "the evidentiary record independently reinforces continued EV-related growth from multiple channels," record evidence that the Attorney General's objections do not overcome. *Id*., pp. 20-21 (citing PFD, p. 128; Attorney General's exceptions, p. 19; 5 Tr 3930-3945).

While acknowledging the Attorney General's point regarding used EV sales, the Commission agrees with DTE Electric, the Staff, and MEIU and finds the company's EV sales forecast and associated UMR expenditures to be appropriate in this case, notably considering the strong EV sales in the beginning half of 2025 with the likelihood that these vehicles will remain in the company's service area and necessitate additional charging support. 3 Tr 1372. The Commission,

however, acknowledges changes in forecasting over the years with some further uncertainty going into 2026 in light of recent federal changes and, thus, finds it appropriate to direct DTE Electric, beginning with its next rate case, to start identifying and tracking UMR costs for EV charger deployments and to provide in its application, updated when possible during the pendency of the case, the actual cost of UMR installations completed in prior years with a comparison of those costs to forecasts from prior rate cases. 4 Tr 3440. Relatedly, the Commission also acknowledges the company's agreement to include a thorough discussion of the sunsetting impacts of EV tax credits on EV adoption in the company's next TEP filing due July 1, 2026, and in the company's next rate case. 4 Tr 2668-2669.

c. Projected Meters

DTE Electric indicated that, within its Electric System Equipment category (to maintain investment of critical spare equipment to support emergent replacements and planned projects), is capital expenditures for projected meters, which the company forecasted at $16.735 million for 2025 and $17.254 million for 2026, based on a CDA adjustment (three-year historical average of investments for 2021 through 2023 plus inflation). 4 Tr 2792-2793; Exhibit A-12, Schedule B5.4, p. 5, line 68, columns (h) and (i). The Staff recommended a partial disallowance for the company's 70,000 meter surplus ($6,301,229 in 2025 and $6,542,690 in 2026), noting that the company spent significantly more on 70,000 projected meters in 2024, which the company did not account for when basing its forecast using a three-year historical average of actual investments from 2021-2023 plus inflation and a surplus which the company can use in 2025 and 2026, while also noting that DTE Electric did not provide any information about the company's historical or current meter inventories to assess prudency. 5 Tr 5169-5171; Exhibit S-22.1; Staff's initial brief, pp. 19-21. The Attorney General came to the opposite conclusion using average expenditures

from 2022-2024 and adjusting for future inflation rates (not by way of CDA) and thus recommended increases of $2.981 million for 2025 and $2.935 million for 2026 over the company's projections. 4 Tr 3447; Attorney General's initial brief, pp. 35-36. DTE Electric rebutted the Staff's recommendation, arguing that purchases in 2024 were simply a one-time additional purchase to maintain the company's inventory of meters that should not be used to determine future meter needs. DTE Electric's initial brief, pp. 87-88.

The ALJ recommended that the Staff's proposed adjustments be adopted, including the removal of CDA discussed above. Per the ALJ:

> As Staff points out, without knowing more about the actual stock of meters that the Company has on hand, there is no way of being able to discern whether the meter purchases are reasonable and prudent, and nothing precludes DTE from properly supporting an increased meter purchase in a future rate case. Without better information about existing inventory, DTE's declarations of necessity are not enough to establish the accuracy, reasonableness, or prudence of their purchasing forecasts.

PFD, p. 132.

DTE Electric objects to the ALJ's recommendation. The company reiterates that its meter purchase in 2024 was a simple, one-time additional purchase to ensure sufficient inventory, due to higher-than-normal meter failures in 2023, an increase in supply chain lead times, and the need to catch up from additional meters installed versus purchased in 2021-2023. The company states that, while the ALJ focuses on the actual stock of meters DTE Electric carries, the company does maintain an inventory and does so by balancing installations against purchases. Further, DTE Electric argues, "the PFD's conclusion that 'DTE's declarations of necessity are not enough' is itself incorrect (since the Company provided a cogent rationale) and disregards the compelling meter installation/purchase trends in the record." DTE Electric's exceptions, p. 44 (quoting PFD, p. 132). Thus, because the company does not have a "surplus" but instead is ensuring sufficient

inventory to meet customer needs, DTE Electric argues that the Commission should reject the ALJ's recommendation and accept the company's request in this case.

Disagreeing with DTE Electric, the Staff asserts that the Commission should adopt the ALJ's recommended disallowance. The Staff maintains that:

> [t]he Company did not and has not provided any further information regarding its past or current meter inventory or its "anticipated needs." The Company has only provided numbers for meter purchases, meter installations and the year in which they occurred. Without more information, it is not possible for Staff to find the Company's request for recovery of meter purchases in this rate case reasonable and prudent. Staff agrees with the ALJ's reasoning from the PFD that, "without better information about existing inventory, DTE's declarations of necessity are not enough to establish the accuracy, reasonableness, or prudence of their purchasing forecasts." (PFD, p. 132.)

Staff's replies to exceptions, p. 25.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. The Commission agrees the additional meters purchased in 2024 should be taken into consideration when determining future projected meter needs and that, without knowing the company's inventory over recent years, it is not possible to assess the reasonableness and prudence of future needs for this cost category in this case. *See*, PFD, p. 132. Factoring in the Staff's inflation rates, as adopted by the Commission in this order, the resulting disallowances are thus $5,342,228 for 2025 and $5,443,690 for 2026.

G. Distribution Strategic Capital Programs

1. Overview

DTE Electric set forth an overview of the strategic investments it is making in the electric distribution grid to improve reliability at 3 Tr 1088-1090, stating that it invested $1.6 billion in the 2023 historical period and is requesting $3.2 billion of capital investments for 2025 and $1.9 billion for 2026 and that these capital investments are principally driven by four essential

pillars: (1) tree trimming, (2) infrastructure resilience and hardening, (3) infrastructure redesign and modernization, and (4) technology and automation. 3 Tr 1088-1091; Exhibit A-12, Schedule B5.4, p. 1.

As summarized in the PFD, several intervenors took issue with many of the company's strategic distribution investments. PFD, pp. 132-136. The company also proposed that certain costs within this cost category be collected through the IRM. These issues are addressed directly below and also later, in terms of the IRM, in this order and final decision.

In exceptions, ABATE objects to the ALJ's statement in the PFD that "'ABATE's recommended disallowance on the basis that certain projects will not be useful in the bridge or test periods should be rejected,'" as "this was not the basis for ABATE's recommended cost disallowance" for the company's distribution strategic capital programs. ABATE's exceptions, p. 4 (quoting PFD, p. 135, n. 562). ABATE states, as set forth in briefing:

> despite DTE's significant proposed spending increases the Company has demonstrated minimal improvement to system reliability and has a history of underspending relative to forecasts and instead diverting this revenue to emergent replacements. (ABATE Initial Br at 29-30; ABATE Reply Br at 12.) Indeed, as the PFD acknowledged, numerous parties raised myriad concerns with the Company's proposed cost recovery for these programs. (PFD at 134-36.) Further, the PFD also acknowledged that "the Commission has made clear that it is not required to accept those projections that it finds insufficiently supported or where it determines that there is a likelihood that the funds will not be spent as planned." (PFD at 38.) That is precisely the situation here, where the Company routinely underspends relative to its cost recovery and simply shifts revenue to emergent replacements. As such, the Commission should review cost recovery requests for this program, particularly for projects with completion timelines that extend far out into the future, with significant scrutiny. A reasonable approach to curbing the Company's unreasonable request is to limit cost recovery to projected capital expenditures associated with projects that are expected to be in-service during the bridge period and projected test year. (ABATE Initial Br at 29-30; ABATE Reply Br at 12.)

ABATE's exceptions, p. 5. ABATE maintains that the Commission should only approve cost recovery for reasonable projections for this overall program and, in turn, only approve cost

recovery associated with projects that are expected to be in-service during the bridge period and projected test year in this case.

No replies to exceptions were filed in response to ABATE's objection.

The Commission acknowledges ABATE's objection but notes that it has routinely rejected a blanket disallowance on cost recovery requests for projected capital expenditures associated with projects that are only expected to be in-service during the projected periods (bridge period and/or test year) in a rate case. *See*, e.g., January 23 order, p. 59. Accordingly, specific contested projects within this overall cost category are individually addressed for reasonableness and prudence below.

2. Modeling

a. Global Prioritization and Reliability Models

DTE Electric summarized its Global Prioritization Model (GPM) framework and how it supports the company's prioritization of distribution operations capital strategic investments at 3 Tr 1197-1212. *See also*, Exhibit A-23, Schedules M14 and M14.1. The company thereafter described its reliability model at 3 Tr 1213-1220. *See also*, Exhibit A-23 Schedule M12. The Attorney General took issue with and criticized the company's GPM and reliability model for several reasons—chiefly asserting that the GPM is a poor prioritization tool and a meaningless capital planning tool, that the reliability model is biased in favor of capital spending, and that the Commission should reject the results/scores/reliability improvement projections from both as non-credible when evaluating the company's capital spend requests. 5 Tr 4617-4629; Attorney General's initial brief, pp. 143-144. MNSC also criticized the company's modeling. MNSC's initial brief, pp. 23-30. DTE Electric rebutted. 3 Tr 1198-1199, 1268-1290; DTE Electric's reply brief, pp. 33-38.

The ALJ recalled the Commission's findings in the January 23 order (addressed less than a year before the PFD in this case was issued) and agreed that "there is simply not enough time to fully examine and address the strengths and weaknesses of the GPM and RM [reliability model], given the strict time constraints for completing a rate case" and thus "adopt[ed] the guidance provided by the Commission in the [Case No.] U-21534 order and consider[ed] the GPM and RM as pieces of evidence that may provide some support for specific program or project spending." PFD, p. 146.

In exceptions, DTE Electric overall states:

> Insofar as the PFD concludes that the GPM and RM provide support for the Company's proposals, the Company agrees and emphasizes the extensive record demonstrating the Company's optimization and refinement of those models to address intervenor and Commission feedback raised in prior cases. The record shows that the GPM and RM are robust, data-driven tools that the Commission has already found do not require further prescriptive changes and which have been validated against actual performance.

DTE Electric's exceptions, p. 46 (citing 3 Tr 1270, 1288-1289; January 23 order, pp. 97-98). As far as the ALJ's recommendations regarding the company's BCA, however, DTE Electric disagrees and asserts that its BCA:

> is rigorous, methodologically transparent, conservative in key assumptions, 1898 & Co.'s models (used here) have been approved by the Public Utility Commission of Texas for three different utilities, and is resilient to the critiques raised by the PFD. Moreover, even when modified to account for various intervenor criticisms, sensitivity analyses show that the BCA's principal conclusions remain materially unchanged and continue to support approval of the Company's proposed investments.

DTE Electric's exceptions, pp. 46-47. DTE Electric continues that the Commission:

> should consider the Company's presented modeling in its appropriate context. The PFD properly recognizes that the Commission has already articulated how modeling should be considered in contested cases. (PFD, p 146). In Case No. U-21534, the Commission explained that it will weigh the Company's planning tools—principally the DGP, GPM, and RM— as evidence supporting specific cost recovery requests, without attempting to adjudicate every methodological critique

> within the confines of a general rate case (January 23, 2025 Order in Case No. U-21534, p 97). In that same order, the Commission concluded that there was no need for the Company to implement extensive changes to its modeling processes and that requiring a full BCA for every investment is neither practical nor advisable (January 23, 2025 Order in Case No. U-21534, pp 97-98). The record in this case is even stronger. The GPM has been refined since the prior case, the RM has been updated to reflect a full calendar year and to incorporate reliability performance from 2023 and 2024, and the Company supplemented these tools with comprehensive BCAs to further enhance the record with respect to key investments.

DTE Electric's exceptions, p. 47 (footnote omitted). Against this backdrop, DTE Electric asserts that the ALJ erred to the extent she discounted the probative value of the company's modeling record. The company appreciates the ALJ's acknowledgment that the GPM and RM provide evidentiary support, which the Commission should not minimize, and states that the ALJ's recommendation to afford minimal weight on the BCA rests on conclusory assertions, which were rebutted by the company. *Id*. (citing 3 Tr 1150, 4 Tr 1872-1897, 1903-1910).

As to its GPM specifically, DTE Electric agrees with the ALJ that the Commission need not adjudicate every modeling criticism in a rate case but disagrees with the ALJ to the extent she echoes intervenor criticisms that the GPM's score is subjective and not cost-based. The company, in this regard, "submits that the record in this proceeding warrants affording substantial weight to the GPM and its conclusions" and asserts that "[t]he GPM is a sound prioritization framework that balances objective metrics with expert judgment, has been improved in this case for transparency and accuracy, and aligns with the good-practice findings of the Liberty Audit." DTE Electric's exceptions, p. 48 (citing 3 Tr 1197-1204, 1270-1276). DTE Electric further discusses the GPM's scoring weight derived from objective inputs, the GPM's relative ranking method evaluating benefits per dollar, and how projected improvement inputs are anchored to measured pre- and post-project data where applicable, information which the company provided during discovery, along with the datasets. DTE Electric's exceptions, pp. 48-49 (citing 3 Tr 1212, 1274-1276;

Exhibit A-23, Schedules M14, M14.1; Exhibit A-46, Schedule LL4; DTE Electric's reply brief, pp. 8-12). On this record, DTE Electric thus asserts that the Commission "should reaffirm its conclusion in Case No. U-21534 that no additional prescriptive changes to the Company's modeling are necessary and should credit the GPM as reasonable, data-driven analytical support for investment prioritization." DTE Electric's exceptions, p. 48 (citing 3 Tr 1270; January 23 order, p. 98).

As to its reliability model specifically, and despite the ALJ's acknowledgment that DTE Electric's reliability model provides support for the company's proposed investments, DTE Electric again addresses intervenor criticisms reflected in the PFD, arguing that its reliability model should be afforded substantial weight in evaluating reliability-drive improvements. Per DTE Electric, "[t]he record demonstrates that the RM is a rigorous analytical tool which has been updated in this case to include a full calendar year and actual 2023-2024 performance, has accurately forecasted system outcomes, and ties investment effectiveness to pre- and post-project data at the circuit level." DTE Electric's exceptions, p. 49 (citing 3 Tr 1213-1219, 1288-1289; Exhibit A-23, Schedule M12; Exhibit A-46, Schedule LL4). The company further reiterates the structure of its reliability model in detail, that it provided multiple examples with related data where effectiveness rests directly on measured historical outcomes, that it also explained and defended use of baselines that excluded Major Event Days (MEDs) to address weather volatility and improve signal-to-noise for system improvement trends, and that its reliability model has been validated against outcomes. DTE Electric's exceptions, pp. 49-50 (citing 3 Tr 1213-1217, 1280-1281, 1283-1289; Exhibit A-23, Schedule M12; Exhibit A-46, Schedule LL4). On this record, DTE Electric thus asserts that its reliability model "should be valued as reliable, decision-useful evidence supporting the reasonableness and prudence of DTE Electric's reliability

investments" and that "[c]onsistent with its prior conclusions on this modeling, the Commission should acknowledge the value it provides and recognize the Company's commitment to continued improvement of its analytical tools evidenced in this case both with respect to the GPM and the RM." DTE Electric's exceptions, p. 50.

MNSC asserts that DTE Electric's objections as to the company's GPM "cite[] no specific finding of fact or conclusion of law by the ALJ to which it excepts regarding the GPM" and "is thus improper under Rule 435(4)." MNSC's replies to exceptions, p. 2. MNSC states that "[t]he Company cites no disagreement with the PFD's conclusion" but rather "agrees with the PFD's stated approach," and "[w]hat the Company takes issue with is apparently not any finding of fact or conclusion of law by the PFD, but the fact that the PFD recited the record on this issue," which "is an improper exception and wastes resources for parties and the Commission." *Id*. "Without needlessly expanding the ink spent on this issue," MNSC further notes that:

> the Company committed to updating the GPM by adding additional actual performance data in the future rather than simply relying on subject matter experts, something the Company failed to do for the GPM iteration used in this proceeding. MNSC notes the Commission also expected [that the] forthcoming Liberty audit would impact DTEE modeling efforts, but that also did not happen. And the Company's position that its GPM is mostly objective is belied by the record, which confirms that a key "objective" factor in the GPM is "projected improvement" which is based on subjective estimates, not objective data.
>
> DTEE's argument that the GPM puts small and large projects on equal footing is also misleading. Prioritizing the average benefits of a billion dollar program that proposes to treat thousands of circuits relative to a discrete substation investment does not put these programs/projects on equal footing. It attempts to rationalize both projects without providing the Commission any useful insight into whether the Company is prioritizing circuits with the most benefits or right-sizing programs to ensure the most cost-effective circuits are advanced.

Id., pp. 2-3 (footnotes omitted). MNSC thus asserts that the Commission should reject DTE Electric's improper exceptions and grant minimal weight to the company's GPM results in assessing investments.

As to DTE Electric's exceptions relative to its reliability model, wherein the company also does not object to any part of the PFD, MNSC again asserts this to be "an improper exception that wastes resources as it disagrees with no finding of fact or conclusion of law." *Id*., p. 4. MNSC continues:

> The Company's suggestion that the RM "has been validated by outcomes" is particularly misleading and warrants a brief response. The Company provides only system-wide SAIDI projections relative to the model's projections for SAIDI to validate RM outcomes. This provides no insight to support program/project level spending proposals – it does not support the reasonableness of the Company's test year Distribution Automation or PTMM [pole top maintenance and modernization] or Conversion or trimming spending plans, for example. Stated differently, trimming may have resulted in more benefits in 2024 than the RM projected and PTMM may have resulted in less benefits than the RM projected, so the RM's projected aggregated performance SAIDI may appear relatively accurate, though it projected benefits of both programs inaccurately. The Commission should require the Company to provide actual comparisons of historic [sic: historical] before and after performance, controlled for trimming and other potentially contributing factors, to support program/project spending plans. The Commission should find the Company's exception is improper and recognize that there is room for improvement in validating RM projections – actual comparisons of historic [sic: historical] before and after performance should be presented and compared to RM projections of before/after benefits for each program the RM evaluates.

Id. (footnote omitted).

The Attorney General also responds and asserts that the ALJ was generally correct in her analysis and discussion regarding DTE Electric's modeling in this case. The Attorney General argues that the company's exceptions on this topic offer nothing new or persuasive but merely demonstrate the company's disagreement with the ALJ's findings. The Attorney General further

asserts that all of DTE Electric's arguments in exceptions were addressed and rejected by intervenors in briefing and by the ALJ in the PFD. Accordingly, per the Attorney General:

> the Commission should reject DTE's exceptions to the contrary and should acknowledge that there is simply not enough time to fully examine and address the strengths and weaknesses of the GPM and RM, given the strict time constraints for completing a rate case, and consider the GPM and RM as nothing more than one-sided pieces of evidence developed by DTE with the intent to support desired Company spending, as opposed to being useful to assess the Company's system and identify where to spend limited customer dollars. With regard to DTE's approach to benefit-cost analyses, the Commission should acknowledge and give great weight to the fact that the BCAs presented by DTE to "support" distribution strategic capital spending are insufficient to support the hundreds of millions of dollars in ratepayer funding that the Company proposes. The Company's BCAs should be afforded minimal weight in evaluating DTE's proposed investments in distribution strategic capital programs.

Attorney General's replies to exceptions, pp. 28-29 (footnote omitted).

The Commission finds the ALJ's recommendation as to DTE Electric's GPM and reliability model well-reasoned and supported by the record. Accordingly, standing by its decision on this issue in Case No. U-21534, the Commission adopts the ALJ's findings and conclusion that the GPM and reliability model can be considered as "pieces of evidence that may provide some support for specific program or project spending." PFD, p. 146; *see also*, January 23 order, p. 97. The Commission also agrees with MNSC that results of the Liberty Audit, along with the Commission's findings and directives relating to the audit contained in the June 12, 2025 order in Case No. U-21305 (June 12 order), should be more fully incorporated into the GPM and reliability model. In addition, the Commission agrees with the ALJ that the strict time constraints associated with rate cases preclude full consideration of the strengths and weaknesses of the GPM and reliability model. PFD, p. 146; *see also*, January 23 order, p. 97. Instead, the Commission finds that the company's forthcoming DSP case provides a better forum for evaluation of the company's

approaches to distribution modeling, including as part of the company's DSP pre-filing outreach efforts to the extent feasible.

b. Benefit/Cost Analyses

DTE Electric's various BCAs, performed by 1898 & Co, are discussed at 4 Tr 1839-1841, with results presented in Exhibit A-28, Schedule R3 (Revised). MNSC and the Attorney General raised concern that the company's BCA model was designed to justify capital spending decisions the company has already made, that the model understates costs to customers and overstates benefits to customers, and that the model's proprietary and restrictive software applications and platforms inhibit model transparency for intervenor evaluation. MNSC and the Attorney General thus recommended that the Commission reject the distribution automation BCA model's results as noncredible, treat the PTMM BCA model's results as nonrelevant and instead order the company to complete risk-informed BCAs on the change in poletop visual inspection cycles from 10 years to five years and the poletop construction standards, and follow MNSC/Attorney General's recommendations regarding the company's distribution automation, PTMM, and strategic undergrounding programs. 5 Tr 4629-4639; Attorney General's initial brief, p. 144; MNSC's initial brief, p. 32. ABATE also took issue with what it alleged was the model's understatement of costs, highlighting that the company's BCA approach is an economic (company perspective) versus financial (ratepayer perspective) model, thereby misrepresenting the true costs and benefits experienced by customers. ABATE also raised concerns about outage information used and the use of the Interruption Cost Estimation (ICE) calculator. 4 Tr 3357-3363; ABATE's initial brief, pp. 12-20. The CEOs similarly argued that the BCAs presented here do not include a full revenue requirement framework and underestimate future costs, with the CEOs recommending a sensitivity analysis to incorporate cost increases for certain equipment. 4 Tr 3655-3657; CEOs' initial brief,

pp. 10-11. Ann Arbor also raised concerns about the BCA for the company's distribution automation program not reflecting results of the recent tree-trimming surge and not accounting for reliability improvements from the PTMM program. 4 Tr 3727-3728; Exhibits AA-10, AA-11; Ann Arbor's initial brief, pp. 8-11. DTE Electric rebutted the parties' criticisms. 4 Tr 1871-1911; DTE Electric's initial brief, pp. 46-50; DTE Electric's reply brief, pp. 39-41.

The ALJ generally agreed with intervenors that the BCAs are insufficient to support the company's requested ratepayer funding here. The ALJ reasoned:

> First and foremost, the introduction of a proprietary model in a regulatory proceeding such as this one greatly disadvantages the other parties, who are not permitted to fully examine how the model operates or determine whether there were specific errors in inputs or assumptions, which in turn might lead to erroneous output.
>
> Second, this PFD agrees with ABATE, MNSC, and the CEO, that the BCAs, as presented by Mr. De Stigter, do appear to significantly underestimate costs, by excluding items like ROE, taxes, debt financing, and potential above-inflation material and labor increases, while at the same time overestimating future benefits through the introduction of critical customers in the ICE calculator and the failure to update reliability (SAIDI) for 2024.

PFD, p. 153. The ALJ thus recommended that DTE Electric's BCAs be afforded minimal weight in evaluating the company's proposed investments in distribution strategic capital programs.

DTE Electric objects and asserts that the record does not support the ALJ's rationale and recommendation to afford the company's BCA minimal weight. Per DTE Electric:

> The Company's evidence demonstrates that its BCA approach is transparent in method, data-driven, and conservative; that it yields results materially similar when additional revenue requirement costs are incorporated; and that critical-customer treatment is both justified and not outcome-determinative. The Company walks through a few of the more predominant criticisms of the Company's BCA below, but in short, the BCA should be afforded meaningful weight as part of the modeling suite that the Commission uses to evaluate proposed investments, and which the PFD concedes provide support for those investments.

DTE Electric's exceptions, p. 51. From here, the company readdresses arguments put forth by intervenors that the company's BCA understates costs by not embedding a full revenue-requirement framework in the cost calculation as it relates to PTMM and distribution automation, noting that the impact to its BCA would be minimal if the analysis were changed. The company further readdresses intervenors' generalized skepticism regarding the United States Department of Energy's ICE tool, asserting that the 3x multiplier for critical care customers is supported by the heightened impact of outages for these customers and is not outcome-determinative for program justification and even if removed changes very few circuit-level results. The company further reiterates that 2024 weather data was not available when the BCA was performed, that it is not reasonable to assume that the next 20 years of outages will be similar to 2024, and that using a multi-year historical baseline reduces single-year weather noise and is appropriate for long-term planning. Lastly, DTE Electric argues that the ALJ's premise that the BCA's proprietary model inherently disadvantages parties is not harmonious with the record in the case. Per the company, it:

> sponsored and entered into the record a detailed 135-page Program Benefit Cost Analysis Report, supporting exhibits, and extensive discovery responses that were available to all intervenors,. [sic] providing transparency and supplying a robust evidentiary basis for the Company's proposed investments. (De Stigter, 4T 1839-1852). 1898 conducted multiple technical sessions with stakeholders, answered methodology questions, and provided workpapers and sensitivity analyses that allow independent review of assumptions and impacts. (Chiu, 3T 1151-1152, citing CEO witness Volkmann). The method is transparent even if some software components are proprietary, and the Company has taken significant and meaningful steps to provide visibility into the BCA modeling assumptions, methodology and results.

DTE Electric's exceptions, pp. 52-53. On this record, DTE Electric thus asserts that "the Commission has ample basis to afford the Company's BCA meaningful weight." *Id*., p. 53.

In sum, DTE Electric argues that its:

> GPM, RM, and BCA are complementary tools that make the record stronger together than any one tool in isolation. The GPM ensures that the portfolio addresses safety, reliability, capacity, and customer value across the system using predominantly objective inputs. The RM links programs to measured reliability improvements at the circuit level and has forecast system outcomes conservatively and accurately in 2024 and 2025, validating its use for planning and for testing program reasonableness. The BCA translates reliability and resilience benefits into monetized customer value and demonstrates that the majority of the evaluated investment level yields benefits in excess of costs under a range of conservative assumptions. This multi-tool collaboration is exactly the kind of evidence the Commission contemplated in Case No. U-21534, and it supports approval of the Company's distribution investments as reasonable and prudent. According only "minimal weight" to the BCA would deprive the Commission of probative, triangulated evidence on where investments will deliver the greatest customer value per dollar. The Commission should give considerable weight to DTE Electric's suite of planning tools as meaningful support for the Company's proposed investments.

Id.

ABATE responds and maintains that DTE Electric's BCA used to support cost recovery for several programs is fundamentally flawed such that the Commission should reject the company's objections and disallow cost recovery for programs which used BCA results as a basis for the company's request. ABATE asserts that, as addressed in briefing, DTE Electric's claims about the impact of assuming a conservative 10% upward shift in costs to approximate revenue requirement effects where relevant and why 2024 was excluded "seek to obscure the full scope of the BCA's deficiencies and omissions." ABATE's replies to exceptions, p. 3. For example, per ABATE, "DTE's own analysis shows that factoring in 2024 data results in 158 of the positive benefit cost ratios for certain circuits dropping below a 1.0 benefit cost ratio." *Id*. (citing ABATE's initial brief, pp. 12-19; ABATE's reply brief, pp. 6-8). In other words, according to ABATE, "in addition to acknowledging its analysis is lacking in terms of inputs, DTE's own analysis shows that 13.2% of DA [Distribution Automation] projects are no longer cost-effective after accounting

for vegetation management and PTMM," an impact that "is far from minimal and cannot be dismissed." ABATE's replies to exceptions, p. 3.

As to DTE Electric's objections relating to the ICE tool, ABATE asserts that, as again explained in briefing, the company's ICE tool is outdated and does not actually reflect the willingness of customers to pay amounts for avoided outages. Further, per ABATE:

> DTE Electric's claim that it "leveraged the 95th percentile, P95, of the Small C&I [commercial and industrial] customer category as a suitable proxy for the value of a critical customer," was not accompanied by an explanation of why this was a "suitable proxy" for "a critical customer," or how this approach itself accorded with the ICE calculator which does not utilize this step.

ABATE's replies to exceptions, p. 4 (quoting ABATE's initial brief, p. 19). In other words, according to ABATE, "the Company's application of this model here does not reasonably reflect its customers' reality and does not provide an adequate basis for reviewing [benefit/cost ratios]." ABATE's replies to exceptions, p. 4.

Finally, ABATE argues that, despite DTE Electric's contentions that the Commission should disregard the proprietary concerns regarding the company's BCA model because the BCA report was voluminous and because the company provided discovery responses and technical sessions, the record shows that parties "'were unable to independently evaluate the model or its results' and, as the PFD stated, parties were 'not permitted to fully examine how the model operates or determine whether there were specific errors in inputs or assumptions, which in turn might lead to erroneous output[s].'" *Id*. (quoting PFD, p. 147). As such, per ABATE, "given the proprietary nature of the model, discovery and discussions were inadequate here to validate the reasonableness of the Company's BCA." ABATE's replies to exceptions, p. 4.

MNSC also responds, arguing that the ALJ properly found that the BCAs should be afforded minimal weight and the Commission should too. In support, MNSC maintains that the BCA's

"assignment of reliability dollar benefits based on customer type (residential, Small C&I, Medium and Large C&I, and Critical) – particularly its method of tripling the impact of monetized benefits to 'critical customers,' significantly inflates the BCA results, does not reflect reality, and undermines the reliability of the BCAs." MNSC's replies to exceptions, p. 5. MNSC further asserts:

> At bottom, the Company has developed yet another predictive model to justify enormous capital investments aimed at improving reliability while it simply refuses to look back at its actual investments intended to improve reliability and assess whether in fact they achieved the projected benefits. The Company does not need a model – proprietary or public – to internalize what other utilities and Liberty have demonstrated (as interveners and the Commission have repeatedly acknowledged), which is that sustained 5-year (or shorter) trim cycles plus regular visual inspections of the distribution system are the key critical investments to cost-effectively improve reliability.

Id.

The Attorney General also responds and asserts that the ALJ was generally correct in her analysis and discussion regarding DTE Electric's modeling in this case and that, as detailed above, the company's BCAs should be afforded minimal weight in evaluating the company's proposed distribution strategic capital program investments in this case. Attorney General's replies to exceptions, pp. 27-29; *see also*, above.

The Commission is supportive of the use of objective measurement tools such as BCAs and overall is satisfied with the presentation of, and the information provided and used in, the company's BCAs, including the use of the 3x multiplier for critical care customers given the heightened impact of outages for these customers. The Commission also does not agree that the ICE calculator overstates reliability benefits. The Commission, however, is troubled with the concerns raised about the model's proprietary and restrictive software applications and platforms inhibiting model transparency for intervenor evaluation, despite the company's attempts at

providing visibility into the model's assumptions, methodology, and results. The Commission previously addressed the use of proprietary evidence in Case No. U-18322, suggesting ways and safeguards to address the same in contested case proceedings. *See*, March 29, 2018 order in Case No. U-18322, p. 63. To the extent these options are not, however, workable in this instance, the Commission recommends that the company consider alternative ways to develop its BCAs to support its various programs and projects, specifically whether to consider doing this type of analysis in-house to alleviate propriety concerns and reduce cost of preparation, to build upon the analyses over time from one analysis to the next, to increase the transparency necessary in order for intervenors to work with and test the analysis (possibly also as part of technical conferences/workshops in conjunction with the company's DSP pre-filing outreach), and for the Commission to thus be able to rely on the analysis in its determinations of reasonableness and prudence. The Commission also directs DTE Electric, beginning with its next rate case, to update its BCAs to include the full revenue requirement (i.e., full customer costs) in support of the company's proposed capital investments.

3. Pole Top Maintenance and Modernization

DTE Electric described its PTMM program at 4 Tr 1933-1948, indicating therein that to be on-cycle for pole and pole top inspections, in accordance with the Liberty Audit, the company is requesting $200 million in capital expenditures for the 2026 test year (or for this amount to be included in the company's 2026 IRM). *See also*, 4 Tr 1738. While the Staff at 5 Tr 5148 supported the company's PTMM proposal as presented, including the company's request to transition the $200 million in the 2026 test year to the 2026 IRM, other parties took issue with certain aspects of the program. These issues are addressed below.

a. Expenditures

DTE Electric indicated that its PTMM program (to inspect and maintain overhead distribution equipment to enhance system reliability and resilience against weather, storms, and tree-related events) is currently funded, by way of the January 23 order, with approximately $121 million for 2025, which will fund the 2025 workplan that includes the replacement of poles and pole-top equipment across approximately 1,340 circuit miles, and also requested an increase to $200 million for 2026 to replace poles and pole-top equipment on approximately 2,000 circuit miles. 4 Tr 1933-1935, 1943, 1946-1947. ABATE raised concerns about cost uncertainty and the overstatement of benefits of reliability improvements in the BCA for the PTMM and thus recommended that PTMM investments be held to 2025 levels, adjusted for inflation. 4 Tr 3360-3361, 3365-3367. MNSC agreed with ABATE as an alternative to deferring all test year PTMM capital spending to a regulatory asset. MNSC's initial brief, pp. 48-53. The CEOs recommended that DTE Electric conduct a sensitivity analysis to understand the total amount of investment required to achieve the desired five- and 10-year PTMM cycles and which circuits have PTMM benefits in excess of costs. 4 Tr 3657. The Attorney General requested that the Commission recognize that the company's PTMM is a catch-up program (i.e., surge) and require DTE Electric to defer the $200 million test year request as a regulatory asset (to prepare for potential securitization) while earning only the company's short-term debt cost. Attorney General's initial brief, p. 147. DTE Electric rebutted ABATE, asserting that its BCA for PTMM and its PTMM ramp-up plan, developed after the Liberty Audit and directly in response to recommendations therein, provides the necessary framework to support appropriate future investment levels for the PTMM program, that the BCA accurately reflects reliability improvements and customer benefits associated with the PTMM program, that maintaining current investment levels would risk the

long-term value and system reliability the program is designed to deliver, and that program efficiencies cannot be improved with current investment levels given the scale and complexity of the expanded scope of the PTMM work planned for 2025 and 2026. 4 Tr 1903-1904, 2040, 2042. DTE Electric also addressed the CEOs' concerns. 4 Tr 1905-1908; DTE Electric's initial brief, pp. 58-60; DTE Electric's reply brief, pp. 42-44. The Staff also rebutted ABATE's concerns, reiterating the Staff's support for the company's requested 2026 test year expenditures and indicating that the Liberty Audit found that the company's 2023 spending on PTMM was not sufficient to sustain even a 20-year cycle, let alone the cycles recommended in the audit. 5 Tr 5153-5154.

The ALJ agreed with DTE Electric and the Staff that the company's PTMM program expenditures should be increased to $200 million and included in the 2026 IRM. The ALJ reasoned:

> Leaving aside the results of the BCA, the PFD nevertheless finds persuasive the Company's benchmarking, which indicates that a five-year cycle for pole top inspections and a 10-year cycle for pole inspections are standard in the industry. And while it is true that the Liberty Audit expressed some uncertainty about near-term costs, it nevertheless endorsed the need for the program, and no party disputes that PTMM costs are very likely to decrease once the first inspection cycle is completed. Finally, As DTE and Staff point out, DTE's current inspection cycle and funding levels are not sufficient to even achieve a 20-year cycle; thus, ABATE's recommendation to keep funding at 2025 levels adjusted for inflation would result in the Company falling even further behind.

PFD, p. 157.

MNSC objects to the ALJ's recommendation to approve increased spending on PTMM in 2026 and in the 2027 IRM. MNSC recaps its support for ABATE's recommendation to scale back new PTMM investments and freeze PTMM spending at 2025 levels but avers that the ALJ seems to have disagreed due to standard industry practice and the company's current funding being insufficient to achieve even a 20-year inspection cycle, thus concluding that spending must

increase to implement shorter inspection cycles—a conclusion that MNSC argues is unsupported and contradictory to the ALJ's other findings and recommendations related to the PTMM program. MNSC asserts that, "[a]ltogether, the ALJ appears to agree with MNSC and ABATE that [the company] can save millions in 2026 and beyond by cutting or deferring needless repairs (including pole replacements in particular, which constitute the biggest part of PTMM spending) from the PTMM program," yet "[t]hose findings are incongruent with the ALJ's PTMM spending recommendation." MNSC's exceptions, p. 7 (citing PFD, pp. 159-160). Per MNSC, "[w]hile the Company likely does need to spend more on inspections to implement 5- and 10-year inspection cycles and 'establish visual control over the system,' that does not imply that the Company needs to spend more on PTMM overall," and "[i]n recommending a spending increase for the 2026 test year and 2027 IRM, the ALJ failed to consider her own finding that [the company] should be spending millions *less* on equipment repair and replacement." MNSC's exceptions, p. 6 (emphasis in original). MNSC, in this regard, recaps that its initial brief demonstrates the cost breakdown of the company's PTMM work in 2025 and 2026, with more than half of that for distribution pole replacement. MNSC argues that DTE Electric's inspection costs, even if nearly doubled in the projected test year, "should be more than offset by savings stemming from a 'more measured approach' to equipment repairs and replacements," and consistent with the record in this case, including the Liberty Audit, DTE Electric "should prioritize speeding up the cadence of visual inspections while deferring other investments – particularly pole replacements," and "the Commission should adopt ABATE's recommendation to freeze test year PTMM spending at 2025 levels." MNSC's exceptions, pp. 7-8. MNSC further asserts that, given all the unresolved PTMM issues in this case (actual costs of moving to a shorter cycle, uncertainty about the program's future as a result of other recommendations from the ALJ in this case, and concerns over the

company's capitalization policies which may affect 2027 accounting), extending the company's PTMM spend authorization beyond the test year "is premature and improper" for a program currently undergoing substantial change and should thus be rejected. MNSC's exceptions, pp. 8, 14-15.

ABATE maintains that DTE Electric's PTMM cost recovery request is unreasonable and should be limited by the Commission to 2025 levels adjusted for inflation. As part of its assertion, ABATE argues that the Commission should not leave aside the results of the BCA, as the ALJ acknowledged the insufficient support the company's BCA provided for its ratepayer funding requests in this case, the significant underestimation of overall costs by excluding certain cost items, and the overestimation of future benefits. This, per ABATE, shows that the company's proposal is not cost efficient. Furthermore, beyond the flawed BCA, ABATE argues that the ALJ's claims in its reasoning do not reflect the conclusions of the audit. Rather, while the audit noted that five-year and ten-year cycles are typical, the audit "noted both the substantial cost increases represented by increasing inspections as the Company proposes and the lack of reliable data to accurately estimate the costs for DTE's proposal, meaning the Company's projections are speculative and unreasonable," and further "recommended *not* simply ramping up costs for the projected test year." ABATE's exceptions, pp. 2-3 (emphasis in original). As explained by ABATE in briefing:

> accelerating investment as DTE proposed would significantly increase PTMM program costs without an adequate demonstration that its projections are reasonable. (ABATE Initial Br at 22-24; ABATE Reply Br at 7-8.) Again, the speculative nature of these projections must be considered in the context of the Company's flawed BCA and the overstated benefits of reliability improvements with respect to the PTMM program. (*Id*.) Rather than simply ramping up costs DTE should evaluate how to improve program efficiencies to improve inspections without dramatically increasing costs, which have already been elevated above historical expenditure levels. (*Id*.)

ABATE's exceptions, p. 3. ABATE thus asserts that, until DTE Electric can improve program and expenditure efficiencies, PTMM program expenditures should remain at current levels, adjusted only for inflation.

Disagreeing with ABATE, the Staff responds that the ALJ was correct in: (1) highlighting that the Liberty Audit expressed concern over near-term costs but ultimately still endorsed the need for the PTMM program and (2) identifying that no party disputed that PTMM costs are very likely to decrease after the first inspection cycle. Staff's replies to exceptions, p. 24 (citing ABATE's exceptions, pp. 1-2; PFD, p. 157).

Also responding, DTE Electric urges the Commission to reject MNSC's and ABATE's objections and adopt the ALJ's recommendations. The company, in support, asserts that the ALJ addressed MNSC's and ABATE's concerns and ultimately concluded "that an increase in PTMM expenditures, as supported by the Company and Staff, is reasonable to enable the Company to make the necessary investments to progress its pole top maintenance and modernization program." DTE Electric's replies to exceptions, p. 22.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record, including the recommendation to include the company's test year funding request in the 2026 IRM to ensure that the funds are used for PTMM purposes and returned to customers to the extent any portion is not used. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, p. 157.

b. Inspection Cycles

In response to the Liberty Audit in Case No. U-21305 and the Commission's expectations set forth in the January 23 order, DTE Electric proposed moving its inspection cycles to five years for pole tops and 10 years for poles. 4 Tr 1938-1941. As indicated above, the Staff supported this

change. MNSC/Attorney General, however, recommended that the pole top inspection frequency be relaxed from every five years to once every 10 years, consistent with structural pole testing frequency, and asserted that the company's massive PTMM spending plans prioritize distribution spending while disregarding the Liberty Audit's key reform recommendations to support more cost-effective reliability benefits for ratepayers. 5 Tr 4521-4523, 4532; Attorney General's initial brief, p. 147; MNSC's initial brief, pp. 38-48. DTE Electric rebutted, arguing that MNSC/Attorney General's recommendation is in direct conflict with guidance provided by the Commission in the January 23 order and recommendations in the Liberty Audit. 4 Tr 2034-2039.

The ALJ found the move to a five-year inspection cycle for pole tops to be essentially settled in light of the Commission's findings in Case Nos. U-21534 and U-21305 but also agreed with MNSC and the Attorney General that if DTE Electric does not take a more measured approach to repairs, costs for the company's PTMM program could balloon alongside lagging reliability improvements. The ALJ stated:

> As MNSC point out, DTE is designating equipment that is old or outmoded as defective, even though it is not damaged. Replacing this functioning, albeit antiquated, equipment serves only to increase costs, without improving reliability. As such, this PFD agrees with MNSC that DTE should reevaluate its criteria for determining what equipment, including poles, needs immediate replacement and what equipment can be replaced in the future.

PFD, pp. 159-160.

No exceptions were specifically filed on this sub-issue within PTMM.

The Commission finds the ALJ's recommendations well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, pp. 159-160. The Commission continues to see value in moving to a five-year inspection cycle and agrees that careful evaluation should be undertaken by DTE Electric when

determining whether replacing equipment improves reliability and is an overall benefit to customers.

c. Pole Replacement Costs

Ann Arbor asserted that DTE Electric's failure to follow a four- to five-year pole inspection program resulted in $2.6 million in avoidable costs that Ann Arbor thus recommended be disallowed in this case, not as a penalty to the company but to protect ratepayers from higher costs in the future resulting from the company's imprudent pole inspection program. 4 Tr 3730-3735; Ann Arbor's initial brief, pp. 11-14. DTE Electric rebutted, asserting that Ann Arbor's estimate is speculative, does not consider the cost of money, is based on hypothetical assumptions and impractical and unsupported expectations that do not reflect actual inspection results or operational realities, and is based on hindsight that is problematic and disregards the complexities of prudent utility planning and execution. 4 Tr 2045; DTE Electric's initial brief, pp. 57-58.

The ALJ agreed with Ann Arbor and found its recommended disallowance to be reasonable, "given the large discrepancy between the Company's pole inspection cycle in 2019 compared to the industry standard of four to five years benchmarked by DTE in the instant proceeding and recommended in the Liberty Audit." PFD, 163. Agreeing with Ann Arbor, the ALJ found that "the adjustment is conservative, including only the difference in material costs, and not labor; it is not intended to penalize the Company, but it does provide some measure of protection to ratepayers from unreasonable and imprudent actions on DTE's part." *Id*.

DTE Electric objects with the ALJ's recommendation and underlying rationale. The company reiterates that the purported savings are based on assumptions and speculation and argues that the recommendation is:

> simply a penalty (despite suggestions otherwise) and raises retroactive ratemaking concerns, as it seeks to claw back material costs from 2019 based on past inspection

> practices that were inconsistent with the industry benchmarks noted in the Liberty Audit report, which was issued in September 2024. (PFD, p 162-163). The salient facts were neither known to the Company nor could have been known to the Company. As Company witness Robinson aptly explained in response to Ann Arbor's suggestion, that proposal "does not appear to consider the cost of money" and it "does not seek to accurately estimate the correct cost and rates associated with replacing poles and other equipment identified as needing replacement in 2025 and 2026 – it is only intended to penalize the Company for what [Ann Arbor] believes should have occurred in the past." (Robinson, 4T 2045)

DTE Electric's exceptions, pp. 54-55 (footnote omitted). The company recalls that it is seeking an increase in its PTMM program funding because current funding levels do not allow it to meet four-to-five-year inspection cycles and asserts that the Commission should reject the ALJ's proposed pole replacement cost disallowance.

Ann Arbor responds and asserts that the Commission should adopt the ALJ's recommendation. Contrary to DTE Electric's objections, Ann Arbor argues that its proposed disallowance is not speculative but, rather, based on calculations derived from actual inspection results provided in the Liberty Audit and data regarding pole costs provided by the company. Ann Arbor's replies to exceptions, p. 2 (citing 4 Tr 3730-3737; Ann Arbor's initial brief, pp. 11-14). Thus, per Ann Arbor, the ALJ correctly concluded that the proposed disallowance is both reasonable and conservative. Ann Arbor further maintains that, again contrary to DTE Electric's objections and as recognized by the ALJ, its proposed disallowance is not intended to penalize the company but rather "protect ratepayers from paying unnecessary costs – and prevent shareholders from being doubly rewarded – due to DTE's imprudent management practices." Ann Arbor's replies to exceptions, p. 2 (citing PFD, p. 163).

Also responding, ABATE maintains that, because the Liberty Audit noted the lack of reliable data to accurately estimate costs for this program, investments in the program should be limited to 2025 levels, adjusted for inflation, until the company can improve program efficiency or provide

better data to support program costs. ABATE's replies to exceptions, p. 6 (citing ABATE's initial brief, pp. 22-24; ABATE's exceptions, pp. 1-3).

The Attorney General also responds and asserts that the ALJ's discussion and analysis on this topic is rigorous and should be adopted. Attorney General's replies to exceptions, p. 29. The Attorney General, in this regard, contends that the ALJ directly addressed and refuted the company's contention that this disallowance would be a penalty, with the ALJ instead noting that the disallowance provides measured protection to ratepayers from unreasonable imprudent actions on part of the company. The Attorney General also notes that Ann Arbor's estimates were understated (since they did not include labor increases) and that the company failed to address this issue in briefing. In sum, the Attorney General argues that "[t]he ALJ's analysis and discussion on this topic is thorough, completely refutes DTE's argument, and does a good job of laying out the shortcomings in the Company's evidentiary presentation;" thus, "[t]he Commission should reject DTE's exception and adopt the ALJ's recommended disallowance of $2,621,701." *Id*., p. 30.

The Commission respectfully rejects the ALJ's recommendation, finding that Ann Arbor's proposed adjustment is based on speculation and assumptions that do not provide a reasonable basis for a disallowance.

d. Capitalization of Pole Top Maintenance and Modernization Costs

MNSC and the Attorney General asserted that the company's PTMM program costs should be expensed, not capitalized, pursuant to the Uniform System of Accounts (USoA) and thus recommended that the Commission order DTE Electric to comply with and follow the USoA as a general rule—with routine and recurring maintenance costs expensed and major repairs capitalized. 5 Tr 4524-4527, 4607; Attorney General's initial brief, p. 147; MNSC's initial brief, pp. 161-163. DTE Electric rebutted, stating that it follows the USoA and explaining that

inspection costs related to the PTMM program have been expensed as incurred starting in 2023 but that once an inspector finds that capital work is needed, the initial planning for that work begins and capitalization starts, including when pole testing leads to the need for a pole replacement and costs directly related to executing its capital PTMM program such as tree trim work required for safe access to the pole and equipment. DTE Electric also criticized the credibility of MNSC and the Attorney General's witnesses for neither being an accountant/certified public accountant nor having professional accounting experience. 4 Tr 2507-2510; DTE Electric's initial brief, pp. 55-56.

The ALJ agreed with MNSC that the company's capitalization policies and retirement unit classification are an ongoing concern and recommended that the Commission "should direct either a standalone proceeding involving all of the major utilities or specifically direct DTE to address the issue in its next depreciation case." PFD, p. 166.

DTE Electric objects and asserts that the ALJ's recommendation is not supported by the record, arguing that neither a standalone proceeding nor further discussion on this topic is necessary or appropriate. Per DTE Electric:

> The Company adheres to the USoA requirements and sufficiently supported its PTMM capitalization policies and classifications in this proceeding. (See generally, Company witness Uzenski, 4T 2506-2510 explaining, inter alia, the proper interpretation of the Uniform System of Accounts (UsoA), including that "[t]he cost of inspections related to the PTMM program has been expensed as incurred starting in 2023" and that "only those tests that lead to a pole replacement (a capital job) are capitalized")[.]

DTE Electric's exceptions, p. 56.

MNSC responds and asserts that DTE Electric's claims lack merit. MNSC states that it provided a robust record outlining the company's current practice and its ramifications and argues that this "is not just an accounting issue – it is a question of reasonable regulatory policy that fairly

considers accounting practices, engineering factors, legal interpretation, customer affordability, and others." MNSC's replies to exceptions, p. 6. Moreover, per MNSC, "[c]apitalization policies are not immune from regulatory oversight just because they are implemented by the utility accounting department," and "the Company waived its opportunity to dispute witness qualifications when it chose not to file a motion to strike witness testimony – or to raise this issue during cross examination." *Id*. MNSC also asserts that the ALJ's recommendation is supported by past Commission orders and appropriately recommends the next step for the Commission to reevaluate DTE Electric's capitalization policies and retirement unit catalog in an upcoming case. *Id*., p. 7 (citing November 18 order, p. 471, and January 23 order, p. 368). MNSC continues:

> Predictably, the Company wants the Commission to drop this issue altogether. According to the Company, its current practices are compliant and need not be reevaluated in another proceeding. However, even if the Company's policies are lawful, that does not imply they are appropriate or are immune from reevaluation and revision by the Commission. MNSC's initial brief identified case law giving the Commission authority to review and revise a Company's capitalization policies. It also identified past Commission orders contemplating use of that authority to "eliminate RU accounts that are 'clearly too small' and that tend to disfavor treating equipment repairs and replacements as maintenance expenses." Contrary to what DTEE claims, the ALJ's concerns are supported by overwhelming evidence.

MNSC's replies to exceptions, pp. 7-8 (footnotes omitted). MNSC thus asserts that the Commission should adopt the ALJ's recommendation to reevaluate and revise DTE Electric's capitalization policies in an upcoming proceeding.

The Attorney General also responds and asserts that the ALJ's discussion and analysis on this topic is rigorous and should be adopted. Attorney General's replies to exceptions, p. 29. The Attorney General further argues that the company's objection to witnesses neither being accountants nor qualified to render an opinion on accounting practices "is clearly DTE grasping at straws, as many of the witnesses and the ALJ are clearly well-versed on this topic/knowledgeable

on utilities and one does not need to be a certified accountant to read and understand the Uniform System of Accounts." *Id*., p. 30. Moreover, per the Attorney General:

> the record fully supports intervenors' concerns and the ALJ's analysis, as laid out in the PFD. This has been an ongoing issue, and it is undisputed that (1) inappropriate capitalization enriches shareholders at the expense of ratepayers; (2) the classification of equipment as a minor item or a retirement unit (RU) has a significant impact on rate base and DTE has incorrectly designated inexpensive minor items as RUs, contrary to the USoA, as shown in the Company's Retirement Unit Catalog; (3) tree trimming costs are addressed explicitly in the USoA, which requires most of these costs to be expensed, except for first clearing, while the capital account for utility poles does not specifically address tree trimming, contrary to DTE's claims; (4) because DTE takes the position that tree trimming associated with PTMM capital equipment replacement should also be capitalized, DTE has inappropriately capitalized $7.6 million in 2023 and $5.8 million in 2024; (5) MNSC and others have repeatedly raised issues concerning the Company's capitalization practices associated with PTMM in prior rate cases averring that "[t]rimming is maintenance;" packaging it with capital replacements does not convert trimming into a capital expense.

Id., p. 31 (footnote omitted). Thus, because the company's capitalization policies and retirement unit classifications are an ongoing issue of concern, the Attorney General argues that the Commission "should direct either a standalone proceeding involving all of the major utilities or specifically direct DTE to address the issue in its next depreciation case." *Id*.

The Commission agrees with MNSC and the Attorney General that utility capitalization policies and preferences, including those of DTE Electric, have been an ongoing issue of concern at the Commission. The Commission, in this regard, notes that it is currently conducting its own internal review to look into this issue and will be issuing an order addressing the same for additional utilities in the near future.

4. Subtransmission Redesign and Rebuild

DTE Electric provided a detailed description of the company's Substation Redesign and Rebuild (SRR) program at 2 Tr 120-155, and, as shown in Exhibit A-12, Schedule B5.4, p. 13,

line 120, the company had an SRR program spend of $69.5 million in 2023 and projects spending of $43 million in 2024, $43 million in 2025, and $11 million in the 2026 test year.

As discussed in more detail below, the Staff, MNSC, the CEOs, and others raise concerns about the proposed spending increases for the SRR program generally as well as recommend adjustments for certain specific rebuild and conversion projects.

a. Transformer High Side Protection Program

DTE Electric described its Transformer High Side Protection program at 2 Tr 151, and, as shown in Exhibit A-12, Schedule B5.4, p. 11, line 5, the company invested in the program $2.277 million in 2023 and $1.818 million in 2024, with projected investments of $6.5 million in 2025 and $5.0 million in the 2026 test year. The Staff supported the need for the program but questioned the lack of justification for the significant increases in 2025 and 2026. Considering historical average spend for the program and the $231,000 in investments made by the company as of May 2025, the Staff recommended disallowances of $4,563,028 for 2025 and $3,011,502 for the 2026 test year. 5 Tr 5007-5008. ITC, on the other hand, expressed its support for the program, given its effect on the transmission system. 5 Tr 4461-4462. DTE Electric also rebutted the Staff's recommendation. 2 Tr 189-190.

The ALJ found the Staff's adjustment to be reasonable given the company's minimal spend on the program in the first five months of 2025, noting that the company can request additional amounts in a future rate case. The ALJ thus recommended that the Staff's disallowances for 2025 and 2026 be adopted. PFD, pp. 170-171.

DTE Electric disagrees with the ALJ and argues that the Commission should not limit the company's ability to execute a project that is acknowledged as needed and prudent over pacing optics. DTE Electric reiterates that "year-to-date annualization is a poor proxy for outcomes in a

program that, by design, executes in lumpy phases around planned outages, material deliveries, and outage coordination with the transmission owner," "the suggestion that additional 'implementation detail' is a prerequisite for recovery disregards both the record and Commission practice," and "the consequences of delay are not abstract," meaning that "[t]rimming funding on the basis of a partial-year snapshot would defer installations and prolong exposure to exactly the risks this program addresses." DTE Electric's exceptions, pp. 57-58 (citing 2 Tr 189-192; Exhibit A-23, Schedule M6). The company, in this regard, asserts that the Commission should put significant weight on the parties' consensus on necessity and approve the company's funding request so that execution of the project can proceed on the schedule laid out in the record.

ITC replies in support of DTE Electric's position, requesting that the Commission approve this program as presented in the company's application. ITC states that the record reflects that all parties and the ALJ recognize the value and necessity of the program and notes that "[t]he PFD creates a circular issue by both slashing investment in the program and then urging DTE to spend more to implement it." ITC's replies to exceptions, p. 4 (citing PFD, p. 170). ITC states that it supports DTE Electric's observation that implementation requires coordination between the transmission and distribution (T&D) system and argues that the record provides ample evidence regarding the implementation of the program and its overall importance to Michigan's electric grid, including estimated spending, project justifications, project milestones, construction schedules, and testimony on behalf of ITC on program investments as they relate to the transmission system and larger outages thereto. ITC continues:

> The acceleration of the High Side Protection Program will be impacted by the Commission's order in this case. The need to prioritize high side protection is not a new issue for the Commission. In [Case No.] U-21297, the Commission approved spending recommended by the PFD that included further consideration of prioritizing high side interrupting protection devices. December 1, 2023 Commission Order in [Case No.] U-21297 at pp 105-106. Since that time, DTE

> acted accordingly and put together a plan to prioritize and accelerate implementation of the High Side Protection Program. (Stowe, 2 Tr 189-90; Ex. A-23, Sch. M6.) DTE's proposal to accelerate high side protection spending is consistent with past rate cases, its planning work in the interim, and the demonstrated urgent need for this infrastructure in Michigan's electric grid. As reflected in DTE's Application, there is an urgency to the implementation of the High Side Protection Program to "mitigate observed NERC [North American Electric Reliability Corporation] reportable system issues[.]" (*Id*.) As DTE points out, the PFD's recommendation will result in deferred installations and prolong the exposure of Michigan's electric grid to increased reliability risks. (DTE's Exceptions at p 58.) The record also reflects that once this infrastructure is installed they will improve line flow and reliability on the transmission side. (5 TR 4461-4462.)

ITC's replies to exceptions, pp. 4-5. ITC asserts that this program is important to protect Michigan's electric grid and is a "modest" investment with benefits at both the T&D levels and to improve reliability for the entire state. *Id*., p. 5. ITC thus urges the Commission to reject the proposed disallowances and approve the company's program as requested.

The Attorney General also replies and asserts that the Commission should reject DTE Electric's exceptions and adopt the ALJ's recommendations with regard to all nine of these subtopics within the overall cost category of SRR/Redesign and Modernization. For each of these areas, the Attorney General states that DTE Electric's exceptions generally echo the company's testimony and briefing, with the company conclusively arguing that the ALJ's concerns largely surround timing and documentation, not need for or prudence of the company's investments. To that, the Attorney General disagrees that the company adequately supported the reasonableness and prudence of each expenditure and argues that, even if the ALJ did find the investments to be generally reasonable (which the Attorney General asserts the ALJ did not), "inappropriately accelerated timelines for recovery and/or lack of documentation that fails to support the expenditures are proper bases for the ALJ to find that DTE has failed to support the reasonableness and prudence of its proposals." Attorney General's replies to exceptions, p. 32. Beyond that, the

Attorney General states that she "generally relies upon the extensive discussion in the PFD and in her, Staff, and other intervenors' testimony to refute DTE's discussion throughout this area" and avers that the company's "penchant for inflated and runaway spending is well documented, and the Liberty Audit raised myriad red flags and other areas where a more cautious, conservative approach is warranted." *Id*., pp. 32-33 (footnote omitted; citing PFD, pp. 166-192). In short, the Attorney General argues that "[t]he ALJ's analysis and discussion on each of these topics is thorough, completely refutes DTE's argument, and does a good job of laying out the shortcomings in the Company's evidentiary presentation" and that the Commission should thus reject each of the company's exceptions to the contrary. Attorney General's replies to exceptions, p. 33.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, pp. 170-171. Even if the program itself is justified, the level and pace of spending also need to be supported on the record. If DTE Electric spends more on this program than approved in this case, it can include a request for recovery of the additional costs in its next rate case. The Commission, however, takes this opportunity to remind DTE Electric of the requirement to justify the need for, and its commitment to, all of its SRR investments based on capacity needs and that "a rigorous review of alternatives and options with associated benefits and costs is necessary to approve recovery of the most cost-effective expenditures to improve reliability for DTE Electric customers" as directed by the Commission in Case No. U-21305. June 12 order, p. 28.

b. Trunk 3509 and City of Detroit Infrastructure Alfred Substation Expansion

DTE Electric described its Trunk 3509 and City of Detroit Infrastructure (CODI) Alfred Substation Expansion projects at 2 Tr 99, 153. As shown in Exhibit A-12, Schedule B5.4, p. 11, lines 28 and 31, the company invested $2.295 million in its Trunk 3509 project in 2023 and

$1.035 million in 2024, with projected investments of $2.2 million in 2025 and $473,000 in 2026, and it invested $2.893 million in its CODI Alfred Substation Expansion project in 2023 and $10.439 million in 2024, with projected investments of $6 million in 2025 and $4.21 million in 2026. The Staff supported the projects but noted the company's historical underspend for the projects, along with similar underspend trends without explanation for 2025 (as of May 2025). Annualizing these 2025 spend amounts, given concerns about underspending, over-projecting, and delayed project execution for the Trunk 3509 project without more detailed monthly work progress and spending schedules, the Staff recommended a $1.502 million disallowance for the Trunk 3509 project for 2025 and $2.249 million disallowance for the CODI Alfred Substation Expansion project for 2025, while also recommending a $359,018 disallowance for the CODI Alfred Substation Expansion project for 2026. 5 Tr 5008-5010; Staff's initial brief, pp. 46-49. DTE Electric rebutted. 2 Tr 172-173, 190-192; DTE Electric's initial brief, pp. 63-64.

The ALJ found that delays and underspending have been acknowledged and, while finding that they appear to result from circumstances beyond the company's control, nevertheless found the Staff's concerns to be compelling. The ALJ stated:

> As Staff indicates, both the Trunk 3509 and Alfred Substation Expansion projects are reasonable and necessary, however, the Company's execution plans are overly optimistic. While DTE makes vague assurances that these two projects are expected to be completed in the test year, the spend amounts in the first five months of 2025 raise doubts. And these doubts are not about the Company's ability to ultimately complete the work; but whether ratepayers are paying significant amounts for investments that are not actually being made, again, due to factors beyond the Company's control.
>
> And while DTE's point that project execution work can be "lumpy," and may not proceed in a linear fashion, is acknowledged, this PFD nevertheless finds Staff's approach to adjusting expenditures to be reasonable. And it goes without saying that if the Company spends more than the amount Staff projects, it can recover those investments in a future rate case.

PFD, pp. 173-174. The ALJ thus recommended that the Staff's disallowances for the projects be adopted.

DTE Electric objects and asserts that the ALJ's premise for these recommendations does not contest need or prudence but rather speaks to execution cadence which the ALJ largely acknowledged is based on circumstances beyond the company's control. DTE Electric argues:

> Forecasts should reflect how redesign and modernization projects actually execute, and the Commission should be mindful of these realities as it reviews the cadence of construction spending. Construction cashflows are intentionally non-linear—engineering, permitting, procurement, outage coordination, and long-lead deliveries front-load planning dollars and push installation spend into narrow outage windows later in the year—so linearizing a five-month snapshot understates delivery and mischaracterizes progress. The Commission has also stated that in-service within the test year is not dispositive for rate recovery, which cuts against the PFD's proposed adjustment to linearize partial-year spend. (Stowe, 2T 244, quoting Case No. U-21297)

DTE Electric's exceptions, p. 59. Considering the Staff's and the ALJ's own findings on reasonableness and necessity of these projects, DTE Electric argues that the Commission should approve the requested bridge period and test year expenditures.

The Attorney General responds and argues, as set forth in more detail above, that the ALJ's analysis and discussion on each of these nine subtopics within SRR/Redesign and Modernization is thorough, completely refutes the company's argument, and adequately lays out the shortcomings in the company's evidentiary presentation. The Attorney General thus asserts that the Commission should adopt the ALJ's recommendations and reject the company's exceptions to the contrary. Attorney General's replies to exceptions, pp. 32-33 (citing PFD, pp. 166-192; DTE Electric's exceptions, pp. 56-73).

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, pp. 173-174. Even if the projects themselves are justified, the level and pace of spending also

needs to be supported on the record. If DTE Electric spends more on these projects than approved in this case, it can include a request for recovery of the additional costs in its next rate case.

c. City of Detroit Infrastructure Targeted Network Secondary Cable Replacement Program

DTE Electric described this project at 2 Tr 99, and as set forth in Exhibit A-12, Schedule B5.4, p. 11, line 33, and Exhibit A-23, Schedule M6, p. 129, invested $3.993 million in 2023 and $3.839 million (excluding "Other") in 2024, with projected investments of $4.8 million in 2025 and $3 million in 2026. The Staff supported the project but noted concerns about the company's proposed spending and thus used the company's 2024 spend amounts (excluding "Other") to determine a unit cost for cable in 2025 and 2026, thereby recommending reductions of $1.233 million for 2025 and $102,303 for 2026, based on the company's original 11,500 foot cable replacement forecast for 2025 and 9,100 foot cable replacement forecast for 2026, in calculating the adjustment. 5 Tr 5011-5012; Staff's initial brief, pp. 51-52. DTE Electric rebutted. 2 Tr 172-173, 192-195; DTE Electric's initial brief, p. 64.

The ALJ agreed with the Staff's proposed adjustment for two reasons: (1) Excluding "Other" from 2024 costs was appropriate since these costs were not included in the breakdown of costs by the company for 2025 and 2026 and (2) while cable installation is likely quite variable, the company did not provide sufficient detail to support its alleged variability for 2025 and 2026. PFD, pp. 176-177.

DTE Electric objects to the ALJ's recommendation, which, like other redesign and modernization programs, the company asserts lowers costs despite misalignment with how costs are allocated and phased. DTE Electric states:

> Staff acknowledges that underground unit replacements vary materially by site, and yet Staff recommends a normalized unit cost approach that does not distinguish across different neighborhoods and years. The PFD suggests that the Company

> should have provided more detail to support this variability but nonetheless concludes that "it is likely the case that the cost of cable installation is quite variable, depending on the actual conditions." (PFD, pp 176-177). The PFD's approach further understates actual costs by omitting legitimate 2024 execution expenses from the "Other" category that were required to perform the work. Even if the Commission insists on computing a 2024 unit cost, these costs must be included in that calculation. When included, the implied per-foot values differ substantially from Staff's figures. (Stowe, 2T 193-195).

DTE Electric's exceptions, p. 60. The company continues:

> The PFD hinges its recommendation on the notion that costs categorized as "Other" are not included in bridge and test-year projections. (PFD, p 176). The Company categorizes distribution investments into material, labor, and other, using actual pre-allocated data for 2024 and SME-based or historical methodologies for forecasting 2025–2026, with "other" reflecting bundled actuals or specific forecasted items like property purchases and customer load protection in this proceeding. (Exhibit A-50 Schedule QQ2) The different methodologies result in variations in the categorization of material, labor and other. The "Other" category in 2024 properly includes valid overhead and material expenditure required to perform the work. (Stowe, 2T 193) Accordingly, pulling 2024 "Other" costs out of the base year to normalize a per-foot cap for 2025 and 2026 is an apples-to-oranges exercise that both strips real 2024 execution costs and then imposes a single proxy on inherently variable, site-specific work plans that the record details extensively. Given the nature of the "Other"-categorized costs and the inherent variability of construction costs, the Commission should conclude—as Staff and the PFD do—that the project is reasonable and prudent and should, therefore, be fully funded.

DTE Electric's exceptions, p. 61. The company further addresses the linear footage the Staff used and the ALJ adopted and argued that "[i]f the Commission is to use a normalized unit cost, it should at least apply that cost to the correct footages [of] 12,000 feet for 2026 and 12,500 feet for 2025." *Id*. (citing PFD, p. 175, acknowledging the Staff's adoption of the lower 11,500 footage). Ultimately, however, DTE Electric argues that the Commission should reject the Staff's adjustments for 2025 and 2026.

The Attorney General responds and argues, as set forth in more detail above, that the ALJ's analysis and discussion on each of these nine subtopics within SRR/Redesign and Modernization is thorough, completely refutes the company's argument, and adequately lays out the shortcomings

in the company's evidentiary presentation. The Attorney General thus asserts that the Commission should adopt the ALJ's recommendations and reject the company's exceptions to the contrary. Attorney General's replies to exceptions, pp. 32-33 (citing PFD, pp. 166-192; DTE Electric's exceptions, pp. 56-73).

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Although DTE Electric asserts in exceptions that "[i]f the Commission is to use a normalized unit cost, it should at least apply that cost to the correct footages [of] 12,000 feet for 2026 and 12,500 feet for 2025," the Commission finds that DTE Electric's cable replacement projections for this project in this case nevertheless remained at the company's original lower levels, with no capital expenditure increases to support the higher cable amounts that the company now claims in exceptions should be used by the Commission. DTE Electric's exceptions, p. 61. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, pp. 176-177.

d. 4.8 Kilovolt Grosse Pointe Substation and Circuit Conversion North

DTE Electric described this project at 2 Tr 62, and as set forth in Exhibit A-12, Schedule B5.4, p. 12, line 54, and Exhibit A-23, Schedule M6, p. 197, projected investments of $1.5 million for total labor for property acquisition activities for the project in 2026. The Staff supported the project conceptually but asserted that the company provided insufficient details on its requested costs and thus recommended a 20% ($300,000) adjustment, pending submission of detailed supporting documentation by the company. 5 Tr 5016; Staff's initial brief, pp. 55-56. DTE Electric rebutted, clarifying that its requested funding should have been categorized as "Other" (and capitalized) versus "Labor" within Exhibit A-23, Schedule M6, and further asserted that it provided substantial evidence supporting its capital expenditures for all of its redesign projects (pointing to Exhibit A-23, Schedule M6), that the additional detail requested by the Staff would

just expand the record without shedding much more light on whether the project is reasonable and prudent, and that this is the first time the company was asked for this level of detail in a rate case. 2 Tr 172-173, 195-196, 203-204; DTE Electric's initial brief, p. 63-64, 66.

The ALJ found that the Staff's proposed adjustment should be adopted. The ALJ reasoned:

> Contrary to Mr. Stowe's rebuttal claim, that Staff's request for more detail "would significantly expand the record with matters that shed relatively little light on whether a project is reasonable and prudent," this does not appear to be Staff's concern or objective. Staff admits that it supports the project as reasonable and necessary; Staff is simply requesting more information on how the $1.5 million in property acquisition costs was derived, given that property acquisition costs can vary widely based on location. Considering the absence of support for this item, Staff could have recommended a full disallowance, but it did not do so.

PFD, p. 178.

DTE Electric objects and maintains that the record "provides substantial project detail consistent with ordinary practice for ratemaking," pointing again specifically to Exhibit A-23, Schedule M6, which "contains hundreds of pages of scope and milestone information, and discovery provides additional detail." DTE Electric's exceptions, p. 62. The company, in this regard, asserts that requiring even more detailed information "is well beyond information typically required in rate cases and would materially expand the record in these cases," noting multiple concerns identified by the ALJ in the PFD as to the volume of information that can or should be practically considered in rate cases and the notion that the "Staff and intervenors will always be able to say that more information *could* be provided, but the Commission should be mindful of what is practical and necessary for it to make a determination that investments are reasonable and prudent." *Id*., pp. 62-63 (emphasis in original). Where the reasonableness of the project is not in question, DTE Electric argues that the demand for more information should be rejected as inappropriate, unnecessary, and unduly burdensome to all.

The Attorney General responds and argues, as set forth in more detail above, that the ALJ's analysis and discussion on each of these nine subtopics within SRR/Redesign and Modernization is thorough, completely refutes the company's argument, and adequately lays out the shortcomings in the company's evidentiary presentation. The Attorney General thus asserts that the Commission should adopt the ALJ's recommendations and reject the company's exceptions to the contrary. Attorney General's replies to exceptions, pp. 32-33 (citing PFD, pp. 166-192; DTE Electric's exceptions, pp. 56-73).

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, p. 178. Even if the project is reasonable, the level of spending on the project needs to be verified as well. The Staff's request for additional information on whether this level of expenditure is reasonable and prudent is necessary for the Staff to make a recommendation for approval or disallowance and for the Commission to ultimately evaluate the reasonableness of the proposed level of investment for this project.

e. 4.8 Kilovolt Circuit Conversion (Melvindale)

DTE Electric described this project at 2 Tr 62, and as set forth in Exhibit A-12, Schedule B5.4, p. 12, line 56, and Exhibit A-23, Schedule M6, p. 201, projected investments of $1.8 million for property acquisition activities under the category of "Other" for the project in 2026. The Staff raised confusion about the cost classification of property acquisition activities under "Other" here versus "Labor" in related items and also asserted that the company provided insufficient details on its requested costs and thus recommended a 20% ($360,000) adjustment, pending submission of further documentation by the company in support. 5 Tr 5017; Staff's initial brief, pp. 56-57. DTE Electric rebutted, clarifying that this property is correctly classified as "Other" and repeating

similar arguments to those raised above. 2 Tr 172-173, 196, 203-204; DTE Electric's initial brief, pp. 63-64, 66.

The ALJ stated that this issue mirrors the issue addressed directly above and found that the Staff's recommended adjustment should be adopted. The ALJ reasoned:

> Again, Staff is not questioning the reasonableness and prudence of the project in general, it is merely attempting to ascertain the basis for DTE's projected cost for land acquisition. Mr. Stowe's direct testimony in Table 2 at 2 Tr 62, indicates that "[t]here is an opportunity to purchase property that will allow for the construction of a new 13.2kV substation that will help address the overloading issues in the area." Fleshing this out with a real estate listing or buy-sell agreement in discovery or rebuttal might have been sufficient support for this item; but the Company failed to provide any additional details.

PFD, pp. 179-180.

DTE Electric objects to the ALJ's recommendation, maintaining that Exhibit A-23, Schedule M6 substantiates the project's need and scope, including substation site acquisition to address capacity and reliability concerns. The company asserts that there is no dispute here as to the need and scope of the project or as to the propriety of capitalizing property acquisition; rather, the Staff's proposed disallowance hinges exclusively "on a newly announced preferred form of documentation not previously required," and, thus, the Commission should approve the company's requested funding for the project. DTE Electric's exceptions, p. 64.

The Attorney General responds and argues, as set forth in more detail above, that the ALJ's analysis and discussion on each of these nine subtopics within SRR/Redesign and Modernization is thorough, completely refutes the company's argument, and adequately lays out the shortcomings in the company's evidentiary presentation. The Attorney General thus asserts that the Commission should adopt the ALJ's recommendations and reject the company's exceptions to the contrary. Attorney General's replies to exceptions, pp. 32-33 (citing PFD, pp. 166-192; DTE Electric's exceptions, pp. 56-73).

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, pp. 179-180. Again, the Staff's request for detail on this project is not unreasonable and is, in fact, necessary for the Commission to be able to determine reasonableness and prudence.

f. Pontiac Conversion

DTE Electric described this program at 2 Tr 101-106, and as set forth in Exhibit A-12, Schedule B5.4, pp. 12-13, lines 61 and 101, invested $8.937 million in capital expenditures in overhead conversion projects in 2023 and $16.014 million in 2024, with projected investments of $4.67 million for the same in 2025 and $15.791 million in 2026, and invested $1.217 million in capital expenditures in underground conversion projects in 2023 and $3.565 million in 2024, with projected investments of $0.5 million for the same in 2025 and $4.901 million in 2026. MNSC recommended a disallowance of $20.7 million, comprised of $15.8 million for the overhead conversion and $4.9 million for the underground conversion in the 2026 test year, pointing specifically to the results of the Liberty Audit for the company to limit conversions to those needed for capacity reasons; the appearance that Pontiac did not appear to present an immediate need for execution, presenting a reasonable deferral opportunity; and considering the high costs of the company's Pontiac conversion plan. 5 Tr 4534-4540. DTE Electric rebutted, highlighting the uniqueness of the Pontiac area and asserting that reduced funding is not low-risk, pointing to recent failures on the system that highlight the importance of proactively addressing risks. 2 Tr 220-226; DTE Electric's initial brief, pp. 67-68.

The ALJ agreed with MNSC and found that MNSC's proposed disallowances should be adopted. The ALJ reasoned:

> As MSNC point out: (1) whether or not Mr. Stephen's testimony addressed all of the specifics of the Pontiac system, the Liberty Audit, specifically addressed the

> limitations of the Pontiac circuit and still recommended deferral of the conversion in light of more pressing needs; (2) the Commission also addressed [in Case No. U-21305] the Pontiac conversion in particular and directed the Company to provide more support in the form of a BCA if it requests further capital for the Pontiac conversion program; and (3) stories are not data, and should not form the basis for tens of millions of dollars in capital investments that do not need to be expended immediately.

PFD, p. 183.

DTE Electric objects and asserts that the ALJ's recommendation should be rejected. Pointing to the record and briefing, the company states that the project "addresses concrete system limitations on legacy 8.3kV facilities that cannot be adequately mitigated within the existing system configuration." DTE Electric's exceptions, p. 65 (citing 2 Tr 101-106, 221-223; DTE Electric's initial brief, pp. 67-68). DTE Electric highlights again its concerns that MNSC failed to address the limited options for addressing outages on this 8.3 kV system, including that it cannot be tied to surrounding 13.2 kV systems in the area—concerns which the ALJ appears to have given no weight to but which the Commission should. In specific detail, DTE Electric recaps that it:

> has only one 8.3kV voltage area in its distribution system, and it is in and around the city of Pontiac. The Company acquired the 8.3kV system from CMS Energy in the 1980s. The Pontiac configuration is unique to the Company's overall system and limited to one specific geographic area. The uniqueness of the 8.3kV system and its limited geographic area impact operability and reliability for the Company and customers in this area. The system design also brings unique safety challenges for Company employees operating and maintaining the system. Because of the unique voltage in a limited geographic area, the Company has limited contingency options to support alternate routing of power during planned and emergent outage situations. This results in high risk for a stranded load in the event of an 8.3kV outage event. (Stowe, 2T 101-102). Beyond these very real operational challenges with which the Company must deal, the 8.3kV system is aging, and the equipment is failing and obsolete, so the Company is unable to source replacement equipment. Specifically with respect to substations in the Pontiac area, failing substation equipment requires significant modification of the existing steelwork to accommodate new standardized equipment. Existing substations lack appropriate safety-related clearances, requiring all circuits to be shut down to perform any maintenance or repairs, thus resulting in more customer outages during

> maintenance or repairs. When 8.3kV equipment fails, circuit shutdowns lead to extended customer interruptions during outage events and leave the system in an abnormal state for extended periods of time. Further, as new load develops, it is difficult to connect that load to the system due to the obsolete equipment and limited capacity. (Stowe, 2T 102). As witness Stowe testified, the work proposed by the Company will support a reduction of up to 90% in customer minutes of interruption, wire downs, and trouble events through the reconfiguration of 8.3kV infrastructure to current 13.2kV standards. Converting the Pontiac system to 13.2kV will improve system operability and reduce outage restoration time by allowing the Company to restore customers prior to repairing damaged infrastructure, (commonly described as "restore before repair"). (Stowe, 2T 103)

DTE Electric's exceptions, pp. 65-66. In this vein and for these reasons, DTE Electric reiterates its disagreement with the Liberty Audit's recommendations for the project on a system that has gradually increased over the past seven years, further increasing the risk of stranded load. *Id*. (citing 2 Tr 104-105). The company further disputes that deferral of this work is low risk as the risks it discussed "are very real and very clear." DTE Electric's exceptions, p. 67. To further illustrate, DTE Electric restates that:

> on July 24, 2025, the Bartlett Substation—in the Pontiac area—experienced a significant failure involving its lone substation transformer and that, as a consequence, more than 3,100 customers were interrupted. To expedite restoration, field crews had to repurpose bushings from a spare transformer with a different voltage. During the interim, generators and portable ISO units were deployed to restore electric service. Nonetheless, the outage extended beyond 13 hours. (Stowe, 2T 222). If this is one of the "stories" to which the PFD refers, the Commission must consider that, through the testimony of witness Stowe—an engineer with more than 20 years of experience in working for DTE, including as a Director of Substation Operations, as the Executive Director of Distribution Operations, and as Vice President of Distribution Operations (Stowe, 2T 34-35)—the Company has provided substantial credible evidence of the operational and reliability risks posed by the Pontiac configuration and the need for this project.

DTE Electric's exceptions, p. 67. DTE Electric states that it provided project-level documentation associated with the project and that the Staff did not take issue with the company's request and asserts that the ALJ's reliance on a generalized audit caution, MNSC's view of that audit, and the ALJ's characterization of engineering explanations as stories as opposed to data fails to give due

consideration to the substantial credible evidence the company provided to support the need for this project in terms of operational and reliability risk and the company's concerns and desire to provide improved electric service to its customers. For these reasons, DTE Electric argues that the ALJ's recommended $20.7 million disallowance should be rejected. *Id*., pp. 67-68.

MNSC responds and asserts that, even if the Pontiac system has limitations, that does not mean that DTE Electric should invest millions to convert it now. As recognized by MNSC, the Liberty Audit, and the ALJ, "Pontiac is not among the worst performing circuits and therefore represents a low-risk opportunity to defer capital spending." MNSC's replies to exceptions, p. 9 (citing MNSC's initial brief, p. 85; Exhibit MNAG-3, p. 89; PFD, p. 183). MNSC further states:

> The Company also contests "MNSC witness Stephen's characterization of a deferral of this work as 'low risk,'" claiming that the "'risks, already discussed, are very real and very clear.'" However, as discussed in MNSC's brief and the ALJ's PFD, the Company failed to properly quantify any risks in a BCA showing that the "Pontiac conversion should be a priority over other projects." Instead, the Company recited the same two anecdotes about outages that previously occurred on the Pontiac system. While the ALJ opined that anecdotes – "stories" – "are not data" and "should not form the basis for tens of millions of dollars in capital investments," DTEE simply disagrees. DTEE is entitled to disagree, but as discussed in MNSC's brief and the ALJ's PFD, DTEE is disagreeing with a Commission Order that specifically directs the Company to "*quantify the risk* associated with maintaining the status quo" and "provide a complete BCA." DTEE did not comply with those Commission directives and should not be given the benefit of its noncompliance.
>
> Finally, the Company discredits the ALJ's recommendation for her reliance on the Liberty audit – and what DTEE calls "generalized audit caution." MNSC responded to a similar attack in its initial brief. As MNSC previously noted, the Commission has relied heavily on the audit in its orders in [Case Nos.] U-21534 and U-21305, and the Commission specifically endorsed the audit's recommendations concerning the Pontiac conversion.

MNSC's replies to exceptions, p. 9 (footnotes omitted; emphasis in MNSC's replies to exceptions). MNSC thus asserts that, consistent with the evidence provided in the instant case, the

Commission should adopt the ALJ's recommendation and disallow the Pontiac conversion costs, until, at minimum, the company completes more urgent projects.

The Attorney General also responds and, as set forth in more detail above, argues that the ALJ's analysis and discussion on each of these nine subtopics within SRR/Redesign and Modernization is thorough, completely refutes the company's argument, and adequately lays out the shortcomings in the company's evidentiary presentation. The Attorney General thus asserts that the Commission should adopt the ALJ's recommendations and reject the company's exceptions to the contrary. Attorney General's replies to exceptions, pp. 32-33 (citing PFD, pp. 166-192; DTE Electric's exceptions, pp. 56-73).

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. The Commission acknowledges the uniqueness of the Pontiac system voltage but is not persuaded by the evidence presented by DTE Electric on this record that capital expenditures to convert the system to 13.2 kV are an immediate need and thus reasonable and prudent for purposes of cost recovery in the instant case. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, p. 183. Should the company move forward with the conversion, it can seek recovery in a future rate case upon a demonstration that the costs incurred were reasonable and prudent. The Commission, however, reminds DTE Electric of the requirement to justify the need and spending for this program through a BCA, as directed by the Commission in Case No. U-21305. *See*, June 12 order, p. 33.

g. Trunk 7105

DTE Electric described this project at 2 Tr 138, 153, and as set forth in Exhibit A-12, Schedule B5.4, p. 12, line 70, and Exhibit A-23, Schedules M1, M2, M3, and M6, p. 241, invested $246,000 in capital expenditures in the project in 2023 and $540,000 in 2024, with projected

investments of $0 in 2025 and $1 million in 2026. The Staff supported the project's intent but nevertheless asserted that the company did not provide details on its projected spend and thus recommended a 20% ($200,000) disallowance for the 2026 test year for a measured adjustment pending submission of further supporting documentation from the company. 5 Tr 5018-5019; Staff's initial brief, pp. 59-60. DTE Electric rebutted, asserting that it provided substantial evidence supporting its capital expenditures for all of its redesign projects (pointing to Exhibit A-23, Schedule M6, as well as Exhibit A-50, Schedule QQ3), and again arguing that the additional detail requested by the Staff would just expand the record without shedding much more light on whether the project is reasonable and prudent, and that this is the first time the company was asked for this level of detail in a rate case. 2 Tr 172-173, 198, 203-204; DTE Electric's initial brief, pp. 63-64, 66.

The ALJ found the Staff's adjustment to be reasonable and therefore recommended it be adopted. In her reasoning, the ALJ agreed with the Staff that:

> Exhibit A-50, Schedule QQ3 does not provide any additional information beyond what was provided in DTE's initial filing, and that Exhibit A-23, Schedule M6, pp. 241 provides an approximate construction schedule and an indication that the budget basis is "Project Management Estimate." The line for "Total Labor (DTEE & Contractors)" indicates projected spend of $1.0 million, with no material or other costs forecasted.

PFD, p. 185.

DTE Electric objects to the ALJ's recommendation. The company maintains that it "has already provided appropriate project-level support for the test year" as "Exhibit A-23, Schedule M6, pages 238-241, sets out the Trunk 7105 high-level scope and milestone schedule, and the Company's discovery response STDE-6.18b . . . confirms that during the projected test year the Company will complete detailed engineering, complete manhole inspections, and conduct detailed design." DTE Electric's exceptions, p. 68 (citing 2 Tr 198; Exhibit A-50, Schedule QQ3). DTE

Electric argues that, "[g]iven the documented overload and defined emergency load control solution, Staff's additional request for a complete bill of materials and granular labor plan as a precondition to recovery elevates form over substance and exceeds what is necessary to find the test-year investment reasonable and prudent on this record." DTE Electric's exceptions, p. 68. DTE Electric, accordingly, asserts that the Commission should reject the Staff and ALJ's recommended disallowance and approve the company's requested test-year funding as filed.

The Attorney General responds and argues, as set forth in more detail above, that the ALJ's analysis and discussion on each of these nine subtopics within SRR/Redesign and Modernization is thorough, completely refutes the company's argument, and adequately lays out the shortcomings in the company's evidentiary presentation. The Attorney General thus asserts that the Commission should adopt the ALJ's recommendations and reject the company's exceptions to the contrary. Attorney General's replies to exceptions, pp. 32-33 (citing PFD, pp. 166-192; DTE Electric's exceptions, pp. 56-73).

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, p. 185. Once again, the Staff has requested a reasonable amount of detail from the company and recommended a commensurate disallowance based on the information it was able to review.

h. Reverse Power Relay Scheme

DTE Electric described this program at 2 Tr 138, 153, and as set forth in Exhibit A-12, Schedule B5.4, p. 12, line 71, and Exhibit A-23, Schedules M1, M2, M3, and M6, p. 245, invested $17,000 in capital expenditures in the program in 2024, with projected investments of $1 million in 2025 and $1 million in 2026. The Staff noted that there was no program spend in 2023, that only $17,000 of $150,000 originally forecasted was spent in 2024, and that as of May 2025 only

$6,000 of the projected $1 million for 2025 was spent thus far. While the Staff agreed that the program is necessary, the Staff nevertheless raised execution concerns in comparison to projections and thus recommended a $200,000 disallowance (20%) for both 2025 and 2026 as a reasonable adjustment pending evidence of ramp-up capabilities and committed work packages by the company. 5 Tr 5019-5020; Staff's initial brief, pp. 60-61. DTE Electric rebutted, agreeing that program execution was delayed in 2025 but asserting that full execution of the program in 2026 is expected. 2 Tr 199; DTE Electric's initial brief, pp. 64-65.

The ALJ agreed with the Staff and found that "a 20% reduction for both 2025 and 2026 is reasonable, in light of the significant over-projections in 2024 and 2025," noting that the company may request recovery in a future rate case if it invests more in this program in 2025 or 2026. PFD, p. 186.

DTE Electric objects to the ALJ's recommendation. The company, in this regard, maintains that "[t]he Reverse Power Relay Scheme's objectives and plans are thoroughly defined and while execution was delayed in 2025, the Company expects full execution of the 2026 program" and reiterates that "[e]arly-year underspend in 2025 does not demonstrate that the test-year investment will not occur." DTE Electric's exceptions, p. 69 (citing 2 Tr 153, 199; 3 Tr 1141-1143; DTE Electric's initial brief, pp. 64-65). Because the Staff does not dispute the necessity of the program and because the record lays out the company's test-year plan and its expected execution of the same, DTE Electric asserts that the Commission should reject the Staff and the ALJ's recommended disallowance and approve the company's test-year funding for the program as filed.

The Attorney General responds and argues, as set forth in more detail above, that the ALJ's analysis and discussion on each of these nine subtopics within SRR/Redesign and Modernization is thorough, completely refutes the company's argument, and adequately lays out the shortcomings

in the company's evidentiary presentation. The Attorney General thus asserts that the Commission should adopt the ALJ's recommendations and reject the company's exceptions to the contrary. Attorney General's replies to exceptions, pp. 32-33 (citing PFD, pp. 166-192; DTE Electric's exceptions, pp. 56-73).

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, p. 186. Once again, the Commission must be confident not only in the value of the program but also in the level and pace of spend for the program. Because of the historical significant over-projections identified by the Staff, the Commission finds that a 20% reduction for both 2025 and 2026 is a reasonable protection for customers. If DTE Electric spends more than this amount, it can request recovery of the additional funds in a future rate case upon a demonstration of the reasonableness and prudence of the amount spent.

i. Ann Arbor Alternating Current Network Conversion, 4.8 Kilovolt Grosse Pointe Sub and Circuit Conversion, Birmingham, Hilton, BRITN, Pittsfield

DTE Electric described these projects at 2 Tr 64-66, with more detail about the projects provided in Exhibit A-23, Schedule M6, pp. 283-290, 303-306, 311-322, and capital expenditures in Exhibit A-12, Schedule B5.4, p. 13, lines 88, 89, 94, 96, 98, and 99. The Staff raised concern about the need for more granular planning detail for the Grosse Pointe project, given the magnitude of the company's test-year request, and thus recommended a 20% ($683,769) disallowance as a result until the company provides further supporting information with regard to the project. 5 Tr 5026-5027; Staff's initial brief, pp. 67-68. MNSC and the Attorney General's recommendation is for the Commission to hold conversion spending at the 2023 historical level of $154 million adjusted for inflation or at least disallow total amounts of $5.821 million for the bridge period and $20.642 million in the 2026 test year for the Ann Arbor, Birmingham, Hilton,

BRITN, and Pittsfield projects, as well as adopt the disallowances recommended by the Staff. MNSC and the Attorney General further recommended, as the best way to slow the pace on conversions and identify projects not necessary to accommodate load growth before the project begins, that the Commission, the Staff, interested persons, and DTE Electric work together to establish standards and protocols, objective thresholds, project budgeting and cost tracking, and other details before moving forward. 5 Tr 4533-4540; MNSC's initial brief, pp. 74-83; Attorney General's initial brief, pp. 156-157. DTE Electric rebutted, indicating the Ann Arbor project was previously identified for cost recovery through the IRM but has now been moved to base rates pursuant to the Commission's directive to remove conversions from the IRM and asserting that appropriate detail was provided to support the Grosse Pointe project, that MNSC and the Attorney General did not justify or explain their recommended disallowance for the five specific projects, that the company's engineers have the knowledge and understanding specific to the company's infrastructure and operational challenges, and that these five projects are well justified by the company. 2 Tr 186-187, 199-200, 203-204; Exhibit A-23, Schedule M6, pp. 283-286, 303-306, 311-322; DTE Electric's initial brief, pp. 63, 65-66; DTE Electric's reply brief, pp. 52-55.

The ALJ agreed with MNSC that ongoing projects, except for the Pontiac conversion, would be difficult to terminate at this point and looking at Exhibit A-12, Schedule B5.4, p. 13, identified those projects as Ann Arbor, Grosse Pointe, and Birmingham. Per the ALJ, "[f]or these projects there has been spending, in some cases significant sums, since 2023, and terminating these projects now could be disruptive, and could potentially increase costs." PFD, p. 188. For the projects involving Hilton, BRITN, and Pittsfield, however, the ALJ found that "there has been little, if any investment before the test year, and this PFD finds that these projects could perhaps be deferred as MNSC points out," and for the Grosse Pointe project, the ALJ adopted the Staff's

proposed disallowance. *Id*.; *see also*, *id*., Appendix E, p. 1, line 36. For Pittsfield specifically, the ALJ recommended that MNSC's adjustments of $152,000 in the 2024 bridge period and $1.084 million in the 2026 test year be approved. The ALJ stated that she "is not persuaded that the conversion must be undertaken in the near term" and found that, "[a]lthough there may be some load growth in the City of Ann Arbor, and the Pittsfield substation does serve some City load, the Company's forecast of load growth in Ann Arbor is speculative, and scarce funding should be dedicated to higher-priority projects." PFD, p. 190. For Hilton, the ALJ agreed with MNSC that the project could likely be deferred until such time the company provides more support to show additional capacity need in the area and thus recommended that $9.407 million be disallowed in the 2026 test year. The ALJ reasoned that "[t]he Company mentions providing capacity to new businesses in downtown Ferndale and the State Fairgrounds area but does not provide a forecast for how much the load is expected to increase," noting that the company may provide more support for this project for the Commission's consideration in a future rate case. *Id*., p. 191. For the BRITN project, the ALJ found that $900,000 should be disallowed for the 2026 test year, agreeing "that based on the evidence in this record, there has not been past spending on the BRITN project, and the proposed project appears to be more reliability- than capacity-based." PFD, p. 192. And lastly, the ALJ agreed with MNSC and the Attorney General's recommendation for "DTE, in collaboration with Staff and other interested parties, to develop more concrete planning protocols and guidelines to inform the pace of circuit conversions," indicating that "[t]he Commission could consider directing DTE to form a workgroup or collaborative to this end." *Id*.

In exceptions, the Staff asserts that the ALJ did not address the Staff's proposed disallowance for the 4.8 kV Circuit Conversion (CC): Grosse Pointe Substation and Circuit Conversion project, noting that there is another project in the case with a very similar name (i.e., the 4.8 kV CC:

Grosse Pointe Substation and Circuit Conversion – North project). The Staff, in this regard, recaps its evidence in support of its proposed disallowance for the 4.8 kV CC: Grosse Pointe Substation and Circuit Conversion project and, given the lack of detail provided as to cost breakdowns and implementation details, recommends that the Commission disallow 20% (i.e., $683,769) in capital expenditures for the project for the projected test year. Staff's exceptions, pp. 6-7 (citing 5 Tr 5026-5027; Exhibit A-12, Schedule B5.4, p. 11, line 89; Staff's initial brief, pp. 67-68).

DTE Electric states that, while it ultimately agrees with the ALJ's funding recommendation to accept the company's requests related to the Ann Arbor, Grosse Pointe, and Birmingham conversion projects, the company nevertheless "reiterates its position that these projects are necessary to update all substation and distribution equipment to the latest standards for improved safety, reliability, and resiliency at an area level of the grid while also adding capacity to the associated circuits." DTE Electric's exceptions, p. 70. The company further notes that conversion projects "also reduce outage restoration time by pinpointing the trouble location without requiring line crews to patrol the entirety of the circuit." *Id*. (citing 2 Tr 40).

As to the Pittsfield, Hilton, and BRITN conversion projects, DTE Electric argues that the ALJ's recommendation should be rejected for the following reasons: (1) for the Pittsfield conversion project, the ALJ acknowledges that adjacent substations (Crown and Wolverine) are over their substation firm ratings, limiting jumpering capabilities for Pittsfield during emergency restoration, and dismissing the company's load growth forecast for Pittsfield as speculative disregards operational realities that any load growth would only worsen existing area overloads; (2) for Hilton, the ALJ erroneously quotes Mr. Stowe's cross-examination with regard to a question about U.S. Department of Agriculture guidelines, which Mr. Stowe "did not clarify . . . in the affirmative," and Hilton is in Phase 2 with Phase 1 having already constructed a 120/13.2 kV

substation and Phase 2 being a continuation of this work; and (3) for BRITN, the ALJ incorrectly recommends a disallowance of $900,000 in the projected test year when only $260,000 was requested. DTE Electric's exceptions, pp. 71-72 (citing PFD, pp. 189-191; 2 Tr 59, 273-274; Exhibit A-12, Schedule B5.4, p. 13; Exhibit A-23, Schedule M6, pp. 311, 319-322). DTE Electric further argues that:

> Witness Stephens' premise that DTE Electric is "rushing" conversions and has not shown capacity need for the identified projects is simply incorrect. As Company witness Stowe explained, the Company will continue to plan and execute proposed 4.8 kV conversions over the next five years precisely because they are capacity-driven, and projects outside that window will be proposed only where supported by a benefit-cost analysis, including capacity needs (Stowe, 2T 224; DTE Electric's Reply Brief, pp 53-56). As testified to by Company witness Stowe, the benefits of the 4.8kV Conversion Program (in which these projects fall) are—in addition to increased area capacity—enhanced safety by proactively mitigating an energized downed wire, improved reliability, resiliency, accessibility, and system maintenance efficiencies through infrastructure consolidation and decommissioning of aged equipment beyond useful life. (Stowe, 2T 55-59). Table 2 in witness Stowe's direct testimony provides a summary for the specific projects, including those for which a disallowance is recommended by the PFD. (Stowe, 2T 60-66). As Company witness Stowe testified, the Liberty Audit recommended that the Company "limit 4.8kV conversions to those necessary for substantial capacity reasons." (Stowe, 2T 67). As testified to, the 4.8kV conversion projects, including those recommended for disallowance, are necessary for capacity reasons, (Stowe, 2T 67-69), in addition to other reasons. (Stowe, 2T 69-70).

DTE Electric's exceptions, p. 72. DTE Electric recaps that it provided project-level documentation showing that the Ann Arbor, Birmingham, Hilton, BRITN, and Pittsfield conversion projects are each driven by capacity (and related operability and reliability) needs and potential service-interruption risks and, in this regard, asserts that the Commission "should reject the PFD's project-specific disallowances premised on a narrow, point-in-time loading view and instead credit the Company's capacity-driven planning and detailed project support." DTE Electric's exceptions, p. 73 (citing Exhibit A-23, Schedule M6, pp. 283-286, 303-306, 311-314, 315-318, 319-322).

Lastly, in response to the ALJ's collaboration recommendation, DTE Electric states that it has no concerns with working with the Staff to ensure the Staff's questions and concerns are addressed but states that it "strongly disagrees with the PFD's recommendation for a working group related to circuit conversions." DTE Electric's exceptions, p. 73. More specifically:

> As explained in the Company's case, circuit conversion projects concern safety, reliability, resiliency, accessibility, and system maintenance— matters very much encompassed within the Company's obligation to provide safe and reliable operation of its system. The Company has defined the process through which new conversion projects will be validated (Stowe, 2T 224) and interested parties will have the opportunity to participate in the distribution grid planning process and to participate in proceedings, such as this one, that involve investigation into the reasonableness and prudence of the Company's investments. The Company stresses for these reasons that the Commission should not accept this recommendation.

DTE Electric's exceptions, p. 73.

In response to the Staff's exceptions, DTE Electric states that the ALJ did address the 4.8 kV Grosse Pointe Substation and Circuit Conversion project with several circuit conversion projects beginning on page 186 of the PFD and found that it is an ongoing project with prior spending going back to 2023 and that "'terminating these projects now could be disruptive and could potentially increase costs.'" DTE Electric's replies to exceptions, pp. 22-23 (quoting PFD, p. 188, and citing PFD, pp. 186-192). DTE Electric asserts that the ALJ declined to recommend a disallowance for this project and that the Commission should deny the Staff's objections and approve the company's requested amount for the project as filed. The company also recaps evidence in support of the project and argues that the "Staff's preference for further and unprecedented granularity can be addressed in future filings without penalizing the Company's test-year recovery for work the PFD reasonably concluded is appropriate to continue." DTE Electric's replies to exceptions, p. 23 (citing 2 Tr 200, 203-204; Exhibit A-23, Schedule M6). Moreover, per DTE Electric:

> Staff's proposed 20% reduction is formulaic and untethered to any finding of imprudence, infeasibility, or scope reduction for the project. Cutting 20% of the 2026 expenditures because Staff prefers additional cost detail beyond that historically provided would undermine necessary early-phase work and disrupt momentum. The Commission should reject a generic percentage reduction that does not have project- and fact-specific grounding in the record. Because the PFD did not recommend a 20% reduction for this item and instead recognized Grosse Pointe as an ongoing conversion effort that should proceed, there is no basis to create a new disallowance now. The Commission should deny Staff's exception and approve the Company's requested 2026 amount for the 4.8 kV Grosse Pointe Substation and Circuit Conversion project.

DTE Electric's replies to exceptions, pp. 23-24 (footnote omitted).

Responding to DTE Electric's exceptions, MNSC asserts that the Commission should adopt the ALJ's proposed disallowances and workgroup recommendation, which MNSC avers "will help protect ratepayers from unreasonable expenditures on unnecessary 4.8 kV conversions projects." MNSC's replies to exceptions, p. 14.

In support, MNSC first contends that the ALJ's statements regarding Hilton are supported by evidence, notably MNSC's exhibits, as discussed in briefing. MNSC states:

> Together, exhibits MEC-5 and MEC-2 establish the fact that a "DDO [distribution design order] limit" is not based on any IEEE [Institute of Electrical and Electronics Engineers] or other industry standards, but rather, "the DDO limit is based on guidelines that the U.S. Department of Agriculture uses to loan money to rural electric cooperatives." Insofar as the Company relies on DDO exceedances to support its proposed conversion projects, that is not credible evidence of substantial capacity need. And, at least in the Hilton Road area, the Company witness confirmed that "Hilton circuits are not in fact operating over their DDO limit." The Company does not identify other credible evidence to demonstrate that the Hilton Road project is immediately "necessary for substantial capacity reasons."

MNSC's replies to exceptions, p. 12 (footnotes omitted). MNSC thus contends that the Commission should approve the ALJ's recommendation and defer spending on the Hilton project until DTE Electric demonstrates the project's necessity for substantial capacity reasons.

MNSC next addresses Pittsfield and recaps the company's admission that the Pittsfield substation is not over its firm rating and the fact that the company's witness could not explain why

two instances with exceeded DDO limits within the greater project area constituted a substantial capacity need. *Id*., pp. 12-13 (citing 2 Tr 280; MNSC's initial brief, p. 83).

MNSC then addresses the BRITN project and argues that DTE Electric's objections regarding the same is not supported with any analysis of the substantial capacity reason for completing the project now. Rather, MNSC states, the company argues that the ALJ's recommendation should be dismissed because of a typographical error. MNSC, in this regard, disagrees and contends that the correction is simple—given the ALJ's finding that the BRITN project is not capacity-related and, thus, intended to eliminate test year spending, the Commission should adopt that recommendation and disallow $260,000 for the project, consistent with the evidence in the case. MNSC's replies to exceptions, p. 13.

And lastly, although DTE Electric strongly disagrees with the ALJ's recommendation for the company to collaborate with intervenors and asserts that it is the company's obligation to develop protocols and guidelines, MNSC argues that the company's "process is clearly not working, as evidenced by the Company's request of tens [of] millions of dollars for new projects, including many that are not 'necessary for substantial capacity reasons.'" *Id*., p. 14.

The Attorney General also responds and, as set forth in more detail above, argues that the ALJ's analysis and discussion on each of these nine subtopics within SRR/Redesign and Modernization is thorough, completely refutes the company's argument, and adequately lays out the shortcomings in the company's evidentiary presentation. The Attorney General thus asserts that the Commission should adopt the ALJ's recommendations and reject the company's exceptions to the contrary. Attorney General's replies to exceptions, pp. 32-33 (citing PFD, pp. 166-192; DTE Electric's exceptions, pp. 56-73).

The Commission agrees with all of the ALJ's recommendations for these circuit conversion projects, including her recommended adoption of the Staff's proposed $683,769 (20%) adjustment for the Grosse Pointe project, as set forth on page 1 of Appendix E to the PFD, line 36, as what the Commission agrees is a measured adjustment for lack of detail as requested by the Staff in this case, consistent with other decisions above. *See*, above; *see also*, 5 Tr 5026-5027; Staff's initial brief, pp. 67-68. The Commission does, however, correct the disallowance for BRITN to reflect the amount requested by the company for the 2026 test year, being $260,000 versus $900,000. *See*, Exhibit A-12, Schedule B5.4, p. 13, line 98, column (e). And with the ALJ's recommendation for "DTE, in collaboration with Staff and other interested parties, to develop more concrete planning protocols and guidelines to inform the pace of circuit conversions," the Commission finds it reasonable for DTE Electric to undertake this collaboration, to the extent feasible, and to file evidence of this collaboration, along with the company's full strategy around conversions, in its next DSP filing.

5. System Loading Projects

    a. Overview and Michigan Environmental Council, Natural Resources Defense Council, Inc., Sierra Club, and Citizens Utility Board of Michigan Adjustments

DTE Electric described its System Loading projects at 2 Tr 115-119, with additional project details in Exhibit A-23, Schedule M6, and capital expenditures for the projects—$14.2 million spent in 2023 and $70.5 million projected for the 2026 test year—as set forth in Exhibit A-12, Schedule B5.4, pp. 12-13, lines 62-66, 102-116. MNSC and the Attorney General took issue with the company's project proposals and recommended that the Commission: (1) [e]xtend the requirement for greater support for Subtransmission Redesign and Rebuild projects that the Commission identified in its Order in [Case No.] U-21534 to System Loading projects, with an endorsement that a risk-informed benefit-cost analysis would satisfy such a requirement;"

(2) "[r]equire DTE to implement a circuit-specific load forecasting capability in advance of DTE's next rate case (as the Auditor [in Case No. U-21305] recommended);" and (3) "[r]educe DTE's request for System Loading spending in the 2026 test year by $45.3 million, from $70.5 million to $25.2 million." 5 Tr 4518; *see also*, 5 Tr 4509-4517; MNSC's initial brief, pp. 63-73; Attorney General's initial brief, pp. 147, 165-174. DTE Electric rebutted. 2 Tr 208, 209-210, 218-219; DTE Electric's initial brief, pp. 66-67. MNSC and the Attorney General further responded. MNSC's reply brief, pp. 1-4; Attorney General's reply brief, pp. 23-24.

The ALJ found that a preponderance of the evidence showed that the substations at issue "are, or will soon be, overloaded" and thus recommended that proposed investments for the same be approved. PFD, p. 199. However, the ALJ stated, "as suggested by MNSC, future proposed projects should also include an analysis of alternatives such a focused DR, BESS, or grid reconfiguration, as potentially more economical options that might at least delay costly substation expansion or replacement." *Id*., p. 200.

The Attorney General objects and argues that the ALJ erred in not adopting MNSC and the Attorney General's entire proposed disallowances related to certain substations within this overall cost category. In support of her disagreement with the ALJ's conclusion, the Attorney General argues that the ALJ failed to give proper consideration to the arguments put forth by the Attorney General and MNSC, highlighting that neither her initial nor reply briefs are even mentioned in this portion of the PFD, "an apparent oversight that undercuts the ALJ's conclusion." Attorney General's exceptions, p. 20. Further, the Attorney General states that the proposed disallowance cited in the PFD is incorrect (should be $45.3 million versus $43.5 million), "there is zero discussion or explanation for how the ALJ weighed the available evidence or why she found that it tipped in DTE's favor," and that both she and MNSC "provided sufficient evidence in this case to

demonstrate that DTE's forecasts of overloaded substations are unreasonable and DTE's failure to provide intervenors with full information, even when asked, must be held against the Company." *Id*. The Attorney General thus asserts that the Commission should disallow $45.3 million for system loading projects in the test year.

In response, DTE Electric argues that the Commission should reject the Attorney General's objections for reasons explained by the company in testimony and asserts that the Attorney General's criticism of the PFD fails to acknowledge the ALJ's explanation of the opposing evidentiary presentations. DTE Electric's replies to exceptions, pp. 24-25 (citing 2 Tr 107-119, 205-220; PFD, pp. 192-199). Specifically, per DTE Electric, the ALJ found that "Company witness Stowe 'provided an extensive discussion on system overloading' (PFD, p 193) and recounted in detail the Company's evidence including Figure 1 at 2T 209 and Table 5 at 2T 211 (PFD, p 196)." DTE Electric's replies to exceptions, p. 25. The company, in this regard, asserts that the ALJ's recommendation is well justified and should be adopted by the Commission.

Having considered the entire record, including MNSC's and the Attorney General's evidence and arguments on the issue, the Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, pp. 199-200.

b. Commission Staff Adjustment (Grenada)

DTE Electric described its Grenada system loading project at 2 Tr 113-114, 117-118, with capital expenditures of $2.853 million invested in 2023, $3.280 million invested in 2024, $12.832 million projected in 2025, and $8.867 million projected in 2026, as set forth in Exhibit A-12, Schedule B5.4, p. 13, line 108. The Staff indicated support for the project but noted underspend amounts between forecasted amounts in 2023 and 2024 versus what the company

spent and also noted that, of the $12.832 million projected for 2025, only $1.069 million had been spent as of May 2025 and, in light of these concerns, thus recommended adjustments for 2025 and 2026 by annualizing the company's five-month 2025 investment and applying inflation for 2026 (i.e., proposed disallowances of $10,266,233 in 2025 and $6,233,274 for the 2026 test year). 5 Tr 5028-5029; Staff's initial brief, pp. 69-70. The Staff also overall recommended that the Commission require DTE Electric "to explain programs and associated expenditures in the exact order used in its tables and exhibits," as "[a]ligning the order and labels across narratives, tables, and exhibits will significantly ease review and reduce misinterpretation." 5 Tr 5030; *see also*, Staff's initial brief, pp. 70-71. DTE Electric rebutted, acknowledging permitting issues outside the company's control in 2025 but stating that full execution of 2026 work is expected to be completed in 2026. 2 Tr 173, 200-201; DTE Electric's initial brief, p. 65.

The ALJ agreed with the Staff that, "in light of DTE's overly optimistic projections and resulting underspend from 2023-2025 on the Grenada project, Staff's recommended adjustments should be adopted," noting that "[i]f DTE is able to catch up on this project, the Company can request approval of additional amounts in a future rate case." PFD, p. 201.

DTE Electric reiterates its acknowledgement of delays in 2025 due to permitting obligations imposed by the local permitting jurisdiction but states that the company worked through those obligations in 2025 and does not anticipate any execution work delays for the project in 2026. Considering anticipated reliability benefits of this project, DTE Electric requests that the Commission give weight to the company's evidence over the concerns raised by the Staff and thus reject the ALJ's recommendation. DTE Electric's exceptions, p. 75.

No replies to exceptions were filed on this issue.

Considering that the company has resolved its permitting obligations from 2025, thus preventing any further delay for work expected in 2026, and finding the project to be reasonable and prudent, the Commission finds that the company's requested capital expenditures for this project should be approved. That said, however, the Commission nevertheless encourages the company to consider party recommendations to continuously improve the company's evidentiary presentation, to the extent practicable, to align the order of its presentation to "ease review and reduce misinterpretation." 5 Tr 5030; *see also*, MCL 24.281(3).

6. Substation Risk Projects

a. Substation Risk

DTE Electric explained that the substation risk category is comprised of projects intended to address failures of substations that have already occurred or to prevent substation failures in the future. The company attributed typical substation failures to equipment failure, flooding, or fires, and noted that substation failures can impact a large number of customers. 4 Tr 1998. The company included 13 substation risk projects in this case, which include two flood-related projects, McGraw and Flood Defense Program, that were approved for cost recovery in DTE Electric's last rate case. 4 Tr 1999-2022; Exhibits A-12, Schedule B5.4, p. 10 and A-23, Schedule M5.

The Attorney General argued that DTE Electric's explanation in response to the Attorney General's request for a BCA and projected reliability impacts for substation repairs shows an erratic pattern of outages, duration, and frequency with no indicated trend of decreased deterioration or improvement. 4 Tr 3450. The Attorney General therefore argued that DTE Electric had not justified its proposed expenses and recommended a disallowance of $27.104 million for 2025, and $5.625 million for 2026. 4 Tr 3451. DTE Electric and the Staff

disagreed with the Attorney General's recommended disallowance. 5 Tr 5154-5155; DTE Electric's initial brief, pp. 45-46. The Staff contended that it was reasonable for the company to prioritize substation repairs at facilities where power could not be restored using DTE Electric's mobile fleet. 5 Tr 5154-5155.

The ALJ found that the Attorney General's recommended disallowance for the Substation Risk projects should be rejected reasoning that, while most programs that are designed to upgrade or replace equipment should be supported with a BCA, the substation risk category is an exception because: (1) the program is designed to replace equipment that has already failed or is at imminent risk of doing so, and (2) a damaged or failed substation could be catastrophic and affect significant numbers of customers. Therefore, the ALJ agreed that DTE Electric had shown these projects to be reasonable and prudent. PFD, pp. 204-205.

The Attorney General takes exception to the PFD and argues that it is not clear why the Substation Risk projects do not merit a BCA when a proper BCA would inform the exact issues raised by the ALJ. In other words, the Attorney General contends that a program that is designed to replace equipment that has failed or is at imminent risk of failing should be supported by a comprehensive BCA that would examine how often such events occur, and how many customers are likely to be impacted, and for how long. The Attorney General states that she raised these questions but DTE Electric failed to address them. Attorney General's exceptions, pp. 21-22.

The Attorney General calls DTE Electric's testimony generalized, vague, and unsupported by sufficient examples to show that there is an actual issue that must be addressed. The Attorney General points to the company's statement that the company reports that most of its substations have experienced only one failure in recent years while others have not reported any problems. *Id*., p. 22 (citing Exhibit AG-78, p. 1). The Attorney General argues that this undermines the

company's implication that there is a problem that needs to be addressed with more than $30 million in spending. Arguing that the ALJ's analysis was incomplete, the Attorney General asks the Commission to disallow $27.104 million for 2025, and $5.625 million for 2026. Attorney General's exceptions, pp. 22-23.

In replies to exceptions, DTE Electric asks the Commission to reject the Attorney General's arguments in exceptions. DTE Electric contends that the ALJ provided her reasoning for recommending approval of these costs on page 21 of the PFD when the ALJ found that the substation risk program is intended to replace failed or nearly failing equipment and that damaged or failed substations pose a substantial risk to a significant number of customers. DTE Electric argues that the substation risk project is not in the same category of programs that are designed to upgrade or replace equipment that should be supported with BCAs. DTE Electric's replies to exceptions, pp. 25-26. The company then repeats its testimony stating that a BCA on substation risk projects would not provide any useful conclusions. DTE Electric also argues that the Attorney General demands these resource-intensive BCAs but then proposes to disallow the expenses for them. *Id*., p. 26 (citing Attorney General's exceptions, pp. 44-45). Thus, the company asks the Commission to adopt the ALJ's recommendation. DTE Electric's replies to exceptions, pp. 26-27.

Finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission adopts the PFD on this issue. The Commission agrees that the company sufficiently supported the expenditures for this category. While the Attorney General contends that these expenditures should not be approved without a BCA, the Commission finds that the benefits of the substation risk projects are evident based on the information DTE Electric provided—namely, that these projects will replace failed (or nearly failing) equipment and that doing so will prevent

outages to a substantial number of customers. *See*, 4 Tr 1997-1998 and 1999-2022; Exhibit A-23, Schedule M5; *see also*, 5 Tr 5154-5155.

b. Mobile Fleet

DTE Electric explained that this category of expenditures included investments to the company's fleet of mobile generation (i.e., portable generators, switchgear, portable substations, portable poles, and energy storage trailers) that is used to temporarily restore power to customers during major outage events or during planned construction when field crews must deenergize equipment. The company stated that the expenditures in this case are a continuation of the program that was approved in the company's last rate case. 4 Tr 2022-2027. Citing the lack of a BCA for a portable substation and information regarding the utilization of mobile assets, the Attorney General recommended a $5.5 million disallowance for the portable substation. 4 Tr 2050.

The ALJ recommended that the Attorney General's suggested disallowance be rejected. The ALJ explained that DTE Electric's mobile fleet appears to be standard utility equipment that is used in emergent situations and to avoid outages during repairs. The ALJ also noted that the Attorney General's testimony shows that she assumed that the company was purchasing equipment rather than developing permanent locations or equipment storage, which, per the ALJ, provides benefits in terms of rapid deployment and less wear and tear on mobile assets. PFD, p. 207.

The Attorney General takes exception to the PFD, stating that it is unclear why the ALJ did not find a BCA to be warranted and that the ALJ provided no discussion or analysis related to the lack of information DTE Electric provided in this case even when it was directly requested by the Attorney General. Attorney General's exceptions, p. 23. The Attorney General repeats her argument from her initial brief that:

> the lack of information about the utilization of the existing substations directly applies to the purported need to build storage locations for those substations. If the substations are being used routinely then permanent storage locations are not needed. If the mobile stations are not being utilized frequently enough, it raises the question of why they were purchased in the first place, and both the purchase of the substations and building storage locations are not necessary and should not be included in rate base. Additionally, contrary to the ALJ's assertions, the [Attorney General]'s briefing makes clear that the [Attorney General], in recommending this disallowance, was well aware that these costs were to "develop[ ] permanent locations for equipment storage" as the ALJ termed it. Irrespective of everything else, it is still unclear why paving concrete pads and erecting some storage sheds would cost a whopping $5.5 million.

Id., p. 24. The Attorney General asks the Commission to consider the considerable expenditure request that would burden ratepayers "all without a BCA" and to disallow $5.5 million in the test year. *Id*.

DTE Electric argues in its replies to exceptions that the Commission should reject the Attorney General's exceptions. The company contends that it presented sufficient information for the ALJ to discern the relevant information needed for her recommendation. DTE Electric's replies to exceptions, p. 27. The company points to its testimony explaining the "substantial and demonstrable" benefits of the program such that a formal analysis should not be required and argues that there was ample evidence on the record support the ALJ's decision. *Id*., p. 28.

The Commission agrees with the ALJ's finding that the company duly supported its request in this case and that approval is consistent with the Commission's approval of similar expenditures in the January 23 order. *See*, 4 Tr 2022-2027; *see also*, January 23 order, p. 117. As the ALJ found, DTE Electric demonstrated the expenditures for the mobile fleet category would shorten and avoid outages for customers in emergent situations. Finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission adopts the PFD. PFD, p. 207.

7. Small Wire Replacement Project

DTE Electric explained that the small wire replacement program is a new program for 2026 developed in response to the Liberty Audit that focuses on some of the oldest portions of the company's 4.8 kV system. The company proposed $10 million in test year capital expenditures for this category to target 5 to 20 miles of small wires in the first year. 4 Tr 1948. The Staff supported the company's request. 5 Tr 5145-5146.

Noting that no party opposed DTE Electric's requested expenditures for this program, the ALJ recommended approval with the requirement that the company provide additional analysis of the program's cost and effectiveness in future rate cases as the information becomes available. The ALJ also found that given the undisputed safety benefits, this program should be included in the IRM. PFD, p. 208.

The Staff takes exception to the ALJ's recommendation for the small wire replacement program to be shifted from base rates to the IRM, stating that neither the company nor the Staff proposed its inclusion in the IRM. The Staff argues that the "brand-new program is not suitable for IRM treatment, as the efficacy of the related work is not yet known, hence Staff's request for an analysis of this work in a future rate case." Staff's exceptions, p. 4.

In replies to exceptions, DTE Electric supports the ALJ's recommendation to include the small wires replacement program in the IRM. The company states that the Staff acknowledged the undisputed safety benefits of the program and that the parties agreed to the approval of the program. DTE Electric's replies to exceptions, p. 61.

Having reviewed the record and exceptions on this issue, the Commission agrees that no party requested that the small wire replacement project be included in the IRM. DTE Electric had originally requested for this expenditure to be included in base rates, and the Commission agrees

with the Staff's argument that such a new program is not appropriate for IRM treatment. While the company eventually stated its support for the program to be included in the IRM, it did not do so until its replies to exceptions. Further, the company did not point to any evidence on the record that would overcome the Staff's well-taken point that this program is new and the efficacy of it is not yet known. Therefore, the Commission respectfully declines to adopt the ALJ's recommendation for the small wire replacement project to be included in the IRM but otherwise approves the $10 million of capital expenditures in the test year. *See*, 4 Tr 1948; 5 Tr 5145-5146.

8. Technology and Automation

DTE Electric explained that there are two main expenditure categories within the Technology and Automation category, namely: (1) Grid Automation (including sensors, switches, and reclosers), and (2) Operational Technology, and that the company invested $160.4 million in 2023, $337.5 million in the 2024-2025 bridge period, and $229.1 million in the test year for Technology and Automation. 3 Tr 751; Exhibit A-12, Schedule B5.4, p. 1.

a. Conservation Voltage Reduction/VoltVar Optimization

The company explained that the conservation voltage reduction/VoltVar Optimization (CVR/VVO) project involves replacing end of life pole top capacitor controls with modern Supervisory Control and Data Acquisition (SCADA) enabled controls and upgrades to selected substation Load Tap Changer (LTC) Controllers to coordinate with the pole top devices through the Advanced Distribution Management System (ADMS) CVR/VVO control capabilities. DTE Electric stated that it invested $2.02 million in 2023, and projected investments of $2.519 million in 2024, $2.9 million in 2025, and $10.1 million in the test year. 3 Tr 782; Exhibit A-12, Schedule B5.4, p. 14. The Staff took issue with the significant jump in the number of upgrades projected for 2026 and questioned the feasibility of achieving upgrades to 40 additional circuits

from the 22 circuits projected for 2025. The Staff therefore recommended an adjustment of $7.123 million for the test year based on the projected spend of $2.9 million for 2025, adjusted for inflation. 5 Tr 4998-4999; Exhibit S-10.1.

The ALJ recounted that page 139 of Exhibit S-10.2 showed that DTE Electric expressed uncertainty about its work plan for CVR/VVO, notably:

> [the] Staff asked about the total number of circuits and capacitors the Company planned to install in 2026, along with the unit cost of the capacitors. DTE responded that "[t]he exact number of capacitors that will be installed is not known as the circuits are still going through engineering." When asked about the reasons for the significant increase in spending for 2026, the Company simply stated that "the program is ramping execution to install capacitors on 70 circuits," a vague, if not entire circular answer.

PFD, pp. 210-211 (quoting Exhibit S-10.1, p. 139). Thus, the ALJ agreed with the Staff's $7.1 million adjustments to the CVR/VVO program and noted that if DTE Electric installs more units in 2026, it may request recovery in a future rate case. PFD, p. 211.

DTE Electric takes exception to the ALJ's recommended disallowance and recounts its testimony regarding the description and necessity of the CVR/VVO program. The company states that it plans to install capacitors on 70 circuits in 2026 and, while it conceded that its pace of execution slowed from 2023 to 2025, the company states that ALJ ignored the its clearly stated execution plan, namely:

> From 2025 onward the program will focus on replacement of 100% of all poletop capacitor and regulator controllers with SCADA enabled controls, analyzing all circuits for appropriate capacitor and regulator placement, moving and supplementing capacitor placement where needed. The capacitor control replacement will have an added value of providing sensing capability at each location which will be used by the ADMS. This will be done while maintaining a low, but sustainable schedule of substation LTC upgrades each year that allows for appropriate coordination and shutdowns. Substation LTC control upgrades to support CVR/VVO functionality will be built into design standards and replacements. This will result in a wider deployment of smaller initial benefits because most circuits will be optimized with the pole top devices alone, but this will allow for increased visibility into the system response to VVO through the

> ADMS and get critical data back to planning tools to verify CVR opportunities. This work will be coordinated with 4.8KV conversion and replacement and the circuit automation programs to ensure that device is placed where needed. The program will also investigate the use of circuit capacitors as part of the optimization and alternatives to large station capacitors. Pole top regulator SCADA controls and smart inverter controls will also be added to the program over the next 5 years. Additional work in the program will include development of sufficient tracking algorithms, analysis and reporting to measure benefits vs expected results and improvements to internal planning tools to allow CVR/VVO to continue to be operated as circuits change due to load changes, circuit reconfiguration and DER installations.

DTE Electric's exceptions, pp. 76-77 (quoting Exhibit A-23, Schedule M8, p. 241).

The company contends that this explanation fully supports its plan for CVR/VVO deployment and the ALJ's conclusions about DTE Electric's explanation being circular did not consider the support provided in Exhibit A-23. DTE Electric's exceptions, p. 76. DTE Electric repeats that its customers will benefit from energy savings, improved power factors, and better voltage regulation and states that if the company does not execute the CVR/VVO program, these benefits will be lost. Therefore, the company asks the Commission to reject the PFD and approve the 2026 CVR/VVO program investment. *Id*.

Finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission agrees that the Staff's $7.1 million adjustment to the CVR/VVO program should be adopted. While the Commission agrees with the Staff that there is value in the program, the Commission finds that DTE Electric has not supported the feasibility of a sharp increase in the number of upgrades, particularly when its pace of execution slowed from 2023 to 2025. Further, even accepting DTE Electric's argument that the recent investment levels in CVR/VVO were intentional to allow for the completion of ADMS installation, the Commission agrees with the ALJ's finding that DTE Electric "has not provided specific information about project timelines or a work schedule indicating how the Company intends to increase the scope of work from 2023-

2025 levels to what it proposes in 2026." PFD, p. 210 (referencing Staff's initial brief, p. 31); *see also*, DTE Electric's initial brief, p. 78.

Additionally, the company refers back to its execution plan in its exceptions; however, this response does not reveal the detail requested by the Staff nor does it overcome the vague response given by the company in discovery. The Commission agrees that there appears to be a lack of detail that does not justify the significant escalation in expenditures that the company is seeking in the test year. *See*, 5 Tr 4998-4999; Exhibit S-10.1, pp. 139-140. The company may request cost recovery in a future rate case if it exceeds the $2.9 million in expenditures for the test year.

b. Distribution Automation-Reclosers

DTE Electric explained that distribution automation (DA)-reclosers is a subcategory within Technology Automation that involves capital expenditures for the installation of reclosers on distribution circuits using digital field sensors and switches with advanced control and communication technologies to automate or remotely control feeder switching, monitor voltage and equipment health, and manage voltage and reactive power. 3 Tr 757. The company projected $105.625 million for 2025, and $115.625 million for 2026 expenditures. Exhibit A-12, Schedule B5.4. The company stated that these investments allow the company to automatically identify and isolate a ground alarm, meaning that a potential hazard is detected much more quickly and to eliminate potential hazards automatically. 3 Tr 759. The company noted that the Liberty Audit's recommendation for the timing of DA deployment did not align with DTE Electric's distribution plan, but the company stated that it disagreed with the audit's recommendation to slow down grid automation. DTE Electric added that in response to the January 23 order, it provided a BCA for the DA subcategory and testified to the benefits of the subprogram. 3 Tr 763-764.

The Staff noted that, "[f]ollowing a comprehensive review of the DA program and associated expenditures, Staff concurs with the Company's position that expanding the deployment of reclosers will substantially enhance grid safety and reliability. The Staff strongly supports these efforts." 5 Tr 4999. However, the Staff noted that while DTE Electric projected $105.625 million and $115.625 million in 2025 and 2026 expenditures, respectively, it had only spent $7.516 million in the first four months of 2025. Noting the findings from the Liberty Audit and that the January 23 order was issued before the final order in the audit docket, the Staff recommended careful management of the DA subprogram and that the projected spending should align with actual spending for 2025. 5 Tr 4999-5000. Thus, the Staff initially recommended a higher disallowance but ultimately proposed a disallowance of $62.254 million for 2025, and $71.1 million for 2026. Staff's initial brief, pp. 32-34. Contending that the cost-effectiveness of DA can vary substantially by circuit and noting the findings of the Liberty Audit, MNAG recommended limiting DTE Electric's expenditures for 2025 and 2026 to $227 million, which would result in a 2027 through 2029 IRM disallowance of $735 million, or $112 million for the test year. 5 Tr 4485-4491. ABATE also recommended limiting DA implementation until better information is available. 4 Tr 3364. The CEOs recommended that DTE Electric complete its deployment of safety reclosers in 2026 and made recommendations for DTE Electric's future BCAs for DA. 4 Tr 3663. Ann Arbor objected to DTE Electric's cost recovery of DA investments for the bridge period and test year. 4 Tr 3725-3726.

In rebuttal, DTE Electric argued that Staff's recommended disallowance "uses a limited window of time and is not reflective of more recent months' investment rates." 3 Tr 904. The company continued, noting that the "DA program investment through July [2025], are $25.3 million, already exceeding Staff's 2025 estimated annual projection of $22.5 million." 3 Tr

904. As a result, DTE Electric proposed an alternative methodology for forecasting the 2025 DA program investment, namely, to "start with the 7-month 2025 investment of $25.3 million and apply a linear monthly investment pattern similar to [Staff] Witness Shi, but projecting forward using July investment levels at $11.3 million per month, to estimate a year-end total of approximately $81.7 million." 3 Tr 906.

The ALJ agreed with Ann Arbor and the CEOs that in the future, DTE Electric's DA program should be limited to investments for safety reclosers and that additional investment in DA for reliability purposes should await more complete and detailed analysis of the potential benefits. The ALJ recommended that the company analyze benefits such that other measures, such as catching up on delayed or deferred maintenance, are included. The ALJ noted that the intervenors were correct in pointing out that DA only mitigates outages whereas efforts like tree trimming and PTMM prevent outages, making DA investments unnecessary. The ALJ relied upon MNSC's contention that it is unreasonable for the company to request recovery of DA deployment to achieve improved reliability while it catches up on long-term distribution maintenance. PFD, p. 223. The ALJ then expressed two concerns, namely: (1) DTE Electric repeatedly and persuasively focused on the safety benefits of DA, however the company now proposes to take a more relaxed approach by planning to invest only one-third of its allotted funds in safety DA and the rest is dedicated to reliability reclosers; and (2) "despite the fact that outage prevention through inspection and maintenance activities is undisputed as the preferred approach for improving reliability. . . . DTE is now seeking to increase its tree trimming cycle time rather than reduce it as recommended in the Audit." *Id*.

Per the ALJ:

> It is acknowledged that every dollar spent on O&M expense, like tree trimming and inspections, increases the revenue requirement by the same amount, whereas a

> dollar spent on capitalized investment does not. In the long run, however, capital investments, like DA, are far more costly to ratepayers. Given the significant and valid concerns about energy affordability for DTE's customers, an appropriate balance must be struck between capital and O&M, and this [ALJ] finds that the substantial investments the Company proposes for reliability DA do not achieve that objective.

Id., pp. 223-224.

However, the ALJ did not find that the reliability DA investments for 2025 and 2026 that DTE Electric has made already should not be disallowed, reasoning that the circuits which have already had reliability reclosers installed could provide relevant data for future analyses. The ALJ stated that going forward, the company's focus should be "exclusively (or nearly exclusively) on safety-related DA" as the Liberty Audit recommended. *Id*., p. 224. Lastly, the ALJ agreed with the Staff's doubt as to DTE Electric's ability to execute the DA program at the level it forecasted and notes that the company's suggested modification to the Staff's disallowance indicates the company's doubt as well. Therefore, the ALJ recommended that the Commission adopt the Staff's disallowance of $62.254 million for 2025, and $71.1 million for 2026. *Id*.

DTE Electric takes exception to the ALJ's recommended disallowance, beginning with a recitation of the purpose of the DA program and its proposed expenditures of $105.625 million in 2025, and $115.625 million in 2026. The company expresses appreciation for the ALJ's allowance for recovery of investments already made but argues that the ALJ failed to recognize the substantial evidence provided by the company supporting its full DA investment. DTE Electric's exceptions, pp. 78-79. Addressing the ALJ's distinction drawn between reclosers that mitigate outages and inspection and maintenance activities that prevent outages, the company relies on its initial brief, arguing that its DA program is in addition to programs that target the root causes of outages (i.e., tree trimming and PTMM) and addresses "the short-term need to reduce the potential hazard of downed energized wires, reduce the number of customers impacted by outages

through automated and flexible grid reconfiguration, and improve the speed of restoration after a storm." *Id*., p. 79. The company repeats that its DA and PTMM BCAs were not developed independently and together demonstrated benefits. DTE Electric further contends that there are customer benefits associated with DA even when PTMM and tree trimming were completed on circuits first. *Id*. (citing 3 Tr 919-920; 4 Tr 1858-1859, 1864, 1897-1898). The company states that its distribution system is complex and PTMM and tree trimming by themselves will not prevent all outages and often involve longer deployment timelines, whereas the DA recloser program involves short term mitigations once an outage has occurred, "allowing the grid to be safely, quickly, automatically, and flexibly restored, minimizing impacts to customers." DTE Electric's exceptions, p. 80 (citing 3 Tr 921). The company relies on its presented evidence regarding the benefits of investments achieved thus far to disagree with the ALJ's reliance on MNSC's assertion that customers are incurring a double hit in rates. DTE Electric argues that customers are actually seeing a double benefit in reduced number and duration of outages. DTE Electric's exceptions, p. 80 (citing 3 Tr 763-764; 4 Tr 1896-1899).

As to the ALJ's recommendation for more analysis before additional DA investments are made, the company insists that its BCA included a complete analysis but that the company will comply with the Commission's June 12 order regarding the Liberty Audit and the request therein for additional analysis in the company's next DSP filing on June 30, 2026. The company adds that continuing these investments in the interim will be beneficial and notes that its investments were approved in the 2024 rate case and the IRM for 2025. DTE Electric's exceptions, pp. 80-81. DTE Electric also disagrees with the ALJ's conclusion regarding customer affordability and argues that it has addressed customer affordability in its briefing and that the company's investments in DA

are reasonable and prudent and achieve the balance between capital and O&M that the ALJ suggests. *Id*., p. 81.

Lastly, DTE Electric disputes the doubts cast over its ability to execute the DA program stating that it had already exceeded the Staff's year-end projection for 2025 at the time the company filed rebuttal testimony and that the company outlined its plan to ramp up installations in 2025 and 2026. *Id*. (citing 3 Tr 908). DTE Electric disagrees with the ALJ's statement that the company's modification to the Staff's disallowance alludes to the company's own doubts about its ability to execute its plan and argues that the ALJ "misapprehends the point" made by the company's witness. DTE Electric's exceptions, p. 82. Recalling its testimony regarding the two alternatives it posed in response to the Staff's proposed disallowance, DTE Electric states:

> [t]his testimony does not suggest that there may be some impediment to the Company's ability to achieve its DA program investment levels; to the contrary, it demonstrated that even using Staff's linear methodological approach to project of the DA program spend during 2025 using the proper updated investment amounts supports an annual total DA program investment much closer to what DTE Electric intends to spend. And notably, [DTE Electric] witness Rademacher concludes by stating that the Company's requested amount "provides the most accurate forecast."

DTE Electric's exceptions, p. 82 (citing 3 Tr 906). Thus, the company asks the Commission to reject the ALJ's recommended disallowance and approve full funding of the company's planned 2025 and 2026 investments. DTE Electric's exceptions, p. 82.

MNSC also takes exception to the PFD, stating that it supports the recommended disallowance of $62.254 million for 2025, and $71.1 million for 2026, based on the Staff's position but arguing that the recommended disallowance does not fully address the significant limitations of the company's DA case relative to its proposed spending ramp up in 2025 and 2026, relative to historic spending levels. MNSC's exceptions, p. 9. MNSC repeats its opposition to the company's proposed spending that is being driven largely by reliability reclosers, not safety

reclosers, and the support for its opposition including the findings of the Liberty Audit. *Id*., pp. 9-10. Noting that the company's spending plan for 2025 and 2026 focuses two-thirds of its spending on reliability reclosers, MNSC recounted that the ALJ acknowledged this more relaxed approach and her observation that these capital investments that are more costly to ratepayers do not strike the appropriate balance. *Id*., p. 10 (citing PFD, p. 223).

While the ALJ recommended that the company should focus on safety reclosers going forward, she declined to recommend a disallowance for reliability reclosers in the bridge or test years, to which MNSC excepts. MNSC's exceptions, p. 11. Per MNSC:

> The evidence recited in the PFD clearly articulates the relative value of safety reclosers and limited value of reliability reclosers, and acknowledges the relative costliness of reclosers compared to maintenance alternatives, consistent with the Liberty audit and the Commission order in [Case No.] U-21305. To the extent there is value in installing reliability reclosers to develop data for future analysis, as the ALJ noted, the Company already installed over 500 reclosers in 2023 and 2024, with another 742 planned for 2025. Acquiring an even bigger data set is insufficient basis to approve additional reliability reclosers, particularly since the Company has not presented any before-and-after comparison to a control group to evaluate the reclosers it already installed. The Commission has already directed [DTE Electric] to present a plan that considers alternatives to reliability reclosers. Instead of approving additional investment in reliability reclosers in the bridge and test years, the Commission should disallow any reliability recloser investment in this proceeding until the analysis has been developed, presented, and vetted.

Id. (footnotes omitted).

MNSC contends that the best time to prioritize the safety reclosers is in this case and asks the Commission to direct the company to prioritize safety recloser installation and defer reliability recloser installation insisting that "[r]atepayers should not invest many more millions on reliability reclosers while trimming and inspections continue to lag." *Id*., p. 12.

In its replies to exceptions, DTE Electric asks the Commission to reject MNSC's proposed disallowance as well as the ALJ's recommended disallowance and to approve the company's full proposed expenditures. DTE Electric states that it presented ample evidence supporting its

proposed expenditures and contends that MNSC's arguments oversimplify the company's plan for safety and reliability improvements. The company avers that its proposed investments will result in double benefits to customers. DTE Electric largely repeats its testimony regarding the benefits of DA investments. The company further disagrees with MNSC's contention that the company did not provide the analysis requested in the June 12, 2025 order in Case No. U-21305. DTE Electric states that it will comply with the directive in the company's next DSP filing submitted by June 30, 2026. The company avers that continuing DA investments will benefit customers and notes that these investments were approved for inclusion in the IRM for 2025 and 2026. DTE Electric's replies to exceptions, pp. 28-30.

MNSC, in its replies to exceptions, argues that DTE Electric's arguments made in its exceptions should be rejected. Per MNSC:

> The Company argues that DA reclosers are capable of reducing outages – not by preventing them but by identifying then isolating them. That point is noted but non-redemptive – as the ALJ noted, many parties pointed out that DA does not prevent outages. [DTE Electric]'s argument ignores the fundamental point that limited resources (i.e., rates) are better invested in programs that prevent outages than reduce them, and the reliability benefits of DA shrink significantly once routine maintenance is caught up, rendering capital investments aimed at shortening outages less cost-effective. [DTE Electric]'s argument that DA plus PTMM is beneficial is flawed because, among other issues, the available performance data for PTMM shows wildly variable reliability improvements and the Company has yet to develop circuit-level comparison (using control group and before-and-after assessments) of DA reliability benefits, so any projection of the benefit of these programs combined is doubly speculative. While the Company resists the conclusion, the benefits of DA investments to date warrant closer regulatory oversight and increased Company reporting.

MNSC's replies to exceptions, p. 15 (footnotes omitted). MNSC states that it does not take a position on the company's ability to execute its proposed spending but reiterates its opposition to DTE Electric's significant DA investment. *Id*.

In its replies to exceptions, the Attorney General asks the Commission to reject DTE Electric's arguments that it adequately supported the reasonableness and prudence of its DA investments and their accelerated timelines. The Attorney General relies on the ALJ's discussion and the Staff's and intervenor's positions to refute DTE Electric's proposed expenditures and states that the company's documented inflated and runaway spending as well as the findings of the Liberty Audit warrant a conservative approach to this spending. Thus, the Attorney General supports the ALJ's conclusions regarding the shortcoming of the company's evidence. Attorney General's replies to exceptions, pp. 33-34.

In its replies to exceptions, ABATE disagrees with DTE Electric's assertion that its BCA clearly demonstrated that DA investments will deliver meaningful value to customers. ABATE recites its position from its initial brief regarding its concerns about the level and pace of the company's proposed funding as well as the findings from the Liberty Audit that recommended further information about recloser installations' contribution to reliability before expanding installations. ABATE argues that DTE Electric's proposed DA expenditures are contrary to the Liberty Audit's findings and are not supported by its flawed BCA. ABATE agrees with the ALJ's assessment that more detailed analysis of benefits is needed before additional DA investments are made. ABATE asks the Commission to limit DTE Electric's proposed DA investments for 2026 through 2029 to 2025 levels, adjusted for inflation. ABATE's replies to exceptions, pp. 5-6.

In its replies to exceptions, Ann Arbor states its opposition to DTE Electric's full proposed expenditures and supports the ALJ's findings and recommended disallowance. Contrary to DTE Electric's claims that the DA and PTMM BCAs were not developed without considering the relationship between the programs, Ann Arbor states that this claim is contradicted by DTE Electric's discovery response in which DTE Electric witness De Stigler stated that in performing

the BCA, 1898 & Co. evaluated the PTMM and DA programs independently. Ann Arbor's replies to exceptions, pp. 3-4 (citing Exhibit AA-10).

Ann Arbor adds that:

> [i]n its exceptions, the Company further stated, "[t]he BCA models deployed DA first and then PTMM, with results showing both programs are beneficial." DTE's Exceptions, p. 79. Further, when asked whether the DA model had been run under the assumption that the PTMM program had been completed, DTE witness De Stigter responded, "No, this analysis has not been completed. . . . [T]he model normalization to not double count benefits was applied to PTMM." Exhibit AA-11. As noted by Ann Arbor witness Dr. Stults, this means that "the cost effectiveness results for PTMM may reflect the benefits of DA program implementation, but the cost effectiveness of the DA program *does not* reflect the benefits of PTMM."

Id., p. 4 (quoting 4 Tr 3727-3728) (emphasis in transcript). Ann Arbor argues that DTE Electric's claimed attempts to moderate the impact of its investments on customers is undermined by its insistence on deploying reliability closers that do not prevent outages. Thus, Ann Arbor asks the Commission to adopt the PFD. Ann Arbor's replies to exceptions, p. 4.

Having reviewed the record in this matter, the Commission finds it appropriate to adopt the disallowance of $62.254 million for 2025, and $71.1 million for 2026, but to allow the expenditures already made by DTE Electric for the DA program. The Commission finds the Staff's position on the disallowance to be persuasive considering that the company's actual spending of $25.3 million through July of 2025 was well below the company's projected amount of $105.625 million. While the company purports plans of ramping up spending, the Commission is doubtful that the company could achieve the full spend of $105.625 million in 2025 when after four months in 2025, it had spent $7.516 million, and then three months later, at the end of July 2025, it had only reached $25.3 million—more than halfway through the year. While the company argues that the Commission should use this number as a baseline and then use the single highest month as a proxy for the remainder of 2025 (as well as all of 2026), the Commission

disagrees and finds the Staff's model for spending to be more reasonable. *See*, 3 Tr 758, 906; 5 Tr 4999-5000; Staff's initial brief, pp. 32-34; Exhibit S-10.2 (showing the company's historical spending).

The Commission is further persuaded by the findings of the Liberty Audit that were adopted by the Commission in the June 12 order. The Liberty Audit (which MNAG submitted to the record in its exhibits) included three recommendations relating to DA, namely:

> 1) Distribution automation would not be cost-effective if the causes of service interruptions were minimized (for example, by catching up on vegetation management and pole/poletop inspections and maintenance); 2) [t]he benefits of distribution automation do not warrant planned investment levels; and 3) [t]he $1.164 billion investment level proposed in DTE's Distribution Grid Plan 2024-2028 should be reduced by $600 million while more data on distribution automation effectiveness is collected.

5 Tr 4489-4490 (footnotes omitted); *see also*, Exhibits MNAG-PA-2 and MNAG-PA-3.

Additionally, in adopting the findings of the Liberty Audit, the Commission directed the company to articulate a broader strategy in its next DSP on how it intends to improve the safety and reliability of its 4.8 kV system, including details on the timing of DA investments and the role of vegetation management. In relevant part:

> The Commission finds that safety, reliability, and value are important aspects of electric service, and there is a need for DTE Electric to prioritize safety on its 4.8 kV system, which includes installation of Viper reclosers. However, the Commission finds that tree trimming is also essential to safe, reliable service and that other alternatives may also be reasonable and economical. Thus, the Commission requests that DTE Electric submit, with its next DSP, the company's strategy for improving safety and reliability to its 4.8 kV system prior to conversion. The plan should also describe planned timing for Viper recloser installation on the 4.8 kV system for safety at the substation exits and for reliability beyond the substation exits and include an assessment that compares tree trimming and other alternative measures for providing safe, reliable service so that the prioritization of expenditures to improve reliability cost effectively may be more clearly discerned.

June 12 order, p. 36. The Commission, while approving the adjusted amount for DA recommended by the ALJ due to the relatively low level of spending on this item through July 2025, repeats its directive for the company's forthcoming DSP filing. At the same time, the Commission notes that the June 12 order recognized both the safety and reliability benefits of DA, and the Commission reaffirms its view that while DA cannot prevent outages, there is significant customer benefit in reducing the number of customers affected by outages and reducing the duration of customer interruptions when they do happen. As such, the Commission continues to see benefit in DA investments in improving both safety and reliability.

For these reasons and the reasons stated by the ALJ, the Commission adopts a disallowance of $62.254 million for 2025, and $71.1 million for 2026 for base rates. While the IRM is discussed in the Other Revenue Related Items section of this order, the Commission clarifies here that the remaining amount of DTE Electric's proposed expenditures for 2026 that have not been disallowed shall be recovered under the IRM for 2026. Doing so will ensure that these amounts are spent on DA and will be subject to the IRM's reconciliation process. Therefore, for the 2026 IRM, DTE Electric is authorized to include $68.025 million in the IRM ($43.625 million approved in this case in addition to the $24.4 million that was previously approved).

c. Line Sensors

DTE Electric explained that line sensors are used to monitor the real time status of the distribution system and provide critical information to field personnel and system control operators to assist in monitoring and managing the grid. The company projected capital expenditures of $3.5 million in 2025, and $2 million in 2026. 3 Tr 785; Exhibit A-23, Schedule M7, p. 15. The Staff acknowledged the value of the line sensor program but expressed concern regarding DTE Electric's limited spending up to May 2025, indicating doubt as to whether the company

prioritized other work or did not have sufficient resources to execute the project. Based on the company's current pace of installation, the Staff proposed a reduction of $2.6 million for 2025, and a reduction of $845,623 for 2026. 5 Tr 5001-5002 (citing Exhibit S-10.2).

The ALJ recommended that the Commission adopt the Staff's recommended disallowances for 2025 and 2026, citing DTE Electric's failure to brief the issue despite the case instructions for this proceeding. PFD, p. 227.

DTE Electric takes exception to the PFD and states that the company's initial brief addressed the Staff's line sensor disallowance as follows:

> With respect to the Distribution Sensing and Monitoring program, [Staff] witness Shi claimed that only a small fraction of the projected 2025 budget was spent in the first four months, and Staff assumed the Company prioritized other urgent projects or lacked sufficient manpower to execute the planned expenditures. Based on this, she recommended a disallowance of $2.6 million in 2025 and $845,623 in 2026. (Shi, 5T 5002). Witness Shi's assumptions are inaccurate because they rely on a linear extrapolation of spending from just the first four months of 2025. This approach overlooks several key factors like seasonal construction patterns, project management dynamics which follow a non-linear timeline and vary throughout the year and, finally, installation and purchasing cadence which does not align with a simple monthly average. (Rademacher, 3T 959-962). For these reasons, her recommendation should not be accepted by the Commission.

DTE Electric's exceptions, pp. 82-83 (quoting DTE Electric's initial brief, p. 81).

Arguing that the ALJ's basis for accepting the Staff's disallowance was incorrect, the company asks the Commission to reject the PFD. DTE Electric then claims that it fully supported its request with evidence on the record. The company states that the ALJ recited the company's evidence on pages 224-227 of the PFD and noted the acknowledgment from the Staff regarding "the significant value of the program." DTE Electric's exceptions, p. 83 (quoting PFD, p. 225). DTE Electric also argues that its reply brief incorporated by reference its initial brief and noted that the company's failure to address every issue does not constitute its agreement thereto. DTE Electric's exceptions, p. 83. The company repeats its testimony describing the line sensors as the

eyes and ears of the grid, the company's plan for 2025 and 2026 installations, and its disagreement with the Staff's disallowance, which the company says overlooked a number of factors that impact the program's costs that do not align with a simple monthly average. DTE Electric adds that it demonstrated that it would spend the requested amount by the end of 2026 and that the Staff did not recognize that there are different unit costs for overhead versus underground sensors. *Id*. (citing 3 Tr 961).

No party filed replies to exceptions on this issue.

The Commission acknowledges that the company addressed the Staff's proposed disallowance for the line sensors category in its initial brief, referring to it as the Distribution Sensing and Monitoring program and omitting any reference to the term line sensors (as was used in testimony), which may have contributed to the ALJ's belief that the company had not briefed the issue. *See*, DTE Electric's initial brief, p. 81. The Commission nonetheless adopts the PFD on this issue and disallows $2.6 million from 2025, and $845,623 in 2026. *See*, PFD, p. 227. The Commission is persuaded, as the ALJ was, by the Staff's position and concerns that the company's projections for 2025 do not align with the spending up to May 2025. 5 Tr 5001-5002. The company contends that the Staff's linear extrapolation of spending does not consider seasonal construction patterns, project management dynamics, and installation and purchasing cadences. DTE Electric's initial brief, p. 81 (citing 3 Tr 959-962). However, the company does not explain how these factors have caused it to spend only a small fraction of its projected costs for 2025, and how these factors will specifically influence its spending for the remainder of 2025, such that it will expend the full amounts projected for 2025 and 2026. The Commission agrees with the ALJ that the Staff's position and supporting evidence are more convincing as to what the company will

actually spend and therefore, adopts the PFD. If the company exceeds this amount, it may request recovery in a future rate case.

d. Customer Power Status Visibility

DTE Electric projected capital expenditures for the Customer Power Status Visibility (CPSV) program of $55,967,000 in the 24-month bridge period ($43,967,000 in 2024, and $12 million in 2025) and $12 million in the 2026 test year. The CPSV is a collection of projects that expand the company's optimization of its AMI and involves replacement and installation of Field Area Routers (FARs). 3 Tr 819-821. The Staff recommended a disallowance of $1.88 million in the 2025 bridge period and $6 million in the test year, explaining that DTE Electric indicated in the Liberty Audit that it projects to spend $1 million for labor and $11 million for material in 2025 to purchase and install 1,200 FARs at a unit cost of $7,600. However, the Staff's calculation of the unit costs for the projected number of units came out to $9.12 million, or $1.88 million less than the company's projection. The Staff also recommended that the 2026 projections be disallowed by half since the company projected purchasing half as many FARs in 2026, as it did in 2025. 5 Tr 5171-5172 (citing Exhibits S-22.0, pp. 7, 13-14 and S-22.2).

The ALJ agreed with the Staff's position, also noting that the Staff's calculations were unrebutted by the company and the issue was not addressed by the company's initial brief. Thus, the ALJ recommended that the Commission disallow $1.88 million in the 2025 bridge period and $6.0 million in the test year. PFD, pp. 228-229.

No exceptions were filed on this issue.

Finding the ALJ's recommendation to be well-reasoned and supported by the record and noting that no party filed exceptions on this issue, the Commission adopts the PFD on this issue. *See*, PFD, pp. 228-229.

e. Supervisory Control and Data Acquisition Historian

DTE Electric projected $5 million in capital expenditures for the test year to purchase a multi-year software license for the SCADA Historian program, which provides long-term storage and retrieval for engineers and analysts and the baseline for loading and voltage statistics and analysis, including system performance and telemetry status. Exhibit A-12, Schedule B5.4, p. 14; Exhibit A-23, Schedule M7, p. 48. The Staff recommended a 50% disallowance citing a lack of justification from the company. 5 Tr 5003-5005; Exhibit S-10.1, p. 22.

The ALJ agreed with the Staff's 50% disallowance, or $2.5 million for the test year, explaining that upon reviewing Confidential Exhibit A-53, Schedule TT5, the ALJ found that the information provided is unclear and does not support DTE Electric's request. The ALJ noted that the Staff could have asked for additional information in discovery, but that DTE Electric had the opportunity to provide additional detail in rebuttal. The ALJ stated that the company could request recovery in a future rate case with additional details regarding the expenditures. PFD, p. 230.

DTE Electric takes exception and argues that:

> [e]vidence recognized by the [ALJ] states that the SCADA Historian is an essential element of the distribution SCADA ecosystem that provides long-term storage and retrieval, system performance and telemetry analytics, and the baseline for loading and voltage statistics. (PFD, p 229; Exhibit A-23, Schedule M7, p 48). The basis of the $5 million request has been disclosed in reasonable detail in Confidential Exhibit A-53 Schedule TT5. (Rademacher, 3T 953). Further, with the single multi-year licensing investment in 2026, the Company can lock in the cost to prevent any unexpected increases. (Rademacher, 3T 953). In rebuttal, the Company identified the vendor and submitted the basis for the cost.

DTE Electric's exceptions, pp. 84-85 (citing 3 Tr 953). Thus, the company asks the Commission to approve its full requested expenditure for the 2026 SCADA Historian project. DTE Electric's exceptions, p. 85.

Finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission adopts the PFD with respect to the SCADA Historian category. DTE Electric's Confidential Exhibit A-53, Schedule TT5, sets out how the company arrived at the total of its expenditure request but does not provide the information requested by the Staff (i.e., the unit cost, and clearly explained basis for the request). The company's rebuttal testimony identified the vendor, but Exhibit A-53, Schedules TT3 and TT4, cited by the company in testimony, merely state that the expenditure is for a single, multi-year software license and, as such, it cannot be broken out into per-unit or quantity-installed costs and then provide the full amount of the request. *See*, Exhibit A-53, Schedules TT3 and TT4. The Staff asked for the bases for the request in discovery but the company's only explanation is to refer to Confidential Exhibit A-53, Schedule TT5, which is not responsive to the Staff's request.

Therefore, the Commission agrees with the ALJ and the Staff that the company did not provide sufficient and clear information such that the justification for the project was clearly demonstrated. The Commission adopts the ALJ's recommendation to disallow $2.5 million in the test year for the SCADA Historian expenditure.

f. Mobile Equipment Replacement

DTE Electric explained that the Mobile Equipment Replacement expenditures are for the replacement of mobile devices for field workers that are replaced on a six-year cycle, with 1/6 of all devices replaced each year. 3 Tr 893; Exhibit A-12, Schedule B5.4, p. 14, line 38; Exhibit A-23, Schedule M8, p. 161. The Staff noted that while the company projected $2.8 million in expenditures in 2024, $2.8 million in 2025, and $1.4 million in 2026, as shown in Exhibit A-23, Schedule M8, other company exhibits showed projections of $881,000 for 2024, no spending in 2025, and $3.5 million in the test year. Citing concerns that the company has not

spent the full amounts that were approved for recovery in the past and that replacing mobile devices in 2026 is unnecessary, the Staff recommended a $1.75 million disallowance for the test year. *See*, 5 Tr 5004-5005.

The ALJ agreed with the Staff's position, stating that the company's argument that these devices are vital to field operations and must be updated on a regular schedule is belied by the fact that the company deferred replacement for several years and now is attempting to catch up. Thus, the ALJ recommended that the Commission adopt the Staff's disallowance of $1.75 million in the test year. PFD, p. 232.

DTE Electric takes exception to the ALJ's recommended disallowance, restating its testimony regarding the nature of the mobile equipment replacement expenditure, the importance of these replacements, and how the requested expenditure reflects the first major replacement after a multi-year pause from 2023 to 2025 to address over 1,900 field devices that are outdated or past their end-of-life. DTE Electric calls the Staff's and the ALJ's reliance on the pause from 2023 to 2025 misplaced because the company has sufficiently shown that these devices are now in need of replacement. Thus, the company asks the Commission to reject the PFD. DTE Electric's exceptions, pp. 85-86 (citing 3 Tr 893, 954-955).

Finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission adopts the PFD. *See*, PFD, p. 232. The Commission is persuaded by the Staff's testimony that the company has not spent its requested expenditures in this category in prior years and that DTE Electric's evidence was contradictory as to its projected expenditures. *See*, 5 Tr 5004-5005. Notably, DTE Electric's exceptions did not explain the discrepancy between Exhibit A-23, Schedule M8 which shows expenditures of $2.8 million in 2024, $2.8 million in 2025, and $1.4 million in 2026, while Exhibit A-23, Schedule M2, page 9 and Exhibit A-23,

Schedule M3, page 9 project $881,000 in 2024 and $2,800,000 in 2025, with no spending in 2024 and no anticipated spending in 2025. Additionally, Exhibit A-23, Schedule M7, page 145, showed a projection of $3.5 million in 2026. Therefore, the Commission adopts the disallowance of $1.75 million in the test year.

g. Mobile Timesheets and Vegetation Management Replatform

The Staff initially recommended adjustments to the Mobile Timesheets and Vegetation Management Replatform but later withdrew its recommended disallowance. Staff's initial brief, pp. 41-43.

The ALJ did not include a recommendation beyond describing the Staff's withdrawal. PFD, p. 232.

In its exceptions, DTE Electric recites the ALJ's note of the Staff's withdrawn disallowance and states that the company also made note in its reply brief of the Staff's revised recommendation to allow the full request of $1.4 million in 2026 for the Mobile Timesheets program, and $3.2 million in 2026 for the Vegetation Management Replatform program. Noting the ALJ's lack of findings or recommendations, DTE Electric asks the Commission to approve the company's full request for 2026. DTE Electric's exceptions, p. 86.

Noting that the Staff withdrew its opposition to DTE Electric's requested expenditures in 2026 for these programs and that the company has duly supported its request, the Commission finds that the full request of $1.4 million in 2026 for the Mobile Timesheets program, and $3.2 million in 2026 for the Vegetation Management Replatform program should be approved. *See*, 3 Tr 869-872; Staff's initial brief, pp. 39, 42; *see also*, Exhibits A-12, Schedule B5.4, p. 15 and A-23, Schedule M7, pp. 3, 186-193.

9. Distributed Energy Resource Management System

The Distributed Energy Resource Management System (DERMS) is a control system designed to manage DERs at the residential, commercial, industrial, and distribution grid levels. DTE Electric proposed to implement a utility DERMS that will provide broad functionality and will enable growing levels of DERs on the grid. The company projected capital spending for DERMS of $1.5 million in the bridge period and $2.8 million in the test year. 3 Tr 835-837; Exhibit A-12, Schedule B5.4, p. 15. DTE Electric also projected $12 million in the bridge period and $5.4 million in the test year for Grid Edge Insights and New Technology, a sub-category of Grid Automation investments and explained that these capital investments will be part of a platform that will simplify the integration of DERs to ADMS and the future DERMS.

The CEOs had concerns with DTE Electric's DERMS approach, namely that: (1) the company did not take a customer value approach; (2) the program lacks assistance for residential and small commercial customers to participate in grid management; (3) the company's non-wire alternative (NWA) pilots and Grid Edge investments are too focused on technical demonstrations and not customer programs; and (4) the company lacks a comprehensive strategy to use these technologies to provide customers with opportunities to shift usage, reduce costs, or participate in grid service markets. 4 Tr 3610. Therefore, the CEOs asked the Commission to defer approval of the company's requested expenditures and to condition approval of DERMS and Grid Edge on the development of a virtual power plant (VPP) business case and implementation plan. The CEOs testify that the benefits of VPPs include lower cost peaking capacity and the deferral of distribution upgrades by shaving localized peaks. 4 Tr 3611-3617, 3620. The Staff contended that the VPP business case and implementation plan should be considered in a rate case. Staff's reply brief, pp. 21-22.

MEIU agreed with the need for DERMS but was doubtful that the company had proposed the best implementation option. MEIU noted that DERMS implementation should duplicate what aggregators already have and that an aggregator's edge or fleet DERMS could interfere with the company's DERMS. MEIU asked the Commission to direct DTE Electric to ensure interoperability between its DERMS, existing edge DERMS and the edge DERMS of aggregators and to explain this coordination. 5 Tr 4058-4059.

Noting that DTE Electric is in the early stages of implementing investments in its DERMS infrastructure and that the parties agree as to the necessity of DERMS, the ALJ emphasized that it is critical that the company's early investments are focused on creating an adaptable and versatile platform that enables future integration of diverse, emerging technologies. The ALJ agreed with the CEOs and MEIU that the company should be required to provide a more thorough justification of its DERMS proposal before approval of any spending. Therefore, the ALJ recommended that the Commission condition any future DERMS funding requests on the submission of a comprehensive business case, with the same requirements that the Commission included in the March 21, 2025 order in Case No. U-21585 (March 21 order), Consumers' most recent completed rate case. The ALJ then quoted from the March 21 order:

> [S]hould Consumers seek recovery for a DERMS in a future electric rate case, it is incumbent on the company to provide a business case for the program, including a comprehensive BCA, that sufficiently identifies and justifies the program's costs and benefits to customers. When developing such a business case, Consumers should look at other states' best practices for examples of plans that can be readily implemented with regard to valuing the benefits of DERs . . . . The Commission notes that development of such a business case should provide opportunities for interested persons to provide robust feedback and input into the business case and must include an analysis of the use of VPPs.

PFD, p. 241 (quoting March 21 order, pp. 117-118).

Therefore, the ALJ recommended that the Commission disallow $1.5 million in the bridge period and $2.8 million in the test year for DERMS expenditures. However, because Grid Edge Insights and New Technology is a broad category that includes spending on essential activities related to other aspects of technological advancement, the ALJ recommended approval of those expenditures. PFD, pp. 241-242. Regarding the intervenors' proposal to require DTE Electric to file a VPP plan and related tariffs, the ALJ reasoned that:

> As with DERMS spending generally, investments in VPPs should not be approved without a holistic assessment of if and how they can be utilized to bring value to the grid and to ratepayers. A better approach is to require consideration of VPPs in a DERMS business case and, as suggested by the Company and supported by the CEO, include modeling of VPPs in the Company's next IRP.

Id., p. 242.

DTE Electric takes exception to the PFD, first recalling the company's explanation of and support for its DERMS expenditures for the bridge period and test year as well as its planned capital expenditures of $12 million for 2025 and $5.4 million in 2026 for Grid Edge Insights and New Technology. DTE Electric's exceptions, pp. 86-87 (citing 3 Tr 800, 835-839; Exhibit A-12, Schedule B5.4, p. 15). Following a recitation of the ALJ's agreement with the CEOs' position, the company states its disagreement and argues that withholding these investments to deploy foundational capabilities would delay compliance-driven functions and hinder the development of programs that the intervenors themselves seek to implement. DTE Electric points out that the ALJ acknowledged this and argued that:

> The Company has identified specific near-term DERMS spending plans (software licensing, program and configuration database, and initial interfaces) to centralize program management and tie DER/DR to ADMS and market systems, with subsequent phases adding forecasting/optimization and constraint automation. (Rademacher, 3T 838-839). These near-term investments are reasonable and prudent and, in fact, fully align with the [ALJ]'s desire that "early investments [to enable DERMs] are properly focused on creating an adaptable and versatile platform that will enable future integration of diverse and emerging technologies."

> (PFD, p 241). The [ALJ] discounts witness Rademacher's testimony on the need for and scope of planned DERMS investments proposed in this case and appears to principally rely upon a Commission determination in early 2025 regarding investments proposed by Consumers Energy [Company (Consumers)] in its rate case.

DTE Electric's exceptions, p. 88 (citing PFD, p. 241) (brackets in original). Thus, the company asks the Commission to approve the full amount of its DERMS capital expenditure. DTE Electric's exception, p. 88.

In exceptions to the PFD, the CEOs recall their testimony regarding VPPs and elements of successful VPP implementation, the company's opposition, and the ALJ's rejection of the CEOs' VPP proposal. The CEOs take exception to the ALJ's recommendation for the company to consider VPPs in a DERMs business case and to include modeling of VPPs in the company's next IRP and argue that the ALJ improperly limited the development of VPP by linking VPP exclusively to DERMS and IRP modeling. CEOs' exceptions, pp. 4-5 (citing PFD, p. 242). The CEOs argue that the ALJ improperly ordered the holistic assessment of VPP within the context of a DERMS business case when the CEOs claim that investments in DERMS would help facilitate a VPP program, a utility does not need a DERMS system to deploy VPP. The CEOs argue that they demonstrated on the record that the company's existing DR platform is a sufficient foundation for the VPP program. The CEOs argue that VPP can justify DERMS but that a DERMS business case cannot justify VPP in and of itself and that the company should develop a VPP program which demonstrates the capacity and distribution system value VPP can add. CEOs' exceptions, pp. 5-6.

Further, while the CEOs support modeling VPP in an IRP, they argue that doing so cannot replace the development of a VPP program and tariff. The CEOs aver that any modeling in the IRP will show what the cost-effective amount of VPP capacity would be in an optimized portfolio and, while this is important, the CEOs attest that it offers nothing of the types of resources,

compensation, platform, and other attributes of a future VPP program that DTE Electric must develop. *Id*., p. 6. The CEOs repeat that VPP will bring lower costs and benefits to customers and ask the Commission to direct the company to develop a VPP program as recommended by the CEO. *Id*.

In its replies to exceptions, the CEOs agree with the ALJ's recommended disallowance for DTE Electric's proposed DERMS spending. The CEOs generally repeat their position from briefing and testimony before urging the Commission to adopt the PFD. While the CEOs agree that DERMS are critical for safe, reliable DER integration, the CEOs contend that the company's DERMS proposal is improperly focused on utility control and compliance driven functions. The CEOs repeat the specific issues that they found with DTE Electric's DERMS program described in its initial brief and testimony. CEOs' replies to exceptions, pp. 2-3 (citing 4 Tr 3609-3610; CEOs' initial brief, pp. 33-36).

MEIU also responds to DTE Electric's exceptions, disagreeing with the company's description of DERMS as a prerequisite platform. MEIU agrees with the ALJ's finding that the company's early DERMS investments should be focused on creating an adaptable and versatile platform that enables the integration of diverse and emerging technologies. MEIU contends that the ALJ's finding relied upon MEIU's testimony. MEIU argues that if DERMS is so important to the company, then the company should get it right by following the process outlined in Case No. U-21585. Thus, MEIU asks the Commission to require DTE Electric to engage in meaningful engagement as described in MEIU's testimony. MEIU's replies to exceptions, pp. 5-6 (citing 5 Tr 4059, 4066-4069).

Finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission adopts the PFD on the DERMS issue as well as her recommendation to allow the

company's proposed capital expenditures for Grid Edge Insights and New Technology. The Commission agrees that the company supported the expenditures for Grid Edge Insights and New Technology with sufficient detail regarding the purpose of the program, benefits to customers, and specific projects to be completed such that the Commission finds that they are reasonable and prudent expenditures that will allow further integration of DERs on to the company's distribution system. *See*, 3 Tr 799-802; Exhibits A-12, Schedule B5.4, p. 14, and A-23, Schedule M7, pp. 118-121.

As to the DERMS expenditures of $1.5 million in the bridge period and $2.8 million in the test year, the Commission agrees with the ALJ's assessment. This program is in the early stages of development and the intervenors' concerns have merit, namely that it is important to ensure that the company's DERMS is not duplicating existing aggregator DERMS, the company's and aggregators' systems achieve interoperability, and the company's DERMS are adaptable and versatile. As noted by the ALJ and intervenors, the Commission recently addressed DERMS development for Consumers in the March 21 order and the Commission finds that its decision regarding the necessity of a business case for DERMS is applicable to DTE Electric, as it was to Consumers. *See*, 4 Tr 3611-3614; MEIU's reply brief, pp. 6-7; March 21 order, pp. 117-118. The necessity of these DERMS investments, which the parties agree to, warrant the additional detail of the expenditures that a complete business case should provide. The ALJ noted that the business case for DERMS should include consideration of VPPs—the Commission agrees. However, the Commission is supportive of including the DERMS business case in its next rate case filing as opposed to waiting for the company's next IRP filing.

In sum, the Commission adopts the ALJ's recommendation and disallows the $1.5 million for the bridge period and $2.8 million in the test year and, finding the expenditures to be reasonable

and prudent, allows the $12 million in 2025 and $5.4 million in 2026 for Grid Edge Insights and New Technology.

10. Grid Automation Telecommunications

The company explained that this category refers to telecommunications technology that enables the automation of electrical power grids such as real-time monitoring, control, and management of grid operations. DTE Electric explained its efforts to repair and replace equipment on its grid telecommunications network including investments from 2023 and 2024, and its plans for 2025 and beyond. The company requested $10.03 million in 2025, and $15 million in 2026. Exhibits A-12, Schedule B5.4, p. 14 and A-23, Schedule M7, p. 19. The company did not include accompanying test year investments of a company-owned network in this case but stated that it is exploring the benefits of a company-owned LTE network in the future. 3 Tr 767-776. MNSC took issue with the conclusion that a company-owned LTE network would be more cost effective or superior to a public network and recommended that any forthcoming request for recovery of a company-owned cellular network should include a comprehensive assessment of all costs and benefits of utility and public networks and how DTE Electric would achieve comparable or superior security and reliability as private carriers. MNSC's initial brief, p. 117.

The ALJ found the additional information that the company provided regarding grid automation technology was responsive to the Commission directive in the January 23 order. PFD, p. 244 (citing January 23 order, p. 154). The ALJ agreed with MNSC that if DTE Electric requests approval of expenditures to develop a company-owned LTE network at some point in the future, it should update and refine its BCA to ensure that the benefits and costs of a private versus public LTE network are fully captured. Noting that no other party addressed DTE Electric's other proposed expenditures, the ALJ recommended that they should be approved. PFD, p. 244.

In its exceptions, DTE Electric recalled its testimony and explanation of this category and noted the ALJ's recommendation for approval of the telecommunication expenditures in this case and agreement with MNSC that, if DTE Electric were to seek approval to develop a company-owned LTE network in the future, it should accompany such a request with an updated and refined BCA that fully compares the costs and benefits of a public versus private LTE network. DTE Electric contends that its testimony demonstrates that MNSC's concerns about a unified company-owned LTE network are not well-founded, but the company does not object to the ALJ's recommendation to present an updated BCA with any future cost recovery request for a company-owned LTE network. DTE Electric's exceptions, pp. 89-90.

MNSC's replies to exceptions request that, "the Commission memorialize the ALJ's recommendation and the Company's concurrence in its final order to ensure that this issue is properly evaluated should it resurface in the future." MSNC's replies to exceptions, p. 16.

Finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission adopts the PFD on this issue. *See*, PFD, p. 244. As the ALJ pointed out, no party opposed DTE Electric's other proposed expenditures of $10.03 million in 2025, and $15 million in 2026. *See*, 3 Tr 767-768, 774-776; Exhibits A-12, Schedule B5.4, p. 14 and A-23, Schedule M7, p. 19. Finding these expenditures to be well-supported, the Commission approves these amounts. As to the issue of a company-owned LTE network, DTE Electric has not requested cost recovery for a company-owned network in this case. Its proposed expenditures are for current fiber telecommunication investments that are distinct from the company-owned LTE network. *See*, 3 Tr 931-932, 935-936; *see also*, DTE Electric's exceptions, pp. 89-90 (agreeing to provide an updated BCA in a future rate case where cost recovery for a company-owned LTE network is requested). Noting DTE Electric's concession to do so, should the company request cost recovery for a

company-owned LTE network in the future, its request shall be accompanied by an updated and sufficiently detailed BCA.

11. Engineering and Support Functions

The company explained that it is increasing its engineering and support personnel citing increasing complexity and scale of its distribution system transformation and the need to effectively execute the company's DGP, which will include the integration of more DERs and reliability upgrades. 3 Tr 1193-1194. DTE Electric also noted its projection of $8.3 million in O&M and explained that the Liberty Audit found that the company required significantly more engineering personnel. 3 Tr 1195-1196. The Attorney General recommended a disallowance of the $8.3 million in O&M expenses and, for the capital expenditures, a disallowance of $16.9 million in 2025, and $5.63 million in 2026. The Attorney General stated that DTE Electric identified 209 new hires for 2025 and 2026 but failed to provide how many employees previously worked in these positions or what new projects these employees would be assigned to. Thus, the Attorney General argued that the company did not justify its capital expenditures or O&M expense. 4 Tr 3470-3471.

The ALJ found that DTE Electric had adequately supported its O&M request and cited the findings of the Liberty Audit that the company needed additional engineers to carry out its Strategic Distribution programs. The ALJ also agreed with DTE Electric that: "(1) historical information is not available because these are new positions; and (2) the provision of a precise description of each new job function is not feasible given that the new employees will be assigned to various tasks, in accordance with operational needs." PFD, p. 248. As to the capital expenditure disallowance recommended by the Attorney General, the ALJ stated that it was unclear how the Attorney General arrived at her disallowance amounts and it appears that the

overhead amounts are tied to projects and not to personnel. Therefore, the ALJ explained that if the project costs are disallowed, in full or in part, the amount disallowed will include overhead. *Id*., pp. 248-249.

The Attorney General takes exception to the ALJ's conclusion that the Attorney General seemingly misunderstood the proposed O&M and capital expenditure disallowance and states that page 5 of her Exhibit AG-16 shows that the majority of the additional employees the company plans to hire are not engineers. Thus, the Attorney General contends that the Liberty Audit's finding that the company is in need of engineers is not pertinent. The Attorney General adds that DTE Electric did not identify or justify which projects these additional employees, including the engineers, would support and this lack of information is troubling to the Attorney General. Attorney General's exceptions, pp. 25-26.

In response to the ALJ's assessment that the Attorney General's disallowance was unclear, the Attorney General again points to page 5 of Exhibit AG-16 and states that it shows the schedule provided by the company with a total cost of $30,843,744, and the O&M portion being $8.327 million. Per the Attorney General:

> The difference between these amounts is $22,517,000, which is the total capital expenditure amount for 2025 and 2026. Page 5 of Exhibit AG-16 also shows that the Company wanted to hire 157 of the total 209 additional employees in 2025, or 75%, and the remaining 52 employees, or 25%, in 2026. Therefore, 75% of the $22,517,000 in capital expenditures, or $16,888,000, applies to 2025 and the remaining $5,630,000 rounded applies to the year 2026. These are the disallowance amounts that [Attorney General witness] Mr. Coppola calculated and included on page 61 of his revised direct testimony.

Attorney General's exceptions, p. 26.

The Attorney General then contends that the overhead included in these costs, as pointed out by the ALJ, is not an issue, and explains that DTE Electric correctly included payroll taxes and employee benefits with the labor costs. The Attorney General states that those overhead costs

follow the direct labor costs and would be avoided if the employees are not added. Thus, the Attorney General states that the total amount with labor overheads is correct and should be disallowed. *Id*. The Attorney General maintains that the Commission should disallow the capital expenditures of $16.888 million for 2025, and $5.63 million for 2026, and disallow the $8.3 million in O&M expense for 2026. *Id*., p. 27.

Finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission adopts the PFD on this issue. DTE Electric adequately supported the need for these positions and explained the capital expenditure portions in rebuttal that are tied to projects in Exhibit A-12. *See*, 3 Tr 1193-1194, 1259-1262; *see also*, Confidential Exhibit AG-16. While the Attorney General explained the mathematical steps for arriving at her disallowance, the Commission agrees with the ALJ that if the capital portions associated with certain projects are disallowed, the associated overhead would also be excluded. In exceptions, the Attorney General argues that most of the company's new hires are not engineers and therefore the Liberty Audit's findings are not relevant. Attorney General's exceptions, pp. 25-26 (citing Confidential Exhibit AG-16). The Commission notes that this category of expenditures also includes support for engineering functions and distribution system operations. As such, the Commission is not convinced by the Attorney General's arguments when the company's new hires include a substantial amount of engineering hires. Therefore, the Commission adopts the PFD on this issue.

12. Other Distribution Issues

MNSC witness Mr. Woolley conducted an analysis of the company's transformer network and modeled transformer network-level load profiles under a range of building and vehicle electrification scenarios for the purpose of comparing projected loads against existing transformer network capacity. He testified that its analysis showed that DTE Electric is only using a fraction

of its available transformer network capacity and recommended that the Commission require the company to submit circuit- and substation-level loading and thermal analyses modeled under multiple electrification scenarios to support any distribution grid plan or capacity project. 5 Tr 4811-4813. Mr. Stephens, on behalf of MEC, the Attorney General, and NRDC, recommended that the company implement circuit-specific forecasting capability before the company's next rate case. 5 Tr 4518. The company stated that the Commission already addressed distribution system planning guidelines in the July 10, 2025 order in Case No. U-20147 (July 10 order), which included a directive regarding circuit-level load forecasting. DTE Electric testified to its intent to comply with the July 10 order and utilize circuit-level load forecasts that consider various electrification scenarios. 3 Tr 1373-1374.

The ALJ noted that none of the parties addressed this issue again in briefing before stating her agreement with the company that the Commission recently provided guidance on this topic in the July 10 order by updating the distribution system planning guidelines to require circuit-level load forecasting under various scenarios modeling high and low electrification. The ALJ stated that this guidance is sufficient and that no further action is necessary in this case. PFD, p. 250. No party filed exceptions on this issue.

Noting that no party filed exceptions on this issue and finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission adopts the PFD on this issue. Further, the company and the ALJ are correct that the Commission updated the DSP guidelines in the July 10 order and agrees that nothing further is warranted in this docket.

H. Community Lighting

DTE Electric explained that its community lighting capital expenditures consist of $18.3 million in historical spending for 2023, as well as projected spending of $27 million for

2024, $17.7 million in 2025, and $17.7 million in the test year and noted that no party took issue with these expenditures. 3 Tr 1430; Exhibit A-12, Schedule B5.5; DTE Electric's initial brief, p. 92.

Recounting DTE Electric's statement that no party opposed the company's position, the ALJ recommended that the proposed expenditures should be approved. PFD, pp. 250-251.

No party filed exceptions on this issue.

Finding the ALJ's recommendation to be well-reasoned and supported by the record and noting that no party opposed DTE Electric's expenditure request, the Commission adopts the PFD. *See*, PFD, pp. 250-251.

I. Demand Response

DTE Electric testified that its demand response (DR) programs include interruptible space conditioning (CoolCurrents), programmable thermostats (SmartCurrents), and other DR program pilots, including the commercial and industrial (C&I) battery pilot, discussed below. The company noted that the CoolCurrents and SmartCurrents programs were not contested but that the Staff and MEIU took issue with the C&I battery pilot, the company's proposal to modify the three-phase method for addressing DR costs and cost recovery, and DTE Electric's procurement method for DR resources. Exhibit A-12, Schedule B5.6, p. 1.

1. Commercial and Industrial Battery Pilot

DTE Electric explained that the C&I battery pilot is a behind-the-meter (BTM) BESS to be located at two customers' sites for the purpose of achieving peak demand shaving or shifting during DR events. The company stated that it has arranged one customer but has yet to find a second customer and so an alternative option is to use the battery at one of DTE Electric's locations as an NWA project. DTE Electric stated that the pilot was approved in the last rate case

but expenditures for the second battery were not because the company had not identified a customer to utilize it. 3 Tr 1353-1356. Stating that the company already has several battery NWA pilots and that the company failed to justify this alternative use of the second battery, the Staff recommended a disallowance of $508,000 related to the second battery. 5 Tr 5084-5086; Exhibit S-14.1. MEIU opposed cost recovery for the second battery and recommended that the Commission disallow further spending on the C&I battery pilot and prohibit further expansion of any similar pilot or program involving utility ownership of BTM batteries. MEIU argued that DTE Electric failed to find a second customer and its alternative would not achieve the pilot's goals. 5 Tr 4030-4034.

DTE Electric disagreed with the Staff and MEIU's proposed disallowances. 3 Tr 1382-1384.

The ALJ was persuaded by the Staff's and MEIU's arguments and agreed that the $508,000 for the second battery should be disallowed. The ALJ agreed that the company's failure to find a second external customer indicates that the pilot was not successful in achieving its goal of finding two customers and further agreed that utilizing the battery internally will not allow the company to meet the pilot's originally planned objectives. PFD, p. 255. The ALJ added that she was not convinced by DTE Electric's argument that there was no specification that the second participating customer had to be external because "such a condition is virtually self-evident." *Id*.

DTE Electric takes exception to the recommended disallowance and the ALJ's finding that it is self-evident that the second participating customer in the pilot must be an external customer. DTE Electric insists that nothing in the Commission's past order or in the company's filings indicates that the customer must be external. DTE Electric repeats its position that the battery deployed at a company-owned site will achieve the objectives of the C&I battery pilot program

and is separate from the NWA pilots housed in controlled environments that allow for grid testing. The company argues that its approach will:

> allow the Company to pursue (1) experimentation and stacking of different energy storage use cases; (2) evaluation of compensation models; and (3) answering key questions around wholesale market integration (as contemplated by Case No. U-21032). [DTE Electric] Witness Leuker explains that the Company will also be able to address key objectives of the pilot program, including, among other things, gaining operational experience on battery installation, management, and control interfaces and evaluating the effectiveness of the BESS to achieve system peak demand reduction when a DR event is called by the Company[.]

DTE Electric's exceptions, p. 91 (citing 3 Tr 98, 1382). The company concludes that it is well positioned to test the proposed C&I program in a small setting and learn how to successfully broaden the scale of the pilot and therefore asks the Commission to reject the ALJ's recommended disallowance. DTE Electric's exceptions, p. 91.

MEIU responds, contending that the company's recitation of the program's key objectives "obfuscates the fact that deploying the second battery on a Company-owned site in fact fails to meet many of the objectives presented in witness Leuker's testimony in this case." MEIU's replies to exceptions, p. 7. MEIU then repeats its testimony regarding the objectives of the C&I battery storage pilot and argues that the company's statements on its ability to meet these objectives through an internal customer are misleading. According to MEIU:

> DTE makes it seem like its internal business unit can fulfill these objectives, but the three "key objectives" explicitly numbered in DTE's Exceptions are all contained within objective number (6) identified by [MEIU] witness Sherman. And DTE's mention of gaining "operational experience on battery installation, management, and control interfaces," DTE Exceptions at [page] 91, fails to recognize that it omits the last few words of this objective as phrased by witness Leuker, which are: ". . . when the system is located at a customer's site as opposed to a Company site." 3 Tr 1354 (emphasis added [in MEIU's replies to exceptions]). Although the final objective mentioned in DTE's Exceptions (to "evaluat[e] the effectiveness of the BESS to achieve system peak demand reduction when a DR event is called by the Company") *does* map onto objective (4) as identified by witness Sherman, she noted in her direct testimony that "those learnings may not be transferrable between an internal business unit and any future external C&I customers," 5 Tr 4033,

making any such "learnings" at best less than ideal and at worst useless.

MEIU's replies to exceptions, pp. 7-8 (emphasis in original). Thus, MEIU agrees with the ALJ that the need for an external customer was self-evident and asks the Commission to adopt the PFD.

In its replies to exceptions, the Staff states that while DTE Electric may be correct that using the C&I battery storage pilot internally may address key objectives of the pilot program, none of those objectives are new areas of study that are not already being addressed by the company's other battery programs. The Staff therefore asks the Commission to approve the PFD. Staff's replies to exceptions, p. 26.

Having reviewed the record on this issue, the Commission agrees with the ALJ's recommendation to disallow the capital expenditures associated with the second battery. While the company insists that the original approval and terms of the pilot never specified that the second customer must be external, the sincerity of this interpretation is undermined by the fact that one of the main objectives of the pilot was to gain operational experience on battery installation, management, and control interfaces when the system is located *at a customer's site as opposed to a company site*. 3 Tr 1354 (emphasis added). Additionally, it is unclear from the company's testimony how it intends to scale the program beyond the pilot phase when it has not been able to find an external second customer since it started its efforts in 2021 and 2022 (when the company issued a request for information followed by an RFP to begin implementing the pilot). *See*, November 18 order, pp. 314-316; *see also*, 7 Tr 1686-1687 in Case No. U-20836. Further, the Commission finds the Staff's testimony persuasive that the company has not shown how the learnings it could gain from this second battery are not duplicative of learnings from its other battery pilots. *See*, 5 Tr 5084-5086; Exhibit S-14.1.

As to the disallowance, a correction is necessary. The Staff calculated a disallowance of $508,000 for the second battery based on the company's responses describing the individual and shared costs of both batteries in the C&I battery storage pilots in Exhibits S-14.1 and S-14.2. The company indicated that $460,952 were the 2025 shared costs. Exhibit S-14.1, p. 2. It appears that there was an error in applying this number to the Staff's disallowance calculation. In Exhibit S-14.2, the Staff had listed the 2025 shared battery costs as $440,092, when it should have been $460,952. Applying the correct dollar amount of $460,952, the proper disallowance amount is $518,344.

2. Demand Response Regulatory Framework

DTE Electric testified that the three-phase framework established in Case No. U-18369 is no longer necessary and recommended removal of DR from rate cases and implementation of a separate DR plan filing with a surcharge that is adjusted annually. 3 Tr 1339-1340. The Staff testified that the Commission is already considering this issue in Case No. U-21637 and recommended that the company submit its suggestions to that docket. 5 Tr 5162. Ann Arbor opposed removing DR from rate cases and implementing a DR surcharge, arguing that such actions could result in DR being disfavored by ratepayers. 4 Tr 3737.

The ALJ noted that DTE Electric did not provide rebuttal testimony or further briefing on this issue but did submit comments in Case No. U-21637 providing its stance on the DR framework. The ALJ found that the company's concerns are more appropriately addressed in Case No. U-21637 and further discussion in this proceeding is unwarranted. PFD, p. 257.

No party filed exceptions on this issue.

Finding the ALJ's recommendation to be well-reasoned and supported and noting that no party filed exceptions on this issue, the Commission adopts the PFD. *See*, PFD, p. 257. The

Commission adds that in the December 18, 2025 order in Case No. U-21637 (December 18 order) the Commission adopted the Staff's proposal in that case to move the DR process into rate cases where each utility would be required to file a final DR reconciliation wherein a final balance would be determined and recovered in a subsequent rate case. Specifically, the Commission decided as follows:

> The Commission agrees with Ann Arbor, [DTE Electric together with DTE Gas Company], the Attorney General, and the Staff, and finds the Staff's second proposal to be reasonable and prudent. The Commission notes that MEGA, while not supporting either option, did not propose any alternative. The Commission also notes that authorization of DR spending is already considered in rate cases for all applicable utilities. The Commission finds that the rate case option recognizes that DR is more akin to generation investments and should be part of the holistic review that occurs in rate cases (with capacity amounts being determined in IRPs). The Commission directs the Staff and the utilities to hereafter include DR in rate cases after a final reconciliation has taken place under the existing construct. The Commission recognizes that this is likely a two-year process, but finds that the advantages associated with moving the entire DR rate approval process to rate cases outweigh any inconvenience associated with the delay.

December 18 order, p. 10. Thus, the Commission's decision in this order recognizes and aligns with its decision in the December 18 order.

3. Demand Response Resource Procurement

As background, DTE Electric explained that as part of the company's 2022 IRP settlement agreement in Case No. U-21193, DTE Electric agreed to procure DR-related MISO Zonal Resource Credits (ZRCs) through a competitive bidding process, specifically, two 25-MW solicitations (one in 2025/2026 and one in 2026/2027) and a 100-MW solicitation in the 2027/2028 planning year. The company stated that it issued an RFP for the 25 MW on June 26, 2024, but received no bids from the 14 invited aggregators, and again received no bids in response to its RFP for the second solicitation. 3 Tr 1347-1348.

MEIU asked the Commission to direct DTE Electric to improve its DR procurement in the following four ways: (1) allow multiple aggregators to meet the 25 MW of DR capacity instead of seeking one aggregator to meet that amount, (2) remove the requirement for an aggregator to be a MISO participant, (3) do not limit RFPs to only invited aggregators, and (4) use a pay-for-performance model that incentivizes participation. MEIU also supported the Commission's lifting of the ban on resources smaller than one MW from participating in DR aggregation. 5 Tr 4051-4054. DTE Electric had a number of concerns with MEIU's recommendations and disagreed with lifting the ban. 3 Tr 1394-1398.

The ALJ found that DTE Electric sufficiently rebutted each of the four points of criticism and recommendations posed by MEIU and that the company had made reasonable efforts to comply with the 2022 IRP settlement agreement. The ALJ noted DTE Electric's partnership with a consultant and that it made efforts to improve its second solicitation after the first RFP was unsuccessful. The ALJ also stated that issues concerning the modification of resource procurement processes for DR and other resources are best addressed in the company's upcoming IRP. PFD, p. 261.

MEIU takes exception to the PFD regarding DR procurement and restates a summary of its testimony and recommendations. MEIU's exceptions, pp. 6-7 (citing 5 Tr 4050-4057). MEIU contends that the ALJ seems unconcerned by the company's failure to obtain any DR bids despite evidence that third-party aggregation has been successful elsewhere and that third-party aggregators were interested enough in the opportunity to bid that they negotiated it into the 2022 IRP settlement agreement. MIEU disagrees with the ALJ's assessment that the company engaged in reasonable efforts when the result was zero bids when there was clear interest in the 2022 IRP. MEIU states that it was the company that designed the RFPs, "and based on the results, DTE

appears to have exercised its discretion to create a program unworkable for the handful of market participants with which it shared the RFPs." MEIU's exceptions, p. 7.

MEIU goes on to argue that even if it were to concede, although it does not, that DTE Electric had rebutted MEIU's four criticisms, this does not excuse the company's failure to explore and adopt best practices from other markets successfully operating with third-party aggregators. Thus, MEIU urges the Commission to direct the company to adopt MEIU's recommendations in this case, or at least to investigate and propose other ways to improve its third-party DR procurement to the upcoming 100 MW solicitation. *Id*., pp. 7-8.

In replies to exceptions, DTE Electric disagrees with MEIU's arguments about the company's DR resource procurement efforts resulting in an unworkable program with zero bids. Per the company:

> Contrary to MEIU's allegation, however, Company witness Leuker presented detailed testimony regarding the Company's efforts to develop an attractive request for proposals and identify aggregators who may be interested in bidding. The [ALJ] noted that "DTE partnered with a consultant to assist with the process, and the Company has made efforts to improve the process after its first RFP was unsuccessful." (PFD, p 261). The [ALJ] further recognizes witness Leuker's testimony that DTE Electric made further efforts to engage aggregators in advance of the second solicitation to gather feedback but received no responses despite multiple attempts. (PFD, p 261, Leuker, 3T 1395-1396).

DTE Electric's replies to exceptions, p. 31. The company then repeats its agreement with the ALJ but notes that it remains open to input for best practices from other jurisdictions and that it will proceed with the RFP in accordance with the IRP settlement agreement. Lastly, DTE Electric adds that the IRP proceeding is the best venue to address this issue. *Id*., pp. 31-32.

Finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission adopts the PFD. The Commission agrees that DTE Electric sufficiently rebutted MEIU's stated issues with and requested changes to the company's DR procurements efforts. *See*,

3 Tr 1393-1398. The Commission finds that DTE Electric's DR procurement efforts are not without room for improvement though, given that its first and second DR RFPs were not successful. Therefore, the Commission adopts MEIU's recommendation and directs DTE Electric to investigate and propose other ways to improve its third-party DR procurement. However, the Commission agrees with the ALJ that the proper venue for addressing DR procurement is in the IRP proceeding where this issue can be considered in the context of the company's total generation and procurement plans. Therefore, the Commission adopts the PFD on this issue and DTE Electric shall include the results of its investigation and its proposals to improve its third-party DR procurement in its next IRP filing.

J. Information Technology

In support of its requests for information technology (IT) capital investments, DTE Electric sponsored Exhibit A-12, Schedule B5.7; Exhibit A-13, Schedule C5.13; and Exhibit A-24, Schedules N1 through N8. The company is seeking capital expenditures of $174.6 million for the historical year, $163.6 million for the 2024 bridge period, $168.1 million for 2025 bridge period, and $204.9 million for the test year. 4 Tr 2129-2131. DTE Electric also presented its corresponding test year O&M costs. The Staff recommended disallowances to certain specific projects, to projects with Level 2 and Level 3 cost estimates, and to an overhead-related project category. The proposed disallowances are addressed below for both capital expenditures and O&M expenses. For these disputed IT issues, the ALJ provided a detailed description of the parties' positions which is not repeated here. *See*, PFD, pp. 261-315.

1. Specific Information Technology Projects

a. Customer Insight Platform Application Health

DTE Electric requested capital investments of $4.3 million in the test year for the Customer Insight Platform Application (CIPA) health project, and $100,000 in O&M expense. 4 Tr 2265-2266; Exhibit A-12, Schedule B5.7.2. This app health project is run by a third-party vendor and provides annual maintenance, upgrade, and other support services such as cloud computing services for several systems including the DTE Insight mobile app and Energy Bridge devices. 4 Tr 2265-2266.

The Staff proposed a full disallowance of the test year capital expenditure and O&M expense amounts for the CIPA health project, noting that this project has been renamed since the prior rate case. 5 Tr 5114-5115. The Staff noted that the Commission disallowed $2.7 million in capital expenditures for this project in Case No. U-21297 due to low customer participation, but approved $4.0 million in the January 23 order based on DTE Electric's expectation of an increase in the number of users for the DTE Insight app. 5 Tr 5115-5116. The Staff noted that the record in this case shows that 2.17% of electric customers use the DTE Insight app monthly and 1.26% of customers use the Energy Bridge device. Exhibits S-17.3, S-17.4. The Staff argued that this degree of participation does not warrant recovery of the requested amounts.

On rebuttal, DTE Electric argued that customer downloads increased after issuance of the January 23 order and are now up to 19.1% of the customer base. 4 Tr 2359-2361.

The Staff replied that downloads are not the same as usage, and that the company has never demonstrated that the purported customer benefits have been realized by any customers. Staff's initial brief, p. 85; Staff's reply brief, pp. 2-3.

The ALJ recommended adoption of the Staff's proposed disallowances. PFD, p. 268. The ALJ noted that the Commission disallowed funding in 2022 and 2023, and found that:

> [a]lthough presented under a different name in this case, this project is now fourteen years old and customer engagement and participation remain low (and arguabl[y] lower than in 2022). Consistent with the Commission's prior decision to disallow all costs and despite any of the purported benefits to customers, DTE has again failed to establish sufficient or sustained interest in the project to warrant expenditure. Accordingly, this PFD recommends disallowance of $4.3 million in capital expenditures and $100,000 in O&M expense for the Customer Insight App Health program.

Id.

In exceptions, DTE Electric argues that this program "is the backbone of multiple customer facing platforms, Bill Management, BillWise AI, the DTE Insight App, and the Energy Bridge that demonstrably reduce contact center load, improve customer satisfaction, and empower customers to manage their energy usage and costs. (Ambrose, 4T 2357-2363)." DTE Electric's exceptions, p. 92. The company argues that the ALJ provided no information on what level of interest would have been enough, and that interest in the project has trended upward. DTE Electric contends that the momentum of the BillWise AI tool will be halted if the disallowance is adopted, and that the company should not be required to show that the tools will become unstable or unreliable before it can take action to gain efficiencies and realize the benefits of the tools. *Id*., pp. 93-94.

In reply, the Staff argues that the Insight Platform app has shown very limited growth in the 10 years that it has been available, and that overall usage has stagnated at 2.17% of electric customers for the app and 1.26% for the Energy Bridge device. Staff's replies to exceptions, p. 27 (citing 5 Tr 5114-5116). The Staff adds that the company claims that instability will occur with these applications if the funding is not approved but does not explain why or how that would happen. Finally, the Staff notes that the BillWise AI tool pilot was used by only 49,000 customers

during its pilot period and DTE Electric provided no information on customer feedback. Staff's replies to exceptions, p. 28.

The Commission respectfully disagrees with the ALJ and the Staff and finds that the $4.3 million for the test year for the CIPA health project, and $100,000 in O&M expense should be approved. 4 Tr 2265-2266. The Commission finds that DTE Electric showed that this project will support the vendor-provided annual maintenance and upgrade for the Insight mobile app, Energy Bridges, the BillWise AI tool pilot, and the Bill Management tool, and will allow the provision of cloud computing services applicable to user functionalities. DTE Electric demonstrated that the CIPA health project is the backbone of these customer-facing platforms and, while there is room for growth, the platforms do reduce the load for the customer contact center and empower customers to manage their own usage and costs. 4 Tr 2357-2363. As DTE Electric stated, there has been an increase in usage of the Insight App since 2023, and there are benefits to customers that come from the app and these other platforms beyond simply increasing customer usage. 4 Tr 2358. Thus, the Commission does not find that a full disallowance of all requested capital expenditures and O&M expense is warranted. However, the Commission recognizes that the test year capital expenditures are significant and cautions the company that it will need to show the benefits of this project in its next rate case if additional funding is sought.

b. Customer Relationship and Billing Program

DTE Electric requested $6.3 million in capital expenditures and $2.7 million in O&M expense for the Customer Relationship and Billing (CR&B) program for the test year in order to maintain the program and provide certain enhancements. 4 Tr 2267-2270; Exhibit A-12, Schedule B5.7.2; Exhibit A-24, Schedule N3.

The Staff proposed a full disallowance of the capital expenditure and O&M expense amounts for the CR&B program based on the lack of evidence showing how the program and the projected enhancements would benefit customers and why they are necessary. 5 Tr 5116-5118; Exhibits S-17.7, S-17.8, S-17.9. The Staff argued that the costs are extremely high for a fully implemented program. Staff's initial brief, pp. 94-95.

The ALJ recommended adoption of the Staff's proposed disallowances. PFD, pp. 270-271. The ALJ noted that, in Case No. U-21534:

> DTE sought recovery for the maintenance needs of the CR&B at a rate that is drastically less than what it seeks in this case (DTE requested $1.9 million capital compared to $6.3 million capital here and it requested $0.16 million in O&M compared to $2.7 million in O&M in this case). And at that time, DTE reported that the costs for the program "are consistent year after year, as it represents fixed-capacity technical teams." Even if the costs for the project include integrating the [enhancements], DTE's description of the project is too generalized to persuasively explain the extreme increase in costs or how the project achieves its stated goal of cost management. Consistent with Staff's assessment, this PFD recommends disallowance of $6.311 million in capital expenditures and $2.7 million in O&M expense for the CR&B project.

Id. (citations omitted).

In exceptions, DTE Electric argues that the CR&B project requires regular maintenance and notes that the project now includes four application health projects, which was not the case in the January 23 order. DTE Electric's exceptions, p. 95. DTE Electric contends that it provided specific information about how consolidation of certain elements of these programs aligns with the company's goals and provided detailed descriptions of the support activities and the consequences of failing to perform them at 4 Tr 2363-2368. *Id*.

In reply, the Staff argues that the company contradicts itself when it states that the CR&B is a fully implemented system, because the costs have risen from $1.9 million in Case No. U-21534 to

$9 million in the instant case. Staff's replies to exceptions, pp. 29-30. The Staff contends that the company never fully explained the significant increase.

The Commission agrees with the Staff that these costs are high for a fully implemented program and many of the descriptions of the benefits associated with the enhancements appear to be fairly vague and general. *See*, 4 Tr 2363-2368. The Commission also agrees with the ALJ's observation that, in Case No. U-21534, DTE Electric claimed that the costs were consistent year-over-year, and that the increase to costs in the instant case were unsupported. Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, pp. 270-271.

c. DTE Mobile Application Health

DTE Electric requested $1.1 million in capital expenditures and $0.17 million in O&M expense for the DTE Mobile Application (App) Health project for the test year. 4 Tr 2270; Exhibit A-12, Schedule B5.7.2; Exhibit A-24, Schedule N3. The DTE Mobile App provides self-service options to customers for outage reporting, bill payment, and bill access, among other services. 4 Tr 2270. This app health project is intended to fix bugs, optimize performance, provide security updates, and provide other minor enhancements. 4 Tr 2272.

The Staff proposed a full disallowance of the requested amounts based on the fact that the app was rewritten in 2023 and yet customer usage was at 19% of all self-service interactions in 2024, and only projected to be at 20% in 2025. 5 Tr 5119-5120. Additionally, the Staff noted that the features of the app are also available on DTE Electric's website. Noting that the app is 14 years old, the Staff argued that the app is not a necessity and additional investment is not warranted. 5 Tr 5120. DTE Electric countered that approximately 30% of customers have used the app at least once and, since 2015, the app has been downloaded around 2 million times. 4 Tr 2368-2369.

The company also noted that, "[w]hen automated interactions are removed, the Mobile App accounts for 25% of all self-service interactions." 4 Tr 2368.

The ALJ recommended adoption of the Staff's proposed disallowances. PFD, pp. 273-274. The ALJ found that DTE Electric failed to show that there is a demand for this project and instead showed that:

> usage is at its highest rate of 19% and only predicted to increase to 20% for 2025. As stated by Staff, the App is not a necessity for customers and the proposed additional investment is also not necessary. Accordingly, this PFD adopts a disallowance of $1.101 million in capital expenditures and $170,141 in O&M expense for the Mobile App Health project.

Id.

In exceptions, DTE Electric argues that this project represents the combination of two separate projects from Case No. U-21534. DTE Electric contends that the ALJ should not make "blanket conclusions based on one data point regarding customer usage . . . without explaining why these usage rates are insufficient or what a 'sufficient' usage rate would be." DTE Electric's exceptions, p. 96. The company contends that the ALJ's recommendation is arbitrary and it notes that, when automated interactions are removed, the Mobile App "accounts for 25% of all self-service interactions. (Ambrose, 4T 2368). Second, since 2015, the Mobile App has been downloaded approximately 2 million times. (Ambrose, 4T 2368-2369)." DTE Electric's exceptions, p. 97. The company notes that the website offers the same core functionality but argues that different customers prefer different channels, and the channels need to be available during outages. The company adds that this tool has been available for 14 years and its use is steadily growing, and the requested funds are essential to keeping the app available. *Id*.

In reply, the Staff argues that, despite many years of availability, the Mobile App usage rate remains low. Staff's replies to exceptions, p. 31. The Staff notes that customers may carry out

outage interactions on the website and argues that there is no evidence that, without this funding, the tool will not be maintained.

The Commission respectfully disagrees with the ALJ and the Staff on this issue. In recent years, the Commission has emphasized the importance of maintaining consistent and reliable communication with customers, particularly during outages. DTE Electric provided evidence that 42% of outage interactions are completed using the Mobile App. 4 Tr 2270. While "outage interaction" is not defined in the testimony, it is clear that the app duplicates many of the functions that are available on the website; thus, the Commission understands that the app can be used, at a minimum, to report outages and downed wires, and to supply ongoing information on outage conditions. The Commission finds that the redundancy between the app and the website with regard to these functions is beneficial. While app interactions have grown by only 5% over the past three years, the Commission finds that maintaining the health of the Mobile App remains an important function. 4 Tr 2369. Thus, the Commission rejects the Staff's proposed disallowance for the capital expenditures and O&M expense for the test year.

d. Outage Application Health

DTE Electric requested $3.0 million for the 2025 bridge period and $5.25 million for the test year in capital expenditures for the Outage Where-is-my-Order (WISMO) and Map Sustainment project, along with $0.25 million in test year O&M costs; as well as $1.7 million in capital expenditures and $0.525 million in O&M costs for the test year for its Outage WISMO, Premise Power Status and Map Application Enhancements project. 4 Tr 2273-2274; Exhibit A-12, Schedule B5.7.2; Exhibit A-24, Schedules N3 and N7. The projects are related to implementation of the company's error free communications (EFC) outage status initiative, and the company stated that they are needed to provide ongoing support during blue sky conditions. 4 Tr 2273.

The Staff proposed a full disallowance of the requested capital expenditures and O&M expenses based on DTE Electric's failure to provide the detailed status and expenditure update for the EFC that was called for in the January 23 order and the lack of any showing that the project is meeting its stated goals. 5 Tr 5121-5125. The Staff argued that the EFC already received $50 million in capital funding and the company failed to explain why it needs an additional $10 million so shortly after the January 23 order was issued. 5 Tr 5124. DTE Electric countered that these projects are different from those discussed in prior requests. 4 Tr 2371.

The ALJ recommended adoption of the Staff's proposed disallowances. PFD, pp. 278-279. Noting that the Commission approved $52.4 million for the EFC initiative in Case Nos. U-21297 and U-21534, the ALJ observed that:

> [t]he Commission found it necessary, however, to monitor the results of the investments in the program when it required DTE to provide detailed status and expenditure updates in future rate cases and to meet with Staff biannually to provide detailed status updates on any continuous improvements or failures in the EFC program. There is no dispute that review of the EFC system progress is in the early stages and has not yet yielded any useful insight. And with so much already invested, this PFD agrees with Staff that it would be imprudent to allow additional recovery at this time. Consistent with the foregoing discussion, this PFD agrees with Staff and recommends a disallowance of $3.0 million for the Outage WISMO and Map Sustainment project in the bridge year, along with $5.250 [million] in capital expenditures in the test year, and $249,496 in test year O&M costs. For the Outage WISMO, PPS, and Map Enhancements, this PFD recommends disallowance of $1,700,001 in test year capital expenditures and $525,000 in O&M expense.

Id. (citing the January 23 order, pp. 159-161).

In exceptions, DTE Electric argues that it provided sufficient evidence that the EFC project is making progress, and that simply because funding was provided in 2023-2024 does not mean that the company is prohibited from seeking further requests. DTE Electric's exceptions, p. 99. The company contends that it has provided the detailed expenditure updates required by the January 23 order, pp. 160-161.

In reply, the Staff argues that the company fails to explain how the requested amounts will make the EFC system more resilient and responsive but instead offers only broad and general claims. Staff's replies to exceptions, p. 33. The Staff notes that in the January 23 order, pp. 160-161, DTE Electric was directed to provide detailed status and expenditure updates and to meet with the Staff biannually, and argues that there has been only one meeting and little information about the progress of the EFC program has been provided. *Id*., p. 34.

The Commission agrees with the ALJ's analysis of the stage at which this project currently sits and the fact that the review of the EFC is ongoing. 5 Tr 5124-5126. As the Staff points out, the company has not yet "shown how past expenditures were used for [the EFC] project" and "[t]oo many unknows remain regarding the larger EFC and its success rate." 5 Tr 5124. Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, pp. 278-279.

e. Payment Merchant Fees

DTE Electric requested $10 million in capital expenditures for the 2025 bridge period for this cost category which covers transaction costs associated with the processing of debit and credit card payments. 4 Tr 2650, 2316-2318; Exhibit A-12, Schedule B5.7.2. DTE Electric initially argued that residential payment merchant fees should be recovered through base rates. The company noted that 69% of low-income customer payments are made using a credit card and stated that uncollectibles expense may increase if an additional fee for using a credit card is added to the bill. 4 Tr 2650. The company indicated that 1.4 million non-residential customers also used a credit or debit card for payment in 2024. 4 Tr 2316-2318. DTE Electric noted that the Commission has rejected requests to add payment merchant fees to rate base O&M expenses in recent rate cases. 4 Tr 2646-2648 (citing the November 7, 2024 order in Case No. U-21291, p. 158; and the

January 23 order, p. 232). Thus, the company intends to use the instant project to charge customers a service fee for using a credit or debit card payment option through use of a third-party consumer payment provider for processing payments from non-residential customers. 4 Tr 2648-2650, 2317-2318; Exhibit A-24, Schedule N3. The requested $10 million in capital expenditures for 2025 are to:

> transition to a system that allows for the charging of a fee/surcharge for card usage as a reasonable and prudent solution that will allow non-residential customers who choose to use a credit or debit card the ability to continue to do so without financially burdening those non-residential customers who choose to not use a credit or debit card. This approach is consistent with 80% of utilities that charge non-residential customers a card fee/surcharge. Although in the instant case, through the testimony of Company Witness Foley, the Company is proposing the continued recovery of residential merchant fees through base rates, the new payment system and associated enhancements will have the flexibility to charge a fee/surcharge for residential customer card usage if this proposal for recovery is denied. [It was later withdrawn.] See Exhibit A-24, Schedule N3, line 425 for additional project details. . . . The $10 million in capital will be used to fund the use of a third-party consumer payment provider - Paymentus, Speedpay, BillMatrix, or Kubra – to develop the Company's card fee/surcharge solution across all served and self-service channels. The provider will develop a solution that handles credit card fee processing, offers Visa consulting support, and assists with the development of a long-term payment strategy that will ensure seamless bill payment options for customers. Currently, all utility companies that charge credit card fees use one of these third-party providers. See Exhibit A-24, Schedule N3, line 424 for additional project details.

4 Tr 2317-2318. As stated above, DTE Electric initially requested recovery of fees incurred by residential customers in base rates for the test year or authority to use a regulatory asset for these fees; but, on rebuttal, the company withdrew the request and indicated that the company intends to move forward with charging fees directly to both residential and non-residential customers. 4 Tr 2650-2651, 2382-2383, 2675-2676.

The Staff proposed a full disallowance of the requested capital expenditures on grounds that the amount has not been sufficiently justified by the company. 5 Tr 5127. Noting that the third-party contractor's costs are over $8 million, the Staff explained that DTE Electric failed to provide

any information about how the contractor was chosen, alternative options, or an invoice from the contractor. 5 Tr 5127. DTE Electric countered that the contractor is a long-standing business partner, and that it has produced evidence of actual contractor costs. 4 Tr 2379-2381; DTE Electric's reply brief, p. 87. The company produced the contractor's estimate with its rebuttal testimony, but the Staff countered that it was too late for proper analysis. Staff's initial brief, p. 90.

The ALJ recommended adoption of the Staff's proposed disallowance. PFD, pp. 283-284. The ALJ agreed with the Staff's skepticism regarding the due diligence associated with selection of the third-party contractor and found that the company "failed to provide a description of the alternatives it considered or any other evidence to corroborate its claim that its long-standing business partners were the most reasonable and prudent contractor choice for this project. Thus, this PFD recommends that Staff's proposed disallowance of $9.998 million of bridge period capital expenditures be disallowed." *Id*.

In exceptions, DTE Electric notes that it withdrew its initial request for recovery of residential merchant fees through base rates and will be implementing the new system in order to directly charge the residential customer who chooses to use a credit or debit card. DTE Electric's exceptions, p. 100. The company also states that the "vendors for this project are long-standing, thoroughly vetted suppliers that are familiar with the Company's payment systems." *Id*. (citations omitted). DTE Electric states that:

> [t]he implementation of the capital project is critical to migrate the payment processor to enable the fee passing feature for our residential customers. While the Commission has ordered the removal of merchant fees from rates, the Company must maintain the ability to offer customers these flexible payment options, and this requires the implementation of the Payment Merchant Fee Project. Disallowing costs associated with this transition effectively requires that the Company absorb merchant fees if they cannot [be] passed on to those customers who choose to use a credit or debit card to pay their bills. (Ambrose, 4T 2382-2383).

Id.

In reply, the Staff argues that the contractor costs are the bulk of the costs for this project (over $8 million) and the company provided no information on how the contractor was chosen or a description of any alternatives that were considered. Staff's replies to exceptions, p. 35.

Also in reply, the DAAOs urge the Commission to adopt the disallowance, arguing that:

> without any explanation of alternatives or any evaluation of the contractor *for this job*, [DTE Electric] does not demonstrate that the specific contractor was a reasonable and prudent choice. Nor does the fact that the contractor then charged the amount they estimated—that says little about the reasonableness of the contractor's price in the first place. In essence, the Company wants to justify a $10 million recovery based on the fact that one contractor offered to implement the system at a $10 million cost and did so. That cannot meet the Company's burden for demonstrating reasonableness and prudence, especially at such a price tag, and the Commission should thus deny this recovery.

DAAOs replies to exceptions, p. 2 (note omitted) (emphasis in original).

The Commission agrees with the Staff's and the ALJ's observations about the lack of information regarding how the vendor was chosen or what alternatives were considered. *See*, 5 Tr 5127; 4 Tr 2318-2320, 2380-2381. The Commission notes that it is not finding that the fees incurred by customers paying by credit or debit card cannot be passed on to those individual customers who choose the convenience of these payments. Rather, it is finding that the requested capital expenditure amount for the 2025 bridge year has not been adequately supported on this record. Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, pp. 283-284.

f. Corporate Instance Maximo Application Upgrade

DTE Electric requested $8.2 million in test year capital expenditures for this project which involves the planning and design of a new version of the Corporate Instance Maximo Application

Suite Upgrade Phase 1, necessitated by the fact that current vendor support will end in 2026. 4 Tr 2240-2241; Exhibit A-12, Schedule B5.7.4.

The Staff proposed a disallowance of $1.4 million in the test year, which represents the difference between what the company seeks in this case ($8.2 million) and the sum of what the company sought in its previous electric rate case ($3.75 million) plus the variance that the company reported ($3 million) (which was caused by deferring the project from 2025 to 2026). 5 Tr 5063-5064. DTE Electric countered that it will require $8.16 million in 2026. 4 Tr 2344.

The ALJ recommended adoption of the Staff's proposed disallowance, finding that the company failed to show how the deferral of the project required recovery of more than the authorized amount plus the variance. PFD, p. 285.

In exceptions, DTE Electric argues that this shortfall occurred as a result of the disallowance that was approved in the January 23 order, and that this project involves a complete re-platforming. DTE Electric's exceptions, p. 101. The company contends that the disallowance will jeopardize system resiliency, security, and reliability. *Id*.

In reply, the Staff argues that the company explained the need for the test year investment in the same way that it explained the need for the 2025 investment, with no additional information about the increased cost. Staff's replies to exceptions, p. 15.

The Commission agrees with the Staff's and the ALJ's observations about the lack of explanation for the deferral of the project and the additional costs that were incurred as a result. *See*, 4 Tr 2344-2345. Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, p. 285.

g. Maximo Engineering Process Automation

DTE Electric requested $5.4 million in capital expenditures for 2023 and $4.9 million for the 2024 bridge year for this project which is intended to streamline engineering and work management systems at the Fermi Nuclear Plant (Fermi 2). 4 Tr 2250; Exhibit A-12, Schedule B5.7.4; Exhibit A-24, Schedule N3. This project was initially scheduled for 2024-2025. The company explained that it seeks $4.2 million more than what was approved in the January 23 order due to disallowances approved in that order, additions to the project, and because the project was moved up to the 2023-2024 time period in order to achieve certain savings. 4 Tr 2250.

The Staff did not dispute the expenditures for the historical period but recommended a $2.55 million disallowance for the 2024 bridge period spending, arguing that DTE Electric failed to show that there were any savings resulting from earlier implementation of this project, and, in fact, the change in date was imprudent and unnecessary. 5 Tr 5065-5066. DTE Electric countered that the project aligns with the company's nuclear safety goals. 4 Tr 2348.

The ALJ recommended adoption of the Staff's proposed disallowance, finding that DTE Electric "has not provided evidence to support its stated reason for the decision, (i.e. cost savings); in fact, it appears that earlier implementation in fact cost more." PFD, pp. 287-288. The ALJ found that the company failed to show that the investment was reasonable and prudent and recommended disallowance of $2.55 million for 2024 for this investment. *Id*.

In exceptions, DTE Electric argues that this project supports nuclear safety objectives and that it will result in a decrease to total project costs associated with combining this project with another (the Integrated Information Resource or I2R) project. DTE Electric's exceptions, p. 102. The company argues that advancing the project by one year and combining it with the I2R project will ultimately result in avoiding duplicative work. *Id*., p. 103.

In reply, the Staff argues that the company identified no reduction in costs resulting from the accelerated implementation of this project. Staff's replies to exceptions, p. 16.

The Commission respectfully disagrees with the ALJ's recommendation on this issue. While the company argued that the acceleration of the project in order to combine it with the I2R project would promote efficiency between the two projects, resulting in cost savings to customers, the Commission finds that the ultimate justification of nuclear safety objectives was the primary driver for the project, and is persuaded on this basis to allow recovery for this project. While the cost savings from combining this project with the I2R project may not have been quantified on the record, the Commission finds the project is nevertheless sufficiently supported by the company, and therefore rejects the Staff's proposed disallowance. The Commission agrees with DTE Electric that cost savings were never the primary goal for this project, but rather that the project supports the company's nuclear safety objectives by modernizing the engineering and work management systems at Fermi 2 as the plant transitions from the existing paper-based work system to electronic work packages. 4 Tr 2348-2349. The Commission finds that the proposed capital expenditures for the 2024 bridge period are reasonable and prudent and appropriate for rate base treatment.

h. Backup Environmental Growth

DTE Electric requested capital expenditures of $85,000 in the 2023 historical year, $0.5 million in the 2024 bridge year, $0.5 million in the 2025 bridge year, and $0.5 million in the 2026 test year for this project which is intended to ensure that IT devices have sufficient backup and storage. 4 Tr 2161; Exhibit A-12, Schedule B5.7.7; Exhibit A-24, Schedule N3.

The Staff proposed a disallowance of $100,000 in each of the 2025 and 2026 years based on the fact that the company underspent the amounts that were approved in Case Nos. U-21297 and

U-21534 for each year in the 2022-2024 time period by at least 20%. 5 Tr 5066-5067. Thus, the Staff proposed a 20% disallowance in the instant case for 2025-2026.

The ALJ recommended adoption of the Staff's proposed disallowance based on the Staff's showing that DTE Electric "has spent 80% (at most) of its projected costs on this project in the past three years. Given DTE's history of over-projecting this expenditure, a 20% disallowance of DTE's projection is reasonable and prudent." PFD, p. 289.

In exceptions, DTE Electric argues that the ALJ did not properly acknowledge the company's evidence on this issue "or more generally the ebb and flow of project execution[.]" DTE Electric's exceptions, p. 104 (citing 4 Tr 2350-2351).

In reply, the Staff argues that DTE Electric has a history of spending substantially less on this project than what it projects. Staff's replies to exceptions, pp. 16-17.

The Commission agrees with the ALJ and the Staff based on the Staff's evidence showing the consistent prior underspends. 5 Tr 5066-5067. Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, p. 289. If the company spends more than the amount approved in this case, it can pursue recovery in a future rate case upon a showing of the reasonableness and prudence of the expenditure.

i. Network Hardening and Operations

DTE Electric requested capital expenditures of $0.88 million for the 2023 historical year, $0.4 million for the 2024 bridge year, $0.4 million for the 2025 bridge year, and $0.9 million for the 2026 test year for this project which is intended to ensure the sustained quality of the company's network services. 4 Tr 2165-2166; Exhibit A-12, Schedule B5.7.7; Exhibit A-24, Schedule N3.

The Staff proposed a disallowance of $0.5 million for the test year based on the fact that the project scope has remained the same for 2024 through 2026, but the company requested $0.5 million more in spending for 2026. 5 Tr 5068-5069. DTE Electric countered that the scope of the project expands in 2026. 4 Tr 2351-2352.

The ALJ recommended adoption of the Staff's proposed disallowance for the test year, finding that:

> [a]lthough DTE argues for the first time in rebuttal that it expanded the scope of the project for 2026, this PFD agrees with Staff that it is DTE's responsibility to provide evidence for all requested expenses in its direct case, and the additional projected costs for 2026 were provided too late in the proceeding to allow for proper review. Instead, the record shows that the activities DTE planned to complete with this project in 2024, 2025, and 2026 were essentially the same.

PFD, p. 291. The ALJ recommended adoption of the $0.5 million adjustment for 2026.

In exceptions, DTE Electric argues that it provided sufficient and detailed evidence on rebuttal, and that "it is also procedurally inappropriate to summarily conclude that rebuttal evidence is 'too late.'" DTE Electric's exceptions, p. 105 (citing MCL 24.272(4)). The company argues that the Commission may rely on any record evidence in reaching its decisions.

In reply, the Staff states that "[e]vidence in direct testimony and an audit response showed a scope that is nearly the same for 2024-2026, but with different costs" and only on rebuttal was more information provided, which did not leave the Staff with sufficient time to perform a proper review. Staff's replies to exceptions, p. 17.

The company is correct in asserting that the Commission may rely on any record evidence; however, as DTE Electric knows, the Commission has found that evidence provided on rebuttal for the first time—including evidence that addresses the initial scope of a project—should be provided in the company's direct case in order to allow parties to conduct discovery and cross-

examination and otherwise be able to probe that evidence. Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, p. 291.

j. Digital Worker Experience Electric End-of-Life

DTE Electric requested capital expenditures of $2.78 million for the 2023 historical year, $5.02 million for the 2024 bridge year, $2.65 million for the 2025 bridge year, and $1.62 million for the test year for this program which replaces devices at their end-of-life. 4 Tr 2171; Exhibit A-12, Schedule B5.7.7; Exhibit A-24, Schedule N3.

The Staff initially proposed disallowances of $1.56 million for the 2023 historical year, $2.82 million for 2024, $1.21 million for 2025, and $0.79 million for the test year based on the fact that the costs per unit and the projected costs did not equate. 5 Tr 5070-5071; Exhibit S-12.12. DTE Electric countered that the Staff's proposal included some miscalculations and failed to include labor costs. 4 Tr 2340-2343. In its initial brief, the Staff revised its proposed disallowances to $1.597 million for 2024 and $0.215 million for 2026 overhead costs in the test year.[5] Staff's initial brief, pp. 108-111. The Staff indicated that it had revised its calculations to include the company's projected labor costs for 2023 and 2025, "[h]owever, in 2024, DTE has included $1.597 million more in labor costs than approved in Case Number U-21534 and did not provide evidence for its use. (4 TR 2341, Table 2.) Staff recommends these excess labor costs be disallowed." Staff's initial brief, p. 110.

The ALJ recommended approval of all of DTE Electric's requested capital expenditure amounts for this cost category with the exception of the $1.597 million more in labor costs "that

[5] The test year overhead costs are included in the discussion of Projected Overhead & Other Costs (Capital), below, and are not further discussed here.

exceed those which were approved by the Commission in Case No. U-21534[.]" PFD, pp. 293-294.

In exceptions, DTE Electric argues that the cost variance "reflects additional scope for field worker devices supporting storm restoration and the DTE student program, as well as necessary configuration, deployment, and testing activities" and that these efforts have been fully documented on the record. DTE Electric's exceptions, pp. 106-107.

In reply, the Staff argues that, though it provided the number and cost of the devices, the company failed to explain the excess labor costs projected for 2024. Staff's replies to exceptions, p. 18.

The Commission respectfully disagrees with the Staff and the ALJ on this issue. The Staff's proposed disallowance of 2024 labor costs in the amount of $1.597 million does not appear in the record until the Staff's initial brief. Additionally, that number itself is derived, in part, from using DTE Electric's rebuttal evidence at 4 Tr 2341, Table 2 (which reflects 2024 labor costs of $2.39 million), and, in part, from making certain assumptions about what labor and non-labor costs were approved in the January 23 order, p. 187. *See*, Staff's initial brief, p. 110. The Commission finds that the proposed disallowance was presented too late for the parties to be able to test that evidence. For that reason, the Commission rejects the Staff's proposed disallowance.

k. Field Worker Device End-of-Life

DTE Electric requested capital expenditures of $0.9 million for the 2024 bridge year, $0.9 million for the 2025 bridge year, and $0.9 million for the test year for this project which ensures the replacement of field worker devices at their end-of-life. 4 Tr 2175; Exhibit A-12, Schedule B5.7.7; Exhibit A-24, Schedule N3.

The Staff proposed a disallowance of $135,000 for the test year because, according to the company's evidence, the number of devices decreases over the 2024-2026 time period. 5 Tr 5072; Exhibit S-12.11. DTE Electric countered that costs increase over time. 4 Tr 2346.

The ALJ recommended adoption of the Staff's proposed disallowance, finding that DTE Electric "has not supported the reasonableness and prudence of its projections" given that the projected cost is based on the number of field worker devices "planned to be replaced in a given year." PFD, pp. 295-296 (quoting Exhibit S-12.11, p. 6). The ALJ noted that the number of devices is decreasing, and it was not until the rebuttal phase of the case that the company revealed that it expects labor and material costs for 2025-2026 to increase. PFD, p. 296. The ALJ further found DTE Electric's labor and inflation increase to be arbitrary, and the company's evidence to be self-serving. *Id*. The ALJ recommended adoption of the $135,000 adjustment for the test year.

In exceptions, DTE Electric argues that field crews are experiencing device and connectivity failures and this cost increase is well-supported. DTE Electric's exceptions, pp. 107-108. The company contends that the Staff's calculations fail to reflect anticipated cost increases for labor and equipment over time. Again, the company objects to the idea that this rebuttal evidence was too late and argues that the Commission may rely on any record evidence. *Id*., p. 108 (citing MCL 24.272(4) and Mich Admin Code, R 792.10427).

In reply, the Staff argues that the "cost changes provided by the Company in rebuttal testimony are well beyond inflation and cost increases over time and not based on a reasonable methodology." Staff's replies to exceptions, p. 19.

Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, pp. 295-296.

l. Distribution Operations Productivity Center

DTE Electric requested capital expenditures of $0.44 million for the 2024 bridge year for this project which provides a productivity metric measurement for distribution operations. 4 Tr 2198; Exhibit A-12, Schedule B5.7.8; Exhibit A-24, Schedule N3.

The Staff proposed a full disallowance for this project based on the lack of evidence showing that the project would reduce costs or increase safety or reliability thereby providing a benefit to customers. 5 Tr 5074-5075. The Staff noted that the company gave the project a low prioritization score, and that, though implemented during April-September 2024, the project has not been included in prior rate cases. 5 Tr 5074-5075. The Staff argued that the requested amount is imprudent and unreasonable. DTE Electric countered that the metric can help increase operational efficiency. 4 Tr 2354-2355.

The ALJ recommended adoption of the Staff's proposed disallowance, finding that the company failed to adequately support the need for the project. PFD, pp. 298-299. The ALJ noted the low prioritization score and the fact that no BCA was provided by DTE Electric despite the fact that the Commission has requested detailed support for individual IT projects. *Id*. (citing the May 8, 2020 order in Case No. U-20561, pp. 152-153, and the December 1, 2023 order in Case No. U-21297, pp. 143-166). The ALJ found that the company failed to comply with the Commission's evidentiary instructions for this cost category, indicating that the project "is not ripe for funding." PFD, p. 299. The ALJ recommended adoption of the $439,000 adjustment for 2024.

In exceptions, DTE Electric argues that a low prioritization score should not alone be used to determine the project's merit, stating that "[a] lower score simply indicates that the project may align differently with certain criteria, not that it lacks value, impact, or necessity." DTE Electric's exceptions, p. 109.

In reply, the Staff argues that not only was the prioritization score very low, "but the project was not planned." Staff's replies to exceptions, p. 20.

The Commission agrees with the Staff's and the ALJ's observations about the lack of evidence showing the need for this project, the plan for this project, or how it will increase safety or reliability. 5 Tr 5074-5075. This lack of evidence, coupled with the Project Prioritization Score of 2.2 on a scale of 1-9, does not persuade the Commission that the investment is reasonable and prudent. 5 Tr 5074. Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, pp. 298-299.

m. Information Protection Security

Within this cost category, DTE Electric requested capital expenditures of $0.186 million for the 2025 bridge year and $0.184 million for the test year, as well as O&M expenses of $0.283 million for the test year, for the Communication Compliance and Data Loss Prevention project which is intended to ensure that compliance standards are met for employee communications. 4 Tr 2145-2146; Exhibit A-12, Schedule B5.7.6; Exhibit A-24, Schedule N3.

The Staff proposed a full disallowance of the capital expenditure and O&M amounts based on the fact that the company failed to show that it is experiencing any issues with data loss which make this project necessary. 5 Tr 5133-5135; Exhibit S-12.1; Exhibit S-18.0. The Staff argued that DTE Electric failed to demonstrate any inadequacies associated with the current system. Alternatively, the Staff proposed disallowance of all of the overhead costs. 5 Tr 5135. DTE Electric countered that the project is necessary for compliance with external software communication requirements. 4 Tr 2356-2357.

The ALJ recommended adoption of the Staff's proposed disallowances. PFD, pp. 302-303. The ALJ found that DTE Electric failed to provide sufficient information in its audit responses to

allow recovery of the costs, and that, as the Staff continued to seek more detailed information, the company continued to make vague responses. The ALJ noted that "[i]t was not until Mr. Ambrose's rebuttal that DTE raises operational necessity, risk exposure, and the potential penalties for non-compliance across external platforms." PFD, p. 302 (citing 4 Tr 2357). The ALJ:

> also finds persuasive Staff's concerns that despite an "operational environment that has advanced rapidly over the last 12 to 18 months" DTE waited until 2025 to begin this expansion to external applications and platforms, despite the alarm bells raised in Mr. Ambrose's rebuttal. Thus, this PFD finds that for now, 2025 and 2026 capital expenditures of $186,000 and $184,000 should be disallowed, along with $283,000 in test year O&M expense.

PFD, p. 303 (no citation provided).

In exceptions, DTE Electric again argues that it is procedurally inappropriate to dismiss rebuttal evidence that the Commission is free to rely on in making determinations. DTE Electric's exceptions, p. 110. The company adds that the Staff and the ALJ mischaracterize the timing and the nature of this project. DTE Electric argues that its operational environment has advanced rapidly over the last 12-18 months and its "current security barriers do not fully address this new landscape." *Id*., p. 111. The company contends that this project is essential for ensuring data security and regulatory compliance, and that it should not be required to show evidence of a violation or other problem before requesting funds, which, DTE Electric argues, is a counterproductive evidentiary standard. *Id*.

The Commission agrees with the company that evidence of a regulatory violation is not a required element for cost recovery. However, the Commission agrees with the Staff's and the ALJ's observations regarding the vague nature of the company's responses to audit and discovery requests. 5 Tr 5133-5135; Exhibit S-12.1; Exhibit S-18.0; 4 Tr 2356-2357. Finding it to be well-

reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, pp. 302-303.

i. Projects with Level 2 Cost Estimates

DTE Electric explained that, beginning in 2025, all projects that reach the "Qualified" level of the company's annual planning cycle process receive a Level 2 cost estimate, which has an accuracy range of -15% to +20%. 4 Tr 2127.

The Staff proposed a 20% disallowance for five of the eight IT projects with Level 2 cost estimates, which results in a disallowance of $0.685 million in capital expenditures for the test year and $16,000 in O&M costs for the test year (the remaining three projects are discussed below). 5 Tr 5050-5054. The Staff notes that Level 2 projects are 1-2 years (or more) out from implementation and many changes can occur during that time, particularly to the scope and timeline. 5 Tr 5052. The Staff compared the actual cost of 147 IT projects that were authorized in Case No. U-21297 with the Level 2 estimated cost that was provided on the record in that case and found that the company over-recovered on 64% of the projects and under-recovered on 36% of the projects. 5 Tr 5053; Exhibit S-12.6. The average over-recovery was by 40.31% and the average under-recovery was by 66.38%. The Staff noted that this variance falls well outside the claimed accuracy range of -15% to +20%. The Staff argued that these cost estimates are imprecise and premature for inclusion in rate base, noting that, if DTE Electric spends more than 80% of the Level 2 estimate, then the company may seek recovery of those costs in a future rate case; but the Commission may not use retroactive ratemaking to correct for the inaccurate estimate. 5 Tr 5054.

The Staff argues that, in light of this evidence, the 20% disallowance is conservative, but states that 20% was chosen in order to be consistent with its recommendations in prior cases (Case Nos. U-21291, U-20836, U-21297, and U-21534). 5 Tr 5054. The Staff noted that DTE Electric's

average over-recovery is double this recommendation, and that, using the AACE Cost Estimate Classification System 17R-97, the Staff believes that the company's Level 2 cost estimate actually equates to an AACE Class 3 cost estimate which has an accuracy range of -30% to +20%. 5 Tr 5054-5055.

DTE Electric countered that use of the AACE system is inappropriate, and that simply repeating a position taken in a prior case does not provide justification for the position. 4 Tr 2333. The company indicated that cost changes are to be expected when the scope and requirements of the project change.

The ALJ recommended adoption of the Staff's proposed disallowances. PFD, pp. 306-307. The ALJ noted that the company did not dispute or disprove the evidence of over- and under-recoveries presented by the Staff. The ALJ stated that she:

> [r]ecognizes that project cost estimates are temporary by nature and must start somewhere. However, as stated by Staff and affirmed in prior cases with similar information, costs cannot be properly evaluated by the Commission for inclusion in rates at the Level 2 cost estimate phase. And there is no evidence to contradict the Staff's rationale for using the AACE Class 3 Estimate to derive its 20% disallowance.

Id. Thus, the ALJ recommended adoption of the capital expenditure ($685,000) and O&M expense ($16,000) disallowances for the test year.

In exceptions, DTE Electric addresses the Level 2 and Level 3 (see below) cost estimate issues together. DTE Electric's exceptions, pp. 111-114, 12-15. DTE Electric characterizes the 10% and 20% amounts as being derived solely from the AACE class cost estimates. *Id*., pp. 111-112, 12-14. DTE Electric contends that cost variances are a normal part of capital project execution and that the disallowance is arbitrary and ignores the refined estimate process carried out by the company. The company asserts that the variances that concerned the ALJ "reflect legitimate scope and schedule adjustments inherent to project execution, and not deficiencies in estimating

practices." *Id*., p. 112. DTE Electric maintains that it has refined and revised its IT project estimation processes since 2024 which has resulted in greater accuracy. The company asserts that the AACE system does not provide an appropriate basis for a disallowance because the inability to include contingency in these amounts inherently skews the AACE estimate towards the lower end of any accuracy range. *Id*., p. 113 (citing 4 Tr 2086); *see also*, DTE Electric's exceptions, pp. 12-14. DTE Electric argues that:

> [r]elatedly, Staff applied the AACE accuracy range to estimates that exclude contingency and limited its allowance to the lower bound of the range, which effectively results in an allowance of costs less than the lower bound of the range, as depicted in Figure 3 of witness Robertson's testimony. (DTE Electric's Initial Brief p 99; Robertson, 4T 2090-2093).

DTE Electric's exceptions, p. 113. The company adds that many utility functions are routine and repetitive and thus do not merit a risk analysis that would yield greater accuracy. DTE Electric contends that standardized confidence ranges should not be used and the specific scope and nature of the project should be accounted for. *Id*., p. 114. The company argues that if the AACE ranges are going to be used as the basis for disallowances, then "contingency estimates should be explicitly allowed in the Company's forecasts. (Robertson, 4T 2095)." DTE Electric's exceptions, p. 14.

In reply (with respect to both Level 2 and 3 cost estimates), the Staff clarifies that it did not use the AACE system as the basis of its recommendations but rather to show that its recommended disallowances are conservative, given that the comparable AACE cost classes have an even lower bound for accuracy and thus would result in a higher disallowance. Staff's replies to exceptions, pp. 21-22. The Staff contends that changes to the scope and timeline are normal, but, at the same time, the Level 2 and 3 estimates are immature and uncertain, as the evidence demonstrating substantial over- and under-recoveries shows. *Id*., p. 22.

In response to DTE Electric's exceptions, the Commission will address both the Level 2 and 3 cost estimate issues together. The Commission agrees with the Staff and the ALJ and adopts the Staff's proposed disallowances for both the Level 2 and Level 3 cost estimates. PFD, pp. 306-307, 311-312. DTE Electric errs in contending that the Staff's proposals are derived solely from the AACE accuracy ranges. As discussed above under Contingency, contingency budgeting remains appropriate for planning purposes but inappropriate for cost recovery (as the Commission has repeatedly found). That said, the Commission notes that the Staff did not rely solely on the AACE accuracy ranges for its disallowance proposals but, instead, provided unrebutted evidence clearly illustrating the vagaries of cost estimation. While these vagaries may be unavoidable, the Commission is required to determine whether the costs that ratepayers are expected to cover are reasonable and prudent prior to burdening ratepayers with those costs. After looking at a sizable number of projects, the Staff established that, for Level 2 estimates, the average over-recovery was by 40.31% and the average under-recovery was by 66.38%; and for Level 3 estimates, the average over-recovery was by 34% and the average under-recovery was by 45%. 5 Tr 5053-5057. In its direct case, DTE Electric asserted that Level 2 estimates have an accuracy range of -15% to +20%, and Level 3 estimates have an accuracy range of -10% to +15%. 4 Tr 2127-2128. With evidence like this, the AACE accuracy ranges are not necessary for a determination that a 20% disallowance for Level 2 and a 10% disallowance for Level 3 are reasonable and prudent. The Commission approves the proposed disallowances.

ii. Projects with Level 3 Cost Estimates

DTE Electric explained that all projects that are approved by the company's Technology Investment Committee receive a Level 3 cost estimate which, the company states, has an accuracy range of -10% to +15%. 4 Tr 2127-2128.

The Staff proposed a 10% disallowance for all projects with a Level 3 cost estimate, which results in a disallowance of capital expenditures of $13.08 million for the 2025 bridge period and $11.37 million for the 2026 test year, and O&M expenses of $2.08 million for the test year. Staff's initial brief, pp. 168-169; 5 Tr 5056. The Staff performed an analysis of actual costs compared to estimated costs for 159 Level 3 projects approved in the January 23 order and found that DTE Electric over-recovered on 48% of the projects and under-recovered on 46% of the projects. 5 Tr 5057; Exhibits S-12.4 and S-12.8. The average over-recovery was by 34% and the average under-recovery was by 45%. The Staff again noted that this variance falls well outside the claimed accuracy range of -10% to +15%. Noting that there is an over-recovery on almost half of all projects with a Level 3 cost estimate, the Staff argued that the Level 3 estimate is only slightly more precise than the Level 2 estimate. 5 Tr 5057. The Staff again noted that if DTE Electric spends more than 90% of the estimate, then the company may seek recovery in a future rate case. 5 Tr 5058. The Staff explained that it selected 10% for the disallowance based on the similarity of the Level 3 cost estimate to the AACE Class 2 cost estimate, which has an accuracy range of +10% to -15%. 5 Tr 5058. The Staff noted that it recommended a 10% disallowance for Level 3 costs which was approved in the January 23 order. 5 Tr 5059.

DTE Electric countered that cost estimates should reflect the full lifecycle of the project and should not be year-by-year, and that cost changes must be expected both before and during execution of the project. 5 Tr 2335. DTE Electric also argued that some of the over- and under-recoveries were no greater than 10%. DTE Electric's initial brief, pp. 97-99.

The ALJ again noted the difference between cost estimates that are useful for internal planning and cost estimates that are ripe for ratemaking purposes, and recommended adoption of the Staff's proposed disallowances. PFD, pp. 311-312. The ALJ stated that:

> [a]gain, this PFD recognizes that project cost estimates are temporary by nature and project changes may occur over time. This PFD is not convinced, however, that the Commission should rely on the Level 3 cost estimates for ratemaking purposes when this record shows that the Company greatly over- or under-estimates the costs of most of the projects at the Level 3 cost estimate phase in the last rate case even when it made its best effort to create an accurate Level 3 cost estimate at "the point of development." [4 Tr 2335.] Consistent with [the] Commission's decision in Case No. U-21534, this PFD recommends the Commission find it "unfair to pass costs onto ratepayers without the assurance that its entirety will be used for the intended reasonable and prudent investment." [January 23 order, p. 186.] This PFD therefore adopts Staff's recommended IT disallowances for Level 3 cost estimates for IT projects.

Id. (citations included).

DTE Electric's exceptions, the Staff's replies, and the Commission's determinations can be found directly above.

iii. Projected Overhead & Other Costs (Capital)

DTE Electric requested capital expenditures for "Projected Overhead & Other Costs (Capital)." Exhibit A-24, Schedule N3, column X.

The Staff proposed a disallowance for any overhead spending that was not already approved in the January 23 order and for which the Staff had not already recommended a disallowance. 5 Tr 5060-5061; Exhibits S-12.9 and S-12.10. The Staff stated that, in response to audit and discovery requests, the company failed to provide specific information about the purpose of each cost or how it was calculated, and failed to provide evidence such as a contract, receipt, or cost breakdown. Thus, the Staff concluded that the costs are arbitrary and unjustified. 5 Tr 5061-5062. The Staff stated that:

> [t]o avoid overlap between this recommendation and Staff's Level 2 and 3 cost estimate recommendation, only projects with a Cost Estimate Level of Actual, projects with a Cost Estimate Level of Level 3 whose "Projected Capital Overhead and Other Costs (Capital)" are greater than 10%, and projects with a Cost Estimate Level of Level 2 whose "Projected Capital Overhead and Other Costs (Capital)" are greater than 20% are included. Projects in which Staff has an alternate recommended disallowance are also not included.

5 Tr 5060. Thus, included among the projects addressed by the Staff's proposal are the three remaining Level 2 projects. 5 Tr 5052. The Staff's proposal results in a disallowance of $0.731 million for 2023, $0.284 million for the 2024 bridge year, $2.947 million for the 2025 bridge year, and $11.54 million for the test year. 5 Tr 5060.

DTE Electric countered that overhead costs are recurring indirect costs that are allocated to all capital projects via the use of an overhead rate calculated based on the total of overhead expenses, and argued that there is no specific overhead cost item that can be traced back to each investment in the form of a receipt or contract. 4 Tr 2499-2501. The company stated that the USoA Electric Plant Instruction item 4 requires DTE Electric to include the capitalization of overhead costs and the Commission has consistently approved the inclusion of these costs. 4 Tr 2500-2501.

The ALJ recommended adoption of the Staff's proposed disallowances, finding that DTE Electric failed to demonstrate the reasonableness and prudence of these costs. PFD, pp. 314-315. The ALJ found that "[n]ot only has DTE not provided its method for applying these costs to future projects, it does not provide sufficient detail on how it calculated the requested costs for existing projects. And there is no evidence in the record to support DTE's claim that the Commission previously approved overhead costs such as those requested here." *Id.*, p. 314.

In exceptions, DTE Electric argues that overhead costs cannot be traced to a specific asset and thus specific cost information for individual IT projects will not be available. DTE Electric's exceptions, p. 115. The company states that overhead costs:

> include costs, for example, such as AFUDC, banking and financing fees, mileage and commuting fees, miscellaneous materials from inventory, dues and assessments, utilities, investment recovery from scrap sales, lease and rent expense, meal allowances, office supplies, permits and licenses, postage, telecommunications, travel, and vehicles expenses. These are all necessary expenses to operate the Company and are not generated by particular projects.

Id. DTE Electric argues that the ALJ fails to address the company's points about the USoA. *Id*., p. 116 (citing 4 Tr 2500).

In reply, the Staff argues that DTE Electric "has not provided any evidence to show how projected overhead costs are determined or applied to projects. Staff's analysis shows they are randomly applied to select projects at different rates." Staff's replies to exceptions, p. 23.

With respect, the Commission disagrees with the ALJ and the Staff on this issue and approves DTE Electric's proposed spending for this cost category. The Commission recognizes that, for the most part, overhead costs cannot be traced to a specific asset and thus may not lend themselves to the production of the type of evidence sought by the Staff. 4 Tr 2500. For this reason, the Commission approves the requested historical, bridge period, and test year amounts for this cost category. However, while approving the Projected Overhead and Other Costs in this case, the Commission cautions that this approval is not a blank check going forward. Specifically, DTE Electric indicates that "[o]verhead costs are routinely allocated to all capital projects" and that these "types of costs are accumulated in total and then allocated to capital projects, generally by applying an overhead rate to construction charges such as direct labor or materials." 4 Tr 2499-2500. The Commission notes that the company's direct case on this topic in Exhibit A-24, Schedule N3, column X, does not fully illustrate the calculation method described at 4 Tr 2499-2500, leaving the Commission with little more than the company's stated approach to overhead costs and a list of cost categories (without additional detail) in the evidence. While acknowledging that overhead costs are at least to some degree less precise than many other cost categories, the Commission notes that this does not excuse the company from providing appropriate justification for these expenses, especially when they total more than $11.5 million in the test year, and

particularly when connected to IT projects where the company's overall level of investment is less clearly tied to specific objectives, metrics, and customer benefits.

K. Corporate Staff Group

The Corporate Staff Group provides a variety of administrative and general services to DTE Electric and to its affiliates, and the associated costs are shared between the electric utility and the affiliates. DTE Electric requested $321.2 million in capital expenditures for 2024 through the test year. 4 Tr 2449; Exhibit A-12, Schedule B5.8. Specific disputed cost items are addressed below.

1. Fleet Capital Expenditures

The Attorney General proposed a disallowance for this cost category which was later withdrawn. Attorney General's initial brief, pp. 69-70.

The Staff proposed a disallowance of $1.36 million in capital expenditures in the test year for EV fleet and maintenance on grounds that this emergent spending was unsupported. 5 Tr 5173; Exhibit A-12, Schedule B5.8.

Finding that DTE Electric did not address the Staff's proposal in rebuttal or in briefing, the ALJ recommended adoption of the Staff's proposed disallowance. PFD, p. 316.

No exceptions were filed on this issue.

Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, p. 316.

2. Facilities

a. Courtyard Project

The Attorney General and the Staff both proposed a disallowance of the capital expenditures of $2.3 million requested for this cost category and DTE Electric accepted the adjustment. DTE

Electric's initial brief, p. 121. Thus, the ALJ recommended that $2.3 million be removed from requested capital expenditures. PFD, p. 316.

No exceptions were filed on this issue.

Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, p. 316.

b. Walker Cisler Building Façade

The Attorney General argued that the cost of repairs to the Walker Crisler Building façade should not be treated as capital expenditures but should instead be added to O&M expense. 4 Tr 3471-3472. Thus, the Attorney General proposed a disallowance of capital expenditures of $1.0 million for the 2025 bridge year and $2.25 million for the test year, and an increase of test year O&M expense of $2.25 million. 4 Tr 3471-3472. DTE Electric accepted the proposed adjustments. DTE Electric's initial brief, p. 121. Thus, the ALJ recommended adoption of the Attorney General's proposed adjustments. PFD, p. 317.

No exceptions were filed on this issue.

Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, p. 317.

c. Trombly Service Center

The Attorney General argued that the costs associated with this renovation project ($5.25 million in the test year) are premature because the facility is slated for use in 2028-2029. 4 Tr 3473-3474. DTE Electric indicated that it did not oppose the proposal. DTE Electric's reply brief, p. 105. The ALJ recommended adoption of the Attorney General's proposed disallowance, finding the project to be premature. PFD, p. 318.

No exceptions were filed on this issue.

Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, p. 318.

d. Headquarters Plaza

DTE Electric requested capital expenditures of $4 million for the 2025 bridge year and $3.75 million for the test year ($7.8 million total) for renovations to the plaza at its headquarters building to optimize the open space and to renew plumbing. 4 Tr 2451; Exhibit A-12, Schedule B5.8.

The Attorney General argued that the company failed to provide evidence on the nature of the work and the necessity for the renovations. 4 Tr 3472; Exhibit AG-17. The Attorney General stated that discovery responses pointed to plumbing repairs, which does not appear to follow from the initial description regarding space optimization. 4 Tr 3472. DTE Electric countered that it would be soliciting bids in the fourth quarter of 2025, and that the pipes and plumbing underlying the plaza date from 1972. 4 Tr 2498-2499. The company stated that the "project design is nearly complete and it remedies existing structural problems." 4 Tr 2492.

The ALJ recommended adoption of the Attorney General's proposed disallowance, finding that DTE Electric failed to present sufficient evidence in support of this cost category. PFD, p. 320. The ALJ noted that DTE Electric may seek reasonable and prudent capital expenditures for the proposed project in a future rate case. *Id*.

In exceptions, DTE Electric argues that neither the Attorney General nor the ALJ explained what was lacking in the company's evidence. DTE Electric's exceptions, pp. 116-117. DTE Electric maintains that it presented uncontroverted and substantial evidence that it has begun the design work and has scheduled work for the fourth quarter of 2025. *Id*. (citing 4 Tr 2498-2499).

The company states that this project will update the pipes and plumbing which dates to 1972 and will renovate the first and second floors of the plaza space in 2025-2026.

In reply, the Attorney General points out that DTE Electric's "testimony makes clear it has not even solicited bids for this project yet, let alone received any bids." Attorney General's replies to exceptions, p. 35. The Attorney General contends that the company never actually explains what the problem is with the piping and plumbing. *Id*.

The Commission agrees with the Attorney General and the ALJ and finds that, in light of the size of this proposed investment, the company presented scant evidence of what the amounts would be spent on other than updating plumbing and optimizing space, and most of that was presented on rebuttal. 4 Tr 2451, 2498-2499. Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, p. 320. As with other disallowed capital expenditures, the company may be able to recover the costs involved in this project upon a showing that such capital expenditures were reasonably and prudently incurred.

3. Other Corporate Projects and Adjustments

DTE Electric requested capital expenditures of $4.39 million for the 2025 bridge year and $4.57 million for the test year for "Other Corporate" projects, which is meant to address emergent work. Exhibit A-12, Schedule B5.8.

The Attorney General proposed a disallowance of the full amounts based on the fact that, in discovery, DTE Electric indicated that it had not yet identified any specific projects for this category. 4 Tr 3474; Exhibit AG-17. The Attorney General argued that the Commission has consistently rejected the use of placeholders.

The ALJ recommended adoption of the Attorney General's proposed disallowance because no specific projects have been identified for the use of the funds. PFD, p. 321.

In exceptions, DTE Electric requests that the Commission approve these expenditures which are related to emergent work. DTE Electric's exceptions, p. 117.

In reply, the Attorney General notes that DTE Electric's exceptions simply request the funds. The Attorney General states that the company did not provide any rebuttal on this issue or address it in its initial brief. Attorney General's replies to exceptions, p. 36.

DTE Electric does not contend that any specific projects have been identified associated with the request. Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, p. 321.

Also, under this heading, the ALJ noted that the Staff proposed a disallowance to the "Other Miscellaneous" cost category of $0.7 million for the 2025 bridge year and $0.8 million for the test year for placeholder amounts or duplicative costs. 5 Tr 5176; Exhibit A-12, Schedule B5.8. Noting that DTE Electric did not offer rebuttal or address this issue in its briefing, the ALJ recommended adoption of the Staff's proposed disallowance. PFD, p. 321.

No exceptions were filed on this issue.

Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, p. 321.

L. Transportation Electrification Plan

DTE Electric described its TEP, which is intended to plan for and support customer EV adoption in the company's service area. 4 Tr 2613-2626; Exhibit A-29, Schedule S1. In its initial brief, the Staff proposed that DTE Electric include in its next TEP an analysis of how the One Big Beautiful Bill Act will impact EV adoption and load in the company's service territory going forward. Staff's initial brief, p. 119. DTE Electric agreed to this proposal on reply. DTE

Electric's reply brief, p. 197. The ALJ recommended adoption of the Staff's proposal. PFD, p. 323.

No exceptions were filed on this issue.

Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, p. 323.

1. Information Technology Capabilities

DTE Electric requested certain capital expenditures associated with TEP IT capabilities, which the Staff supported. 4 Tr 2642; 5 Tr 5208. The ALJ found that the issue was uncontested and recommended approval of the amounts. PFD, p. 324.

No exceptions were filed on this issue.

Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, p. 324.

2. Operations and Maintenance Expenses

The Commission approved DTE Electric's original Charging Forward program in the May 2, 2019 order in Case No. U-20162, which allows the company to develop EV charging infrastructure with the costs deferred to a regulatory asset. 4 Tr 2429. DTE Electric presented the amortization expense for the program, with the regulatory asset projected to have a balance of $68.7 million through December 2026. 4 Tr 2429, 2471. DTE Electric requested $1.5 million in O&M spending in the test year for education and outreach (E&O) activities associated with the TEP. 4 Tr 2643-2646. The company indicated that this maintains the level of spending approved in the prior two rate cases. 4 Tr 2643; Exhibit A-29, Schedule S1. In Case No. U-21634, DTE Electric proposed that all TEP E&O costs be treated as O&M beginning in 2025. 4 Tr 2645.

The Attorney General proposed a disallowance of $1.34 million in capital expenditures for program expansion in the test year, based on the fact that program expansion costs increased by only $1.0 million during 2023-2024. 4 Tr 3540. The Attorney General argued that the test year projections were speculative. DTE Electric countered that total spending is now reflected in O&M, whereas in the past (as in 2023-2024) it was spread throughout other categories of spending, including E&O and program administration, which were spread across O&M, regulatory asset treatment, and capital expenditures. DTE Electric's initial brief, p. 215.

The ALJ found that, with respect to TEP E&O O&M spending, "the amounts requested are not facially unreasonable, and the recommended disallowance should be rejected." PFD, p. 327; *see also*, *id*., p. 467.

In exceptions, the Attorney General argues that '"facially reasonable' . . . is not a proper standard to determine the reasonableness and prudence of a given cost." Attorney General's exceptions, p. 27. The Attorney General notes that the end of the federal tax credit is expected to result in a decrease to the number of EVs purchased and thus these amounts are not likely to be incurred. She contends that the ALJ provided no analysis of this argument. The Attorney General recommends disallowance of $1.34 million in TEP O&M expense. *Id*., p. 28.

In reply, DTE Electric contends that the Attorney General's arguments are based on speculation, and notes that its proposed O&M recovery amount shows only a $0.5 million increase over 2024 spending levels which were previously spread across O&M, capital expenditures, and regulatory asset treatment. DTE Electric's replies to exceptions, p. 63.

The Commission finds that the Attorney General failed to support her proposed $1.34 million disallowance on the record, and notes that her exceptions contain no references to testimony or exhibits in support of this proposed disallowance. Attorney General's exceptions, pp. 27-28. The

testimony at 4 Tr 3540 does not appear to tie directly to the proposed TEP E&O O&M expense amounts and does not address the company's assertions that its proposal is in synch with the decisions in the prior two rate cases and that it seeks to address all of these amounts as O&M. The Commission adopts the findings and recommendations of the ALJ, and notes that this issue is also addressed in the discussion of Regulated Marketing Expense, below. *See*, PFD, p. 467; DTE Electric's exceptions, pp. 156-157.

3. Miscellaneous Program Design Issues

On pages 328-334 of the PFD, the ALJ provided a detailed outline of MEIU's proposals for modifications to the TEP. *See*, 5 Tr 3955-3987. The ALJ concluded as follows:

> This PFD rejects MEIU's recommendations for this proceeding. However, the Commission notes that all parties should actively participate in the processes to generate DTE's 2026 TEP. This PFD also cautions parties that extensive litigation regarding programmatic issues regarding DTE's TEP, as opposed to investments in or expenses for that program, should not be included in a rate case, where limited resources are available and time limits are strict. DTE regularly files TEPs in another proceeding, Case No. U-21492, and recommended modifications to the TEP can be addressed there.

PFD, p. 335.

In exceptions, MEIU argues that the ALJ's recommendation to remove these issues from rate cases is in error. MEIU's exceptions, p. 3. MEIU contends that DTE Electric's requests for cost recovery for the TEP E&O pilot cannot be separated from the programmatic and design issues that MEIU presents because the company is seeking to increase its current rates and charges for the E&O program, and is seeking to alter or amend the current program. MEIU argues that MCL 460.6a(1) provides that the parties to a rate case are entitled to address these issues. MEIU further contends that:

> [p]rohibiting parties from addressing "programmatic" issues in rate cases defeats the purpose and ultimately the justification of approving "just and reasonable" E&O investments and expenses for DTE. Separating the review and

> reasonableness of the E&O program itself (i.e., the "programmatic issues") at a time when the utility is requesting rate relief also deprives the ratepayer of its due process rights in an otherwise contested case proceeding. To the extent that the Commission finds that electric rate cases are not the venue for stakeholder recommendations for programmatic changes to a TEP, then it follows that the utility itself cannot request any changes to its filed TEP in a general rate case.

MEIU's exceptions, p. 4. MEIU notes that in the January 23 order, p. 316, the Commission found that amendment of the TEP should take place in Case No. U-21538 but that cost recovery associated with the TEP must take place in a rate case. MEIU observes Case No. U-21492 (referenced by the ALJ, above) is a TEP filing requirements docket, and MEIU assumes that the ALJ intended to refer to Case No. U-21538. MEIU argues that Case No. U-21538 is an informational docket and is neither a contested case nor even a comment docket, which "merely contains the Company's annual TEP status reports." MEIU's exceptions, p. 4. MEIU posits that the transfer of these design issues to that docket deprives parties of their due process right to contest issues in rate cases.

In reply, DTE Electric argues that if MEIU's E&O-related recommendations are submitted for consideration by interested parties, then they can be studied as part of the engagement process leading up to the 2026 TEP submission. DTE Electric's replies to exceptions, p. 64 (citing 4 Tr 2666-2667).

The Commission agrees with the ALJ and finds that, as stated in the January 23 order, "Case No. U-21538 is the appropriate forum to analyze and amend DTE Electric's TEP; however, cost recovery associated with the projects and programs in the TEP must continue to occur in a general rate case." January 23 order, p. 316. The ALJ is correct in finding that the rate case process is unable to accommodate the additional TEP design and programmatic issues that are appropriate for Case No. U-21538. The Commission will analyze requests for cost recovery on the record

presented in the rate case, but declines to adopt changes to the currently-approved TEP in a rate case. *See*, PFD, p. 335.

4. Rebate Program Extension and Subprogram Funding Reallocation

DTE Electric requested authorization to treat up to $128.3 million as a regulatory asset in support of its TEP rebate programs for 2025-2028, which, the company argues, accords with the January 23 order. 4 Tr 2619, 2627-2630. DTE Electric requested authorization to record rebates as a regulatory asset beyond the test year but not beyond the end of the current TEP, which is 2028. 4 Tr 2627. DTE Electric notes that, in the January 23 order:

> the Commission approved the Company's proposed TEP, with the following adjustments:
>
> - Reallocate any unused funding from the Business Charger Rebate program to Non-DAC [disadvantaged community]/Rural On-Route Charger Rebates (January 2025 Order; page 326)
>
> - Offer rebates for Public L2 [Level 2] Chargers (January 2025 Order; page 327); while the January 2025 Order specifically identified "workplaces and shopping areas" as qualifying for such a rebate, the Company has interpreted the Commission's order to apply to all Public L2 Chargers since MEIU's proposal (which the Commission adopted) more broadly referred to "public Level 2 chargers."

4 Tr 2619-2620. DTE Electric states that the Commission did not authorize incremental funding for carrying out the direction to offer rebates for public Level 2 chargers, thus the company reallocated $4.39 million from the legacy business charger rebate program to the public L2 charger rebate program. 4 Tr 2634-2635. The company plans to issue roughly 290 rebates over the 2025-2028 timeframe. 4 Tr 2634. DTE Electric argued that the Commission authorized a total level of regulatory asset treatment but did not authorize specific rebate program funding levels, thus allowing the company the flexibility to reallocate funding between programs "as needed to accommodate prevailing adoption trends." 4 Tr 2634.

The Staff did not oppose the specific proposal to reallocate the $4.39 million to the public L2 charger rebate program, but did oppose the concept of authorizing the unrestricted reallocation of funds between programs, arguing that this could undermine the benefits to ratepayers and the program goals. 5 Tr 5247-5248. The Staff supported the proposed regulatory asset treatment through 2028 and the rebate targets, but opposed unilateral reallocation of funds between programs without any oversight. 5 Tr 4987, 5206-5207.

MEIU also supported the proposed shift of funds to the public L2 charger program in the instant case, but opposed the concept of unilateral reallocations. 5 Tr 3987-3990; Exhibit MEIU-1.11. MEIU suggested that reallocations could be achieved through an *ex parte* request to the Commission or the Commission could adopt and implement a reallocation process. 5 Tr 3989-3991. MNSC supported MEIU's position. MNSC's initial brief, pp. 181-182.

DTE Electric countered that it needs the ability to respond quickly to market trends and recommended that the Commission direct the Staff to "establish guidelines that would allow the Company to shift funding between programs based on prevailing market trends . . . in consultation with other interested [persons]." 4 Tr 2662.

The ALJ found that extending regulatory asset treatment until 2028 was unopposed and she recommended approval of the extension. PFD, p. 342. The ALJ also recommended approval of the shift of $4.39 million from the business charger rebate program to the public L2 charger rebate program to comply with the Commission's directives in the January 23 order. *Id*. The ALJ noted that this specific reallocation has the support of the parties and is under review in the instant case. With respect to unilateral reallocations, the ALJ found that:

> [p]ermitting DTE to shift funds subject to guidelines is not without precedent, and it is an idea that, conceptually, has merit. Nevertheless, neither DTE nor MEIU provide concrete examples of what guardrails might be imposed on the concept, leaving it to Staff to develop and provide guidance. If such guidance can be

> generated to be useful by the end of 2026, DTE may request permission to reallocate funds subject to guardrails it proposes in its next TEP or rate case filing.
>
> This PFD therefore recommends against permitting reallocation without a more comprehensive proposal from DTE for what standards would be employed regarding fund reallocation, and how the Company would report such fund reallocation to permit Commission oversight.

PFD, pp. 342-343.

In exceptions, DTE Electric states that it "respectfully requests that Staff be responsible for providing any guidelines and reporting requirements on the Company's ability to shift funding between programs." DTE Electric's exceptions, p. 118. The company states that it will work with the Staff and suggests that other interested persons should also be consulted, as appropriate.

The Commission agrees with the Staff, the company, MNSC, MEIU, and the ALJ, and finds that regulatory asset treatment should be extended until 2028; and that the shift of $4.39 million from the business charger rebate program to the public L2 charger rebate program (to comply with the Commission's directives in the January 23 order) should be approved. PFD, pp. 342-343. The Commission also agrees that unilateral funding reallocations performed between rate cases are not advisable and finds that, to the extent that DTE Electric continues to advocate for this authority, such authority should be denied. As the Commission observed above, TEP filing requirements, process issues, and design issues will be dealt with in separate proceedings, and cost recovery will be addressed in rate cases. *See*, January 23 order, p. 316; and January 23, 2025 order in Case No. U-21492, pp. 2-4, 8, and 29. Thus, the Commission declines to rule on the issue of who should propose guardrails with respect to future cost shifting between rebate programs, but instead urges interested parties to address these issues in the appropriate docket.

5. Contributions in Aid of Construction for Residential Infrastructure

In the January 23 order, the Commission stated that it:

> finds persuasive the Staff's recommendation to implement a one-time CIAC waiver for new residential customer load, which would also include new installation of EV charging equipment that complies with specific voltage requirements. . . . [T]he Commission directs DTE Electric to propose in its next general rate case, in consultation with the Staff and other interested parties, tariff language to modify its current Tariff C-27.00 to include a limited CIAC waiver, using Consumers' Tariff D-14.00 as guidance.

January 23 order, p. 344. In the instant case, DTE Electric proposed tariff language consistent with the Commission's directives. 4 Tr 1750-1751; Exhibit A-16, Schedule F8. The waiver contains wattage limitations of 9.6 kW demand at the meter or 10 kW total connected load. *Id*.

MNSC supported the CIAC waiver but expressed concern that EV owners may not be aware of the need to stay within the wattage limitations. 5 Tr 4793-4795. DTE Electric countered that it is not charging residential customer CIAC if the customer exceeds the wattage limitation and does not intend to do so. 4 Tr 2672-2674. Thus, the company argued, it should not be required to educate customers about a charge that will not be levied. 4 Tr 2674. In its brief, MNSC proposed that DTE Electric be directed to report in its next rate case whether any fees have been assessed for exceeding the wattage thresholds and how often they were assessed. MNSC's initial brief, pp. 188-189. DTE Electric agreed to provide this information. DTE Electric's reply brief, p. 197.

Finding MNSC's proposal to be unopposed, the ALJ "recommends that DTE be directed to report if it starts charging CIAC if a residential customer exceeds 9.6 kW of charging demand, or 10 kW of total connected load, and report how much and how often fees are being assessed." PFD, p. 345.

No exceptions were filed on this issue.

Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. *See*, *id*.

6. Benefit Cost Analysis of the Transportation Electrification Plan

In the January 23 order, the Commission approved DTE Electric's proposed TEP BCA, while noting that an open-source BCA tool is currently being developed in a collaborative that grew out of Case No. U-20898. January 23 order, pp. 354-356. DTE Electric indicated that it is participating in the collaborative and intends to use the new BCA tool once it becomes available, and did not otherwise update its TEP BCA since Case No. U-21534. 4 Tr 2622.

NRDC/SC expressed concern with two aspects of the TEP BCA: the 5-year rebate amortization period and the lack of analysis of societal benefits. 5 Tr 4796-4798, 4817. NRDC/SC proposed extending the rebate amortization schedule to 10 years to better match the useful life of charging infrastructure, and also proposed adding societal benefits as monetary benefits; as well as recommending the use of the new tool once it becomes available. 5 Tr 4796-4798, 4817. On rebuttal, the Staff also supported use of the new BCA tool once it becomes available, which is anticipated to occur in 2026. 5 Tr 5211. The Staff indicated that it could not take a position on the societal benefit proposal as NRDC/SC failed to provide a sample calculation showing how societal benefits could be considered. 5 Tr 5212.

DTE Electric indicated agreement with the 10-year amortization period. 4 Tr 2662-2663; DTE Electric's initial brief, p. 212.

The ALJ recommended approval of the existing TEP BCA, finding that:

> Staff's point, that no calculation has been provided for consideration to determine how societal benefits could be tallied as part of the BCA, is well taken. This PFD further recommends that DTE use the BCA collaborative tool in the rate case following when the tool becomes available, which DTE already anticipates doing. This PFD is not recommending its required usage in relation to the 2026 TEP because it seems unlikely that the tool will be available in time, although DTE should be encouraged to use it if it is.

PFD, p. 347.

In exceptions, DTE Electric requests that the Commission clarify that the company intends to use the new BCA tool in its next TEP (not in its next rate case), once the tool is available. DTE Electric's exceptions, p. 119.

Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ and clarifies that DTE Electric plans to use the new BCA collaborative tool, as applicable, in its next TEP when the tool becomes available. PFD, p. 347.

7. Smart Charge Pilot

DTE Electric presented the history of its Smart Charge pilot (also known as EV DR) that was launched in 2019 and which automatically initiates EV charging during off-peak rate times and tracks whether managed charging results in changes to the EV charging times already scheduled by customers. 3 Tr 1358. The company stated that it intends to continue Smart Charge as a pilot program while it continues to analyze value streams associated with the pilot. 3 Tr 1359.

NRDC/SC presented evidence showing that the pilot incentivizes EV charging during off-peak hours and has produced gross margin revenue of $332,000 for the company. 5 Tr 4806; *see*, 5 Tr 4798-4808. NRDC/SC argued that the Smart Charge pilot provides substantial benefits to the grid with minimal incremental capacity costs and should be made a permanent program with enrollment brought to scale. 5 Tr 4808-4809, 4817.

DTE Electric countered that it has extended the contracts associated with the Smart Charge pilot through 2026 so that the company could continue to analyze additional value streams, but it opposes conversion to a permanent program at this time until more is understood about the value of the program in order to ensure that the costs do not outweigh the benefits. 3 Tr 1389-1391. DTE Electric stated that if the program is made permanent on the instant record, the Commission should approve $4.4 million in additional annual O&M costs to support the program in the test

year. 3 Tr 1391-1392; Exhibit CUB-23. However, DTE Electric indicated that it would still like to have time to quantify "how managed charging can affect the number and size of EV chargers that can be safely accommodated on residential transformers." 3 Tr 1391.

In briefing, NRDC/SC stated that the rebuttal provided by DTE Electric is based on data that is different from the data provided in discovery and the discrepancies were not reconciled by the company; and NRDC/SC also requested that, if the pilot does not become permanent, then, in the alternative, the Commission should require DTE Electric to provide further information in its next TEP. MNSC's initial brief, pp. 186-187. MNSC recommended that, in its next TEP, DTE Electric provide detailed information on Smart Charge's performance, costs, and enrollment, including an updated BCA using consistent data sets; a comparison of the costs and benefits of Smart Charge compared to unmanaged charging; and an evaluation of administrative cost trends at scale, including a BCA scaling Smart Charge to the pace of EV adoption. *Id*., p. 187.

The ALJ recommended that Smart Charge remain a pilot at this time. PFD, p. 352. The ALJ found that DTE Electric is still analyzing value streams associated with the pilot. However, the ALJ found NRDC/SC's request for additional information in the next TEP to be reasonable and recommended that:

> [i]nsofar as the information requested has been gathered . . . DTE should be required to provide information on Smart Charge's performance, costs, and enrollment [in its next TEP]. Additionally, this PFD takes to heart MNSC's assertions that DTE's rebuttal testimony relies on data not provided in discovery and that conflicts with the data that was provided. While MNSC should be mindful that it is not DTE's responsibility to read a requestor's mind when responding to discovery, DTE should also be mindful to comply with the spirit, as well as the letter, of discovery requests.

Id.

No exceptions were filed on this issue.

Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. *See*, *id*.

M. Accumulated Provision for Depreciation

The decisions in this order result in an accumulated provision for depreciation of $6,971,650,000.

N. Working Capital

DTE Electric projected a working capital amount of $1.375 billion. *See*, 3 Tr 1589; *see also*, Exhibit A-12, Schedule B1. The Attorney General recommended four adjustments. First, she proposed an increase of $4.7 million to interest payable, which the company accepted. *See*, 4 Tr 3478-3479; *see also*, DTE Electric's initial brief, p. 24.

Regarding the Attorney General's second adjustment, she noted that DTE Electric's projected test year balance of $2.4 million is $9.5 million lower than the actual historical 2023 balance. She stated that:

> [i]n discovery, the Attorney General asked the Company to explain why Taxes Payable would decrease when the rate relief requested in this rate case would increase taxable income. In its response, the Company stated that for calculation of Taxes Payable in this rate case, it forecasted a taxable loss for the 2026 test year, as calculated in Exhibit A-13, Schedule C8, and that this calculation ". . . does not reflect the rate relief being requested in this filing."

4 Tr 3480 (citing Exhibit A-22). In the Attorney General's opinion, it is unrealistic and an error for the company to assume a taxable loss and the absence of any new rate relief in this case. She asserted that a "conservative approach [to calculating the taxes payable balance] would be to use the actual Taxes Payable balance from the historical period. Accordingly, [she] recommend[ed] that the Commission utilize the historic balance of Taxes Payable of $11.9 million for the projected test year." 4 Tr 3480-3481.

DTE Electric disagreed with the Attorney General's proposed calculation and, instead, asserted that the company's projected test year balance of $2.4 million is more reasonable. The company explained that its "calculation of Taxes Payable starts with the historic balance and makes changes that are driven by detailed calculations of current income tax expense that utilize test-period data and assumptions, which is consistent with generally accepted accounting principles [(GAAP)]." 4 Tr 3154. The company cited Exhibit A-13, Schedules C8, C9, and C10 in support.

In response, the Attorney General cited Exhibit AG-76, wherein DTE Electric "admits that the Company did not include any amount of revenue from the current rate case to calculate Income Taxes Payable. This omission clearly understates the amount of Income Taxes Payable and directly and unnecessarily increases working capital." Attorney General's initial brief, pp. 137-138. She noted that the company attempts to justify its proposal by stating that taxes payable have been calculated this way in the past. However, the Attorney General asserted that "[p]rior practices, when not adequately justified, should not be continued." *Id*., p. 138.

DTE Electric argued that its method for calculating taxes payable conforms to GAAP and it is the same "method that was approved in the Company's prior rate cases, including the most recent rate case, Case No. U-21534." DTE Electric's reply brief, p. 10.

The ALJ found that "for purposes of this rate case, the Company's calculation, which it states is consistent with GAAP and prior rate case calculations, should be accepted. Should the Attorney General seek an adjustment to this item in a future rate case, she should provide more support regarding why the Company's approach is incorrect or unreasonable." PFD, pp. 354-355.

The Attorney General excepts, arguing that "[s]he disagrees with the ALJ's conclusion and argues that it is unclear where her testimony and briefing fell short of providing sufficient support

to demonstrate that DTE's approach is unreasonable." Attorney General's exceptions, p. 28. She reiterates that the company admits excluding any revenue from the current case in its calculation of taxes payable, which unnecessarily increases working capital. The Attorney General requests that the Commission adopt her approach for calculating taxes payable to ensure that a reasonable level of working capital is achieved for the projected test year.

The Commission finds the ALJ's recommendation to be reasonable and prudent and that it should be adopted. *See*, PFD, pp. 354-355. As noted by the ALJ, the company's proposed calculation of taxes payable is consistent with GAAP and was accepted and approved by the Commission in the January 23 order. The Commission finds that to depart from this decision, the Attorney General should provide more support demonstrating that it is unreasonable for DTE Electric to follow GAAP when calculating its taxes payable.

For the Attorney General's third recommendation, she proposed a reduction of $26.94 million for the MPP regulatory asset balance, which was adopted above.

Regarding the Attorney General's fourth proposal, an increase of $100 million to shift PTMM costs from capital expenditures to a regulatory asset, this recommendation was rejected, as discussed below.

O. Rate Base Summary

The decisions in this order result in a projected rate base of $23,047,490,000.

V. COST OF CAPITAL

A. Capital Structure

The capital structure used for ratemaking is composed of long-term debt, preferred stock, and common equity capital, along with short-term debt and other items such as deferred taxes that

reflect sources of financing available to the company. PFD, p. 356. Only long-term debt, preferred stock, and common equity capital are considered part of a utility's permanent capital. *Id*.

In this case, DTE Electric proposed a "projected permanent capital structure of 49.25% long-term debt and 50.75% common equity."[6] 4 Tr 2909, 2912-2913 (citing Exhibit A-14, Schedule D1). DTE Electric argued that an increase in the "capital structure was necessitated by the business and financial risks confronting DTE Electric[,]" particularly with the company's expanded capital investment plan to "finance and fund over $7.9 billion of electric capital expenditures for the period of January 2024 through December 2026 (see Exhibit A-12[,] Schedule B5)." 4 Tr 2910, 2913-2914. DTE Electric explained that "[t]he common equity balance and equity ratio projected for the test year in the instant case are intended to enable the Company to maintain strong credit ratings and withstand any financial market shocks, thereby ensuring a smooth implementation of its capital expenditure program." 4 Tr 2914. Moreover, DTE Electric argued that a "sound capital structure is in the best interests of the customers as it ensures the continued viability of the company and provides access to capital at lower rates." 4 Tr 2911. DTE Electric asserted that its request to increase the company's current common equity ratio from 50% to 50.75% was reasonable and below the average ratio for DTE Electric peers, which was around 52%. 4 Tr 2913 (citing Exhibit A-14, Schedule D1.1).

The Staff objected to DTE Electric's proposed capital structure, arguing that an increase to the equity ratio is more costly to ratepayers (costing more than three times the cost of debt), which "may be appropriate in some scenarios, [but] it is not appropriate at this time." 5 Tr 4935. The Staff asserted that DTE Electric's "credit metrics are strong, they have issued more Long-Term

[6] Per DTE Electric, the company does not have any preferred stock. 4 Tr 2910.

Debt than forecasted in their initial filing, and the Commission has previously espoused a clear preference for the Company to operate at a balanced equity ratio." 5 Tr 4935 (citing the April 18, 2018 order in Case No. U-18255; May 2, 2019 order in Case No. U-20162). Thus, the Staff recommended a 50% equity ratio for this case. 5 Tr 4937.

The Attorney General also objected to DTE Electric's proposed capital structure, arguing that the "capital structure in this rate case should similarly mirror the common equity ratio of 50%[,]" which the company proposed and the Commission approved in its last two filings. 4 Tr 3483 (citing the January 23 order; December 1 order). In this case, however, the Attorney General noted that DTE Electric "proposed a 50.75% common equity ratio even though the Company's financial circumstances and risk profile are generally unchanged." 4 Tr 3483. Moreover, the Attorney General asserted that:

> [a] continuation of a 50% common equity ratio in this case is supported by several factors, which include (1) the Commission's consistent directive in recent electric and gas rate cases of Consumers Energy Company, which stated that a 50/50 capital structure is desirable and appropriate to ensure reduced costs to customers and maintain the Company's strong financial position; (2) The Company's strong cash flow to debt coverage ratio and credit ratings; (3) the Company's common equity capital contributions by the parent company; (4) the favorable regulatory environment in Michigan supported by historical returns on common equity above industry averages and in the top tier of the Company's peer group; and (5) the fact that the common equity ratio of the peer group, used to assess the cost of common equity in this case, is approximately 42.5%.

4 Tr 3483-3484 (citing Exhibit AG-26, which shows the equity ratio for each peer company and the peer group average ratio of 42.5%). The Attorney General argued that DTE Electric: (1) did not present much evidence to support a need to increase the equity ratio from 50% to 50.75%; (2) did not provide any evidence to support the company having issues with "raising debt capital through the financial market or equity through its parent company[;]" and (3) relied upon a peer group for the 52% equity ratio calculation that appeared to capture a "single point in time at the

end of 2023[,]" not multiple quarter-ended balances, and included "several small size utilities that are not comparable to the Company."[7] 4 Tr 3485-3487.

ABATE also objected to DTE Electric's proposed capital structure, arguing that "DTE Electric's proposed equity ratio of 50.75% is relatively higher than the equity ratio for the proxy group [ABATE] used to estimate the cost of equity for DTE Electric." 4 Tr 3295. Specifically, ABATE asserted that Exhibit AB-11, which showed the proxy group with an average common equity ratio of 39.6% with short-term debt and 43.7% without short-term debt, demonstrated that the company has less financial risk compared to the proxy group. 4 Tr 3295. Therefore, ABATE recommended that the Commission continue authorizing DTE Electric to its longstanding equity ratio of 50.0%. 4 Tr 3296.

CUB also disagreed with DTE Electric's argument and asserted that its analysis of the interest cover ratio (as shown in Exhibit CUB-9) [8] reaffirmed that the 50/50 debt to equity ratio is appropriate for DTE Electric. 5 Tr 4741-4743. Based on its analysis of the interest coverage ratio, CUB asserted that DTE Electric could "lower the equity share in its capital structure without materially increasing financial risk" and still maintain the company's current credit ratings by the rating agencies Moody's, Fitch, and S&P. 5 Tr 4742.

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[7] The Attorney General explained that "[s]maller utilities tend to have higher equity ratios to sustain them during potential volatility in their business, which larger utilities like DTE Electric can better manage." 4 Tr 3487.

[8] According to CUB, the interest coverage ratio "measures a company's ability to pay its interest obligations and is one of the most important factors used by bond rating agencies to determine the creditworthiness of a company's debt." 5 Tr 4741. CUB provided that Exhibit CUB-9 reflects its calculation of DTE Electric's coverage ratio. 5 Tr 4741.

The ALJ agreed with the Staff, the Attorney General, ABATE, and CUB that DTE Electric did not present a "persuasive case for increasing the equity amount in the Company's capital structure." PFD, p. 362. Moreover, the ALJ agreed that:

> the Commission has recently determined[, for ratemaking purposes,] that a balanced capital structure is reasonable and appropriate for both DTE and Consumers. Second, DTE's significant capital investment program is not new, and the Company has had no difficulty in raising debt capital at favorable rates with a balanced capital structure. Moreover, as [the Attorney General] touched on in [her] testimony, the actual capital structure for DTE Electric, to some degree, is determined by its parent company, which may elect to infuse equity capital at any time.

Id. Therefore, the ALJ recommended that the Commission adopt a capital structure of 50% debt and 50% equity. PFD, p. 370.

In exceptions, DTE Electric disagrees with the ALJ's "retrospective rationale that the Company's capital investment plans are not new and that 'the Company has had no difficulty in raising debt capital at favorable rates with a balanced capital structure.'" DTE Electric's exceptions, p. 122 (quoting the PFD, p. 362). The company argues that a utility structure is not static and should "adjust when circumstances change. This case is not the first one in which the Company has seen 'evolving circumstances' that justify an adjustment to the capital structure target; it is simply the first case in which the Company has determined to pursue that adjustment."

DTE exceptions, p. 122 (emphasis in original).[9] DTE Electric asserts that the "magnitude of the capital expenditures that the Company needs to make in the coming years[] combined with the interest in maintaining a ratemaking capital structure consistent with its actual capital structure, [makes] a capital structure of 49.25% debt and 50.75% equity [] reasonable and appropriate and should be approved." DTE exceptions, pp. 122-123. Moreover, DTE Electric argues that the ALJ did not address that regulatory risk affects "not only the Company's credit ratings but also the required return expected by equity investors. The Company's investment grade credit ratings and its current cash flow metrics indicate that the Company is financially stable. However, credit ratings are not a complete measure of the risk of a company's equity." *Id*., p. 123. DTE Electric also argues that the ALJ's reliance on the Attorney General's testimony regarding the company's parent company does not fully account for the company's argument that "comparisons to the holding company level are not the correct measure of an appropriate capital structure for a regulated electric utility." *Id*., p. 124 (citing PFD, p. 362). Therefore, DTE Electric argues that

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[9] In support of its argument, DTE Electric points to:

> the Commission's most recent discussion of capital structure [] in the Consumers' Energy Order issued March 21, 2025, in Case No. U21585. In that Order, the Commission stated that "there is some degree of flexibility" to its evaluation of capital structure. (Case No. U-21585 Order dated March 21, 2025, p 232). The Commission also agreed with the ALJ in that proceeding that "'the aspirational goals expressed in previous Commission orders are not permanently binding and that any target for the Company's capital structure should change if evolving circumstances indicate that the target is no longer a sound policy.'" (Case No. U-21585 Order dated March 21, 2025, p 232). Similarly, in the Company's 2023 electric rate case, Case No. U-21297, the Commission stated that "the appropriate capital structure is not static and should reflect market conditions and opportunities." (Case No. U-21297 Order dated December 1, 2023, p 177).

DTE Electric's exceptions, p. 122.

the Commission should reject the ALJ's recommendation on this issue and approve the company's proposed capital structure of 50.75% equity and 49.25% debt. DTE Electric's exceptions, p. 124.

In replies, the Attorney General recommends that the Commission reject DTE Electric's request for a capital structure of 49.25% debt and 50.75% equity, asserting that the company's desire to "maintain 'a ratemaking capital structure consistent with its actual capital structure' is a fabrication, as DTE Electric's capital structure is determined by its parent." Attorney General's replies to exceptions, p. 39 (quoting DTE Electric's exceptions, pp. 122-123). The Attorney General also argues that the company:

> has been pushing its desired ballooning capital outlay for at least a decade now, so there is no significant change in circumstances here that could possibly warrant an adjustment. DTE's statement regarding the "magnitude of the capital expenditures that the Company needs to make in the coming years . . ." is misleading, as the correct framing is the 'magnitude of the capital expenditures that the Company wants to make in the coming years . . . .' DTE's own exceptions admit that it has had no difficulty raising debt capital at favorable rates and that the Company has strong credit ratings and a stable outlook from ratings agencies – all established while at a Commission-approved 50/50 capital structure.

Attorney General's replies to exceptions, pp. 39-40 (emphasis in original) (quoting DTE Electric's exceptions, p. 122). Moreover, the Attorney General reiterates that DTE Electric has not presented a persuasive argument for increasing the equity amount in its capital structure, its significant capital investment program is not new, it has had no difficulty in raising debt capital at favorable rates with a balanced capital structure, and the actual capital structure for the company is determined by its parent company (which may elect to infuse equity capital at any time). Attorney General's replies to exceptions, p. 40. As such, the Attorney General argues that DTE Electric has "failed to establish that a change in the debt/equity ratio is warranted and the Commission should adopt the ALJ's recommendation." *Id*., pp. 40-41.

MNSC also replies to DTE Electric's exceptions, arguing that the company "demonstrated insufficient reason to deviate from a balance capital structure." MNSC's replies to exceptions, p. 17. MNSC asserts that the ALJ's recommendation "is fully supported and appropriate, [and] DTE's recommendation to increase the equity portion of capital structure is unsupported and inappropriate[; therefore,] the Commission should adopt the ALJ's recommendation." *Id*., p. 16.

Having reviewed the record and the parties' arguments on the issue, the Commission finds the ALJ's recommendation to maintain a balanced capital structure comprised of 50% debt and 50% equity to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 362.

B. Cost Rates

1. Long-Term Debt Cost Rate

In this case, DTE Electric forecasted 4.24% for the cost of the company's long-term debt. 4 Tr 2910. DTE Electric explained that the purpose of Exhibit A-14, Schedule D2, was to calculate the company's projected weighted average long-term debt cost as of December 31, 2026, starting from the actual 2023 debt balance and incorporating any known and measurable changes through 2026. 4 Tr 2915-2916. According to DTE Electric, these known and measurable changes included planned 30-year fixed rate bond issuances in 2025 and 2026 (based on projected 30-year U.S. Treasury rates with an added 119-basis point spread), which resulted in the weighted average long-term debt cost projection as of December 31, 2026 at the forecasted 4.24%. 4 Tr 2916.

The Staff forecasted 4.27% for the cost of the company's long-term debt. 5 Tr 4939. The Staff explained that the difference between its long-term debt rate recommendation and DTE Electric's long-term debt rate recommendation stemmed from updates made during the audit

process and revised interest rate projections for the 2026 bond issuance. 5 Tr 4939. Specifically, the Staff explained that it incorporated updated figures from DTE Electric's May 2025 issuance (which raised the company's projected long-term debt rate from 4.24% to 4.29%) and then adjusted the March 2026 issuance rate to 5.44% based on a 4.40% U.S. Treasury rate and an added 104-basis point spread "derived from an averaging of the Company's last year of spread quotes from Scotiabank. This adjustment revised the previously stated 4.29% estimate to a 4.27% as Staff's final figure." 5 Tr 4939-4940; *see*, Exhibit S-4, Schedule D2.

The Attorney General adopted DTE Electric's long-term debt rate of 4.24%. 4 Tr 3492. ABATE did not take issue with DTE Electric's forecasted long-term debt rate. 4 Tr 3296.

In rebuttal, DTE Electric disagreed with the Staff's recommended long-term debt rate of 4.27%, maintaining that the company's projected 2026 issuance rate of 5.78% was proper. 4 Tr 2928. In using the projected 5.78% projected 2026 issuance rate, DTE Electric updated its estimated weighted average long-term debt cost for 2026 to 4.29%. 4 Tr 2928; *see*, Exhibit A-45, Schedule KK1.

In her reply, the Attorney General acknowledged and adopted DTE Electric's updated long-term debt cost rate of 4.29%. Attorney General's reply brief, p. 39.

The ALJ agreed with the Staff's proposed long-term debt cost rate of 4.27%, finding that this rate "benefit[ted] from updated information and projections, and . . . utilize[d] a spread derived from the average of the Company's last year of spread quotes from Scotiabank." PFD, p. 364. Therefore, the ALJ recommended that the Commission adopt a long-term debt cost rate of 4.27%. *Id*., p. 370.

In exceptions, DTE Electric disagrees with the ALJ's recommendation, arguing that:

> [t]he Company's recommended long-term debt cost rate of 4.29% was based on an issuance rate of 5.78% for 2026 based on an average projected 30-year [U.S.]

> Treasury rate of 4.59% plus a 119[-basis point] spread, which applied to actual 2025 issuances results in 4.29%. This accounts for updated weighted average long-term debt cost as of December 31, 2026, as presented in [the] Company['s] . . . testimony. Further, as the [ALJ] notes, the [Attorney General] accepted both DTE Electric's initially recommended 4.24% rate and the updated 4.29% rate.
>
> Based on the foregoing, the Commission should reject the [ALJ]'s recommended long-term debt cost rate of 4.27% and adopt DTE Electric's recommended long-term debt cost rate of 4.29%.

DTE Electric's exceptions, p. 125.

No replies to exceptions were filed on this issue.

Having reviewed the record and the parties' arguments on the issue, the Commission finds the ALJ's recommendation to adopt the Staff's proposed long-term debt cost rate of 4.27% well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 364.

2. Short-Term Debt Cost Rate

In this case, DTE Electric forecasted 4.75% for the cost of the company's short-term debt. 4 Tr 2910. DTE Electric explained that the "total cost of short-term debt is comprised of the interest rate on the short-term debt plus associated facility fees." 4 Tr 2918. For the interest rate on the short-term debt rate, DTE Electric explained that the interest rate on the short-term debt was determined by adding a 20-basis point spread to the 1-month short-term index (which as of January 2025 was 4.31%),[10] resulting in a rate of 4.51%. For the associated facility fee, DTE Electric explained that the "cost of the facility fees for the 12-month period ending December 31, 2026, is $1.3 million[,] . . . [which] divided by the average outstanding short-term debt balance of

[10] DTE Electric explained that it used the short-term debt index and short-term debt rate in effect as of January 2025 due to the uncertainty of interest rates and Federal Fund rate changes. 4 Tr 2917.

$563 million [] equates to 0.24% of the cost of short-term debt." 4 Tr 2918. DTE Electric contended that "[a]dding the interest rate on short-term debt of 4.51% to the facility fee cost of 0.24%, results in the total cost of short-term debt of 4.75%." 4 Tr 2918.

The Staff forecasted 3.85% for the cost of the company's short-term debt. 5 Tr 4939. The Staff explained that the difference between its short-term debt rate recommendation and DTE Electric's short-term debt rate recommendation stemmed from differing 2026 short-term overnight financing rate (SOFR) projections. 5 Tr 4940. The Staff explained that DTE Electric used a projected SOFR of 4.31% plus a 20-basis point spread and 24-basis points in credit fees for a total of 4.75% and the Staff used a lower projected SOFR of 3.41% from S&P Global for 2026, which resulted in a total cost of 3.85% using the same spread and fees. 5 Tr 4940 (citing Exhibit A-14, Schedule D3; Exhibit S-4, Schedule D-3).

The Attorney General proposed a short-term debt rate of 3.91%. 4 Tr 3493. The Attorney General explained that the lower 3.91% short-term debt rate was based on a revised forecast provided by DTE Electric in response to a discovery request, which cited a projected decline in the Federal Funds rate for 2026. 4 Tr 3493. The Attorney General opined that this lower revised rate was expected to reduce the company's forecasted interest costs by $4.8 million on $563 million of short-term debt for the projected test year. 4 Tr 3493.

In rebuttal, DTE Electric disagreed with the Staff and the Attorney General, arguing that they were based on "overly-optimistic forecasts regarding the proximity of Fed[eral Reserve] rate cuts[.]" 4 Tr 2928. The company asserted that it believed the current short-term cost of debt would be a more appropriate metric than the market's forecast rate. 4 Tr 2928. As such, DTE Electric argued that because of the "continued market volatility and unknown timing of Fed[eral Reserve] rate cuts, . . . it is reasonable and prudent to use the current and known short-term cost of

debt rate of 4.69%, which is calculated using DTE Electric's actual borrowing rate in 2025 of 4.45% plus 0.24% for the cost of credit facility." 4 Tr 2928.

The ALJ agreed with the Staff's proposed short-term debt cost rate of 3.85% and its use of a projected SOFR of 3.41%. PFD, pp. 366, 370. The ALJ recommended utilizing a projected SOFR in calculating the short-term debt cost rate "as a better practice for estimating rates in the test year than the Company's decision to simply use the rate currently in effect." *Id*., p. 366.

DTE Electric excepted to the ALJ's recommendation, arguing that the continued market volatility and unknown timing of Federal Reserve rate cuts makes it "reasonable and prudent to use the current and known short-term cost of debt rate, which [the company] updated to 4.69%[.]" DTE Electric's exceptions, pp. 125-126. As a result, the company asserts that the Commission should reject the ALJ's recommended 3.85% short-term debt cost rate and adopt DTE Electric's recommended short-term debt cost rate of 4.69%. *Id*., p. 126.

In replies, the Staff disagrees with DTE Electric's argument and contends that the ALJ "correctly agreed with Staff that the Company's proposal to use current market rate is not as good of practice as using a projected rate." Staff's replies to exceptions, p. 46 (citing PFD, p. 366).

In her replies, the Attorney General maintains that the Commission should reject DTE Electric's recommended short-term debt cost rate of 4.69%, asserting that the company's recommendation is significantly higher than the calculation by other parties. Attorney General's replies to exceptions, p. 41. The Attorney General asserts that the Commission should adopt the ALJ's recommended short-term debt cost rate of 3.85% (which the Staff fully supported), or in the alternative, requests that the Commission set a short-term debt cost rate at no more than 3.91%. *Id*.

Having reviewed the record and the parties' arguments on the issue, the Commission finds the ALJ's recommendation to adopt the Staff's proposed short-term debt cost rate of 3.85% well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 366.

3. Return on Common Equity

DTE Electric analyzed three commonly used market-based financial models, the company's risk profile, and the current capital market, and concluded that a range of "9.90 percent to 11.60 percent reflect[ed] investors' required return for an equity investment in DTE Electric. Within that range, [the company] recommend[ed a midpoint range] ROE of 10.75 percent[.]" 4 Tr 2943. DTE Electric explained that the three commonly used market-based financial models are: (1) the constant growth and quarterly growth forms of the Discounted Cash Flow (DCF), (2) the traditional and empirical forms of the Capital Asset Pricing Model (CAPM), and (3) the Bond Yield Plus Risk Premium approach. 4 Tr 2943. DTE Electric further explained that the "use of multiple financial models . . . enables a more robust and comprehensive assessment of the cost of equity instead of relying on one specific estimation model." 4 Tr 2945. DTE Electric provided that the "low end of [its] range, 9.90 percent, is within the range of the low and mean DCF results. The high end of [its] recommended range, 11.60 precent, is within the range of the low end of [its] CAPM results." 4 Tr 2945. DTE Electric opined that "the midpoint of the range, or 10.75 percent, is a reasonable estimate of DTE Electric's cost of equity[, and] . . . the 10.75 percent ROE recommendation is approximately equal to the average of the mean DCF results, the low CAPM results, and the Risk Premium results." 4 Tr 2946.

The Staff disagreed with DTE Electric and opined that a reasonable range for the company's cost of equity based on the Staff's own analyses and comparisons would be 9.40% to 10.40% with

an ROE point estimate of 9.80%. 5 Tr 4953. The Staff asserted that "a value of 9.80%, which is near the midpoint of Staff's range, is a reasonable ROE for DTE and is appropriate for this rate case." 5 Tr 4953-4954.

The Attorney General also disagreed with DTE Electric and recommended that a "range of returns for the industry peer groups is from 9.8% at the low end, using the DCF approach and 9.97% at the high end using the CAPM approach." 4 Tr 3517. The Attorney General asserted that she "calculated a weighted return on equity from the three methodologies using a 50% weight for DCF and 25% for each of the other two methods[, which] result[ed] i[n] a weighted average cost of common equity of . . . 9.85%." 4 Tr 3517. The Attorney General opined that:

> [f]or most of the other electric utilities that have business and financial risks comparable to DTE Electric's operations, the ROE rates have averaged between 9.50% and 9.60% in the past two years. This evidence supports a lower overall cost of equity than the Company's current ROE rate of 9.90%. This rate is excessive and "out of line" with comparable electric utilities and the true cost of equity capital. The Company's proposed ROE rate of 10.75% is even further removed from reality and clearly unsupportable. My recommended ROE rate of 9.85% in this rate case is quite reasonable and a gradual step down to the Company's true cost of equity capital.

4 Tr 3512.

ABATE also disputed DTE Electric's proposed ROE of 10.75% and recommended an ROE rate of 9.50% based on its own "assessment of the current and expected capital market environment, the company's overall risk profile, and the results of several analytical methods[.]" 4 Tr 3275. ABATE estimated "DTE Electric's current market ROE to be in the reasonable range of 9.00% to 10.00%" with a midpoint range ROE at the 9.50%. 4 Tr 3276, 3332. ABATE asserted that its "midpoint estimate of 9.50% is more than reasonable given DTE's relative risk profile." 4 Tr 3332.

CUB also rejected DTE Electric's proposed ROE, arguing that the company "is conflating the cost of equity with the authorized ROE of other utilities." 5 Tr 4718. CUB recommended that the Commission:

> should authorize an ROE of 8.91%, as calculated using objective financial methods that correct for the flaws in DTE's analysis. In the alternative, the Commission should authorize an ROE of 9.4%, which represents the midpoint between 8.91% and DTE's current authorized ROE of 9.9% and would serve to more gradually reduce the Company's ROE.

5 Tr 4711.

The ALJ recommended that the Commission adopt DTE Electric's current ROE of 9.90%, explaining that:

> [t]he criteria for establishing a fair rate of return for public utilities is rooted in the language of the United States Supreme Court cases *Bluefield Water*[*works & Improvement*] *Co v Pub Serv Comm of West Virginia*, 262 US 679; 42 S Ct 675; 67 L Ed 1176 (1923) and *Fed Power Comm v Hope Natural Gas Co*, 320 US 591; 64 S Ct 281; 88 L Ed 333 (1944). In *Bluefield*, the Supreme Court explained:
>
> > A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties.
>
> In turn, the Supreme Court provided further guidance in *Hope*, stating:
>
> > The rate-making process under the Act, i.e., the fixing of just and reasonable rates, involves a balancing of the investor and the consumer interests. . . . [T]he investor interest has a legitimate concern with the financial integrity of the company whose rates are being regulated. From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends

> on the stock. By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.
>
> The Commission has recognized and adopted the principles announced in *Bluefield* and *Hope* by explaining that the rate of return "should not be so high as to place an unnecessary burden on ratepayers, yet should be high enough to ensure investor confidence in the financial soundness of the enterprise." The Commission also stated that any determination of what is fair and reasonable "is not subject to mathematical computation with scientific exactitude but [rather] depends upon a comprehensive examination of all factors involved, having in mind the objective sought to be attained in its use."
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> * * *
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> Beginning with its May 8, 2020 order in Case No. U-20561 the Commission authorized an ROE for DTE of 9.90%, a 10 basis-point reduction from the ROE authorized in DTE's previous rate case, Case No. U-20162. Since that time, in Case Nos. U-20836, U-21297, and U-21534, the Commission has consistently found that a 9.90% ROE for DTE is reasonable and consistent with the standards articulated in *Hope* and *Bluefield*.

PFD, pp. 367-370 (footnotes omitted) (alterations in original). The ALJ did not find that the company's proposed ROE was justified, noting that the Staff, the Attorney General, ABATE, and CUB had "near identical results in both ranges and ROE recommendations" to those considered by the Commission less than a year ago. *Id*., pp. 369-370. The ALJ also noted that the Commission is currently considering a performance-based ratemaking mechanism for both DTE Electric and Consumers in Case No. U-21400, which could impact ROE in the future. *Id*., p. 370. As a result, the ALJ found that maintaining the status quo was appropriate, and consistent with the principles set out in *Hope* and *Bluefield*. *Id*.

While the Attorney General agrees with the ALJ's analysis that "1) DTE's recommendation is a clearly inappropriate outlier that should be ignored[11] and 2) the Commission very recently considered what is an appropriate ROE for DTE Electric," the Attorney General argues that the ALJ's conclusion to retain the 9.90% ROE rate "with no analysis and only a comparison to proposed ROE rates in the prior case is inadequate and erroneous." Attorney General's exceptions, pp. 29-30. The Attorney General asserts that although she advocated for an ROE of no more than 9.85%, the "recent interest rate cuts and the weight of the evidence shows an ROE of 9.80% is the very top of what is reasonable, and something lower is fully supported." *Id*., p. 30.

The Staff also excepts to the ALJ's recommendation, arguing that the ALJ erroneously determined that because all of the models presented by the parties did not "vastly vary from the previous case, an ROE of 9.90% from the previous case is appropriate." Staff's exceptions, p. 11. The Staff argues that the ALJ fails to consider "each model's individual strength, weaknesses, or nuance[, and] . . . fails to consider that gradual moves in ROE can make large differences in the burden to ratepayers." *Id*. As such, the Staff recommends that the Commission should approve its recommended ROE of 9.80% for the following reasons: (1) the Staff's analysis shows a 9.80% ROE is reasonable; (2) the Staff's recommendation represents a "more appropriate value of what investors expect and that reflecting that expectation would satisfy investors while keeping the burden on ratepayers no higher than necessary[;]" and (3) the "additional 10 basis points will burden ratepayers with an additional $12 million in revenue requirement[, which there is no reason

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[11] In comparing the ROE recommendations presented in this case and the recommendations presented in Case No. U-21534, the ALJ weighed the differences amongst all the recommendations being presented and found that "leaving aside DTE's *outlier* recommendation, all other ROEs advocated by the parties [were] identical, or within 10 basis points, of the recommended ROEs presented and evaluated by the Commission less than a year ago." PFD, p. 369 (emphasis added).

for] . . . when a lower ROE is in line with investor expectations and the Company's credit metrics is robust. *Id*., pp. 11-13.

DTE Electric contends that it "generally agrees with the concern raised in Staff's Exceptions, p 11, and the [Attorney General's] Exceptions, p 30, that the PFD fails to fully consider the numerous analyses put forth by the Company and other parties to support the ROE recommendations made in this proceeding." DTE Electric's replies to exceptions, p. 33. However, DTE Electric argues that "[n]either the Staff nor the [Attorney General] have shown that a reduction to the Company's authorized ROE is justified, and neither have offered convincing evidence to support rejection of [DTE Electric's] recommendation of 10.75%[.]" *Id*., p 35. As such, the company asserts that "[b]ased on the evidence in this case, the Commission should reject the suggested ROEs presented in Staff's and the [Attorney General's] Exceptions and adopt the Company's recommended ROE of 10.75%." *Id*.; *see*, Staff's exceptions, pp. 11-13; Attorney General's exceptions, pp. 29-30.

DTE Electric also excepts to the ALJ's recommendation, arguing that the ALJ's "primary basis for [her] recommendation is that the ROEs recommended by Staff, the [Attorney General], ABATE, and CUB 'are either identical, or within 10 basis points, of the recommended ROEs presented and evaluated by the Commission less than a year ago.'" DTE Electric's exceptions, p. 128 (citing the PFD, p. 369). DTE Electric also disagrees with the ALJ's rationale, contending that:

> [w]hile [the ALJ] references the voluminous record in this proceeding addressing proxy groups and cost of equity methodologies and notes the "results of the various analyses undertaken by Staff and intervenors," the [ALJ] does not otherwise mention, much less discuss, any of those methodologies (with the exception of the [ALJ]'s cursory dismissal of the ECAPM [empirical CAPM] . . .). Instead, the [ALJ] relies on the fact that Staff and other parties' recommendations are similar to their recommendations in the previous rate case, Case No. U[-]21534. The [ALJ] does not engage with the analyses undertaken by [DTE Electric's] witness [Jennifer

> E.] Nelson (who notably did not present testimony in Case No. U-21534), which support adoption of DTE Electric's recommended ROE, or in fact with the analyses of any other ROE witnesses.
>
> The [ALJ] also references that the Commission has authorized a[n] ROE of 9.90% in every rate case since Case No. U-20561 (including Case Nos. U-20836, U-21297, and U-21534). The Company disagrees with this retrospective rationale as well. The Commission should consider the evidence presented in this case to determine an approved ROE, consistent with the precedent cited above.

DTE Electric's exceptions, pp. 129-130 (internal citation omitted) (citing PFD, pp. 368-370). The company also disagrees with the ALJ's characterization of the company's 10.75% ROE recommendation as an outlier, arguing that the company's testimony presented in detail the methodologies it used to determine an appropriate ROE in this case, which resulted in the 10.75% recommendation; recommending an ROE that is "higher than Staff's or other parties' does not on its own render it an 'outliner' that justifies its dismissal without more fulsome evaluation and discussion." DTE Electric's exceptions, p. 130 (citing PFD, p. 369).

DTE Electric also disagrees with the ALJ's recommendation to "simply maintain the status quo at 9.90% to the extent that it is based on a separate, ongoing proceeding that 'may impact ROE in the future.'" DTE Electric's exceptions, p. 131 (quoting PFD, p. 370). The company argues that "[t]he preponderance of the evidence presented in this proceeding supports the Company's requested ROE based on the analyses conducted by witness Nelson and the significant capital investment plans and business risks facing DTE Electric." DTE Electric's exceptions, p. 131. Continuing, the company argues that "the Commission has recognized that the matter of the ROE to be authorized for the Company must be decided based on the evidence presented in this case on that matter; ongoing, undecided matters in a separate proceeding should not be relied upon to support the Commission's determination on ROE in this proceeding." *Id*.

In response to DTE Electric's exceptions, ABATE argues that the company continues to seek an egregious and unreasonable ROE of 10.75% despite the ALJ recommending that the company receive an ROE greater than what was advocated for by the Staff and intervenors. ABATE's replies to exceptions, p. 12 (citing DTE Electric's exceptions, p. 126). ABATE contends that DTE Electric's "position should be rejected and the Commission approve an ROE *no greater* than 9.90%, if not much lower to the recommended levels of ABATE (9.50%), Staff (9.80%) and the [Attorney General] (9.85%) in the interests of ratepayers and bill affordability." ABATE's replies to exceptions, p. 12.

In her replies to DTE Electric's exceptions, the Attorney General also asserts that the Commission should reject the company's requested ROE. Attorney General's replies to exceptions, p. 41. The Attorney General argues that the company's exceptions merely rehash its testimony without adding anything new or meaningful to the discussion. *Id*., p. 42. The Attorney General also emphasizes that "when the ALJ was discussing an appropriate ROE, she recommended ignoring DTE's recommendation altogether, as a clearly inappropriate 'outlier[,]' [which] shows the clear absurdity and tone-deaf nature of DTE's request in a time of 1) rapidly increasing electric utility rates and 2) falling interest rates nationwide." *Id*., pp. 41-42 (footnote omitted) (citing PFD, pp. 369-370). The Attorney General also argues that the company's presentation and argument should be "afforded no weight as it fails to take this exercise seriously and request the Commission to raise its ROE 85 basis points a mere several months after receiving the [January 23] order – a transparent attempt to gouge its customers." Attorney General's replies to exceptions, p. 42. The Attorney General reiterates her recommendation for an ROE of no more than 9.80%, asserting that this ROE is "more representative of a fair return that balances the

Company's true cost of capital and need to attract capital, while minimizing negative rate impacts on customers." *Id*.

MNSC also replies to DTE Electric's exceptions, arguing that the company's proposed ROE of 10.75% is unsupported and unpersuasive. MNSC's replies to exceptions, p. 18. MNSC argues that DTE Electric's exceptions merely replicate parts of the company's initial brief that supports increasing the authorized ROE and ignores the rest of the record, which supports reducing the ROE. *Id*. (citing DTE Electric's exceptions, pp. 131-136). MNSC contends that the Commission should review the "whole record, including the initial briefs of Staff, the Attorney General, ABATE, and MNSC, which presents the rest of the story." MNSC's replies to exceptions, p. 18.

Having reviewed the record and the parties' arguments on the issue, the Commission agrees with the ALJ's recommendation to adopt DTE Electric's current ROE of 9.90%. Accordingly, the Commission adopts the ALJ's conclusions on this issue. *See*, PFD, p. 370.

C. Overall Rate of Return

In this case, DTE Electric recommended a weighted after-tax overall ROR of 6.03%. 3 Tr 1588, 1591; Exhibit A-14, Schedule D1.

The Staff disagreed with DTE Electric's overall ROR and recommended a lower overall ROR of 5.60%. 5 Tr 4933. The Staff explained that its "recommendation is comprised of a 9.80% return on equity (ROE) and a common equity ratio of 50%[.]" 5 Tr 4933.

The Attorney General also disagreed with DTE Electric's overall ROR and recommended an ROR of 5.61%. 4 Tr 3492. The Attorney General explained that her recommendation "include[d] a return on common equity of 9.85%, as shown in Exhibit AG-24." 4 Tr 3492.

ABATE also rejected DTE Electric's overall ROR and recommended an ROR of 5.50%. 4 Tr 3275. ABATE asserted that the Commission should carefully assess "an appropriate overall ROR

necessitated by a reasonably cost-effective balanced ratemaking capital structure, and a[n] ROE that represents fair compensation but also maintains competitive, just, and reasonable rates." 4 Tr 3292.

CUB also rejected DTE Electric's overall ROR and recommended an ROR of 5.26%. 5 Tr 4719. CUB explained that "[i]f the ROE were instead the market-based ROE of 8.91% that [it] recommend[s] in this case, along with [its] proposed 50/50 debt-equity ratio, the overall rate of return would fall to 5.26%[.]" 5 Tr 4719.

The ALJ recommended that the Commission adopt an "estimated overall weighted after-tax cost of capital of 5.64%[.]" PFD, p. 370. The ALJ explained that this recommendation is based on the Commission adopting "a capital structure of 50% debt and 50% equity, along with a long-term debt cost ratemof [sic] 4.27%, a short-term debt cost rate of 3.85%, and a return of equity of 9.90%[.]" *Id.*; *see*, PFD, Appendix D.

DTE Electric excepts to the ALJ's recommendation of a weighted, after-tax overall ROR of 5.64% and reiterates its request for the Commission to adopt its recommended ROR of 6.03% instead. DTE Electric's exceptions, pp. 120-121.

In replies, the Attorney General recommends that the Commission reject DTE Electric's request for an after-tax ROR of 6.03% and adopt her recommended 5.61% instead. Attorney General's replies to exceptions, p. 38.

Having reviewed the record and the parties' arguments on these issues, the Commission adopts a 50/50 debt to equity capital structure, a long-term debt cost rate of 4.27%, a short-term debt cost rate of 3.85%, an ROE of 9.90%, and an overall weighted cost of capital of 5.64%, as shown on the table below:

Description	Amount ($000)	Ratio	Cost Rate	Weighted Cost
Long-term Debt	9,213,994	39.11%	4.27%	1.67%
Common Shareholders' Equity	9,213,994	39.11%	9.90%	3.87%
Short-term Debt	562,850	2.39%	3.85%	0.09%
Investment Tax Credit – Debt	17,096	0.07%	4.27%	0.00%
Investment Tax Credit – Equity	17,096	0.07%	9.90%	0.01%
Deferred Income Taxe (Net)	4,535,041	19.25%	0.00%	0.00%
Total	23,560,071	100.00%		5.64%

VI. ADJUSTED NET OPERATING INCOME

DTE Electric projected an adjusted net operating income (ANOI) of $1.108 billion in the 2026 projected test year. *See*, Exhibit A-13, Schedule C1. The Staff recommended an ANOI of $1.219 billion, representing an increase of $110.895 million from the company's position. *See*, Staff's initial brief, p. 130; *id*. Appendix A, Line 2.

Several issues that were previously contested by parties and/or addressed by the ALJ were not raised in exceptions. After reviewing the record and arguments by the parties, the Commission finds the ALJ's recommendations on these issues not raised in exceptions to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on the following issues: (1) rate case reporting (PFD, pp. 375-377); (2) fuel and purchased power revenue and expense, (PFD, pp. 377-381); and (3) preventative and corrective maintenance (PFD, pp. 411-416). The remaining contested issues are addressed ad seriatim.

A. Sales Forecast, Projected Operating Revenue, and Other Operating Revenue

1. Sales and Customer Count

The Staff proposed two adjustments to the company's forecasts including to the residential and commercial electric deliveries forecast and customer counts. *See*, 5 Tr 5235-5236. The adjustments were not disputed by DTE Electric in either testimony or briefing.

The ALJ noted that she:

> agrees with Staff that it would neither be fair nor reasonable for the costs associated with unregistered meters to be recovered from the Company's customers that are neither responsible for the energy usage associated with the unregistered meters nor the actions of the Company in failing to properly track and account for the meters and associated energy usage. The Company is responsible for lost sales attributed to unregistered meters.

PFD, p. 373. The ALJ, therefore, held that the Staff's adjustments for line loss, deliveries forecasts, and customer count forecasts were reasonable. *Id*., p. 374 (citing Exhibit S-22.0, pp. 10-11).

In exceptions, the Staff avers that the ALJ properly adopted its recommendations "regarding the impact of unregistered meters on the sales forecast, customer count forecast, and line losses," but "failed to adopt Staff's recommendation to track revenue collected from any back-billing of customers with unregistered meters as a regulatory liability so that the Commission may make a determination on its treatment in future cases." Staff's exceptions, pp. 8-9 (citing Staff's initial brief, p. 207). The Staff notes that no party disputed the recommendation and asserts that it should be adopted by the Commission.

No replies to exceptions were filed on this issue.

The Commission finds that the ALJ's recommendation regarding the Staff's proposed adjustments to line loss, deliveries forecasts, and customer counts is reasonable, supported by the record, and should be adopted. Further, the Commission finds that the Staff's recommendation that the company track revenue collected from the back-billing of customers with unregistered meter be tracked as a regulatory liability is reasonable and prudent. As such, the Commission finds it appropriate for DTE Electric to track such revenue as a regulatory liability, consistent with the Staff's proposal "until such time as it can be included as an offset to rates in future rate cases." Staff's initial brief, p. 207.

2. Other Operating Revenue

The Staff recommended an increase in other operating revenues to reflect historical trends. The Staff testified that "over the last three years the Company has been collecting increasing revenue in late payment, miscellaneous service, and rent (FERC [Federal Energy Regulatory Commission] accounts 450, 451, and 454, respectively). The Company's other revenues (FERC account 456) have trended lower over that same period." 5 Tr 4903. The company disputed the Staff's recommendation, stating that its other operating revenues include various fees and charges that are impacted by customer payment patterns which "could result in increased or decreased revenue on a year-over-year basis. Accordingly, the Company held the revenue in the projected period to the same amount experienced in the historical period, consistent with the methodology used in prior rate cases." 4 Tr 2495. DTE Electric further argued that the Commission has historically approved this method and should, therefore, again approve the company's other operating revenue as filed. 4 Tr 2495.

The ALJ noted that she was not persuaded to adopt the Staff's adjustment. While the ALJ agreed "that a persistent upward (or downward) trend in certain components of Other revenue may support a departure from past practice in forecasting," she did not find that the Staff provided sufficient evidence in this case to depart from past practice. PFD, p. 375.

The Staff takes exception to the PFD on this issue. Specifically, the Staff states that the ALJ acknowledged the one component of the Staff's adjustment, an increase in late payment revenue, but did not include the changes to the other FERC accounts detailed in either testimony or exhibits. Staff's exceptions, p. 8. The Staff claims that the ALJ did not reject the Staff's recommendation based upon the company's rebuttal, but because there was a purported lack of record evidence, which the Staff avers is incorrect. Therefore, the Staff requests that because it

"provided the necessary evidence, and the PFD did not reject Staff's recommendation to increase other operating revenues by $2.693 million for any other reason, the Commission should approve Staff's recommendation." *Id*.

In replies to exceptions, DTE Electric states that the Staff mischaracterizes the ALJ's analysis on this issue. The company claims that the ALJ specifically acknowledges the Staff's trend theory and evidence and found that the Staff's evidence was not detailed enough to support its position. DTE Electric's replies to exceptions, p. 35 (citing PFD, pp. 374-375). Further, DTE Electric states that the ALJ explicitly identified the Staff's exhibit and "correctly recognized the Company's position that other operating revenues are driven by payment patterns and service requests that vary year-to-year, supporting the use of the historical test year amount consistent with Commission approved methodology." DTE Electric's replies to exceptions, p. 36.

The Commission has reviewed the record evidence and finds that the ALJ properly evaluated the Staff's position and specifically identified the Staff's Exhibit S-3, Schedule C3, p. 2, in the PFD. *See*, PFD, p. 374. Therefore, the Commission is not persuaded that the Staff's position was not appropriately evaluated by the ALJ. Moreover, the Commission finds the ALJ's recommendation to be well-reasoned and, therefore, adopts the ALJ's recommendation on this issue.

B. Operations and Maintenance Expense

1. Inflation

As thoroughly discussed above, the company proposed inflation rates which were disputed by the Staff and intervenors. With respect to O&M, the ALJ noted her prior discussion and reiterated her recommended "inflation adjustments of 2.9% for 2024, 2.7% for 2025 and 2.4% for 2026, with

no historical inflation adjustments." PFD, p. 382. The ALJ further noted several adjustments to O&M expenses to reflect her recommended inflation rates. *Id*.

In exceptions regarding the ALJ's inflation discussion pertaining to O&M, DTE Electric primarily references its exceptions with regard to rate base, as summarized above. DTE Electric further indicates that it "does not agree with the PFD's rejection of the labor component of the Company's proposed composite inflation rates." DTE Electric's exceptions, p. 137.

The Attorney General replies to the company's exceptions, noting reliance upon her testimony and briefing to state that "DTE has failed to show that its inflation rates should be adjusted in this manner and the Commission should reject its exception and adopt the [Attorney General]'s recommendations for appropriate inflation adjustments." Attorney General's replies to exceptions, p. 43.

ABATE also replies, reiterating that the record demonstrates that the company's and the ALJ's recommended inflation rates are excessive. Citing to its initial brief, ABATE contends that the projections consistently exceed the inflation that the company actually incurs. Overall, ABATE restates its position that "[t]he Company's proposed inflation rates are therefore excessive and result in unreasonable cost recovery. The Commission should therefore reject the Company's proposal and instead establish inflation rates using the Real GDP Index." ABATE's replies to exceptions, p. 8.

The Commission reviewed this issue extensively previously under rate base. Having also reviewed the parties' exceptions and replies to exceptions here, the Commission notes, as more fully discussed above, that it adopts the Staff's proposed inflation rates of 2.95%, 2.73%, and 2.66% for 2024, 2025, and 2026, respectively. *See*, 5 Tr 4954.

2. Steam and Hydraulic Power Generation Operations and Maintenance Expense (non-nuclear)

DTE Electric requested $197.831 million for its steam power generation O&M expense, and $11.684 million for its hydraulic power generation O&M expense. Exhibit A-13, Schedule C5, line 1; Exhibit A-13, Schedule C5.1; Exhibit A-13, Schedule C5, line 4; Exhibit A-13, Schedule C5.4. The Staff recommended a total reduction of $20.158 million to the company's proposed steam power generation O&M expense, including multiple specific adjustments. *See*, Staff's initial brief, p. 139. In addition, the Staff recommended that DTE Electric's projected hydraulic power generation O&M expense be reduced by $131,000, which reflects application of the Staff's proposed inflation rates. *Id*., p. 150. The Attorney General also recommended a total reduction of $25.531 million to the company's projected O&M expense in this category. Attorney General's initial brief, p. 106.

The ALJ more fully reviewed the positions of the parties on this issue at pages 382 through 387 of the PFD. After her review, the ALJ noted agreement with the Staff's adjustments, as modified in briefing. PFD, p. 387. With regard to one-time and infrequent O&M expenses, the ALJ found that the Staff's proposal to spread recovery of one-time and infrequent expenses over two years by calculating a disallowance equivalent to one half of the company's proposed expense appropriately balanced the interests of ratepayers and the company. The ALJ also found the Staff's response to DTE Electric's alternative proposal for guaranteed recovery of the proposed disallowance, adjusted for the time value of money, to be persuasive. *Id*. (quoting Staff's initial brief, p. 145). Next, the ALJ noted agreement with the Staff:

> that the outage normalization adjustment made by DTE is not consistent with historical adjustments, either for the amount or the method. And while this PFD has adopted some of the removals of normalization adjustments, as advocated by the Attorney General, this PFD finds the disallowances recommended for Steam Generation O&M should be rejected.

PFD, pp. 387-388.

DTE Electric takes exception to the ALJ's recommendation, first noting that the company again disputes the Staff's proposed adjustments relating to the application of the Staff's inflation rates and asserts that the adoption of the Staff's inflation adjustments by the ALJ are inconsistent with the ALJ's recommended inflation rate. DTE Electric's exceptions, pp. 139-140. DTE Electric next argues that the Staff's adjustment to spread recovery of the steam power generation O&M expense over multiple years is not reasonable. Specifically, the company claims that it "presented reasonable support for completing these projects during the 2026 projected test year" which was not specifically challenged by the Staff. *Id*., p. 140 (citing 3 Tr 668-674; DTE Electric's reply brief, p. 142). Therefore, the company reiterates its request that the Commission approve full recovery or "authorize half now and commit to recovery of the remaining half in the next rate case, including the time value of money for 2026–2027." DTE Electric's exceptions, p. 140 (citing 3 Tr 668).

Regarding its periodic outage normalization adjustment, DTE Electric notes that the Staff has three concerns:

> (1) the historical years the Company used for normalization included actual expenses from a time period when the Company still planned to operate the Monroe Power Plant Units 3 and 4 beyond 2028; (2) the Company's actual spending in previous years does not support the level of forecasted periodic outage expenses in the projected test year of this case; and (3) the periodic outage normalization adjustment presented in the instant case is different from the calculation of the periodic outage normalization adjustment in the prior case, Case No. U-21534.

DTE Electric's exceptions, p. 140 (citing 3 Tr 675). DTE Electric next claims that it responded to each of the Staff's concerns and proceeds to restate its record testimony. DTE Electric's exceptions, pp. 140-142. With regard to the Belle River fuel handling expense, the company avers that the ALJ fails to acknowledge the "fundamental misalignment between actual plant operations

and the Staff's suggestion that converting one Belle River unit to gas obviates the need for 50% of the coal fuel handling equipment and labor." *Id*., p. 142. DTE Electric emphasizes that its testimony demonstrates that it will not incur less fuel handling cost. *Id*. (citing 3 Tr 672-675).

DTE Electric argues that neither the Staff nor the Attorney General provide evidence as to how the company would meet its O&M obligations with the reduced funding as advocated by the parties. In sum, the company states that the "Commission should disregard the PFD's recommendation and fund the Company's requests in full." DTE Electric's exceptions, p. 142.

The Attorney General also takes exception to the ALJ's recommendation. In her exceptions, the Attorney General states disagreement with "the ALJ's unsupported conclusion that the normalization adjustments need not be removed." Attorney General's exceptions, p. 31. The Attorney General contends that:

> [t]he unrefuted points remain that with Steam Generation Base O&M Expense DTE is attempting to double-dip; with the Monroe Reliability Maintenance the Company cut maintenance and operating expenses in 2023, continued to operate the power plant at lower expense levels in 2024, and now wants to increase the expense level for the projected test year after boosting its bottom line for at least two consecutive years; and finally, with Monroe Coal Equipment Maintenance DTE did not provide any evidence that the coal dumper needs additional maintenance.

Id., pp. 31-32 (footnotes omitted). Therefore, the Attorney General avers that the Commission should, in total, remove $25.531 million of the company's forecasted O&M expense for the projected test year.

DTE Electric replies to the Attorney General's exceptions, in part, by referencing its own exceptions, claiming that it has supported full recovery of the O&M expenses. DTE Electric's replies to exceptions, pp. 36-37 (citing DTE Electric's exceptions, pp. 138-142). The company replies that the Attorney General set forth "repeated baseless assertions" including that the

Attorney General inaccurately claims this position was unrefuted. More specifically, DTE Electric states that it:

> demonstrated that the [Attorney General's] $25.5 million cut rests on an atypically low 2024 snapshot and the removal of well-supported normalizations that reflect expected 2026 operations; 2024 spend was depressed by higher reserve shutdowns and lower forced and planned outage expenses, making it an unreasonable anchor for the test year. (DTE Electric's Reply Brief, pp 145-146). The [Attorney General's] "double-dip" claim fails because removing a one-time BESS tipping-fee credit from O&M is proper normalization, not a second recovery of the same cost. (Guillaumin, 3T 681; DTE Electric's Reply Brief, p 146).

DTE Electric's replies to exceptions, p. 38. Overall, the company indicates that the Attorney General's exceptions should be rejected by the Commission "because the record contains extensive evidence supporting the Company's Steam Generation O&M and hydraulic power generation O&M, which the AG incorrectly and repeatedly argues does not exist." *Id*., p. 41.

The Staff replies to DTE Electric's exceptions, contending that the company correctly noted the Staff did not dispute that one-time or infrequent projects may be necessary. However, the Staff indicates that it:

> did challenge the Company's assertion that the costs for these projects will be incurred exactly as presented. Staff's recommendation to spread one-time and infrequent steam O&M projects over two years reflects the uncertainty of rate case filings as well as the uncertainty with estimating future costs. As Staff noted in its reply brief, O&M projects can be shifted to another year, cancelled completely, or come in at a lower cost than what was projected. (Staff's Reply Brief, p. 11.) In addition, one can reasonably assume that DTE had some one-time and infrequent O&M projects in its historical test year that the Company chose not to remove before projecting future costs.

Staff's replies to exceptions, p. 36. The Staff also reiterates its position that adopting the company's alternative proposal to authorize recovery of the remaining half of the proposed expense, as adjusted for the time value of money, is unreasonable.

With regard to the periodic outage normalization, the Staff replies that DTE Electric's exceptions do not resolve concerns regarding inconsistency in the company's methodology for

calculating this from rate case to rate case. Staff's replies to exceptions, pp. 37-38 (citing Staff's initial brief, pp. 146-147; Staff's reply brief, p. 13). The Staff further contends that the differences in methodologies between rate cases actually implies that DTE Electric may be "selecting a method which results in the most favorable outcome," and, as such, the Staff contends the Commission should accept the ALJ's recommendation to adopt the Staff's reduction to the steam periodic outage O&M expenses. Staff's replies to exceptions, p. 38.

The Staff also replies to the company's exceptions relating to the Belle River fuel handling O&M expenses. The Staff notes disagreement and reiterates that it is reasonable to conclude that fuel expenses will decrease due to reduced usage. The Staff further states that the company did not present any specific evidence to refute the Staff's reduction and, thus, the Staff contends the ALJ properly adopted its "recommended reduction to Belle River fuel handling O&M expenses." *Id*., p. 39.

The Attorney General also replies to the company's exceptions. The Attorney General avers that she continues to advocate for the full disallowance as set forth in her own exceptions. With regard to DTE Electric's exceptions relating to the Staff's proposal, the Attorney General contends that they lack merit and should be rejected by the Commission. She describes the company's objections as "unfounded distractions." Attorney General's replies to exceptions, p. 44. Regarding inflation, the Attorney General reiterates that numerous parties on record provided significant discussion on why DTE Electric's inflation rates are unreasonable. The Attorney General continues, stating that the company relies "solely on generalized predictions and unsupported speculation that lower, historical expense levels would suddenly increase significantly." *Id*., p. 45. Finally, the Attorney General notes that the company's argument that it "'must be in position to perform anticipated O&M in the interest of the reliable operation of the

system, and disallowances should only be based on the required competent, material and substantial evidence on the record,'" is the incorrect standard to review the company's requests. *Id*., pp. 45-46 (quoting DTE Electric's exceptions, p. 142).

The Commission again notes its determination pertaining to inflation rates as discussed previously. In that regard, the Commission finds that by adopting the Staff's proposed inflation rates, the Staff's adjustments to steam and hydraulic power generation O&M expenses are also adopted.

The next adjustment proposed by the Staff relates to the Belle River Power Plant Unit 2 (Belle River U2) Turbine Support Structure Restoration under footnote 7 on Exhibit A-13, Schedule C5.1, which is a one-time expense. With respect to one-time and infrequent expenses the Staff:

> determined that [such] expenses should be recovered over a period of two years to protect rate payers from unreasonable future rates beyond the test year as well as provide the utility with recovery of its expenses. To implement recovery over two years, Staff divided all one-time and infrequent expenses in half. The adjustment for the Belle River Unit 2 Turbine Support Restoration project is a reduction of ($2,333,500).

5 Tr 5095. The Commission does not find the disallowance of half of the projected expense to be appropriate. The Commission acknowledges there is some merit in the idea to spread recovery of one-time and infrequent expenses over two years in an attempt to balance interests by reducing the impact of the expense on ratepayers in the instant case while also permitting recovery of the company's expenses. However, the Commission finds that the proposal implies preapproval of the remaining costs in a future case, which is not an appropriate decision to make in the present case. Similarly, as acknowledged by the Staff, the company's alternative proposal to guarantee recovery of the remaining portion of the projected expense as adjusted for the time value of money is rejected. The Staff explained in briefing that DTE Electric's alternative:

> is predicated on DTE Electric filing another rate case shortly after the current one is concluded. Staff highlighted the ambiguity of potential new load which could ultimately impact the frequency of the Company's next rate case. (5 TR 5104-5105.) Second, DTE Electric's proposal to include what it considers the missing half of its O&M expenses for one-time projects assumes that the projections will be spent exactly as proposed in this case. Staff would argue that the actual amounts could be higher, lower, or not incurred at all for a variety of reasons, and thus, automatically including half of a projected amount in future rates is not reasonable. For these reasons, the Commission and the ALJ should adopt Staff's reductions for one-time and infrequent O&M projects and reject DTE Electric's proposal to automatically include half of the time-adjusted one-time O&M expenses in the Company's next rate case.

Staff's initial brief, pp. 143-144. Therefore, the Commission rejects the Staff's proposed $2,333,500 disallowance relating to the one-time expense for the Belle River U2 Turbine Support Structure Restoration. *See*, 5 Tr 5095.

The Staff's next adjustment pertains to the Belle River Unit 1 Operational Improvements Post Conversion under footnote 7 on Exhibit A-13, Schedule C5.1, which was primarily adjusted by the same methodology rejected above. In that regard, the Commission rejects the Staff's $250,000 adjustment for the Belle River Startup Study and Tuning project, and the $800,000 adjustment for the Belle River Chemical Resin Replacement project. *See*, 5 Tr 5096. The third project was similarly adjusted by the Staff but only after DTE Electric conceded that the "Belle River Unit 1 Boiler Chemical Cleaning was moved from 2026 to 2027 and that $2,400,000 of O&M expenses will move from 2026 to 2027." 5 Tr 5096. After that adjustment, the Staff reduced the remaining $1.2 million by half, given this was also identified as a one-time project. The Commission rejects the $600,000 adjustment for the same rationale as above; however, the undisputed $2.4 million adjustment is adopted.

The third adjustment made by the Staff is regarding the Monroe Reliability Maintenance under footnote 7 on Exhibit A-13, Schedule C5.1. The Staff reduced this expense by half for a proposed

reduction of $3.843 million in the test year, relying upon its above rationale. 5 Tr 5097. For the reasons articulated above, the Commission rejects this adjustment.

The fourth adjustment the Staff made was to the Belle River Fuel Handling in the projected test year on Exhibit A13, Schedule C5.1. The Staff explained its adjustment of $5.47 million, as follows:

> To make an adjustment, Staff began with 2024 actual Belle River fuel handling O&M expenses that were provided by the Company in response to a Staff discovery request. See Exhibit S-15.2, pp. 1-2. Staff added columns (h) and (i) on Exhibit S-15.2, page 2 to apply Staff's inflation factors and arrive at a 2026 projected amount of fuel handling expenses for Belle River. Next, Staff reduced the inflated amount by ¼ (Exhibit S-15.2, p. 2, line 10) because Belle River Unit 2 will be in an outage for the last quarter of 2026 and not using any coal. Finally, Staff reduced the remaining amount by half (Exhibit S-15.2, p. 2, line 11) since only Belle River Unit 2 will be using coal and the Company should be ramping down its fuel handling expenses as previously discussed. Furthermore, if rates are in effect for more than one year, this will help protect ratepayers from a cost that is not going to be incurred outside of the projected test year.

5 Tr 5098. In briefing, this adjustment was updated based upon the company's rebuttal testimony to reflect "a reduction of $1.95 million for Belle River fuel handling," which the company explained was already included. Staff's initial brief, p. 145 (citing 3 Tr 671). The Commission finds that the Staff's adjustment of $3.520 million is reasonable, is well-supported, and should be adopted.

The fifth adjustment made by the Staff was with regard to the amount for the Steam Generation Periodic Outage Normalization in the historical test year on Exhibit A-13, Schedule C5.1 under footnote 5. The Staff opined that the appropriate adjustment was $4.372 million. 5 Tr 5102. The Commission rejects this adjustment and finds that the company convincingly rebutted the Staff's position. DTE Electric's maintenance projection was not based on Monroe Power Plant units 3 and 4 as the Staff assumed for its recommended disallowance. *See*, 3 Tr 674-678.

The Commission further finds that the ALJ properly rejected the Attorney General's disallowances relating to outage normalizations, economic reserves, excess obsolescence, and BESS tipping fees and with respect to the Monroe Coal Equipment. The Commission finds that, with regard to these two recommendations, the company's full requested amounts are supported on the record, and therefore, the Attorney General's proposed adjustments of $14.551 million and $3.294 million, respectively, are rejected. *See*, 3 Tr 682-689.

With respect to the Attorney General's recommendation regarding the Monroe Reliability Maintenance Expense, the Commission finds persuasive the Attorney General's recommended disallowance. Specifically, the Commission agrees with the Attorney General's position that these costs should already be included in the 2024 O&M expenses. Additionally, while DTE Electric asserts that the increase in O&M for reliability maintenance at the Monroe plant reflects artificially low O&M spending in 2023 and 2024, DTE Electric failed to show why these projects, which include what the Attorney General argues appear to be regular maintenance activities, such as preventative maintenance on sootblowers, inspections and repairs on coal mills, replacing polisher resin, and other routine O&M, were not already included in its routine O&M projections. Therefore, the Attorney General's proposed $7.686 million adjustment is adopted.

3. Other Power Generation Operation and Maintenance Expense

The ALJ extensively reviewed the parties' positions and evidence at pages 388 through 397 of the PFD. After her review of the parties' positions, she concluded that the Staff's adjustments should be adopted. The ALJ agreed with the Staff that "all projections are speculative as to both timing and amount, and any additional peaker maintenance expense would simply continue into the next year." PFD, p. 397. The ALJ also concluded that "no one is contesting Staff's $917,472 reduction based on Trenton Channel BESS having a COD of December 2026, and, as a result, this

PFD also recommends this reduction. Therefore, this [ALJ] recommends a reduction of $5.512 million for other power generation O&M expense." *Id*.

The ALJ reasoned that not all expenses were updated to 2024, and as such she declined to adopt 2024 as the historical year for projecting O&M. Further, she found the Attorney General's argument persuasive that the BWEC normalization of periodic spending was speculative and therefore recommended that the Attorney General's proposed disallowance of $3.562 million be adopted. However, the ALJ noted that the Attorney General's remaining concerns are valid but "appear to stray into DTE's business decision making." PFD, p. 398.

In exceptions, the company indicates that it disagrees with the ALJ's determination and requests that the Commission fully fund its O&M request. The company notes that the Staff's reduction involves the halving of maintenance expense which it avers is unreasonable and not supported. DTE Electric again states its alternative position where the Commission could approve the deferred portion with the time value of money to avoid under-recovery. DTE Electric's exceptions, p. 143. The company again claims that the Staff did not specifically challenge the need for the projects or the company's plans to complete the projects in the 2026 projected test year.

DTE Electric next contends that the ALJ's acceptance of the Staff's proposed adjustments disregards record evidence demonstrating that the 2024 expense was for barebones work while the 2026 work scope is detailed and itemized. The company further alleges that the ALJ confused two of the Attorney General's positions when erroneously labeling BWEC periodic-outage normalization as speculative. *Id*., p. 144. The company restates its record position disputing the ALJ's recommendation. *See*, *id*., pp. 144-145. In conclusion, DTE Electric states that the ALJ's recommendation "disregards operational realities, substitutes unsupported assumptions for the

Company's planning, and would underfund essential maintenance at the expense of reliability and customer outcomes. Accordingly, the Commission should reject the PFD's recommendation regarding the Company's other power generation O&M expenses and fund the Company's request in full." *Id*., pp. 145-146.

The Attorney General takes exception to the ALJ's determination, stating her proposed disallowance of $4.542 million is more reasonable than the Staff's disallowance because it includes the updated 2024 expense. The Attorney General further excepts, arguing that it is not clear what positions the ALJ's reference of straying into the company's business decision making applies to. In that regard, the Attorney General explains that her disallowance:

> is simply a reflection of using updated historical 2024 O&M expense and applying appropriate 2025 and 2026 inflation adjustments. In no way does that impinge on DTE's decision making and merely seeks to update DTE's projections with the most recently available numbers, to most accurately reflect probable costs.

Attorney General's exceptions, p. 34. In sum, the Attorney General concludes that "the Commission should remove the $4,542,000 for peaker maintenance increase, along with the $3,562,000 the [Attorney General] calculated for BWEC outage normalization, and the $637,000 reduction in historical adjustment for BWEC maintenance, for a total $8,741,000 test year reduction." *Id*.

DTE Electric replies to the Attorney General's exceptions arguing that she "misapprehended the record" and therefore her position should be rejected. DTE Electric's replies to exceptions, p. 42. The company reiterates its position that the Attorney General's:

> proposed $4,542,000 peaker maintenance disallowance improperly rebuilds the 2026 forecast from a single year of "updated" 2024 actuals and removes known-and-measurable test-year adjustments, even though the record is uncontroverted that 2024 reflected a very limited, "barebones" work scope that does not include work offsetting the Company's 2026 maintenance plan.

DTE Electric's replies to exceptions, pp. 42-43 (citing 3 Tr 694-695; DTE Electric's reply brief, p. 151). DTE Electric further states that adoption of the Attorney General's position would underfund the maintenance required to provide safe and reliable peaker operations. Thus, the company requests that the Commission reject the Attorney General's exceptions and further fund the company's request in full. DTE Electric's replies to exceptions, p. 43.

The Staff replies stating that the ALJ "was correct to adopt Staff's reductions for one-time and infrequent steam power O&M expenses, and the same rationale applies to peaker increased maintenance expenses. Therefore, the Commission should adopt the PFD's reduction for peaker increased maintenance expenses." Staff's replies to exceptions, p. 39.

The Attorney General also replies, noting disagreement with the company's claims that the Attorney General, the Staff, and the ALJ's recommendations and conclusions are not supported by record evidence. Attorney General's replies to exceptions, p. 46. The Attorney General replies that the ALJ did not confuse or misapply the Attorney General's analysis that the company's BWEC normalization adjustments are speculative. *Id*., p. 47. The Attorney General further responds to the company's exceptions arguing that the references to the two additional cases:

> were to actual historical costs to normalize known gaps or negative amounts in the historical year. In the current rate case, DTE is proposing to adjust projected test year costs in the amount of $3,562,000 on the speculative basis that it might incur those costs in 2026. The ALJ properly assessed the speculative nature of the BWEC adjustments and correctly agreed to disallow them.

Id., p. 48. Therefore, the Attorney General requests that the Commission reject the company's exceptions and further "remove the full $8,741,000 from the Company's forecasted O&M expense for the projected test year." *Id*.

As discussed above, the Commission is not persuaded by the Staff's methodology to reduce forecasted expenses by half to allow recovery over two years. As such, the Commission rejects

the Staff's adjustments utilizing this methodology. Notwithstanding this, the Commission finds that the record reflects that the Staff's adjustment of $914,472 for TC BESS is not disputed in the company's rebuttal testimony or briefing, and, therefore, the Commission adopts this adjustment. *See generally*, 3 Tr 666-710.

With regard to the company's proposed peaker increased maintenance adjustment, the Commission finds that, like above, the company did not justify why the $4.5 million was not already included in O&M and did not support its argument that increased peaker usage directly results in increased maintenance costs. In fact, DTE Electric seems to argue the opposite of this in its rebuttal to the Attorney General, where it states that a "peaker's utilization in an individual year is not an indication of the actual O&M expense incurred. In other words, just because a peaking unit ran at a high capacity factor during a year, that is not an indication that it also incurred high maintenance costs." 3 Tr 695. As such, the Commission adopts the Attorney General's proposed disallowance for this line item. However, the Commission finds that the remainder of the Attorney General's adjustments should be rejected.

4. Midwest Energy Resources Company Fuel Supply Expense

The company indicated that the MERC and Fuel Supply O&M expense is projected to be $6.3 million in the test year. 3 Tr 728-729; Exhibit A-13, Schedule C5.2, line 16, columns (f) and (*l*). The Staff recommended an adjustment based upon inflation but otherwise did not dispute the company's request, and supported the request for the regulatory liability for MERC's O&M costs. 5 Tr 4986. MNSC recommended a $1.7 million disallowance based upon its contention that an inflation adjustment is inappropriate given the closure of MERC in June of 2026, and that DTE Electric has already recovered a sufficient amount to cover the test year O&M based upon historical underspending. *See*, 5 Tr 4773.

The ALJ noted the application of appropriate inflation rates were addressed previously and further recommended approval of "MERC O&M expense and regulatory liability treatment, because such treatment can protect ratepayers from potential over-recovery." PFD, p. 401. The ALJ thus declined to adopt MNSC's proposed disallowance.

In exceptions, DTE Electric notes that it "takes no exception with the [ALJ's] general recommendation for approval of MERC O&M expense" but opposes the reduction to the requested expense based upon the application of inflation. DTE Electric's exceptions, p. 146.

No replies were filed regarding this exception.

As discussed above, the Commission adopts the Staff's proposed inflation rates. As such, the MERC O&M expense will be appropriately adjusted based upon the Commission's determination regarding inflation. In addition, the Commission finds the ALJ's recommendation to approve the regulatory liability treatment to be supported on the record and is, therefore, adopted.

5. Nuclear Generation O&M Expense

DTE Electric submitted an adjusted forecasted O&M expense of $160 million for the test period. *See*, 3 Tr 487-488; Exhibit A-13, Schedule C5.3. The Attorney General proposed a disallowance of $5.845 million to the company's 2026 O&M, primarily relating to low staffing levels. 4 Tr 3537-3538; Attorney General's initial brief, p. 7.

The ALJ first reviewed the record position of the parties in detail at pages 401 through 407 of the PFD. The ALJ noted, as with other expenses, the appropriate application of updated inflation rates, which are specifically discussed above. With respect to the Attorney General's recommended disallowance, the ALJ stated that she "finds DTE's explanation persuasive that the Company's current staffing level at Fermi 2 is insufficient, and that DTE is endeavoring to correct this situation, consistent with the requirements of its operating license." PFD, pp. 407-408.

DTE Electric notes in exceptions that it "takes no exception with the PFD's general recommendation for approval of the Company's nuclear generation O&M expense" but that it opposes the ALJ's determination due to the reduction in the inflation rate, as discussed previously. DTE Electric's exceptions, p. 146.

In exceptions, the Attorney General disputes the ALJ's disagreement with the Attorney General's proposed disallowance. The Attorney General contends that the ALJ did not address the use of "updated, actual 2024 numbers as opposed to DTE's use of actual 2023 numbers, to create a more reasonable projection." Attorney General's exceptions, p. 35. Further, the Attorney General claims that the ALJ also failed to discuss the fact that, despite wanting to hire additional staff, the company "has been unable to due to attrition and difficulty in finding qualified candidates." *Id*. In that regard, the Attorney General avers that her recommended disallowance should be applied because it is again likely that DTE Electric will be unable to meet its hiring goals and until the company is able to show "that it is actually increasing hiring, there is no sense in giving the Company more money based on its aspirations alone; to do so only enriches the Company at ratepayer expense, with no benefit to customers." *Id*. Therefore, the Attorney General requests that the Commission disallow $5.845 million of O&M expense for 2026.

In replies, DTE Electric contends that the ALJ found that the current staffing levels were insufficient and that the company is working to correct the situation. DTE Electric's replies to exceptions, p. 43. The company further states that, given the significant evidence demonstrating the inadequacy of staffing and the company's efforts to correct the staffing insufficiency, the Attorney General's disallowance should be rejected. *Id*., pp. 43-44.

The Attorney General also replies, noting her disagreement with the company pertaining to its position regarding inflation. Specifically, the Attorney General expresses "her continued support

for more reasonable inflation rates, as noted above and as supported by the ALJ and other parties to this case." Attorney General's replies to exceptions, p. 49.

As noted above, the ALJ made specific findings regarding the insufficiency of staffing levels and the company's efforts to correct the situation. *See*, PFD, pp. 407-408. Therefore, finding the ALJ's recommendation to be well-reasoned and supported, the Commission adopts the ALJ's recommendation on this issue.

6. Distribution Expense

DTE Electric projected a distribution expense of $505.513 million for the 2026 test year, based on normalized 2023 expense updated with inflation.

a. Distribution Base Operation and Maintenance Expense

The Attorney General disputes the company's normalization approach. In testimony, the Attorney General pointed out that not all of the company's one-year reductions were reinstated, and therefore, the more appropriate approach "is to use the actual 2024 expense level and build the projected test year expenses from that point forward." 4 Tr 3520. The Attorney General explained that this approach supports a revised distribution operations O&M expense of $475.802 million which is $29.711 million lower than the company's forecast. 4 Tr 3521. The company disputed the Attorney General's proposed disallowance. Specifically, DTE Electric explained that the temporary hiring pause cannot be sustained over a long period and the Attorney General's disallowance would negatively impact the company's ability to operate. *See*, DTE Electric's initial brief, p. 163.

The ALJ agreed with the Attorney General, in part. Specifically, the ALJ adopted the recommendation with regard to consultant costs, reasoning that the company did not adequately support the costs. However, with respect to hiring, safety, and training portions of the expense, the

ALJ found the company's normalization should be applied. The ALJ stated that, "[w]hile it is troubling that DTE reduced some of these expenses in 2023 and 2024, yet was still able to pay bonuses, this PFD agrees that with the many new initiatives related to distribution operations, additional hiring and training are required." PFD, p. 411.

In exceptions, the company notes that the ALJ generally adopts its "request for its base O&M expense, including the Company's normalization," but that the ALJ "recommends a reduction of $2.128 million related to consulting fees, as advocated for by the [Attorney General], concluding that the Company did not adequately support this cost." DTE Electric's exceptions, p. 147 (citing PFD, pp. 410-411). The company further indicates that the ALJ also recommended a decrease of $12.044 million related to the CDA normalization. The company disputes the disallowance regarding consulting fees, quoting its record testimony, that the use of consultants allows flexibility to the company and reduces the need to hire full-time staff. Thus, DTE Electric requests that the Commission disregard the disallowance as adopted by the ALJ. DTE Electric's exceptions, p. 148. DTE Electric further takes exception regarding the disallowance relating to the application of CDA to emergent expense. The company contends that it:

> provided definitive evidence that labor costs, the primary component of restoration expense, have increased annually since 2019 and will continue to do so into the projected test year. (Hill, 4T 2764) As storm response costs are primarily driven by labor, the PFD's rejection of CDA disregards this critical data point. (Kryscynski, 3T 1257).

DTE Electric's exceptions, p. 148. In the alternative, the company avers that, if the Commission applies the disallowance, it should correct the error in the calculation, which "results in a disallowance of $10.549 million and not $12.044 million." *Id*. (citing 3 Tr 1257-1258).

The Attorney General also takes exception to this section, stating that while the ALJ properly adopted the Attorney General's disallowance relating to consultant costs, the ALJ improperly

found that DTE Electric's normalization expenses should be included with regard to the hiring, safety, and training portion of the expenses. Attorney General's exceptions, p. 36 (citing to PFD, pp. 410-411). The Attorney General contends that DTE Electric's lowered spending was not due to financial pressures, given it was able to pay "out massive bonuses and incentive compensation to its management and nearly all employees in both 2023 and 2024, while at the same time cutting supposedly needed operating expenses that it now wants to re-establish in the projected test year." Attorney General's exceptions, pp. 36-37. In that regard, the Attorney General contends that the company did not meet its burden to support that the costs are necessary and will be incurred. Therefore, she contends that, in addition to the consulting fee expense, "the Commission should also disallow the additional normalization adjustments identified by the ALJ as being for 'hiring, safety, and training portions.' Those three portions total $4.069 million." *Id*., p. 37.

The company replies that the Commission should reject the Attorney General's exceptions and decline to apply the 2024 actual expenses for all distribution base O&M expenses. Specifically, DTE Electric states that "[t]o mitigate a significant revenue shortfall in 2023, the Company took several temporary, unsustainable measures to reduce its O&M expenditures while also maintaining the financial health of the Company and executing the capital investments the Company had determined were in the best interest of customers." DTE Electric's replies to exceptions, p. 44 (citing 3 Tr 989). The company avers that it has provided competent, material, and substantial evidence to support the normalized expenses and the need for additional labor. Further, DTE Electric claims that adoption of the Attorney General's recommendation would affect reliability efforts and be a detriment to customers. DTE Electric's replies to exceptions, p. 45.

In her replies to exceptions, the Attorney General notes that the company is not presenting any new information and is merely restating its testimony on this issue. Attorney General's replies to

exceptions, p. 49. With regard to the proposed error in calculation, the Attorney General responds that she addressed this in briefing and that it was considered and rejected by the ALJ. *Id*., p. 50.

The Commission finds that the ALJ's recommendation is well-reasoned and supported on the record. The ALJ acknowledged the company's contentions regarding the calculation and reasonably dismissed the claim. Moreover, the ALJ noted that, while the evidence pertaining to bonuses in years of cost cutting was troubling, she appropriately found that the company does have many new initiatives and thus additional hiring and training are required. Therefore, the Commission adopts the ALJ's recommendation on this issue.

b. Tree Trimming

DTE Electric proposed a $74.6 million increase from historical O&M relating to tree trimming. The company explained the increase is necessary to "maintain the current tree trim maintenance schedule, as well as introduce the risk-based cycles and proposed specification changes the Company has explored." DTE Electric's initial brief, p. 161 (citing 3 Tr 1193; Exhibit A-13 Schedule C5.6, p. 1, line 19, column (j)). The Staff recommended approval of the company's proposed $180 million O&M for the test year but noted disagreement with the company's proposal to move to a risk-based cycle after the completion of the surge. *See*, 5 Tr 5261-5264. The Attorney General proposed a total disallowance of $8.322 million to the company's proposed O&M expense from the Out of Right of Way (OROW) inspection and planning, management costs, and customer outreach and call center support. *See*, 4 Tr 3521-3524; Attorney General's initial brief, pp. 90-94. In addition, many intervenors disputed the company's use of a risk-based trimming cycle.

The ALJ thoroughly reviewed the record positions of the parties at pages 416 through 435 of the PFD which will not be extensively repeated here. The ALJ first reviewed the Commission's

June 12 order, noting that it is not ambiguous and indicates a clear preference for achieving the five-year trimming cycle. The ALJ stated that she:

> generally agrees with Staff, MNSC, and Ann Arbor that the Commission wants DTE to stay on the five-year cycle and investigate shortening the cycle and not move to longer cycle lengths for any trees. This PFD finds it concerning that DTE has already deferred the trimming of thousands of on-cycle miles and plans to defer thousands more. This is not consistent with the Commission's Order. Therefore, this PFD finds that DTE's proposal to move to risk-based cycling is contrary to the Commission's directives and unreasonable.

PFD, p. 435. In that regard, the ALJ recommended that DTE Electric discontinue its risk-based tree-trimming approach and also "investigate the costs and benefits of moving to a 4-year cycle, explaining in detail its advantages and disadvantages, and provide a report to the Commission on its findings." *Id*. Next, the ALJ found DTE Electric's proposed specification changes to be harmonious with the Commission's directive and, as such, recommended their approval. She also noted that DTE Electric agreed to the Staff's proposal to "provide a report within two years of the completion of this rate case on the implementation and results of the three proposed specification changes, with the specific contents of the report to be determined by DTE and Staff." *Id*., p. 436. Given the agreement to the Staff's proposal, the ALJ recommended its approval.

With regard to the Attorney General's proposed disallowance of $8.322 million from the proposed specification change expenditures for the test year, the ALJ found that the company failed to provide adequate support for these disputed expenses. The ALJ noted her agreement with the Attorney General that "the incremental costs for inspections and planning for OROW tree removal and customer outreach and call center support should be marginal and that the removal of 175,000 trees beyond those already included in the base plan and the OROW removal should not be needed." *Id*.

In exceptions, DTE Electric notes its disagreement with the ALJ's recommendation to remove $8.322 million from the company's proposed expense based upon the Attorney General's recommendations. The company claims that: (1) "[t]he $3.5 million cost for inspecting and planning OROW trees is necessary because the Company is doubling the distance outside the ROW [right-of-way] for which at-risk trees are identified, incorporating these inspections into the midcycle inspections, and leveraging certified arborists to assess tree health and risk of failure;" (2) "[t]he $2.5 million for additional customer outreach is based on the Company's reasonable anticipation that the increase in vegetation removal will lead to an increase in customer escalations, inquiries and complaints;" and (3) "[t]he $2.3 million [for small tree removals] reflects the incremental cost to remove the trees that historically had been trimmed." DTE Electric's exceptions, p. 150. Based on this evidence, the company contends that its full cost request is supported on the record, and, with the Staff's support, the Commission should approve full recovery. *Id*.

With respect to the risk-based approach, DTE Electric takes exception to the ALJ's recommendation, stating that "the record in this proceeding contains substantial evidence supporting the Company's transition to a risk-based approach" and that "risk-based cycles were endorsed in the Liberty Audit." *Id*., p. 152. The company reiterates its record position that moving toward a risk-based approach will result in more efficient use of resources and allow for more frequent trimming of high-risk areas versus lower-risk areas. DTE Electric states that it:

> developed a risk prioritization model that leverages remote sensing data (e.g., LiDAR [Light Detection and Ranging]), advanced analytics, and machine learning to estimate the probability of vegetation-driven failures and determine optimal trim cycles for each individual circuit. (Steudle, 4T 2861-2862). This is exactly the type of risk-based approach that intervenors have long argued for in the Company's various proceedings before the Commission.

DTE Electric's exceptions, pp. 152-153.

The company again explains its position that moving from a five-year cycle to a four-year cycle will increase costs, and that the cost of moving from its proposed 5.8-year average risk-based trim cycle to a fixed five-year trim cycle is estimated to be at least $20 million more than its request of $180 million for 2026. Further, DTE Electric states that "[a] collaborative approach with Staff would help align expectations as to how the Company can best optimize its approved funding in terms of miles and specification changes for the test year in the instant case." *Id*., p. 154. In sum, the company states that the Commission should adopt its proposed risk-based approach and acknowledge that, if it does not, DTE Electric "will not be able to trim the required miles in the test period aligned with a fixed five-year cycle with the requested O&M funding in the instant case of $180 million." *Id*., p. 155.

Ann Arbor takes exception to the PFD, noting that the ALJ appropriately acknowledged Ann Arbor's recommendation "to track such costs so they can be easily segregated and disallowed in future cases, should DTE's management fail to implement and maintain a prudent 5-year tree trimming schedule." Ann Arbor's exceptions, p. 2. Ann Arbor avers that the Commission should adopt its recommendation because "it will provide a convenient mechanism for DTE to experience financial consequences if the Company extends its tree-trimming cycle in ways the Commission has found to be unreasonable and imprudent." *Id*., p. 3. Continuing, Ann Arbor explains that its recommended tracking and disallowance mechanism would put the burden on the company, rather than ratepayers, for tree-related outages on circuits that DTE Electric allowed to fall behind the appropriate five-year trimming cycle. Therefore, Ann Arbor requests that the Commission require DTE Electric to track tree-related outages for circuits falling behind the five-year cycle and give notice that "in future rate cases the Commission will disallow recovery of costs associated with

tree-related outages on circuits that were not trimmed in the five years prior to the tree-related outages." *Id*.

In reply to Ann Arbor's exceptions, DTE Electric states that:

> the Company plans to track all circuits trimmed as part of its data-driven risk-based approach to tree trimming going forward. However, it would be improper for the Commission to establish a presumption that future costs should be disallowed if the Company deviates from either its risk-based schedule or, if ordered by the Commission, adherence to a five-year tree trim cycle approach. Numerous reasons—such as major storm restoration—could necessitate deviating from a planned schedule and it is incumbent on the Commission to assess whether the Company's business operations as well as its costs and expenses presented for recovery in a future case are reasonable and prudent based upon competent, material, and substantial evidence presented in that case.

DTE Electric's replies to exceptions, p. 46 (footnote omitted). The company again reiterates its record testimony that its proposed $180 million in O&M funding for tree trimming based upon its risked-based approach, is not compatible with the ALJ's recommendation to achieve a fixed five-year trimming cycle, and notes that the ALJ did not make a recommendation on this position. *Id*. Further, DTE Electric notes that a collaborative approach with the Staff would "help align expectations as to how the Company can best optimize its approved funding in terms of miles and specification changes for the test year in the instant case." *Id*.

The Attorney General replies, first noting that DTE Electric's discussion pertaining to advancing technology was interesting but also concerning with regard to the ultimate cost associated with the technologies. The Attorney General adds that DTE Electric seems unable to pick a cost and stick with it for recovery, thereby never allowing any tree trimming program a chance to succeed. Attorney General's replies to exceptions, p. 52. Moreover, the Attorney General states that "[t]he ALJ was thorough in her PFD and reached an appropriate conclusion. DTE's exception to the contrary should be rejected." *Id*., p. 53.

Ann Arbor also replies, challenging DTE Electric's "claim that risk-based cycles were endorsed by the Audit – particularly because the Company uses this claim as support for its proposed variable risk-based tree trimming cycle." Ann Arbor's replies to exceptions, p. 5 (citing DTE Electric's exceptions, pp. 151-152). Ann Arbor acknowledges that the Liberty Audit supports examining alternative cycles but contends that, "when read in context, it is clear the Audit intended to support exploring shorter cycle lengths, not the variable – and on average longer – cycle lengths DTE proposes implementing." Ann Arbor's replies to exceptions, p. 5. Continuing, Ann Arbor cites to the Liberty Audit language and concludes that the reference to longer 6-to-7-year tree trimming cycles is nowhere to be found within the audit. Overall, Ann Arbor requests that the Commission reject DTE Electric's exceptions and the company's proposed risk-based tree trimming cycle approach.

In reply, MNSC states that the Commission has recently expressed its preference for DTE Electric to stay on the five-year cycle and even investigate moving to a four-year cycle. MNSC disputes the company's position that its risk-based approach is supported and further contends that the claim that the Liberty Audit endorsed the company's proposal is a mischaracterization. MNSC's replies to exceptions, p. 19. Quoting the Liberty Audit, MNSC states that, "to the extent Liberty 'endorsed' risk-based cycles, it anticipated they would shorten – not lengthen – cycle length for some circuits, whereas [DTE Electric's] plan would lengthen the trim cycle to an average 5.6-year cycle. Liberty opposed longer cycles and favored shorter cycles." *Id*., p. 20.[12] Continuing, MNSC avers that the Commission did not find DTE Electric's proposal for a risk-

[12] In footnote 102, MNSC quotes 4 Tr 2864 which states that "the Company estimates the average cycle length will be 5.8 years for distribution miles. When including sub-transmission miles, the Company's adjusted average cycle length is 5.6 years." *See*, MNSC's replies to exceptions, p. 20.

based approach persuasive in Case No. U-21305 and rather suggested that the company investigate benefits of moving to a four-year cycle. While the Liberty Audit did acknowledge increased cost for moving to a four-year cycle, it also "acknowledged that cost would be offset by lesser overgrowth, meaning the cost per mile would be reduced. The fact that shortening the cycle is likely to increase costs is not a reason to dismiss the recommendation—it is reason to evaluate the costs and benefits . . . ." *Id*., p. 21. Therefore, MNSC recommends that the Commission reject DTE Electric's exceptions and risk-based cycle approach and direct the company to present an analysis of a four-year trimming cycle in its next general electric rate case.

The Commission adopts the ALJ's recommendation to direct the company to proceed with a consistent five-year tree trimming cycle. As stated in the June 12 order:

> the Commission does not want to lose the progress that has been made by achieving the five-year tree trimming cycle. The Commission recommends that the company stay on the five-year cycle while investigating the additional benefits of moving to a four-year cycle, consistent with Liberty's recommendation and finding that "others have commonly found[ ] additional reliability benefits on a cost effective basis." *Id*. Further, the Commission finds that DTE Electric should analyze the incremental costs and benefits of expanding trimming zones and of clearing underbrush and hazard trees, as recommended by the Staff.

June 12 order, p. 17. The Commission finds that the company's position that its risk-based proposal is endorsed by the Liberty Audit is misleading. As pointed out by intervenors, to the extent that a risk-based approach was endorsed, it was to reduce the five-year cycle as opposed to the company's current proposal with an average cycle exceeding five years. However, the Commission does not preclude the concept of a risk-based cycle indefinitely. In fact, once more data is gathered after reaching the five-year cycle, applying a risk-based approach with disallowance of costs caused by tree-related outages on cycles longer than a set standard could prove to be reasonable. Nevertheless, without ever reaching the five-year cycle identified by the Audit and ordered by the Commission, this determination cannot be made.

The Commission also finds merit in Ann Arbor's proposal to require DTE Electric to track tree-related outages for circuits falling behind the five-year cycle and for the Commission to warn the company that it will disallow costs associated with tree-related outages on circuits that were not trimmed in the five years prior to the tree-related outages. DTE Electric acknowledged that it plans to track all circuits trimmed as part of its data-driven risk-based approach to tree trimming going forward in its replies to exceptions; however, the company disputes that a future disallowance should be predetermined in this case. *See*, DTE Electric's replies to exceptions, p. 46. Consistent with Ann Arbor's proposal, the Commission finds it appropriate for the company to track tree-related outages for circuits falling behind the required five-year cycle and present this data in its next general rate case. The Commission also emphasizes that the company has the burden to demonstrate that recovery of its costs are reasonable and prudent. As a caution, one factor in determining reasonableness and prudence may include the company's choice to deviate from the audit recommendations and Commission directives.

The Commission further disagrees with the adoption of the Attorney General's disallowance with respect to the specification change expenses for the test year. Furthermore, the Commission notes that DTE Electric asserted that "[t]he incremental cost in moving from a 5.8-year average risk-based trim cycle to a fixed 5-year trim cycle was estimated to be at minimum an incremental $20 million dollars more than the Company's current $180 million request for 2026." 4 Tr 2896-2897. However, the company offers nothing more than this estimate in supporting the additional costs connected with achieving the five-year cycle, and so there is no way for the Commission to determine, based on the record evidence in this case, whether that estimate is correct. As such, the Commission authorizes the company to include up to the additional $20 million to achieve the five-year trimming cycle as a regulatory asset, with the Commission to review both the total

amount and the reasonableness and prudence of the expenses in a future case. However, the Commission also notes that, consistent with the audit findings, it expects tree trimming expenses to decline once the "surge" is completed and the company is on the recommended five-year cycle. In that regard, the Commission will continue to closely scrutinize the company's progress and projected expenses.

The ALJ also recommended that the Commission adopt the Staff's proposal to require the company to examine the cost and benefits of moving towards a four-year cycle. The Commission notes that in its reply brief DTE Electric stated that it:

> agrees to the concept of providing an interim report on its tree trimming program, but requests further collaboration with Staff to develop the proposed study, (Steudle, 4T 2886-2887), including the propriety of an analysis relating to a 4-year tree trimming cycle. Staff's Initial Brief agrees to collaborate with the Company on its recommended interim report. (Staff Initial Brief, p 217). Accordingly, the Company requests that the Commission refrain from ordering the Company to complete a 4-year trimming cycle analysis until after the Company and Staff are able to define the parameters of a forthcoming report on its tree-trimming program.

DTE Electric's reply brief, p. 160. After review of the record, the Commission finds that it is reasonable to require the company to develop and file an interim report pertaining to tree trimming and specifically to investigate the costs and benefits of moving to a four-year cycle. However, the Commission also finds it appropriate to allow the company and the Staff to collaborate to determine the parameters of the report, including the timeline for filing. Moreover, in this context DTE Electric and the Staff will have the opportunity to discuss expectations and ways to optimize funding, as suggested by the company. *See*, DTE Electric's replies to exceptions, p. 46.

c. Staking and Locating

DTE Electric presented testimony indicating that its MISS DIG/Damage Prevention costs have increased. *See*, 4 Tr 2796; Exhibit A-13, Schedule C5.6, p. 4. The Attorney General disputed inflationary cost adjustments as applied to contractor costs, because the increased costs already

reflect inflationary effects. *See*, 4 Tr 3526. The Attorney General also disputed the purported incremental adjustments of $1.618 million arguing that they were "unsupported and unverifiable." 4 Tr 3527.

The ALJ thoroughly reviewed the positions of the parties at pages 437 through 440 of the PFD, which will not be extensively repeated here. After review of the parties' positions, the ALJ concluded that "[b]oth parties made valid points." PFD, p. 440. She concluded that DTE Electric appeared to be correct that staking volume increased along with contractor costs and MISS DIG fees, but that adding inflation onto contractor costs is incorrect, ultimately finding the Attorney General's disallowance for inflation in this category to be persuasive. *Id*.

DTE Electric takes exception to the ALJ's recommendation, arguing that the Attorney General's proposed disallowance of $675,000 was not supported by a calculation that was provided in testimony or exhibits on the record. The company argues that this funding request is not discretionary, and that the Attorney General's "recommendations are not grounded in the practical conduct of the Company's O&M activities and obligations, and reductions to funding requests now will only exacerbate O&M demands in the future." DTE Electric's exceptions, p. 156.

The Attorney General also filed exceptions on this issue. Specifically, the Attorney General contends that the ALJ did not provide a full explanation in rejecting the Attorney General's disallowance of $1.618 million for MISS DIG fees and contractor costs. Specifically, the Attorney General indicates that the ALJ notes that she "was persuaded by DTE's simple argument that the fees and costs have increased," but that "there is no other discussion or analysis to examine those projected increases." Attorney General's exceptions, p. 38. The Attorney General reiterates that the company's forecasted growth rates are at 2-3%, which does not explain the 41% increase in

contractor costs. The Attorney General avers that the company should be held accountable to fully explain its proposed expenses. Thus, the Attorney General indicates that, "along with removing the inappropriate inflation adjustments as recommended by the ALJ, the Commission should remove the increase in expense of $1,618,000 proposed by the Company." *Id.*, p. 39.

In reply, DTE Electric continues to indicate its opposition to the Attorney General's proposed disallowance pertaining to inflation. In addition, the company disputes the Attorney General's position that DTE Electric did not provide evidence to support the increase in contractor costs. Specifically, DTE Electric states that its witness "explained that the Company's staking and locating contractor costs reflect current labor and material market prices based on the results of a competitive request for proposal (RFP) bidding process and vendor negotiations." DTE Electric's replies to exceptions, p. 47 (citing 4 Tr 2830-2831). Moreover, the company contends that the Attorney General's assertions are mere speculation, which the Commission cannot rely upon in making its determination.

The Attorney General also replies, noting that merely because she was the only party to object to the proposed expense is not a valid rationale to disregard the proposed disallowance. The Attorney General continues, stating that the burden is upon DTE Electric to support each of its funding requests in every proceeding. With regard to the calculation of the proposed inflation disallowance of $675,000, the Attorney General states that the:

> calculation of $675,000 is supported in Mr. Coppola's testimony and the [Attorney General's] briefing. Again, page 4 of Ex. AG-44 shows that adding the 2024, 2025, and 2026 inflation adjustments from DTE's response to AGDE-4.144a totals to $675,000. This number was taken directly from DTE's discovery response, so it is a number that was calculated by DTE itself. Accordingly, the Commission should adopt ALJ's recommendation on this point and remove the inappropriate $675,000 inflation increase.

Attorney General's replies to exceptions, p. 54 (footnote omitted).

The Commission finds that, while brief, the ALJ's determination is supported by the record, and, as such, the Commission adopts the findings and recommendations of the ALJ with regard to this issue. *See generally*, 4 Tr 3526-3528, 2830-2831.

d. Distribution "Surge" and Stranded Costs

MNSC, the CEOs, and the Attorney General requested that DTE Electric be required to record capital and O&M costs related to "catching up" on deferred maintenance and capital investments, including "at a minimum, the full $200 million in projected PTMM spending in the test year" as a regulatory asset to be securitized. MNSC's initial brief, p. 6; CEOs' initial brief, pp. 29-31; Attorney General's initial brief, p. 147. The company opposes the request. *See*, DTE Electric's reply brief, p. 4.

The ALJ found MNSC's recommendations to be well-presented but noted that she was "not convinced that the Company's apparent underspend on O&M was the result of imprudence or some intention on DTE's part to avoid inspections and maintenance in order to overspend on capital investments." PFD, p. 441. As for the proposal to approve a regulatory asset for stranded distribution assets, the ALJ found that the record is unclear as to the details of how this might be accomplished, and whether this as well might be addressed in the company's upcoming depreciation case. *Id*.

MNSC takes exception, stating that its recommendation of regulatory asset treatment was "to mitigate the immediate impacts of programmatic surge on ratepayers, not to penalize the Company for past underinvestment into reliability programs." MNSC's exceptions, p. 12 (citing MNSC's initial brief, pp. 205-206). MNSC states that "deferring costs in regulatory assets for eventual securitization is not meant to punish the utilities, and the Commission is not required to find some element of culpability before using securitization as a tool to mitigate rate impacts." MNSC's

exceptions, p. 13. Further, MNSC argues that it is within the Commission's broad discretion to ensure rates are just and reasonable to protect customers' interests.

The CEOs also except, stating that their witness' analysis of distribution spending and comparison of DTE Electric to other Midwest utilities demonstrate that the company has underspent on O&M from 1994 through 2009 resulting in the current reliability performance issues. CEOs' exceptions, p. 2 (citing 4 Tr 3627). Thus, the CEOs reiterate the position that the most equitable and cost-effective way to allow DTE Electric to "catch up" is through securitization. In response to the ALJ's recommendation, the CEOs contend that it is irrelevant whether the company's prior underspend was the result of imprudence and that the record reflects that DTE Electric did underspend on a per customer basis and that the company's proposal "clearly demonstrate[s] that it envisions a 'surge' in distribution system inspections and maintenance that will subside in the future." CEOs' exceptions, p. 3. Therefore, the CEOs state that the Commission should treat the company's proposal as a "surge" and require DTE Electric to securitize its catch-up spending on the distribution system. *Id*.

In reply, DTE Electric reiterates its testimony that the expenses recommended for regulatory asset treatment are improperly characterized as "surge" expenses and that the proposal overlooks the "'the dynamic and evolving nature of the grid, as well as the increasing demands placed on aging infrastructure to maintain and improve reliability.'" DTE Electric's replies to exceptions, p. 48 (quoting 3 Tr 1160-1161). The company further contends that, considering its plans to securitize:

> the net book balance associated with the Belle River coal handling assets and the previously approved tree trim regulatory assets in the fourth quarter of 2026 and a portion of the net book value of the Monroe power plant in 2032, additional securitization may impact the Company's creditworthiness, which could ultimately cost customers.

DTE Electric's replies to exceptions, p. 49.

The Commission finds that the ALJ's recommendation is well-reasoned and supported. Therefore, the Commission adopts the ALJ's recommendation on this issue. *See*, PFD, p. 441.

7. Lighting Expense

DTE Electric projected lighting O&M expense of $4.6 million for the test year including preventive maintenance costs like post inspection, post painting, and night patrols, labor, and non-capitalized outage restoration. *See*, 3 Tr 1429; Exhibit A-13, Schedule C5.6. MAUI/PROTEC raised many concerns pertaining to lighting expenses. The ALJ summarized and addressed the disputed issues at pages 442 through 458 of the PFD.

a. Community Lighting Replacement

MAUI/PROTEC take exception to this section of the PFD for the limited purpose of clarifying its position. Specifically, MAUI/PROTEC seeks to clarify that it "never asserted that proactive conversion of mercury vapor (MV) streetlights to light-emitting diodes would end cross-subsidization" but rather stated that it "demonstrated that proactive conversion would reduce cross-subsidization in the biggest area but that approximately 49% of the current subsidization would continue to exist." MAUI/PROTEC's exceptions, p. 4 (citing MAUI/PROTEC's initial brief, pp. 11, 14).

The Commission finds that, at page 446, the ALJ stated that "MAUI/PROTEC argue that directed conversion would have multiple benefits. First, it would end cross-subsidization and bring rates closer to cost of service." PFD, p. 446. As noted by MAUI/PROTEC's exceptions, the Commission finds that the record should be clarified to demonstrate MAUI/PROTEC's position is that it would result in a *reduction* in cross-subsidization and not fully end the cross-subsidization.

The Commission further finds that no additional exceptions were filed on this issue and the ALJ's recommendation is well-reasoned and is adopted. *See*, PFD, pp. 447-448.

b. Pole Inspection and Painting

DTE Electric noted that it owns about 60,000 metal or fiberglass posts and inspects approximately 20,000 posts per year for maintenance or replacement as needed upon inspection. 3 Tr 1419. In that regard, the company included approximately $165,000 for post inspections and approximately $250,000 for post painting for the test year. MAUI/PROTEC disputed the expense, arguing that the company's actual expenses in 2024 were adequate to meet the goals of the inspection program, and therefore recommends a disallowance of $70,700 from the preventative maintenance program. 3 Tr 3757.

The ALJ considered the record positions of the parties and found that the increase from inflation alone may not be sufficient to account for the reality of an increase in operational costs relating to the inspection and maintenance of the poles. Therefore, the ALJ rejected MAUI/PROTEC's proposed disallowance. PFD, p. 451.

In exceptions, MAUI/PROTEC states its record position that DTE Electric's cost recovery "should be limited to its projected labor inflation rates applied to the 2024 expenses for inspection and painting." MAUI/PROTEC's exceptions, p. 1, citing MAUI/PROTEC's initial brief, pp. 3-4. MAUI/PROTEC continue, arguing the ALJ's reliance upon company testimony reflecting that costs *could* increase by 15% to be uncertain and speculative. As such, MAUI/PROTEC contend that DTE Electric did not sufficiently justify cost recovery and the ALJ's reliance upon speculative and uncertain testimony improperly shifts the burden from the company. *See*, MAUI/PROTEC's exceptions, pp. 1-2. Therefore, MAUI/PROTEC request that the Commission disallow the company's speculative costs as they are not just and reasonable.

DTE Electric replies that the ALJ properly recognized that it presented "competent, material and substantial evidence to support its calculation of costs for pole inspection and painting." DTE Electric's replies to exceptions, p. 50. The company contends that the cost of materials is volatile and that adoption of the proposed disallowance would inhibit DTE Electric's ability to proactively inspect and maintain its lighting infrastructure. Therefore, the company states that MAUI/PROTEC's proposed disallowance and exceptions should be rejected by the Commission.

The Commission disagrees with MAUI/PROTEC's characterization of the company's testimony as speculative. The Commission finds that the ALJ's recommendation is supported on the record and is adopted. *See*, PFD, p. 451.

c. Supervisory and Administrative Costs

MAUI/PROTEC disputed the company's increase in supervisory and administrative costs arguing that the costs should be limited to 15% of direct O&M project costs based upon the costs in 2023. MAUI/PROTEC's initial brief, p. 7. The company argued that the calculation performed is arbitrary because the supervisory and administrative costs do not have a direct relationship to O&M expenditures. DTE Electric's reply brief, p. 162.

The ALJ found MAUI/PROTEC's position to be unpersuasive. The ALJ agreed that "the use of a single historical year without more to arrive at projected expenses alone is insufficient to justify the proposed disallowance." PFD, p. 454.

Similar to the above exceptions, MAUI/PROTEC argue that the ALJ improperly shifted the burden of proof from the company to MAUI/PROTEC on this issue. Specifically, MAUI/PROTEC contend that DTE Electric's position is speculative and that the company's projected supervisory and administrative costs "should be based on something other than historical data from 2023, [and that] it is incumbent upon DTE to sufficiently justify what those costs should

be based on. DTE has not done so." MAUI/PROTEC's exceptions, p. 4. MAUI/PROTEC argue that the company merely made general assertions regarding increased staffing but has not supported its position.

In reply, DTE Electric states that, contrary to MAUI/PROTEC's exceptions, the ALJ's recommendation on this issue does not shift any burden. Rather, the company indicates that the ALJ instead "notes critical deficiencies" in MAUI/PROTEC's recommended disallowance. Specifically, citing its testimony, DTE Electric indicates that it "explained, S&A [supervisory and administrative] costs are driven by real world factors—including staffing levels, oversight requirements, program complexity, and the scale of infrastructure being maintained or modernized—that are not tied to O&M expenditures in a direct, linear manner." DTE Electric's replies to exceptions, p. 51. Therefore, the company requests that the Commission adopt the ALJ's determination and reject MAUI/PROTEC's exceptions on this issue.

The Commission agrees with the ALJ that MAUI/PROTEC's calculation alone is insufficient to support its proposed disallowance. Furthermore, the ALJ's determination is well-reasoned and supported by the record and is, therefore, adopted. *See*, PFD, p. 454.

d. Municipal Coordination

MAUI/PROTEC averred that DTE Electric has taken minimal steps in complying with prior Commission directives to improve communication and coordination with local governmental units. *See*, MAUI/PROTEC's initial brief, pp. 15-21. MAUI/PROTEC argued that the Commission needs to take additional steps to hold DTE Electric accountable including improving communication and coordination with municipalities. In response, the company pointed to its municipal coordination efforts and disputed the need to impose additional documentation requirements relating to municipal coordination. DTE Electric's reply brief, pp. 221-223.

The ALJ found that:

> that the Company has moved towards compliance with the Commission's order in Case No. U-21534 but can still do better. Therefore, this PFD recommends that the Commission renew its direction from Case No. U-21534, and instruct DTE to: (1) "take proactive measures to inform municipalities and other utilities of projects it plans to commence prior to earmarking capital;" and, (2) "take proactive measures to investigate publicly available plans provided by other utilities and municipalities in an effort to coordinate work." The Company should be reminded to take note of the Commission's order to take proactive measures prior to earmarking capital, and to continue its outreach and communication efforts with local units of government.

PFD, p. 458 (quoting January 23 order, p. 468).

In exceptions, MAUI/PROTEC reiterate concerns regarding lack of coordination on capital projects. In response to the ALJ's recommendation, MAUI/PROTEC "respectfully contend that the Commission should do more than merely repeat its past directives" because "[m]erely repeating past directives is unlikely to compel DTE to 'do better,' and rewards DTE's repeated foot-dragging." MAUI/PROTEC's exceptions, p. 5. Therefore, it recommends that the Commission affirmatively require DTE Electric to: "(1) document its review of municipalities capital improvement plans and (2) discuss project prioritization and timing with local officials prior to committing design capital to a project." *Id*. (citing MAUI/PROTEC's initial brief, p. 21).

In the January 23 order, the Commission stated that it agreed:

> that coordinating projects whenever possible results in cost savings while limiting utility disruption for customers. Thus, DTE Electric should act to coordinate as much as feasible with local governments and other utilities which will result in cost savings and a lower level of utility disruption for its customers. As such, DTE Electric should provide the "'when,' 'where,' and 'what' of its projects which could lead to potential project coordination opportunities." Consistent with MI-MAUI's suggestion, the Commission encourages DTE Electric to properly notify other utilities and municipalities once a project is selected to move forward, not waiting until capital has been committed to a project.

January 23 order, p. 458 (internal citations omitted). The Commission further directed that:

> Z. DTE Electric Company shall take proactive measures to inform municipalities and other utilities of projects it plans to commence prior to earmarking capital for the project.
>
> AA. DTE Electric Company shall take proactive measures to investigate publicly available plans provided by other utilities and municipalities in an effort to coordinate work.

Id., p. 468. The Commission finds that the ALJ properly held that the company has moved toward compliance, but that it could still do better. Consistent with the ALJ's recommendation, the Commission reminds the company of its prior directives, quoted above. The Commission further finds that MAUI/PROTEC's request in exceptions to be reasonable. As such, consistent with MAUI/PROTEC's exceptions, the Commission finds it appropriate for DTE Electric to: "(1) document its review of municipalities capital improvement plans and (2) discuss project prioritization and timing with local officials prior to committing design capital to a project." MAUI/PROTEC's exceptions, p. 5.

8. Customer Service Expense

a. Merchant Fees

DTE Electric initially requested $7.013 million in the forward test year in residential merchant fees; however, it later withdrew its request as it plans to charge "merchant fees directly to residential customers." 4 Tr 2675; *see also*, DTE Electric's initial brief, p. 172. As such, the ALJ found that the issue of merchant fees was moot. *See*, PFD, p. 458. In exceptions, DTE Electric agrees that the issue is moot but that upon withdrawing its request here, "capital costs for the Payment Merchant Fees IT project is necessary." DTE Electric's exceptions, p. 156. The

Commission agrees with the ALJ and DTE Electric that this O&M issue is moot. Capital expenditures are discussed above.

9. Uncollectible Expense

DTE Electric described an uncollectible expense (UCX) as that "portion of accounts receivable that is considered uncollectible from customers who used electric service." DTE Electric's initial brief, p. 172 (citing 4 Tr 2734). DTE Electric described that it used "a historical three-year average (2021-2023) of the percentage of net write-offs to revenue applied to projected revenue (inclusive of PSCR [Power Supply Cost Recovery] Factor and surcharges)[,]" stating the company's UCX was $48.0 million. DTE Electric's initial brief, p. 173 (citing 4 Tr 2737; Exhibit A-13).

Both the Staff and the Attorney General included expenses for 2024 in their calculations, recommending reductions to DTE Electric's proposed UCX. *See*, 4 Tr 3542; 5 Tr 5191. Additionally, the Staff recommended removing approximately $1.0 million from DTE Electric's calculation by allocating Low Income Payment Stability Plan Amortization Expenses as a revenue credit in the cost-of-service study (COSS). 5 Tr 5224. DTE Electric acceded to this $1.0 million reduction. DTE Electric's initial brief, p. 173; *see also*, 4 Tr 2742-2743.

The Attorney General proposed a UCX reduction of $1.6 million by using a three-year historical ratio of 2022-2024. Attorney General's initial brief, pp. 117-119; 4 Tr 3543. The Attorney General contended that "net charge-offs should include all bad debts that are uncollectible" but that DTE Electric failed to provide "any explanations or evidence of what the direct expenses consist of and why they should" be added to the normal UCX calculation. Attorney General's initial brief, p. 118. While DTE Electric agreed with the Attorney General's general methodology, it noted "an omission in [her witness's] analysis: the exclusion of the three-

year average of direct expense" which "is consistent with the methodology approved by the Commission in its final order in DTE Electric's prior rate case (Case No. U-21534)." 4 Tr 2742. DTE Electric concluded that "[t]he net of the two adjustments results in $46.6 million in uncollectible expense and an upward adjustment of $0.2 million from [the Attorney General's] projection." 4 Tr 2743.

In its reply brief, DTE Electric argued that the Attorney General was challenging the company's inclusion of the three-year direct expense average for the first time, arguing that "'there is no justification to include such direct uncollectible expenses to the basic calculation of uncollectible expense using the three-year ratio of net charge-offs to revenue.'" DTE Electric's reply brief, p. 163 (quoting Attorney General's revised initial brief, p. 118). DTE Electric opined that the Attorney General "did not provide any justification in [her] testimony for excluding the $1.2 million in direct expense identified for recovery" which was an UCX component "consistent with the methodology approved by the Commission in Case No. U-21534" such that DTE Electric provided "reasonable support in its direct case" through Exhibit A-41, Schedule FF1 to include such expenses. DTE Electric's reply brief, pp. 163-164.

In her reply brief, the Attorney General again recommended a $1.6 million reduction to DTE Electric's UCX projection while stating that her initial brief "fully explains why there is no 'omission'" in her analysis. Attorney General's reply brief, p. 50.

The ALJ agreed with the Staff's recommendation to use $5,854,370 as DTE Electric's current revenue, while disallowing the payment stability plan amortization expense, and utilizing the Staff's adjusted PSCR factor revenue. PFD, p. 461. Thus, the ALJ recommended the Staff's UCX

projection of $46.469 million be adopted, disallowing $1.561 million from DTE Electric's $48.030 million request. *Id*., pp. 458-459, 461.

There were no exceptions filed on this issue.

The Commission finds the ALJ's recommendation to be well-reasoned and supported by the record and therefore adopts the Staff's UCX projection of $46.469 million.

10. Regulated Marketing Expense

DTE Electric explained that its Regulated Marketing O&M expense includes Major Account Services, Electric Marketing, Economic Development, DR Portfolio costs; TEP O&M expense; and amortization of the Charge Forward regulatory assets. DTE Electric's initial brief, pp. 173-174. DTE Electric proposed an expense of $32.1 million for its Regulated Marketing Expense O&M recovery for the projected test year, which is a $11.1 million increase over the adjusted historical test period expense of $21.0 million. 4 Tr 2653. DTE Electric asserted that $32.1 million expense "is reasonable, prudent, and necessary" in order "to maintain the existing level of customer support . . . to support the Company's economic development activities, and to educate all customers on Company offerings." 4 Tr 2654-2655.

In its initial brief, the Staff suggested an overall Regulated Marketing O&M expense reduction of $544,000. *See*, Staff's initial brief, pp. 139-140. The Staff also applied its inflation percentages to DTE Electric's Exhibit A-13, Schedule C5.9, which resulted in a $244,000 decrease in O&M expense. *See*, 5 Tr 4984; Exhibit S-9.4.

The Attorney General disagreed with DTE Electric's proposal, stating that it relies on outdated information as DTE Electric provided "more recent actual 2024 O&M expenses with a build-up to 2026 test year expenses" in discovery. 4 Tr 3538; *see also*, Attorney General's initial brief, p. 113. The Attorney General instead proposed a Regulated Marketing O&M expense of $29.358 million,

which is $2.739 million lower than DTE Electric's projected expense. 4 Tr 3539; Exhibit AG-52, p. 2. The Attorney General also recommended other reductions. She noted that in discovery, DTE Electric provided annual spending amounts for DR costs and the Charging Forward program expansion from 2023 to 2024 in the amounts of $2.3 million and $1.0 million, respectively. 4 Tr 3540. Thus, the Attorney General recommended a total Regulated Marketing O&M expense disallowance of $8.085 million for the projected test year.

The company rebutted testimony on behalf of the Attorney General, justifying its own recommendations by referencing Case No. U-21297, which approved an increase in O&M. *See*, 4 Tr 2680-2681. DTE Electric also explained that "[t]hroughout 2024, the Company expanded its program administration team. As such, an increase in spending from 2024 (when the program administration team was not fully staffed) to 2025 and 2026 would be expected." 4 Tr 2680-2681. Thus, DTE Electric's "proposed increase in O&M is not 'speculative' but is grounded in actual historical spending and supported by previous Commission orders." 4 Tr 2681.

In rebuttal, the Attorney General argued that the more recent 2024 amounts should be used instead of DTE Electric's cost projections based on 2023 amounts. Attorney General's initial brief, p. 114. To bolster her position, the Attorney General referenced DTE Electric's TEP/Charging Forward expense increase, stating that while DTE Electric proposed an increase in the TEP/Charging Forward expense, there are "fewer EVs expected to be purchased by customers after the end of the $7,500 federal tax credit on September 30, 2025" such that the program "will be less active and expenses should be throttled back" and thus, DTE Electric's customers "should not pay in rates for costs that are not likely to be incurred." *Id*., p. 115.

In its reply brief, DTE Electric argued that the Staff incorrectly dismissed its dedicated DR call center as having a customer benefit "for example, having reduced the average length of a call

to the general call center by 46%." DTE Electric's reply brief, p. 164 (citing 3 Tr 1380). DTE Electric also argued that the Attorney General's request to view its temporary reduction in normalization adjustments based on 2024 expenses as permanent "is void of rationale, as the [Attorney General] has not cited any authority to support [her] contention that a temporary reduction must be confined to a single calendar year." DTE Electric's reply brief, p. 165.

In rebuttal, the Attorney General again highlighted that DTE Electric ignored the 2024 data, which is "the most recent, best available data" and that the company instead oversimplified Mr. Coppola's testimony. *See*, Attorney General's reply brief, p. 51.

The ALJ agreed with the Attorney General's proposed Regulated Marking O&M expense of $29.358 million as it "is appropriately based on more recent 2024 data, the use of which DTE does not directly oppose." PFD, p. 467. However, the ALJ did not agree with excluding $4.909 million in DTE Electric's normalization adjustments, nor did she agree with the Attorney General's or the Staff's disallowances for DR and Charging Forward, and as such, she recommended that only $2.739 million of O&M expenses be disallowed for the test year. *Id*., pp. 467-468.

DTE Electric filed exceptions on this topic, disagreeing with the ALJ's proposed disallowance of $2.739 million because the ALJ "also rejects the [Attorney General's] exclusion of two normalized adjustments to historical expense totaling $4.909 million for MI Green Power program outreach and marketing and deferred backfilling of employees." DTE Electric's exceptions, p. 156 (citing PFD, p. 467). This is because if the Attorney General's exclusion resulting in $4.909 million is excluded, DTE Electric's total O&M expense would be $34.267 million, and DTE Electric provided testimony that the adjustments "are necessary regardless . . . because these costs

will be incurred in the 2026 test year." DTE Electric's exceptions, pp. 156-157 (citing 4 Tr 2676-2678).

DTE Electric also objected to the Staff's recommended decrease of $244,000 in regulated marketing O&M. DTE Electric's exceptions, p. 157 (citing 5 Tr 4983-4984; PFD, pp. 327, 382).

In exceptions, regarding her $4.909 million disallowance in normalization adjustments from the Regulated Marketing O&M expense, the Attorney General contends that these expenses were "removed to bolster DTE's bottom line" and that they were "not necessary for several years" and that in this matter, DTE Electric provided "vague, unhelpful answers . . . about supporting a 'positive customer experience.'" Attorney General's exceptions, p. 40 (citing Exhibit AG-87). The Attorney General also contends that the ALJ was wrong to find that DTE Electric provided adequate support for its DR and Charging Forward adjustments. *See*, Attorney General's exceptions, p. 40.

In its replies to exceptions, DTE Electric argues that the Attorney General's exceptions should be rejected as the ALJ noted "[the company's] testimony explain[s] that $3.563 million is necessary to enable growth of the Company's MI Green power program, which offsets clean energy compliance costs and creates downward rate pressure on non-enrolled customers." DTE Electric's replies to exceptions, p. 52 (citing PFD, pp. 463-464). Likewise, DTE Electric contends that "$1.346 million is necessary to backfill employees who left the company." DTE Electric's replies to exceptions, p. 52 (citing PFD, p. 464; 4 Tr 2677-2678). Furthermore, DTE Electric maintains that the ALJ found that the company provided "adequate support for the DR and Charging Forward increment that the [Attorney General] sought to remove" and as such, the Attorney General's Regulated Marketing O&M of $29.358 million should be rejected. DTE

Electric's replies to exceptions, pp. 52-53.

In her replies to exceptions, the Attorney General avers that the ALJ correctly recommended adopting the Attorney General's disallowances regarding the "difference between the 2024 and 2023 expense." Attorney General's replies to exceptions, p. 55.

The Commission respectfully disagrees with the ALJ's recommendation. As DTE Electric stated, its expenses included marketing and deferred backfilling of employees and as such, the proposed increase was not "speculative[;]" thus, the Commission finds the company's expenses to be reasonable and prudent. 4 Tr 2681; *see also*, DTE Electric's exceptions, p. 156 (citing PFD, p. 467).

11. Corporate Support

DTE Electric indicated that DTE's Corporate Support Group O&M expenses for Administrative and General services were $200.0 million for 2023 but were expected to increase to $224.1 million for the projected 2026 test year. 4 Tr 2442; DTE Electric's initial brief, pp. 174-175; *see also*, Exhibit A-13, Schedule C5.10.

In contrast, the Attorney General criticized DTE Electric's forecast as it "is derived by adjusting 2023 costs to arrive at the 2026 expense level" when "utilizing 2024 normalized expenses instead of 2023 historical expenses is a more appropriate approach to estimating future expenses." 4 Tr 3544. The Attorney General used 2024 as a starting point to propose a reduction of $30.8 million from DTE Electric's forecasted O&M expense for the projected test year. 4 Tr 3547; Attorney General's initial brief, p. 121. In this reduction, the Attorney General included a $1 million reduction to DTE Electric's expenses to manage new federal funding programs as "[m]ost of the federal funds are currently under review by the new administration and no significant additional work in this area is necessary." 4 Tr 3545. DTE Electric accepted the

Attorney General's $1.0 million O&M reduction regarding federal funds compliance costs. *See*, DTE Electric's initial brief, p. 175.

The DAAOs contended that DTE Electric's "discretionary corporate membership dues are not 'just and reasonable'" and should be disallowed. DAAOs' initial brief, p. 90 (quoting MCL 460.557(4)). The DAAOs gave two reasons: (1) DTE Electric has not provided sufficient evidence that the memberships specifically benefit customers, and (2) several of DTE Electric's memberships fund "advocacy that undermines customers' interests" that "would amount to compelled speech and contravene the U.S. Constitution's First Amendment protections." DAAOs' initial brief, p. 90.

In rebuttal, DTE Electric argued that the company "acquires and maintains corporate memberships that support its mission to provide safe, reliable, clean and affordable energy." 3 Tr 1031. The company stated that "[m]emberships, or portions of memberships, related to lobbying activities are excluded from DTE Electric's revenue requirements." 3 Tr 1032.

The DAAOs countered that "[f]or several organizations, DTE failed to provide any specific examples of customer benefits resulting from the Company's membership, instead linking to the organizations' websites." 5 Tr 4142. The DAAOs referenced Case No. U-20836, in which the Commission ordered DTE Electric to "'file in its future rate cases an exhibit containing an itemized list of projected costs associated with [corporate] membership fees and justification for why these costs are in customers' interest.'" DAAOs' initial brief, p. 91 (quoting November 18, order, p. 308). The DAAOs asserted that DTE Electric failed to provide sufficient justification for its membership fees in both Case No. U-21297 and in its most recently concluded electric rate case, Case No. U-21534. *See*, 5 Tr 4143. The DAAOs objected to DTE Electric's requested membership dues, which includes $4,147,293 in discretionary membership dues. 5 Tr 4141 (citing

Exhibit A-27, Schedule Q1).

Additionally, the DAAOs argued that "several of the discretionary memberships for which DTE Electric is seeking to recover, such as the Edison Electric Institute (EEI), are likely funding political advocacy that many of DTE Electric's customers oppose" and that since DTE Electric is a local electrical service monopoly, "these customers are being compelled to subsidize political advocacy with which they disagree" in violation of the U.S. Supreme Court's First Amendment case law. DAAOs' initial brief, p. 4; *see also*, DAAOs' initial brief, pp. 95-105.

In its reply brief, DTE Electric again argued that it supported its EEI membership through Exhibit A-27, Schedule Q1. *See*, DTE Electric's reply brief, pp. 168-169. The company also listed the myriad of benefits DTE Electric and its customers receive through EEI membership, such as mutual assistance coordination for storm restoration. *See*, 3 Tr 1034-1035. Furthermore, DTE Electric reassured that "many organizations disclose the portion of dues paid related to political activities on the invoice and those amounts are expressly excluded for ratemaking" and that lobbying and advocacy expenses used by EEI are excluded by DTE Electric. *Id*., p. 170 (citing 3 Tr 2411).

In their reply brief, the DAAOs cited MCL 460.6a(4) to contend that DTE Electric is required to provide "'substantial evidence'" that each of its expenses is "'reasonable and prudent.'" DAAOs' reply brief, p. 25. The DAAOs stated that "EEI's own public disclosures provide direct evidence that a significant portion—if not a majority—of dues it collects from member companies are spent on political or legal advocacy" and as such, those expenses are "inherently political because they seek to advance policies that will benefit utility companies' financial interests." *Id*., pp. 27-29 (citing 5 Tr 4144-4151; DAAOs' initial brief, pp. 101-102).

The ALJ noted that in Case Nos. U-20836, U-21297, and U-21534, the Commission gave

DTE Electric direction on reporting its corporate membership fees, including a request to detail how those fees were in customers' interests. *See*, PFD, pp. 473-474. The ALJ found "that DTE has failed to comply with the Commission's direction" by failing "to list tangible benefits justifying why the costs are in the customers' interest or to list specific impacts or benefits membership provides to rate paying customers." *Id*., p. 474. As such, the ALJ recommended disallowing DTE Electric's recovery of $1,476,202 in O&M expense for its EEI membership "for failing to comply with the Commission's direction in the last three rate cases." *Id*., p. 475. Additionally, the ALJ recommended that the Commission "direct DTE to provide a detailed and itemized list of expenditures, with names of vendors and a detailed description of the nature of expenses, of DTE's spending on electoral campaigns, advertising, marketing, lobbying, trade associations, and 501(c)(3) and 501(c)(4) non-profits." *Id*.

In exceptions, DTE Electric reiterates its argument from its reply brief, that it "has provided significant evidence explaining how its EEI membership benefits customers, consistent with the Commission's prior directives." DTE Electric's exceptions, p. 158 (citing Exhibit A-27, Schedule Q1; 3 Tr 1033). DTE Electric contends that it "provide[d] a detailed narrative explaining how the Company leverages its participation in EEI to benefit customers through specific operating groups and workstreams" which justify its costs. DTE Electric's exceptions, pp. 158-159. DTE Electric also argues that the ALJ raised the issue of a detailed and itemized list of expenditures *sua sponte* which is "not only contrary to the 'contested case' provisions of the [Administrative Procedures Act], but also inconsistent with the adversarial system of adjudication as generally practiced throughout Michigan and the United States." DTE Electric's exceptions, pp. 160-161. DTE Electric contends that "as part of its [IRP] settlement in Case No. U-21193, the

Company already provides this type of information on its website. Further reporting is neither justified nor necessary." *Id*., p. 161.

In exceptions, the DAAOs support the ALJ's "conclusion that DTE has failed to comply with the Commission's [Case Nos.] U-20836, U-21297, and U-21534 orders regarding the Company's discretionary corporate membership dues." DAAOs' exceptions, pp. 4-7. The DAAOs assert that DTE Electric did not provide evidence that lobbying activity costs have been excluded from its recovery request and that without that proof, "and given that EEI is primarily an advocacy organization, total disallowance of this membership is not just appropriate, but legally required." *Id*., p. 5.

In its replies to exceptions, DTE Electric disputes the DAAOs' assertions that it is "'not complying with'" prior Commission orders. DTE Electric's replies to exceptions, p. 65 (quoting DAAOs' exceptions, p. 1; *see also*, *id*., pp. 3, 31-33). DTE Electric also argues that the DAAOs' exceptions are not actually exceptions because they are agreeing with the ALJ instead of objecting to "specific findings of fact and conclusions of law." DTE' Electric's replies to exceptions, pp. 65-66 (citing Mich Admin Code, R 792.10435(4)).

In their replies to exceptions, the DAAOs argue that DTE Electric justifies its EEI membership by focusing on "vague, non-specific services while failing to establish any 'specific achievements' the Company has attained for its *customers* as a direct result of its access to those services." DAAOs' replies to exceptions, pp. 2-3 (quoting DTE Electric's exceptions, p. 158) (emphasis in original). The DAAOs further assert that "DTE has not provided any evidence that EEI has accounted for [policy shaping] activities sufficiently in the institute's lobbying report" and that, in fact, DTE Electric conceded that "it neither tracks nor verifies how EEI spends its membership dues." DAAOs' replies to exceptions, p. 4 (citing 5 Tr 4148-4150;

3 Tr 1043-1044). The DAAOs again assert that the First Amendment requires that the Commission disallow advocacy costs charged to ratepayers who cannot object to them. Lastly, the DAAOs claim that the ALJ's recommendation for a detailed and itemized accounting is appropriate and that DTE Electric's objection to such recommendation overlooks the "DAAO's extensive arguments in both testimony and briefing that the Company has been insufficiently scrupulous in guarding ratepayer funds from being spent unlawfully on political advocacy." DAAOs' replies to exceptions, p. 5 (citing DAAOs' initial brief, pp. 98-104; DAAOs' reply brief, pp. 25-29).

The Commission respectfully disagrees with the ALJ's recommendation. Given the company's testimony outlining the benefits of its EEI membership, the Commission finds, as it did in Case No. U-21534, that DTE Electric's EEI membership "benefits customers, consistent with the Commission's prior directives" and as such, is a reasonable and prudent expense. DTE Electric's exceptions, p. 158 (citing Exhibit A-27, Schedule Q1; 3 Tr 1033); *see also*, 3 Tr 1034-1035; January 23 order, pp. 243-244. Additionally, considering the Commission's prior direction on reporting corporate membership fees as found in Case Nos. U-20836, U-21297, and U-21534, the Commission finds value in directing "DTE to provide a detailed and itemized list of expenditures, with names of vendors and a detailed description of the nature of expenses, of DTE's spending on electoral campaigns, advertising, marketing, lobbying, trade associations, and 501(c)(3) and 501(c)(4) non-profits." PFD, p. 475.

12. Pension and Benefits

DTE Electric forecasted a Pensions and Benefits O&M expense of $67.815 million for the test year. Exhibit A-13, Schedule C15. DTE Electric stated that its pension costs, after projection, for the test year are expected to be $19.872 million. 3 Tr 1465-1466. After being offset by a

regulatory liability pursuant to Case No. U-17767, DTE Electric's projected balance "due to projected negative OPEB [Other Post Employment Benefit] expense offset by annual amortization" is $18.3 million. 4 Tr 2480. There were no objections to DTE Electric's OPEB expense categories and as such, the ALJ recommended approving continuation of DTE Electric's pension deferral mechanism. PFD, p. 476. Noting no exceptions on the issue, the Commission finds the ALJ's recommendation to be well-reasoned and supported by the record, and therefore, adopts DTE Electric's pension and OPEB expenses for the projected test year. *See*, *id.*; Exhibit A-13, Schedule C5.12.2.

a. New Hire Voluntary Employees Beneficiary Association

DTE Electric discussed the new hire voluntary employee benefits association (VEBA), stating that new hire VEBA expenses reflect "the costs of the plans that are offered in lieu of the traditional retiree healthcare plan for eligible employees, as adjusted for the portion of those costs that are capitalized" with VEBA benefits "[g]enerally offered in lieu of the Company's traditional retiree healthcare plan, which is closed to new participants" and "offset by avoided OPEB costs." 3 Tr 1533. Other OPEB costs "relate to the provision of retiree medical, dental, prescription drug and life insurance." 3 Tr 1530. The company further stated that it experienced a large true-up adjustment for 2022 "as a result of the COVID-19 pandemic" which meant that while there were "historically low levels of employee turnover . . . in 2020 and 2021, there was a reduction in the number of new hires eligible to participate in the plan in 2021." 3 Tr 1535. Additionally, as the impacts of the pandemic lessened, "employee turnover increased and there was a substantial increase in the forfeitures of accumulated balances by employees that left the Company before they were vested in the plan[,]" which "resulted in an unusually large true-up for 2022 that was recognized in 2023." 3 Tr 1535. As such, DTE Electric's "2023 recorded New Hire VEBA

expense should be increased by $1.375 million" despite "the average of the five prior years true-up adjustments [being] only $0.439 million." 3 Tr 1535. The company also acknowledged that DTE Electric's VEBA expense was expected to increase from $6.781 million to $8.086 million in the projected test year, "before recognition of the impact of VSIP [the Voluntary Separation Incentive Plan]" due to the "growth in the number of plan participants due to new hires." 3 Tr 1536. After adjusting for VSIP savings, DTE Electric's projected VEBA expense for the test year is $7.777 million. DTE Electric's initial brief, p. 179 (citing Exhibit A-13, Schedule C5-11). The company stated that because DTE Electric saw higher than normal forfeitures in 2023, it experienced excessive true ups in 2024, such that the excessive true up seen in 2024 "should be eliminated" in both the Staff's and the Attorney General's proposals. 3 Tr 1563.

The Staff testified that DTE Electric's "actual average annual growth rate for total VEBA expense is 3.5%" while DTE Electric experienced three consecutive years of VEBA expense decline, from 2021-2023. 5 Tr 5194. The Staff recommended "applying a five-year average annual growth rate to the total 2024 expense amount[]" as "[t]he 2024 unadjusted basis is fair and reasonable when compared to the six years of historical expenses shown on Staff Exhibit S-24.4." 5 Tr 5194. Thus, the Staff suggested a disallowance of $1.775 million to DTE Electric's VEBA expense. *See*, Exhibit S-24.3.

The Attorney General stated that DTE Electric's adjustment to its VEBA expense "is excessive and is at odds with normal historical growth of 1.5%." 4 Tr 3548. To avoid the abnormal 2023 true-up credits, the Attorney General used the actual 2024 expense of $5.605 million and then increased it at a 1.5% annual rate to reflect historical growth for 2026 of $5.969 million, which was $1.8 million lower than DTE Electric's projection. 4 Tr 3548.

DTE Electric rebutted the Staff's approach, claiming that it "is flawed because it relies on unadjusted New Hire VEBA costs as a starting point, without any normalization for the impact of excess true ups recognized in 2024 and the impact of lag hiring on New Hire VEBA expense." DTE Electric's initial brief, p. 180. Furthermore, DTE Electric claimed that the Staff relied on a historical average of actual percentage changes to VEBA costs as opposed to using "the actual number of New Hire VEBA participants and projected increases in participants." *Id*. (citing 3 Tr 1559).

The company rebutted testimony on behalf of the Attorney General, stating that the Attorney General's calculations do not "adjust the 2024 actual VEBA expense for excess true ups recognized in 2024 and the impact of lag hiring on VEBA expense" and that the Attorney General's "use of the compound annual growth rate in the Company's VEBA costs between the years 2020 and 2024 represents too short of a period, because it excludes the increase in the Company's 2019 VEBA costs." 3 Tr 1560. DTE Electric also alleged that the Attorney General's "use of the compound growth rate is inconsistent with traditional Commission practice of using the average of the annual percent change in costs, which would produce an annual escalation rate of 2.3%." 3 Tr 1560.

In its reply brief, DTE Electric contended that normalizing its VEBA costs was "a reasonable approach[,]" opining that its surge in forfeitures in 2022 and 2023 resulted from a "once in a century pandemic" such that they are "unrepresentative of a normal level of forfeitures." DTE Electric's reply brief, pp. 174-175 (citing 3 Tr 1563).

DTE Electric adjusted the Staff's proposal "to make appropriate normalization adjustments for excess forfeitures and lag hiring" such that "the resulting New Hire VEBA expense for the projected test year is $8.160 million" which "validates the reasonableness of the Company's New

Hire VEBA projection of $7.777 million." DTE Electric's reply brief, p. 175 (internal citations omitted). Furthermore, DTE Electric disagreed with the Attorney General's claims that the level of true ups it used are outdated and no longer reflective of recent data as "the level of true ups in the most recent years has been impacted by the unusually high level of forfeitures due to the transition of the economy out of the COVID-19 pandemic." DTE Electric's reply brief, p. 175.

In its reply brief, the Staff stated its belief that three "years of consecutive and consistent true-up costs are not unusual or in excess as the Company claims and that using the 2024 unadjusted basis is a fair and reasonable starting point for the projection." Staff's reply brief, pp. 7-8.

In her reply brief, the Attorney General restated that the normalization base DTE Electric used to calculate its "proposed adjustments is outdated and no longer reflective of recent data" as true-up adjustments for the last three years have averaged $2.6 million while DTE Electric has used a five-year average of $0.4 million such that its calculations and adjustments are "based on older, stale true-up data." Attorney General's reply brief, pp. 56-57.

The ALJ agreed with the Staff and the Attorney General that DTE Electric was utilizing an outdated true-up average. *See*, PFD, p. 483. The ALJ found that the Attorney General's approach "appropriately utilizes the most recent available data, it takes into account projected increases in participants, and it avoids the Company's subjective true-up adjustment" and as such, she recommended that the Commission disallow $1.8 million of test-year O&M expense. *Id*., p. 484.

In exceptions, DTE Electric contends that the Staff's and Attorney General's VEBA expense escalation rates are "unreasonably low and fail to adjust the Company's recorded VEBA costs for the actual impacts of the abnormally high excess true ups in 2022, 2023, and 2024." DTE Electric's exceptions, p. 163 (citing 3 Tr 1564). DTE Electric also objects to the ALJ's recommendation, arguing that she failed to acknowledge the impact the COVID-19 pandemic had

on the level of true-ups, and that she did not acknowledge excessive true-ups in 2024 due to lag hiring. DTE Electric's exceptions, p. 164.

The Attorney General filed replies to DTE Electric's exceptions, stating that "there is nothing new in DTE's exceptions" while DTE Electric was "attempting to cherry-pick dates to obtain a forecast with a greater VEBA expense." Attorney General's replies to exceptions, pp. 56-57.

While the Commission agrees with the ALJ that DTE used an outdated true-up average, it respectfully disagrees with the Attorney General's recommended disallowance. The Commission thus finds that the Staff's methodology and accompanying $1.775 million disallowance is preferred as the Staff appropriately applied a five-year average annual growth rate to the total 2024 expense amount in comparison to DTE Electric and the Attorney General. *See*, 5 Tr 5194.

b. Employee Savings Plan

DTE Electric explained that its employee savings plan (ESP) "is an employee benefit plan that allows eligible employees the opportunity to contribute a certain percentage of their annual earnings that the Company matches, generally up to 6%." 3 Tr 1466. DTE Electric projected its ESP expense for the test year of $29.953 million with an average annual increase of 4.5%. Exhibit A-13, Schedule C5.11; 3 Tr 1467. However, in its initial brief, DTE Electric announced that an "updated ESP expense of $29.780 million should be adopted that adjusts Staff's projection for the impacts of the excess forfeitures and lag hiring and uses an annual escalation rate of 3.54%." DTE Electric's initial brief, p. 183.

The Staff recommended a disallowance of $2.332 million per Exhibit S-24.3, stating that DTE Electric's ESP expense "was not supported in the witness['s] testimony." 5 Tr 5194. Furthermore, the Staff "applied a five-year average annual growth rate" to DTE's "2024 unadjusted basis" which the Staff deemed "fair and reasonable when compared to the six years of

historical expenses shown on Staff Exhibit S-24.4" before applying "the percentage charged to O&M for each component." 5 Tr 5194; *see also*, Staff's initial brief, p. 171. Thus, the Staff recommended a reduction of $7.136 million to DTE Electric's Pensions and Benefits O&M expense of $67.815 million. *See*, 5 Tr 5194; Staff's initial brief, p. 171.

DTE Electric rebutted the Staff's disallowance, stating that the Staff used DTE Electric's 2024 ESP expense as the starting point improperly "because the Company instituted a change in accounting practices for the recognition of ESP forfeitures for employees who depart the Company prior to . . . being vested." 3 Tr 1521. As DTE Electric began recognizing the forfeitures in 2024 for both 2023 and 2024, it resulted "in an unreasonably low ESP cost in 2024 that must be adjusted" while the Staff "also ignored the impact of lag hiring in 2024 on ESP expense" as shown in Exhibit A-31, Schedule AA1. 3 Tr 1521.

While the Staff did not address ESP in its reply brief, DTE Electric reiterated its arguments of its initial brief while stating that "[i]f the Commission is persuaded that the ESP expense projection should be based on 2024 actual costs, it should adopt the Company's alternative projection reflected on Exhibit A-55, Schedule VV4." DTE Electric's reply brief, p. 176.

The ALJ adopted DTE Electric's alternative analysis of its ESP expense of $29.780 million which "starts with the more recent actual 2024 expense and applies a normalization adjustment to account for excess forfeitures due to a change in accounting practices and lag hiring." PFD, p. 487.

DTE Electric was the only party to file exceptions on this issue. In its exceptions, DTE Electric points to Case No. U-21534, in which the Commission found that it was "reasonable to recognize the abnormal impact of the COVID-19 pandemic by excluding the years 2021 and 2022 when determining a reasonable approach to normalize Employee Savings Plan expense, a

determination that is equally applicable here." DTE Electric's exceptions, pp. 162-163 (citing 4 Tr 1563; January 23 order, p. 250).

No replies to exceptions were filed on this issue.

The Commission finds the ALJ's recommendation to be well-reasoned and supported by the record and, therefore, adopts DTE Electric's alternative ESP analysis expense of $29.780 million. PFD, p. 487; *see also*, DTE Electric's initial brief, p. 183.

c. Healthcare Benefits

DTE Electric testified that the company's active healthcare expenses (after the application of VSIP), shown in Exhibit A-13, Schedule C5.11, are projected to increase to $49.969 million. 3 Tr 1537. The company testified that there was "substantial volatility" amongst DTE Electric's Active Healthcare costs, stating that the commission addressed it in its order in Case No. U-21534. 3 Tr 1540. In the January 23 order, p. 257, the commission found that "evaluating the actual expenses and year-to-year changes experienced by the entire pool of employees provides a more reliable indication of future expenses than national trend data. The company's presentation of its range of year-to-year changes substantiates this point." 3 Tr 1540-1541. However, the company disagreed with the Commission because the "'entire pool of employees'" did not distinguish between employees covered by fully insured healthcare plans versus those who have self-insured healthcare plans. 3 Tr 1541 (quoting January 23 order, p. 257). Thus, DTE Electric posited, "the best way to normalize a specific year's costs is to create an average of historical usage and price that usage out at the unit costs for the latest year." 3 Tr 1542. That adjustment would increase the 2023 self-insured medical services by $3.563 million for DTE Electric, "which after reduction for the proportion of costs capitalized" then "results in an increase in the Company's self-insured

medical expense of $2.409 million." DTE Electric's initial brief, p. 184 (citing 3 Tr 1537-1544; Exhibit A-13, Schedule C5.11.3).

The Attorney General disagreed with DTE Electric's proposal, proposing an active healthcare expense approach that started with DTE's actual 2024 expense level of $45.4 million as it "is the most recent actual information available and a reasonable basis to forecast health care expense for the projected test year." 4 Tr 3551. The Attorney General then increased the 2024 base expense by the CPI inflation rate, which increased "the 2024 base expense to $47.8 million based on a constant employee population." 4 Tr 3551. As DTE Electric expects its employee base to grow at an annual rate of 1.7%, the Attorney General next calculated that, which resulted in a $49.5 million expense level. 4 Tr 3551. That amount is $0.5 million lower than DTE Electric's estimate.

The company disagreed with the Attorney General's use of the CPI; however, it found that "the overall escalation of 4.4% is comparable with the Company's filing projections" and as such, had no specific corrections to the Attorney General's projected Active Healthcare expense. 3 Tr 1568. DTE Electric also provided surrebuttal against the Attorney General's assertions, explaining that she did not correctly adjust for volatility in active healthcare costs as "[t]he variability of medical costs are created by changes between years in the number of medical services delivered and the cost of those services." 3 Tr 1574. The company ended its surrebuttal by stating that the Attorney General "has no basis for the claim that the data used cannot be readily validated." 3 Tr 1576.

In its reply brief, DTE Electric again acknowledged its acceptance of the Attorney General's overall escalation of 4.4%. DTE Electric's reply brief, pp. 176-177. However, DTE Electric rejected the Attorney General's argument that program transfers from self-insured medical

insurance programs could result in a potential duplication of costs, stating that such "is an entirely new argument not reflected in the testimony of [the Attorney General] and thus is unsupported by the record and must be disregarded." *Id*., p. 177 (citing January 11, 2010 order in Case Nos. U-15768 and U-15751, pp. 37-38).

In her reply brief, the Attorney General contended that she "fully dealt with [the company's] surrebuttal in her brief, and incorporates that discussion here" with no additional argument, thus recommending that the Commission remove $0.513 million from DTE Electric's forecasted O&M expense. Attorney General's reply brief, p. 57 (citing Attorney General's initial brief, pp. 124-125).

The ALJ recommended that the Commission accept the Attorney General's $0.513 million disallowance as "DTE agrees with the Attorney General's forecasted test year and recommended reduction." PFD, p. 492.

No party filed exceptions on this issue.

The Commission finds the ALJ's recommendation to be well-reasoned and supported by the record, and therefore adopts the Attorney General's $0.513 million disallowance as agreed to by DTE Electric.

d. Other Employee Benefits

DTE Electric's Other Employee Benefits are expected to be $15.250 million in the 2026 test year. *See*, DTE Electric's initial brief, p. 185 (citing Exhibit A-13, Schedule C5.11).

The Staff recommended using an application of "a five-year average growth rate to the total 2024 expense amounts for each category" as "fair and reasonable when compared to the six years of historical expenses shown on Staff Exhibit S-24.4" which would lead to a disallowance of $3.028 million. 5 Tr 5194; Exhibit S-24.3. Furthermore, the Staff asserted that "[t]he 2024 basis

for all components is not unreasonably low as portrayed by the Company." Staff's initial brief, p. 171 (citing 5 Tr 5194).

In rebuttal, DTE Electric stated that it disagreed with the Staff's expense projection because the Staff "has amalgamated into one projection a variety of remarkably dissimilar benefits cost categories" in addition to failing "to adjust the 2024 benefits costs for any of the known and measurable changes." 3 Tr 1566. The company also stated that "if the Commission is persuaded that a projection based on 2024 actuals expenses is preferable, it should update [the Staff's] projections for the effect of the known and measurable changes identified on Exhibit A-36, Schedule AA6 and individually develop projections of future Other Benefits expense." 3 Tr 1566.

DTE Electric argued for its alternative proposal of $14.772 million in its reply brief. *See*, DTE Electric's reply brief, pp. 177-178.

The Staff, in its reply brief, rejected DTE Electric's claims while stating its position that DTE Electric's 32% increase "is unreasonably large when compared to the expense's 4.4% [average annual growth rate] AAGR and that Staff's projection based on the total AAGR is fair and reasonable." Staff's reply brief, p. 9.

The ALJ believed that the Staff's method was "overly simplistic" and that DTE Electric "provided unrebutted evidence supporting its expense projections" for 11 individual expenses, thus justifying its alternative projected expense of $14.773 million. PFD, p. 494.

No party filed exceptions on this issue.

The Commission finds the ALJ's recommendation to be well-reasoned and supported by the record, and therefore adopts DTE Electric's alternative projected expense of $14.773 million, rejecting the Staff's proposed disallowance. *See*, PFD, p. 494.

13. Employee Incentive Compensation Plan Costs

DTE Electric is requesting $56.369 million for its employee incentive compensation costs, which excludes expenses for its top five executives. 3 Tr 1482; DTE Electric's initial brief, p. 187. DTE Electric explained that this helps "attract, retain, and motivate employees" while ensuring that pay is competitive. 3 Tr 1473. DTE Electric testified that incentive compensation programs "motivate improved organizational performance" such that it provides individual employees and teams with a "'pay-for-performance' environment" that is intended to motivate them and that such plans have provided for a "27% increase in organizational performance." 3 Tr 1483-1484. The company explained that the "AIP [Annual Incentive Plan] is a short-term variable pay program available to senior management level employees to motivate performance" while the Rewarding Employees Plan "is identical to the AIP except the Threshold performance is at 50% of Target and the Maximum performance payout is 150% of Target." 3 Tr 1486-1487.

DTE Electric also testified to DTE's Long-Term Incentive Plan (LTIP), which "provides the opportunity for certain individuals to receive retention-oriented or performance-based rewards delivered via shares of DTE Energy [Company] common stock, either Performance Shares . . . or through Restricted Stock." 3 Tr 1492. The company stated that the Restricted Stock expense is not variable and that since "Restricted Stock grants are made under the LTIP, the ultimate payouts are not dependent on future Company or employee performance" such that Restricted Stock is not considered an element of DTE Electric's incentive compensation expense. 3 Tr 1496. DTE Electric also stated that there is a projected Restricted Stock expense of $7.330 million for the projected test year, and that the Commission addressed the issue of Restricted Stock in Case No. U-21534. *See*, 3 Tr 1496-1497. The company also argued that DTE's Restricted Stock expense "is completely unrelated to the Company's financial results" and its benefits allow DTE

Electric to "attract and retain highly qualified employees, for which both customers and shareholders benefit." 3 Tr 1497; *see also*, DTE Electric's initial brief, p. 189. DTE Electric averred that, regarding incentive compensation, "it is clear the quantified customer benefits of the Company achieving [t]arget performance levels are substantially greater than the related expense" as "the calculated aggregate benefit was $95.925 million which exceeds the total incentive compensation expense of $56.369 by $39.566 million." 3 Tr 1498, 1503; *see also*, DTE Electric's initial brief, p. 188; Exhibit A-21, Schedule K6.

The Staff noted that $35.838 million of DTE Electric's proposed $56.369 million in incentive compensation is related to financial performance measures and thus, $35.838 million should be disallowed. 5 Tr 4980; 5 Tr 4982; Exhibit S-9.1, *see also* Staff's initial brief, p. 162. The Staff also stated that in the December 22, 2005 order in Case No. U-14347, p. 35, the Commission found that incentive compensation tied to "Company earnings and cash flow were financial considerations that largely benefited shareholders and should not be paid for by ratepayers." 5 Tr 4980-4981. Furthermore, the Staff argued that while the Commission has established that shareholders must pay for financial incentives, "no party has given a reason for the Commission to reverse that stance." Staff's initial brief, p. 163 (citing 5 Tr 4980-4982). Lastly, the Staff stated that as DTE Electric did not rebut Staff's recommended disallowance, it "assumes the Company is in agreement." Staff's initial brief, p. 165.

The Staff also addressed DTE Electric's Restricted Stock expense that, along with performance shares, rewards LTIP. 5 Tr 4982. The Staff testified that "Restricted Stock is considered as a reward to employees for supporting the Company's business objectives and long-term success" such that Restricted Stock "is a grant of ownership rights, which [makes it] reasonable to assume that the grantee is vested in the financial well-being of the Company."

5 Tr 4982. Thus, the Restricted Stock expense of $7.730 million should be excluded. 5 Tr 4982-4983.

DTE Electric rebutted the Staff's proposed $7.730 million disallowance of Restricted Stock, contending that its "Restricted Stock policy is unrelated" to its financial performance "and instead relates to all aspects of the Company's operations, not exclusively financial performance." DTE Electric's initial brief, p. 191. Furthermore, DTE Electric asserted that it "proposed, as a reasonable alternative to the complete elimination of the Company's Restricted Stock expense, to accept disallowance of 40% of the Restricted stock expense, consistent with the 40% weighting of financial measures within AIP and [the Rewarding Employees Plan,]" resulting in a disallowance of $3.092 million. *Id*.; 3 Tr 1519.

The Attorney General noted that she has repeatedly argued against DTE Electric's AIP, Rewarding Employees Plan, and LTIP, as they "directly benefit shareholders as opposed to customers." Attorney General's initial brief, p. 132. The Attorney General rejected DTE Electric's argument that AIP and the Rewarding Employees Plan benefit customers instead of merely "increas[ing] cash flow to pay dividends to shareholders" such that the Commission should not allow recovery of incentive payments related to DTE Electric's financial goals. 4 Tr 3557-3558.

Regarding LTIP, the Attorney General asserted, LTIP "has nothing to do with creating direct benefits for DTE Electric customers and everything to do with creating value for DTE Energy shareholders" and as such, the entirety of DTE Electric's proposed "$35.8 million related to financial performance measures" should be removed. 4 Tr 3559, 3561; *see also*, Attorney General's initial brief, p. 133.

Furthermore, the Attorney General calculated the percentage of non-financial metrics ending in 2024 in Exhibit AG-59. *See*, Attorney General's initial brief, p. 133; Exhibit AG-59. Based on the Attorney General's calculations, DTE Electric was only able to achieve approximately 49.4% of its target performance measures. Attorney General's initial brief, p. 134. As such, the Attorney General recommended that the Commission only allow recovery of $10.142 million, with the remaining $10.389 million for operational metrics "subject to recovery under the 2-way Tracker Mechanism previously approved by the Commission[,]" which results in a total disallowance of $46.277 million. *Id*.; Exhibit AG-60.

DTE Electric rebutted the Attorney General's analysis, stating that it was "flawed because it fails to recognize how AIP and [the Rewarding Employees Plan] are designed." 3 Tr 1512. The company explained that the Attorney General used a "simplistic binary model, wherein either [t]arget performance was or was not met" whereas the appropriate methodology as shown on DTE Electric's Exhibit A-55, Schedule VVI, "recognizes that actual payouts can fall within a wide spectrum of performance levels, consistent with the design of the program." 3 Tr 1514.

ABATE also testified against DTE Electric's incentive compensation, stating that "[t]o the extent incentive compensation reflects customer-directed goals, such as service reliability and/or employee safety, only then is it arguably fair and reasonable to recover the costs of those programs from ratepayers, if the operational performance metrics are actually achieved." 4 Tr 3248. ABATE noted that per DTE Electric's Exhibit A-21, Schedule K-6, financial performance costs outweighed their benefits to customers in six out of seven metrics. 4 Tr 3249. Thus, ABATE argued that "[c]ustomers should not pay for incentives which relate to operational performance which does not benefit them, or where the benefits do not exceed the costs." ABATE's initial brief, p. 57. ABATE asserted that of DTE Electric's $56.359 million in incentive compensation

expense, $35.838 million is associated with financial performance, and that it is unreasonable to include those costs in DTE Electric's cost of service, and as such, that amount should be disallowed. *See*, 4 Tr 3248, 3250. In the alternative, ABATE suggested the Commission reduce DTE Electric's projected test year incentive compensation by a minimum of $9.33 million as that "represents the amount by which costs exceed benefits for certain operational performance measures" included in DTE Electric's incentive compensation plan. 4 Tr 3251; *see also*, ABATE's initial brief, p. 503.

DTE Electric also rebutted ABATE, stating that ABATE's proposal was flawed in assuming that "all of the benefits of the individual measures are capable of precise quantification" and that ABATE's proposal "represents an unreasonable interpretation and application of the Commission's standard that incentive compensation expense is only recoverable if the benefits of the incentive compensation plans exceed the related costs." 3 Tr 1515.

In its reply brief, DTE Electric argued that the Attorney General mischaracterized DTE Electric's discovery responses and the Commission's order in Case No. U-21534. *See*, DTE Electric's reply brief, p. 180. DTE Electric asserted that the Attorney General's approach in "disallowing 49.4% of incentive compensations for operating measures does not 'conform to the approach previously approved by the Commission.'" *Id*. (quoting Attorney General's revised initial brief, p. 134). DTE Electric's reply brief also addresses ABATE and the Staff, reiterating the arguments the company used in its initial brief. Again, however, DTE Electric proposed to accept the Staff's disallowance of 40% of the Restricted Stock expense, resulting in a $4.638 million disallowance. *See*, DTE Electric's reply brief, pp.181-183.

In her reply brief, the Attorney General stated that DTE Electric has attempted to exploit confusing Commission language that made the Commission appear "open to considering

performance above 100% of target" but that "the substance of the Commission's prior orders supports the [Attorney General's] approach and calculations." Attorney General's reply brief, pp. 58-59.

In its reply brief, ABATE argued that DTE Electric's claims ("on whether individual measures are capable of precise quantification") "effectively concede that these incentives do not produce quantifiable benefits in excess of their costs" and as such, the Commission should disallow recovery for those amounts. ABATE's reply brief, p. 20.

The ALJ agreed with the Staff, noting that DTE Electric did not address the Staff's recommendations in rebuttal. PFD, p. 513. Thus, the ALJ recommended that the Commission adopt the Staff's recommendation, denying DTE Electric's request to modify its incentive compensation deferral mechanism. *Id*. The ALJ also agreed with recommendations made by the Staff, the Attorney General, and ABATE to disallow incentive compensation tied to financial performance per the Commission's prior decisions, finding that "DTE has not presented evidence to support revisiting the Commission's prior determinations regarding this subject." *Id*., p. 514.

The ALJ found that DTE Electric effectively supported the cost of its incentive compensation for operational metrics, citing Case No. U-21534, in which "the Commission rejected a substantially similar proposal from the Attorney General [to deny] incentive compensation based on operational measures." *Id*., p. 516. As such, she recommended that the Commission reject the Attorney General's suggested disallowance of recovery of 49.4% (or $10.142 million) tied to operational performance, "and make recovery of the remaining $10,389,000 for the operational metrics subject to recovery under the 2-way Tracker Mechanism." *Id*., pp. 516-517.

Similarly, the ALJ found that in Case No. U-21534, ABATE raised the same issue, requesting a disallowance of incentive compensation regarding operational measures where there was no

quantifiable benefit, and DTE Electric "argued the same points . . . namely that not all benefits are quantifiable and that the Commission had previously addressed net customer benefits on an aggregate basis." *Id*., p. 518. As Case No. U-21534 and this matter are substantially similar, the ALJ recommended the Commission "decline to disallow $9.330 million associated with operational performance program measures as in accordance with its decision in [Case No.] U-21534." *Id*.

Lastly, the ALJ addressed the Restricted Stock issue, noting that this matter was addressed in Case No. U-21534, wherein the Commission rejected DTE Electric's argument, finding the Staff's argument "to be persuasive" and as such, the ALJ "recommends the Commission approve Staff's request to disallow compensation of $7.730 million in restricted stock." *Id*.

DTE Electric filed exceptions against the 100% disallowance of its $7.730 million LTIP program Restricted Stock expense as proposed by the Staff. DTE Electric contends that this matter is different than Case No. U-21534, stating that "there is substantial evidence in this proceeding that Restricted Stock is not tied to financial performance and is similar to other non-financial components of the Company's incentive compensation program." DTE Electric's exceptions, p. 166. DTE Electric refers to its testimony, wherein it explained that Restricted Stock was a reward for supporting its business objectives, and long-term success "refers to all aspects of the Company's operations, not exclusively financial." *Id*., p. 167 (citing 3 Tr 1518). DTE Electric also refers again to a proposed 40% disallowance which it would accept, such that there would be a disallowance of Restricted Stock by $4.638 million. *See*, DTE Electric's exceptions, p. 166 (citing DTE Electric's initial brief, p. 191; DTE Electric's reply brief, p. 183).

In her exceptions, the Attorney General states that she agreed with the ALJ's analysis and recommendation for DTE Electric's incentive compensation plans tied to financial performance,

but she disagrees with the recommendation regarding incentive compensation based on operational measures. Attorney General's exceptions, p. 41. Furthermore, the Attorney General argues that the ALJ did not provide "sufficient support for why DTE's customers should be burdened with these extra costs, based predominantly on DTE's subjective operational metrics categories, which it measures of its own accord" and thus, she continues to recommend recovery of 40.4% of DTE Electric's proposed $20.531 million expense, with recovery for the remaining $10.389 million subject to recovery under the previously approved 2-way Tracker Mechanism. *Id*., p. 42.

ABATE also filed exceptions, focusing on Case No. U-21534. ABATE quotes Case No. U-21534, which stated that "operational metrics used to determine incentive eligibility 'must continue to be rooted in measures that are meaningfully tied to core operational performance, and that the levels used for threshold and target must continue to be connected to performance expectations of the company's customers.'" ABATE's exceptions, p. 8 (quoting January 23 order, p. 278). ABATE contends that, in this matter, DTE Electric's "operational performance incentive measures have expenses which exceed customer benefits." ABATE's exceptions, p. 8.

In its replies to exceptions, DTE Electric relies upon its initial brief and exceptions, agreeing with the ALJ's recommendation to allow the company's full employee incentive compensation expense. *See*, DTE Electric's replies to exceptions, pp. 53-56.

In her replies to exceptions, the Attorney General repeats her prior arguments while agreeing with the Staff's point that "these [Restricted Stock] awards are directly tied to long-term financial results and the Commission's long-standing position of disallowing incentive compensation expenses related to financial metrics." Attorney General's replies to exceptions, p. 59.

The Commission finds the ALJ's recommendations well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue.

See, PFD, pp. 513-519. As the ALJ noted, the arguments by parties in this case are substantially similar to what was argued in Case No. U-21534 and the Commission sees no reason to depart from the decision in that case. Furthermore, the ALJ's decisions are well-supported based on the record evidence in this case, and she provides a solid evidentiary basis for her decisions on these issues.

C. Depreciation, Amortization, and Allowance for Funds Used During Construction

DTE Electric projected $1.359 billion in depreciation and amortization (D&A) expense for the projected test year. *See*, Exhibit A-13, Schedule C6; *see also*, 4 Tr 2431.

DTE Electric explained that Allowance for Funds Used During Construction (AFUDC) "represents the financing costs incurred while projects are under construction" and that AFUDC is typically applied "to projects greater than $50,000 and lasting more than six months." DTE Electric's initial brief, pp. 191-192. In its initial brief, DTE Electric referenced disallowances from the Staff, Attorney General, and ABATE for projects not in service during the test year, but it stated that "projects that do not go into service during the projected test period have no impact on the Company's revenue requirement and deficiency." *Id*., p. 192 (citing 4 Tr 2502).

The Staff recommended a D&A expense of $1.331 billion. *See*, Staff's initial brief, pp. 171-172. The Staff justified its $28.453 million reduction "because of the impact of Staff's capital expenditure disallowances on depreciation expense." *Id*., p. 182.

The Attorney General stated that her calculation "is based on the same depreciation rates used by the company on page 2 of Exhibit A-13, Schedule 6" and as such, she recommended a depreciation expense reduction of $24.706 million. 4 Tr 3563-3564.

ABATE also suggested a reduction in DTE Electric's depreciation expenses, stating that DTE Electric ignored ROE, a crucial element of the revenue requirement analysis, with depreciation

being a recovery of capital. ABATE's initial brief, p. 13. Furthermore, ABATE suggested only $538,658 in depreciation with $63,299 in AFUDC and other expenses. *See*, Exhibit AB-5.

In its reply brief, DTE Electric relied on its argument and attachments found in its initial brief. *See*, DTE Electric's reply brief, p. 183 (citing DTE Electric's initial brief, p. 191; DTE Electric's initial brief, Attachment A). Furthermore, while DTE Electric acknowledged the Staff's and Attorney General's proposed disallowances, the company merely stated that those should be denied and that its projected D&A expense "is reasonable and should be approved by the Commission." DTE Electric's reply brief, p. 184.

In her reply brief, the Attorney General argued that if projects "do not go into service during the projected test period, then it is clear they should be disallowed, as should any related depreciation expense" and as such, she suggested that Commission reduce DTE Electric's depreciation expense by $25.321 million. Attorney General's reply brief, pp. 59-60.

The ALJ stated that "[t]he differences among the parties regarding depreciation reflect differences in the underlying plant balances, with no methodological disputes to resolve." PFD, p. 519. As a result of her other recommendations in the PFD, the ALJ included Appendix C to the PFD, which provides for depreciation in the amount of $1.326 billion.

In exceptions, DTE Electric argues against the ALJ's disallowance to its depreciation expense, referring back to Attachment A of its reply brief. *See*, DTE Electric's exceptions, pp. 119-120.

Regarding AFUDC, DTE Electric referred to its testimony that "when a capital project will not be placed in service until after the projected test year, the project is carried in construction work in progress and the associated [AFUDC] is recorded as a credit to projected net operating income." *Id*., p. 9. If the project is disallowed from rate base, the AFUDC credit offsets the return

on the CWIP balance, thus, "there should be no impact on the Company's overall revenue requirement." *Id*., pp. 9-10.

Here, the Commission disagrees with the Attorney General and finds DTE Electric's support for its depreciation expense to be reasonable and prudent, and that it also aligns with prior Commission orders (such as Case No. U-21534). As such, this order updates the depreciation expense consistent with established methodology for the decisions made in this order.

D. Property and Other Taxes

In its initial brief, DTE Electric explained that its property tax expense "represents property tax expense on all DTE Electric property" with a property tax expense projection of $348.2 million. DTE Electric's initial brief, p. 192 (citing Exhibit A-13, Schedule C7).

The Staff recommended a property tax expense of $344.320 million, which is a reduction "based on the Staff's adjustments to the Company's capital expenditures." Staff's initial brief, p. 173; 4 Tr 3141, 3152. The Staff recommended two adjustments. The first "was a corresponding adjustment from Staff's capital expenditure reductions." Staff's initial brief, p. 173 (citing 5 Tr 4889). The second removes "property tax expense from distribution plant capital expenditures classified as intangible plant that were included in the calculation of the Company's property tax expense for the test period." Staff's initial brief, p. 173 (citing 5 Tr 4889-4890). The Staff noted that DTE Electric did not specifically address its adjustment in rebuttal and recommended that the Commission adopt its $3.698 million reduction to DTE Electric's property tax expense. *See*, Staff's initial brief, pp. 173-174.

The Attorney General recommended a $9.235 million reduction adjustment to DTE Electric's property tax expense. Revised Exhibit AG-20; *see also*, 4 Tr 3564. The Attorney General noted that, in discovery, she requested that DTE Electric provide correct property tax adjustments based

on DTE Electric's assertion that her methodology "is inappropriate because it fails to consider [various] aspects of the property tax expense calculation." Attorney General's initial brief, p. 140; 4 Tr 3149-3150. However, as "the Company stated it had not performed the requested analysis[,]" she asserted that DTE Electric's rebuttal "is simply a theoretical exercise with no substance." Attorney General's initial brief, p. 140; *see also*, Exhibit AG-76.

ABATE claimed that DTE Electric's property tax expense is "unreasonable and should not be approved" and as such, recommended a reduction of $48.4 million to depreciation and property tax expense. ABATE's initial brief, p. 10; *see also*, 3 Tr 3265.

DTE Electric did not agree with the Staff's methodology because the Staff did not separately identify CWIP components. *See*, 4 Tr 3153. However, the company stated that if the Commission orders capital disallowances, then the Staff's methodology "is reasonable and should be used to calculate the corresponding adjustment to property tax expense." 4 Tr 3152. Notably, the Staff acknowledged DTE Electric's concerns that the Staff's methodology was "inconsistent with the methodology the Company utilized" and thus, the Staff updated its "corresponding impacts" to concur with DTE Electric's methodology. Staff's initial brief, p. 173 (citing 4 Tr 3153-3154; Staff's initial brief, Appendix E, Column g).

As stated above, in rebuttal, DTE Electric argued that the Attorney General's methodology in calculating DTE Electric's property tax expense adjustment was inappropriate. First, the company stated that "[n]ot all capital expenditures are subject to property tax in the same way" and that the Attorney General's "methodology does not distinguish those components." 4 Tr 3150. Next, DTE Electric claimed that the Attorney General's "methodology does not exclude [nuclear generation expenditures as nontaxable expenditures]." 4 Tr 3150. Lastly, while DTE Electric "expenses its

property tax liability over a two-year period," the Attorney General's "methodology ignores this step of expensing the property tax liability over a two-year period." 4 Tr 3150.

DTE Electric rebutted ABATE's recommendation as well, arguing that "[n]owhere in [its] testimony or exhibits does [ABATE] indicate the amount of the property tax adjustment or explain the methodology [it] is using to calculate the adjustment." 4 Tr 3151. DTE Electric also argued that ABATE's methodologies "bear no resemblance to how the Company calculated property tax expense in this case." 4 Tr 3152.

In its reply brief, DTE Electric stated that based on "additional adjustments to net plant adopted by the Company," it was requesting $346.8 million in projected Property Tax Expense and $52.1 million in Other Tax Expense. DTE Electric's reply brief, p. 184. DTE Electric renewed its objections to the alternative methodologies while maintaining that if the Commission were to order a capital expense disallowance, it should use the Staff's calculations "as modified by [the company]." *Id*., pp. 184-185.

In her reply brief, the Attorney General relied upon her initial brief but noted that "DTE made no attempt to 'correct' the flaws that it said exist with [her] calculations" while stating that "DTE's preferred method makes the process far too convoluted and opaque and should be rejected." *See*, Attorney General's reply brief, p. 60 (citing Attorney General's initial brief, pp. 139-140).

ABATE briefly addressed DTE Electric's property tax expense in its reply brief, stating that DTE Electric's argument should be rejected because "ABATE's [property] tax adjustments were simply based on the ratios of property tax to plant-in-service from the Company's COSS model." ABATE's reply brief, p. 4. Furthermore, ABATE argued that DTE Electric "ignored the impact of taxes entirely when considering project costs" and that DTE Electric's property tax expense "will require adjustment based on the cost recovery approved in this case." *Id*.

The ALJ agreed with DTE Electric that "the Commission should implement the Company's method for calculating property tax expense, based on its final determinations, including Staff's unrebutted adjustment to intangible plant" as the Attorney General's calculation contains errors. PFD, p. 521.

The Staff disagrees with the ALJ's recommendation in exceptions, stating that even DTE Electric recommended modifying its capital disallowances by the Staff's methodology to calculate property tax expense adjustments. *See*, Staff's exceptions, pp. 10-11.

The Attorney General objects to the ALJ's decision on DTE Electric's property tax expense, stating that "the ALJ did not specify what errors she thought the [Attorney General] had made" or what omissions rendered her proposal "'unreliable.'" Attorney General's exceptions, p. 43.

In replies to exceptions, DTE Electric contends that the Attorney General's exceptions "provide no evidence from the record to support disallowing $9,235,000 from property tax expense for the test year" and as such, the Attorney General's argument should be rejected, with the ALJ's recommendation being accepted by the Commission. *Id*., pp. 56-57.

The Commission respectfully disagrees with the ALJ's recommendation, adopting the Staff's calculations for its property tax expense, adjusted for its unrebutted adjustment to intangible plant as agreed to by DTE Electric and adjusted for the capital expenditure decisions in this order. *See*, Staff's exceptions, pp. 10-11; DTE Electric's reply brief, pp. 184-185.

E. Income Tax, Other Tax Expense and Allowance for Funds Used During Construction

DTE Electric requests "a total income tax recovery of $170.9 million for the projected test year, consisting of a $109.4 million federal income tax (FIT) expense . . . and [Michigan Corporate Income Tax] and municipal income tax expense of $61.5 million." DTE Electric's initial brief, p. 193 (citing Exhibit A-13, Schedule C8; 4 Tr 3143).

The Staff recommended a "state and local income tax expense of $71.176 million, which is $9.639 million greater than the Company's projection of $61.537 million." Staff's initial brief, p. 174 (citing Appendix C). The Staff also recommended a higher FIT than DTE Electric's, with its recommendation being $139.943 million, "which is $30.570 million greater than the company's projection of $109.372 million." *Id*. The Staff concurred with DTE Electric's projected AFUDC of $62.659 million. Staff's initial brief, pp. 174-175 (citing Appendix C).

In its reply brief, DTE Electric stated that the "Staff's proposed revenue and expense adjustments should be rejected" because the company "explained and supported a total income tax recovery of $170.9 million for the projected test year" as outlined in its initial brief, on page 193. DTE Electric's reply brief, pp. 185-186.

The ALJ merely noted that "[t]he differences among the parties' calculations of federal, state, local, and general tax, along with AFUDC, result from differences in projected revenues and expenses." PFD, p. 521.

No exceptions were filed on this issue.

The Commission notes that the Staff's income tax expense is different than the company's due to the Staff's adjustments to the company's projected revenues and expenses. The Commission agrees with the ALJ, and finds that DTE Electric's total income tax recovery will be updated accordingly based on the decisions in this order.

F. Rate Case Expense

The Attorney General testified that with DTE Electric "filing rate cases nearly every year, the costs incurred to prepare, file, and litigate each case are becoming significant" with the costs becoming "part of the base O&M expenses that it recovers in rates." 4 Tr 3552. As such, she suggested that DTE Electric "split those costs with customers" instead of continuing to file rate

cases "willy-nilly, with no opportunity to even digest what the Commission has said in the last rate case." Attorney General's initial brief, p. 126. The Attorney General also mentioned that Connecticut and Colorado do not allow rate case expenses to be recovered, while New Jersey and Missouri split rate case expenses "50/50 between customers and shareholders." 4 Tr 3554. Thus, she suggested that the Commission disallow $7.1 million from the projected test year O&M expense in this rate case, which is 50% of DTE's proposed $14.3 million in expenses. She also suggested that the Commission direct DTE Electric to "establish a mechanism to keep track of all costs to complete future rate cases and provide that cost with each new rate case filing." 4 Tr 3554-3555.

DTE Electric rebutted the Attorney General's testimony, stating that to provide "safe and reliable electric service for the benefit of its customers," DTE Electric requires "adequate resources" which provides it the ability "to make necessary investments in its system." 3 Tr 1006-1007. The company suggested that the Attorney General's disallowance would penalize DTE Electric "given the required capital investment and the associated regulatory filings needed to finance those investments." 3 Tr 1007. DTE Electric also testified that "as rate case filing requirements expand, . . . the costs to the Company have increased" which "creates a need for additional resources." 3 Tr 1007. Furthermore, the company testified that the Attorney General's methodology for calculating the cost of DTE Electric's rate case is deeply flawed because it fails to consider, amongst other things, the cost of external consultants and that "many internal employees sponsor testimony with minimal or moderate changes case-to-case, versus external consultants who are often introducing new, complex topics or support into the record." 3 Tr 1010. Lastly, DTE Electric stated that it is unnecessary to track all costs for future rate cases as "the labor cost of internal employees supporting rate cases is fixed . . . and rate case work often simply

changes the timing of other tasks for these internal employees." 3 Tr 1012. Thus, DTE Electric asserted that the Commission should reject all of the Attorney General's recommendations regarding its rate case expense amount. DTE Electric's initial brief, p. 196.

In its reply brief, DTE Electric argued that the Attorney General's 50/50 expense sharing proposal "finds no support in Michigan law and, moreover, is devoid of any showing that the costs the Company has incurred in this proceeding to prepare and present its rate case to the Commission are unreasonable or imprudently incurred." DTE Electric's reply brief, p. 186. DTE Electric also reasserted its position that to require it to track all of its costs is an added burden, and the Attorney General "has not demonstrated any persuasive justification to support such a directive." *Id*., p. 187.

In her reply brief, the Attorney General stated that she fully addressed DTE Electric's rebuttal in pages 125-132 of her initial brief. *See*, Attorney General's reply brief, p. 61. The Attorney General proposed that with rate cases becoming "so large and costly . . . running into the millions of dollars," that it is time for DTE Electric to "fully track the expenses to file these cases and share those costs with customers." *Id*. The Attorney General pursued the idea that "all of the costs should be borne by DTE's shareholders, as they get far more benefit from DTE's cycle of annual behemoth rate cases. However, in the interest of gradualism, [she] proposes a reasonable 50% cost split." *Id*. The Attorney General contended that DTE Electric does not want customers to know how much its rate cases cost them; however, the Commission "should stand on the side of transparency." *Id*., p. 62.

The ALJ referenced MCL 460.6j(6), which states that a utility has the burden to prove that its O&M expenses are reasonable and prudent. The ALJ did not find the Attorney General's disallowance rationale persuasive; however, she did acknowledge the "exponential growth of

Company spending on external consultants" such that while they were at $170,000 in 2022, they have grown "to an estimated $1.3 million in the current case, without any justification for the outside expense from the Company identified on the record." PFD, p. 525.

In her exceptions, the Attorney General contends that the ALJ erred in allowing DTE Electric to recover 100% of its rate case expenses in this case. Attorney General's exceptions, p. 44. The Attorney General repeats her prior arguments while admonishing DTE Electric's "unwillingness to examine internal costs for filing these cases" as "an affront to the ratepayers that pay DTE's bills." *Id*., p. 45.

DTE Electric filed replies to the Attorney General's exceptions, stating that the Commission should reject the Attorney General's 50/50 rate case expense disallowance because the Attorney General "offers no evidence that the Company's rate case costs are unreasonable or imprudently incurred." DTE Electric's replies to exceptions, p. 58 (citing 3 Tr 1006-1007).

The Commission adopts the ALJ's recommendation in that it approves DTE Electric's proposed $14.3 million in rate case expenses in this case and directs DTE Electric "to provide a detailed and robust description and justification for expenditures on external consultants in the next rate case." PFD, p. 526. However, the Commission also finds merit in the Attorney General's statement that it is reasonable and prudent to require DTE Electric "to establish a mechanism to track all costs to complete future rate cases and provide that cost with each new rate case filing" and directs the company to do so. Attorney General's exceptions, p. 45.

VII. REVENUE DEFICIENCY

Consistent with the findings and determinations made in this order, the Commission finds that DTE Electric has a jurisdictional revenue deficiency for the test year of $242,406,000, computed as follows:

Rate Base	$23,047,490,000
Adjusted Net Operating Income	$1,226,754,000
Overall Rate of Return	5.32%
Required Rate of Return	5.64%
Income Requirements	$1,300,442,000
Income Deficiency	$73,687,000
Revenue Conversion Factor	1.3496
Revenue Deficiency	$99,451,000
Rev. Def. – Tree Trim Surge Program	$4,854,000
Rev. Def. – Monroe Reg. Asset	$138,101,000
Revenue Deficiency – Total	$242,406,000

VIII. OTHER REVENUE-RELATED ITEMS

A. Infrastructure Recovery Mechanism

DTE Electric proposed extending its IRM, which was approved by the Commission in the January 23 order, by introducing two proposals to extend the IRM to the years 2027, 2028, and 2029. 4 Tr 1738, 1740. Under the company's primary proposal, DTE Electric sought continued authorization for its SRR, breaker replacement, underground residential distribution (URD) replacement, and distribution automation programs, as well as new spending authorizations for its system cable and PTMM programs. Specifically, DTE Electric stated that it was seeking authorization for total IRM spending levels of $588.4 million, $813.8 million, and $1,008.6 million for 2027, 2028, and 2029, respectively, with most of the proposed spending increases focused on PTMM and distribution automation. 4 Tr 1740-1741.

With respect to including PTTM in the proposed IRM extension, DTE Electric asserted that the program was critical for supporting system reliability and that the recent distribution audit confirmed the program's effectiveness in improving reliability outcomes. 4 Tr 1744. With respect to including system cable in the proposed extension, the company contended that the Commission had previously approved URD replacement in the IRM and, therefore, that it was appropriate to include the full underground portion of the system equipment replacement program in the IRM, which includes system cable. 4 Tr 1744. DTE Electric further contended that extending the IRM for three years was appropriate due to the significant customer benefits it provides, such as greater accountability, transparency, stakeholder review and input, and improved investment certainty. 4 Tr 1742-1743.

DTE Electric stated that its primary proposal for extending the IRM was reasonable and would provide benefits to transparency, customer protection, and long-term stability for planning. However, the company stated that it recognized that the Commission and others may nonetheless prefer a slower ramp up of IRM spending to ensure that processes related to the IRM (such as reconciliation) were working as intended. As a result, the company proposed an alternative proposal for extending the IRM that contained more gradual increases to IRM investments. Specifically, DTE Electric explained that under its alternative proposal, funding for URD replacement, breaker replacement, and system cable would remain the same; however, investment levels for distribution automation, PTMM, and SRR would be decreased by 50%. 4 Tr 1745. Under this alternative, DTE Electric stated that it would seek total authorized IRM spending levels of $321.7 million, $442.9 million, and $547.3 million for 2027, 2028, and 2029, respectively. 4 Tr 1746. The company, however, maintained that the slower ramp up in funding levels under the alternative proposal was unnecessary given that the IRM reconciliation process was

functioning as intended, as well as the company's proposal to enhance engagement with interested persons. 4 Tr 1746.

In addition to extending the IRM, DTE Electric also sought to expand 2026 IRM spending levels. The company stated that it intended to execute spending consistent with the previously approved IRM and to recover all other expenditures in base rates; however, as an alternative, the company proposed increasing 2026 IRM spending levels to cover spending on strategic distribution programs. 4 Tr 1747. In turn, DTE Electric proposed expanding spending levels for SRR (from $53.8 million to $100 million) and distribution automation (from $24.2 million to $140 million), as well as adding new spending totaling $200 million for PTMM. 4 Tr 1748. In total, DTE Electric proposed increasing 2026 IRM spending levels from $104.3 million to $466.1 million. 4 Tr 1748.

Finally, DTE Electric sought to enhance its process for getting input on its IRM proposal. The company first proposed holding an IRM Technical Conference in October 2025 alongside its 2026 IRM Plan Stakeholder session to gather feedback on the company's planning approaches. Secondly, starting with the 2027 IRM plan, the company proposed that it would hold an outreach meeting prior to filing its IRM plan with the Commission, thereby enabling interested persons to provide input during the plan's development. 4 Tr 1743-1744.

The Staff supported shifting $200 million in spending for PTMM under DTE Electric's alternative 2026 IRM proposal based on its belief that the program is important to near-term reliability and customer benefits. 5 Tr 5148. The Staff, however, opposed increasing funding for distribution automation and SRR, arguing that increased spending was not appropriate because the company needed to provide a realistic and detailed plan on impacts and performance as directed in Case No. U-21305. 5 Tr 5286; *see also*, Staff's initial brief, pp. 202-203.

Additionally, the Staff supported extending the IRM through 2029 at spending levels proposed in DTE Electric's primary proposal, except for SRR, which the Staff asserted should only be authorized at 50% of requested levels as proposed in the company's alternative proposal. 5 Tr 5287. The Staff also proposed making distribution automation funding for 2028 and 2029 contingent on the company meeting the requirements of the June 12 order, which required DTE Electric to submit its strategy for cost-effectively improving safety and reliability for its 4.8 kV system. 5 Tr 5288; *see also*, Staff's initial brief, p. 203.

Additionally, the Staff proposed that, for the 2027-2029 IRM, the ROR associated with the IRM surcharge be set lower than the pretax ROR, but no lower than the short-term debt rate. The Staff explained that a reduced return was justified because the company significantly underinvested in its distribution system for many years, as demonstrated by much lower spending in the mid-2010s compared to sharply higher investment levels projected for the mid- to late-2020s. 5 Tr 5288-5290; *see also*, Staff's initial brief, p. 206. The Staff further noted that using a lower return rate would not be unprecedented, citing the Commission's prior limitation on the return on the tree trim surge regulatory asset to the short-term debt rate in Case No. U-21534. 5 Tr 5290. Finally, the Staff stated that it supported DTE Electric's proposed IRM technical conference and initial stakeholder meetings. 5 Tr 5290.

MNSC advocated for the Commission to reject DTE Electric's request to extend the IRM beyond 2026. It argued that the IRM had expanded from a limited cost-recovery tool into a massive capital program, exceeding $1 billion by 2029, without improving the company's reliability. 5 Tr 4644-4645. MNSC maintained that regulatory lag benefits customers and that efforts to further reduce regulatory lag create unintended consequences, including the practical elimination of cost disallowance risk, moral hazard, a shift of investment risk from shareholders to

customers, and increased information asymmetry. 5 Tr 4646, 4650-4652. Accordingly, MNSC concluded that the IRM favors shareholders over customers and that it should be terminated as of December 31, 2026. 5 Tr 4654; *see also*, MNSC's initial brief, pp. 177-178.

ABATE acknowledged the conceptual value of an IRM in a projected test-year framework but raised significant concerns with DTE Electric's proposals. While it supported adding one additional year to avoid requiring annual rate cases, ABATE cautioned that extending the IRM two years beyond 2027 would rely on overly speculative forecasts and would be inappropriate. 4 Tr 3399-3400. ABATE further criticized the company's proposed "astronomical growth in IRM investments and questioned whether such rapid expansion is needed or cost-effective. 4 Tr 3400-3401. Relying on its earlier testimony, ABATE stated that hundreds of millions of dollars proposed in distribution automation and PTMM investments for 2027-2029 were unjustified, and as a result, asserted that growth in distribution automation be significantly limited and that PTMM not be included in the IRM. ABATE also opposed DTE Electric's alternative 2026 IRM proposal and noted that it would quadruple previously approved funding, improperly add PTMM investments, and effectively relitigate issues decided in prior rate cases. 4 Tr 3401.

Accordingly, ABATE proposed the following recommendations: (1) completely reject the 2026 IRM alternative proposal; (2) completely reject any extension of the IRM past 2027; (3) completely reject DTE Electric's proposal to include PTMM investments; and (4) limit 2027 IRM investments to the spending levels outlined in the company's alternative proposal. 4 Tr 3401-3402. Alternatively, ABATE recommended that the Commission adopt its proposed adjustments to the company's primary proposal for distribution automation and PTMM. 4 Tr 3402.

The CEOs argued that even though the Commission directed DTE Electric to develop BCAs for major subtransmission projects, the company had not yet done so and instead planned to implement a BCA before its next rate case. They, therefore, proposed excluding SRR from the IRM until the company can demonstrate that project benefits exceed costs. 4 Tr 3665-3666. The CEOs further criticized the IRM reconciliation process for measuring spending efficiency but not investment effectiveness. Accordingly, they proposed using the reconciliation process to evaluate whether promised reliability benefits are achieved and to adjust future IRM spending accordingly. The CEOs also urged DTE Electric to propose changes to improve IRM transparency and accountability. 4 Tr 3669-3671.

Walmart cautioned that mechanisms like the IRM tend to expand beyond their original purpose as utilities seek repeated extensions. It proposed that, if the IRM is extended, the Commission require DTE Electric to file a rate case as soon as the related assets can be included in a test year. Walmart further advocated for the Commission to reject any expansion of the IRM beyond 2026 approved levels and to recover additional costs through base rates. 5 Tr 4097; *see also*, Walmart's initial brief, pp. 8-9.

In rebuttal, DTE Electric supported the Staff's recommendation to include $200 million of 2026 PTMM investment in the IRM and argued that placing distribution automation in the IRM would address concerns about underinvestment better than disallowance. 4 Tr 1756-1757. The company also supported the Staff's proposed IRM investment levels for 2027-2029. 4 Tr 1759-1780; *see also*, DTE Electric's initial brief, p. 200. DTE Electric, however, opposed applying a lower ROR to IRM investments and argued that IRM investments should earn the same return as base rate investments and that reducing return could hinder financing. 4 Tr 1762-1763. The company further disagreed with MNSC's proposal to terminate the IRM and opposed the

CEOs proposal to use IRM reconciliation proceedings to review investment effectiveness, which the company contended would constitute retroactive ratemaking. 4 Tr 1766, 1771-1772. DTE Electric also objected to any recommended cadence to its rate case filings, as suggested by Walmart. 4 Tr 1773.

The ALJ found that the IRM serves the purpose of ensuring that critical investments in the distribution system are made but stated that a cautious, gradual approach was necessary to avoid inefficient spending and excessive costs. As a result, she recommended that the Commission approve a one-year extension of the IRM with programs and funding levels limited to those outlined in DTE Electric's alternative proposal, as amended by the PFD. The ALJ found that such a measured approach was supported by the fact that DTE Electric was making progress in incorporating the results of the Liberty Audit but that it still needed to perform further analyses of its SRR and distribution automation programs. PFD, p. 557. Additionally, the ALJ noted that the company's first IRM reconciliation was still pending and found that a slower approach would allow time to ensure that the reconciliation process was proceeding efficiently and as intended. *Id*., pp. 557-556.

The ALJ found that both SRR and distribution automation raised significant concerns and, therefore, required more oversight by the Commission. Accordingly, she recommended that the Commission omit these programs from the IRM and instead keep them in base rates. *Id*., p. 558. As such, the ALJ recommended the following IRM investment levels:

Program	2026	2027
Breaker Replacement	$12.6 million	$15.0 million
SRR	$53.8 million	$0
URD Replacement	$13.5 million	$15.0 million
Small Wires	$10.0 million	$0
Distribution Automation	$24.4 million	$0
PTMM	$197.4 million	$200.0 million
Total	$311.7 million	$240.0 million

Id., p. 558.

The ALJ acknowledged the intervenors' concerns that expanding the IRM could result in inefficient spending if investments were predetermined years in advance. She stated that while significant future investments are needed to improve DTE Electric's distribution system, the precise allocation among IRM programs is uncertain due to evolving needs and multi-year forecasts. To address this, the ALJ recommended adopting the CEOs' proposal for an effectiveness review in future IRM reconciliation cases and she rejected the company's claims that adjusting funding in future IRM years would constitute retroactive ratemaking. *Id*., pp. 558-559.

Additionally, while acknowledging the Staff's concerns about DTE Electric's past underinvestment in its distribution system, the ALJ found that the Staff had not justified applying a lower rate of return to the IRM surcharge. She concluded that the company's proposal to apply its standard rate of return to IRM investments was reasonable and prevented any windfall compared to non-IRM assets. The ALJ also rejected Walmart's proposal to require an early rate case for including IRM assets in the test year and recommended approving DTE Electric's unopposed plan to enhance IRM stakeholder engagement process. *Id*., pp. 559-560.

In exceptions, DTE Electric disagrees with the ALJ's recommendations for IRM approval. The company first notes that the ALJ did not include any approved spending for system cable, which it asserts should be approved given that no party specifically contested the inclusion of this program. DTE Electric's exceptions, p. 167. DTE Electric next disagrees with the ALJ's recommendation to deviate from spending levels proposed by the company and the Staff. According to DTE Electric, the ALJ's basis for removing approval for SSR and distribution automation was inconsistent with the record and lacked sufficient discussion. *Id*., pp. 167-168. Relatedly, DTE Electric argues that the record in this case clearly evidences a need for system investment and that the Commission should, therefore, reject the ALJ's recommendation to reject extending the IRM to 2028 and 2029. *Id*., p. 170. Finally, the company disagrees with the ALJ's recommendation to adopt an effectiveness review in future reconciliation cases. DTE Electric argues that such a review is unnecessary given the company's performance-based ratemaking mechanism, as well as metrics and targets established through a settlement agreement in Case No. U-21909. Moreover, DTE Electric contends that the proper forum for discussing the IRM ratemaking process is in rate cases and that using the reconciliation process to potentially disallow the recovery of costs would constitute retroactive ratemaking. *Id*., pp. 171-173.

The Staff argues that the company's small wires program should be excluded from the IRM as no party requested its inclusion and because a novel program is not suitable for IRM treatment given that the efficacy of the related work is unknown. Staff's exceptions, pp. 3-4. The Staff further excepts to the ALJ's recommended rate of return for the IRM and maintains its position that a lower rate of return is more appropriate given DTE Electric's past underinvestment in the distribution system. *Id*., pp. 4-5.

In her exceptions, the Attorney General continues to assert that the Commission should reject any further spending or extension for the IRM, arguing that "[t]here should be no extension or expansion of the IRM until the parties and Commission have a chance to fully analyze DTE's processes for investing these monies, the levels and rates at which the expenditures are happening, and whether customers are receiving adequate, or any, benefit from IRM investments." Attorney General's exceptions, p. 47.

MNSC excepts to the ALJ's recommendation to increase spending on PTMM in the 2026 and 2027 IRM, arguing that it is premature and improper to extend PTMM spending beyond the test year. MNSC's exceptions, p. 8. MNSC reiterates that the Commission should reject an extension for any IRM spending. According to MNSC, preauthorizing significant spending does not incentivize DTE Electric to cut wasteful projects; it further asserts that the process for reviewing the reasonableness and prudence of projects funded through the IRM is inadequate. *Id*., pp. 14-15.

Finally, in its exceptions, ABATE reiterates its stance that PTMM investments for the 2026 to 2029 period should be limited to 2025 levels, adjusted for inflation. ABATE contends that, "[u]ntil the Company can improve program and expenditure efficiencies, or it provides better data to support the exorbitant program costs, PTMM program expenditures should remain at current levels." ABATE's exceptions, p. 3.

In replies to exceptions, DTE Electric maintains its position that the IRM is a reasonable mechanism for improving infrastructure and that investments made in the IRM are subject to multiple layers of scrutiny. As a result, the company contends that an extension of the IRM through 2029 is justified. DTE Electric's replies to exceptions, pp. 59-60. The company further repeats its arguments that the Liberty Audit supports investment in PTMM and again advocates for the Commission to include the small wire replacement program in the IRM, arguing that the

program will contribute to safety and reliability. *Id*., pp. 59-60. Lastly, DTE Electric reiterates that the ALJ properly rejected the Staff's proposal to impose a lower rate of return on IRM investments. *Id*., p. 62.

In her replies to exceptions, the Attorney General repeats her argument that IRMs are a bad value for customers and contends that a need for infrastructure investments, alone, does not warrant an extension of the IRM. Attorney General's replies to exceptions, pp. 60-61.

MNSC argues that the ALJ properly found that DTE Electric failed to adequately support its proposed extension of the IRM and contends that the record demonstrates that a reduction or slowdown of spending on subtransmission and distribution automation is needed. MNSC's replies to exceptions, pp. 24-25. It further avers, like the Attorney General, that a stated need for future investment does not automatically imply that a multi-year extension of the IRM is warranted and that the Staff's alignment with the company's proposed extension is not a valid basis for Commission approval. *Id*., pp. 24-25.

ABATE replies and asserts that the ALJ's recommendation to remove distribution automation investment from the extended IRM is reasonable and supported by the record. It repeats arguments raised in testimony and briefing that an extension of the IRM makes spending speculative, which can lead the company pursuing ineffective capital programs. ABATE's replies to exceptions, pp. 9-10.

The CEOs repeat their arguments that an effectiveness review is needed in the reconciliation process to more granularly review the effectiveness of investments made in the IRM and further that such a review would not stymie future investments nor constitute retroactive ratemaking, contrary to the company's assertions. CEOs' replies to exceptions, pp. 3-5.

First, addressing DTE Electric's alternative 2026 IRM proposal, the Commission finds that the 2026 IRM should be modified to include $200 million in spending for PTMM for the same reasons the Commission approved those expenditures, as discussed *supra* in this order. *See*, PFD, p. 157; *see also*, 5 Tr 5148. Similarly, for the reasons discussed *supra* in this order, the Commission finds that approved incremental expenditures for distribution automation (less adopted disallowances) should be included in the 2026 IRM, resulting in an approved 2026 IRM spending level of $68.9 million. Concerning SRR, the Commission agrees with the Staff and reiterates its prior determination that the company needs to provide a realistic and detailed actionable plan based on reasonable goals tied to investments, legitimate timelines, and criteria for when and where cable replacement should occur, including a review of alternatives and options with associated benefits and costs. *See*, 5 Tr 5286. As such, the Commission declines to adopt the company's proposal to increase spending levels for SRR in the 2026 IRM and instead adopts ALJ's recommendation to keep spending levels at $53.8 million. *See*, PFD, p. 558.

With respect to DTE Electric's proposal to extend the IRM to the years 2027, 2028, and 2029, the Commission agrees with the ALJ that DTE Electric has made progress incorporating the recommendations of the Liberty Audit, but still does not have a comprehensive, well-articulated plan for IRM investments and must conduct further analysis of its SRR and distribution automation programs. Accordingly, the Commission declines to adopt the company's proposal to extend the IRM and instead adopts the ALJ's recommendation to limit extension of the IRM to one year. *See*, *id*., p. 557. Moreover, the Commission finds that a one-year extension will continue to provide an opportunity to assess whether the reconciliation process is functioning effectively as intended, that the investments are providing the benefits expected, and that input from interested persons is being valued. The Commission notes that, should the company seek

approval of a multi-year extension of the IRM, it must further develop and present a comprehensive strategy for implementing effective capital programs, including the development of BCAs to assess cost-effectiveness, as well as strategies for optimizing capital spending in coordination with enhanced vegetation management to maximize the value of investments intended to improve reliability.

For the extended IRM, the Commission finds that an authorized spending level of $52.5 million for SRR is reasonable and prudent, which the Commission also notes was consented to by the company. *See*, DTE Electric's initial brief, p. 200. However, the Commission agrees with the ALJ that more oversight and scrutiny is needed for the company's distribution automation program; as such, the Commission declines to authorize spending levels for this capital program in the extended IRM. For PTMM, the Commission again agrees with the Staff and finds that the program is critical to improving the company's reliability performance in the near future. As a result, the Commission finds that it is reasonable to maintain spending levels of $200 million in the extended IRM. The Commission also agrees with the Staff and finds that new programs, for which the efficacy of related work is not known, are not suitable for inclusion in the IRM. As a result, the Commission rejects the ALJ's recommendation to include the small wire replacement program in the 2026 IRM and further declines to adopt DTE Electric's proposal to include system cable in the extended IRM. Accordingly, the Commission approves the following IRM investment levels:

Capital Program	2026	2027
Breaker Replacement	$12.6 million	$15.0 million
SRR	$53.8 million	$52.5 million
URD Replacement	$13.5 million	$15.0 million
Distribution Automation	$68.9 million	$0
PTMM	$200.0 million	$200.0 million
Total	$348.8 million	$282.5 million

The Commission further agrees with the ALJ and the CEOs on the need to ensure both the "*efficiency* of DTE's IRM investments" and the "*effectiveness* of the IRM investments (i.e., whether or not the Company is realizing its expected safety and reliability improvement outcomes from the authorized spending)." 3 Tr 2669 (emphasis in original); *see also*, PFD, p. 559. However, the Commission finds the proposal to modify the reconciliation process to incorporate such an effectiveness review may not be workable in practice, at least as proposed. Even with perfect information, it is likely impossible to capture the full impact of one year of spending before approving spending for the following year, or to know whether a set of investments fully achieved their intended objectives in time for the next filing, even absent the IRM reconciliation process, just because the work tied to the investments does not all happen at once and because the results can take some amount of time to show up. Rather, the Commission finds periodic reviews of the effectiveness of distribution reliability investments will be more meaningful when done in concert with DSPs that articulate both the strategy and details of future IRM proposals. Having the company demonstrate the relative effectiveness of different pillars of its strategy to improve reliability will enable the Commission and intervening parties to identify what elements are working and should be continued or expanded, as well as any elements that have not been as

effective as anticipated and should be reduced or discontinued. This will help parties to understand the overall impact of the investments included in the IRM and meet the objectives of the CEOs in providing the Commission a mechanism "to adjust future IRM authorized spending based on the effectiveness of different programs." 3 Tr 3670. Further, now having experience with the initial IRM distribution reliability investments (as well as Commission approval of a significant amount of funding for core reliability strategies both in the IRM and base rates), the Commission anticipates that DTE Electric should have sufficient evidence of the effectiveness of its investments to date that can be used as part of the design and support for a longer-duration IRM than the one-year IRM extension approved in this case. Finally, in response to concerns that approval of an IRM locks the Commission and the company's customers into a multi-year strategy, even if evidence shows the strategy is not working, the Commission explicitly clarifies that it has the ability to pause or cancel all or part of an IRM at any point if there is sufficient evidence in the record to support a change in direction. For other IRM-related matters, the Commission agrees with the ALJ that the Staff has not adequately justified applying a lower ROR for the IRM surcharge; as such, the Commission finds that an equivalent ROR between base rates and the IRM is appropriate. Finally, the Commission agrees with the ALJ and finds that Walmart's proposal to require DTE Electric to file a rate case at the earliest possible date when IRM assets can be included in the test year is unnecessary. Accordingly, the Commission adopts the ALJ's recommendation on this issue. *See*, PFD, p. 560.

B. Pilot Programs

1. Non-Wire Alternatives Pilots

DTE Electric sought to continue its suite of NWA pilots, which the company contended informed its plan to incorporate NWA solutions into the distribution planning process. 3 Tr 788-789; *see also*, Exhibit A-12, Schedules B5.4.1 through B5.4.7.

The CEOs asserted that DTE Electric's NWA pilots were exploratory projects that could be a cost-effective alternative to traditional distribution upgrades; however, they argued that the company's approach did not represent a systematic methodology for identifying "where grid needs exists, how to quantify the avoided distribution system investments, or how those avoided costs can be valued and incorporated into future resource procurement decisions." 4 Tr 3615. As a result, the CEOs expressed concern about DTE Electric's ability to move beyond "one-off" pilots and to scale NWA solutions as a tool that can reduce costs and improve efficiencies. Accordingly, the CEOs advocated for the Commission to direct the company "to begin developing a methodology to identify grid needs and assign a value to avoided or deferred distribution system investment," and then apply the methodology when evaluating DERs. 4 Tr 3615.

In rebuttal, DTE Electric maintained that its NWA pilots were designed to facilitate broader planning and future customer-facing programs. The company further alleged that there would be no way to quantify potential benefits without the pilots and that once technologies were demonstrated and implemented, the ability to apply findings to future programs and scale would be greatly improved. 3 Tr 945.

The ALJ stated that the CEOs' recommendation had merit but found that issues concerning the implementation and evaluation of programs like NWA are more appropriate as part of DTE Electric's grid planning. PFD, p. 562.

No party filed exceptions on this issue.

Finding the ALJ's findings and recommendation on this issue to be well-reasoned and supported by the record, the Commission adopts the PFD. *See*, PFD, p. 562. The Commission agrees with the ALJ that consideration of the implementation and evaluation of programs like NWA is more appropriately included in the company's distribution grid planning process.

2. Strategic Undergrounding Pilots

DTE Electric stated that it continues to believe that undergrounding provides unique benefits to customers, including the elimination of safety risks from downed wires, the reduction of emergent reactive costs and customer outages, and resiliency for severe-weather related events. 2 Tr 163. As such, the company proposed two additional undergrounding pilots as part of this case.

DTE Electric specified that the first proposed pilot, the Attica pilot project, was being developed in a rural area and was chosen to improve the company's understanding of rural circuits, which DTE Electric contended present unique challenges and circumstances. For the second proposed pilot, the Spruce pilot project, DTE Electric explained that the pilot was being developed in a suburban area to take advantage of the opportunity to coordinate the project with Ann Arbor's expected replacement of roadways in the impacted neighborhood, thereby reducing costs for road removal and restoration. 2 Tr 160, 162-163. The company stated that it worked with an independent consultant to develop BCAs for the proposed pilots, and that the Attica pilot project had a BCA ratio of 1.51 and that the Spruce pilot project had a BCA ratio of 0.69. 2 Tr 160; *see also*, Confidential Exhibit A-28, Schedules R4 and R5.

ABATE argued that DTE Electric should not pursue the Spruce pilot project because the company's BCA demonstrated that it is not expected to be cost effective. It stated that, should

DTE Electric seek to create a pilot project in a suburban neighborhood, the company should wait for a project that produces benefits that exceed costs. 4 Tr 3369. Accordingly, ABATE proposed a disallowance of $11.6 million in test year expenditures for the project and advocated for the Commission to direct the company to abstain from pursuing a suburban undergrounding pilot project until a better location could be identified. 4 Tr 3370.

The Attorney General and MNSC argued that DTE Electric's prior undergrounding pilots exhibited extremely high costs per customer, which demonstrated that undergrounding is not cost effective or economically feasible. 5 Tr 4541. As a result, they advocated for the Commission to reject the proposed pilot projects and to disallow $14.0 million in test year expenditures. 5 Tr 4542; *see also*, Attorney General's initial brief, p. 176; MNSC's initial brief, p. 90.

In rebuttal, DTE Electric disagreed with the Attorney General's and MNSC's proposed disallowance and argued that the company's pilots were distinguishable from previous projects. The company further argued that undergrounding provides unique benefits and that the pilot projects are needed to refine the undergrounding process to reduce implementation costs. Additionally, the company stated that it disagreed with ABATE's proposed disallowance for the Spruce pilot project. DTE Electric argued that, despite the pilot's negative BCA ratio, the project provides a unique opportunity for the company to learn from municipality infrastructure coordination, which the company asserted was in accordance with the Commission's previous directives. 2 Tr 233 (citing January 23 order, p. 458).

The ALJ agreed with ABATE and found that $11.6 million in test year expenditures associated with the Spruce pilot project should be disallowed because the company's BCA showed that the project's costs would meaningfully exceed its benefits. PFD, p. 567. The ALJ, however, declined to adopt the Attorney General's recommendation to disallow all expenditures related to

undergrounding pilots, finding that the Commission had previously directed the company to investigate strategic projects for undergrounding where there was a business case to do so. The ALJ, in turn, found that the Attica project met this standard and that no disallowance should therefore be permitted. *Id*.

In exceptions, DTE Electric disagrees with the ALJ's recommended disallowance for capital expenditures associated with the Spruce pilot project. The company argues that, despite the pilot's BCA, the project still provides millions of dollars of benefits to customers, including safety benefits and reductions in emergent costs and outages. Further, DTE Electric maintains that the project provides a unique opportunity to coordinate with municipal infrastructure plans and follows the Commission's previous directives to pursue strategic, targeted undergrounding pilots. Accordingly, the company advocates for the Commission to reject the ALJ's recommendation and to approve expenditures for the pilot. DTE Electric's exceptions, pp. 174-175.

In replies to exceptions, ABATE contends that the company's claims that undergrounding eliminates safety risks from downed wires and provides the highest overall benefit in reducing emergent reactive costs and customer outages do not justify recovery for the Spruce pilot project. ABATE again notes the project's negative BCA ratio and argues that it is unreasonable for ratepayers to bear the cost of the pilot that is not cost-effective. ABATE's replies to exceptions, pp. 6-7.

The Commission agrees with DTE Electric that undergrounding can provide safety benefits and can potentially lead to reductions in emergent costs and outages. The Commission further agrees with the company that the Spruce pilot project presents a unique opportunity to explore and learn from coordinating with municipalities to reduce costs associated with removing and restoring roadways typically associated with undergrounding in a suburban area. *See*, 2 Tr 163. The

Commission, therefore, respectfully rejects the ALJ's proposed disallowance for capital expenditures associated with the Spruce pilot project. *See*, PFD, p. 567. Although the Commission acknowledges that the project has a BCA ratio of 0.69, the Commission is not persuaded that this aspect of the project, alone, warrants disallowance. Indeed, the Commission finds that pilot projects that have costs that exceed benefits may still be reasonable and prudent where, as in this case, the pilot provides unique opportunities for learning that may be used to provide future benefits to customers. The Commission, however, cautions DTE Electric that it should endeavor to quantify any safety benefits associated with future undergrounding pilots, and that these pilots will need to provide more detail on scaling and how the projects may be broadened to provide system-wide benefits, not merely benefits at the pilot level. Finding the ALJ's findings and conclusion to be well-reasoned and supported by the record, the Commission also adopts the ALJ's recommendation to reject the Attorney General's and MNSC's proposal to disallow all costs associated with undergrounding pilots.

3. Residential Home Generator Pilot

DTE Electric sought to continue its residential home generator pilot, which the company stated had 176 customers enrolled as of December 2024 and in which three DR events were called in March, July, and December of that same year. 3 Tr 1361. The company further stated that, based on the results of the pilot to date, it planned to continue the pilot through 2025 before expanding it into a full program. 3 Tr 1362.

Ann Arbor argued that natural gas generators produce emissions that contribute to climate change and are harmful to air quality, health, and safety. 4 Tr 3709. As such, it asserted that the pilot was not aligned with DTE Electric's clean energy goals and was, therefore, not a reasonable and prudent expense. Accordingly, Ann Arbor proposed disallowing $532,000 in O&M expense

for the pilot. 4 Tr 3711-3712; *see also*, Ann Arbor's initial brief, p. 18. Ann Arbor, however, stated that it would support a similar pilot that explored shifting electric load to batteries, particularly batteries coupled with solar, as opposed to generators that use fossil fuels. 4 Tr 3711.

In rebuttal, DTE Electric explained that Generac unexpectedly terminated the residential home generator pilot as of the first quarter of 2025. 3 Tr 1384. As a result, the company clarified that it was no longer seeking O&M expense associated with the pilot. DTE Electric, however, asked the Commission to recognize that an opportunity still exists to permit the company to revisit the pilot and to receive appropriate funding when requested. 4 Tr 1385-1386.

The ALJ recommended disallowing $532,000 in O&M spending associated with the pilot, finding that the pilot program was involuntarily terminated such that funding was no longer required. The ALJ noted, however, that if DTE Electric seeks to conduct a similar pilot in the future, the company should consider its own stated clean energy goals and a battery or solar plus battery approach, as suggested by Ann Arbor. PFD, p. 569.

No party filed exceptions on this issue.

Finding the ALJ's findings and recommendation on this issue to be well-reasoned and supported by the record, the Commission adopts the PFD. *See*, PFD, p. 569.

C. Affordability

1. Energy Burden and Affordability

DTE Electric stated that its proposed rate increase would raise the average residential electric bill by approximately 44 cents per day, resulting in an average annual increase of 2.6% since 2021. The company argued that this increase is below inflation and lower than average increases for other utilities in the Great Lakes region and nationwide. The company further noted that data

showed that DTE Electric's average residential bill was 14.5% below the national average in 2024. 3 Tr 975-977.

CUB and NRDC stated that Michigan's relatively low electricity bills compared to other states reflected greater use of non-electric fuels for heating, not lower overall energy costs. They argued that total energy burden is the more meaningful measure and noted that Michigan ranked 14th highest nationally in residential energy burden in 2022. 5 Tr 4828. Thus, they concluded that DTE Electric's comparisons of electric bills alone did not justify the company's proposed rate increase and that overall energy burdens in Michigan remain high. 5 Tr 4829.

The DAAOs contended that the Commission's affordability standard recognizes that true affordability depends on households' ability to pay utility bills while still meeting essential needs. They explained that energy affordability is measured by energy burden, with less than 6% of income spent on energy considered affordable, yet in 2022 Michigan households below 50% of the federal poverty level (FPL) faced average energy burdens of 38%, and those between 50% and 100% FPL faced energy burdens of 20%. 5 Tr 4112. The DAAOs asserted that DTE Electric's proposed rate increase would raise bills by at least $13 per month, disproportionately harming low-income customers due to less efficient housing and appliances. Further, according to the DAAOs' analysis of Wayne County households at or below 80% of area median income, the company's rate increase would push multiple census tracts into unaffordable energy burdens and significantly increase the number of areas experiencing severe energy insecurity. 5 Tr 4112-4113.

The DAAOs also asserted that DTE Electric's proposed rate increase would disproportionately impact residential customers, with residential rates rising 11.1% compared to smaller increases for commercial and industrial customers. 5 Tr 4204. They also argued that the company's comparisons to national average electric bills were misleading because Michigan households rely

less on electricity for heating and have lower cooling demand, and that comparing rates instead showed that DTE Electric's residential rates are consistently higher than those of most peer utilities. 5 Tr 4204-4207. Using a detailed regression model, the DAAOs noted that nearly all households below 150% FPL and up to three times FPL are energy cost burdened. 5 Tr 4208-4209, 4216. Moreover, they highlighted significant geographic and racial disparities in energy affordability, noting that a disproportionate share of cost-burdened customers live in environmental justice (EJ) communities, particularly in predominantly Black neighborhoods in Detroit. 5 Tr 4219-4221. As a result, the DAAOs proposed limiting residential rate increases well below 11.1%, increasing transparency on arrears and shutoffs, and requiring DTE Electric to explain how its rate increase would not increase service disconnections. 5 Tr 4248-4249.

Additionally, the DAAOs argued that low-income customers face significantly higher electric burdens than non-low-income customers, with a median burden of 6.92% for households below 200% FPL compared to 1.22% for others. They estimated that more than 485,000 customers (approximately 86% of low-income households) have unaffordable electric burdens, with strong correlations between high burdens, low-income concentrations, and Black, Indigenous, and people of color (BIPOC) census tracts. 5 Tr 4352-4356. As a result, they criticized DTE Electric's comparisons to national average bills and argued that affordability is experienced at the household level and must account for climate and competing basic needs.

Finally, using the company's data, the DAAOs estimated that the proposed rate increase would raise the real annual electric cost for low-income customers to roughly $1,800, making electricity unaffordable to customers earning under $50,166 (which is nearly one-third of DTE Electric's customer base). 5 Tr 4368-4369. They also criticized the Commission's Energy Affordability and Assistance Collaborative (EAAC) for failing to deliver measurable progress on

affordability and urged the Commission to decide affordability proposals in this case rather than deferring them to the EAAC. 5 Tr 4390-4392, 4394, 4399.

The Staff, in its reply brief, stated that there is no constitutional or statutory right to free or fixed-rate utility service and that a rate case is not the appropriate forum to resolve affordability issues. It cited the EAAC's Energy Affordability Report and noted that the DAAOs did not address its recommendations. The Staff emphasized the report's conclusion that rates cannot remain unchanged without balancing the interests of customers as a whole against the utility's interests, which the Staff asserted is the applicable legal standard. Staff's reply brief, pp. 18-21.

The ALJ found that the intervenors provided compelling evidence that DTE Electric's low-income customers, particularly those in BIPOC communities, face unaffordable electric burden and that the company's proposed 11.1% rate increase would cause more customers to face unaffordable electric bills. However, the ALJ agreed with the Staff that the Commission must follow statutory requirements and, therefore, declined to adopt the DAAOs' request to deny DTE Electric's proposed rate increase. PFD, p. 580.

Additionally, the ALJ found that DTE Electric's comparisons to average national or regional electric bills were misplaced and she agreed that energy burden is a better measure of affordability. As a result, she recommended that the Commission require DTE Electric to "present data about its residential rates and the impact of its requested rate increases on residential customers by providing data on the electricity burden of its residential customers." *Id*. Further, the ALJ noted the Commission's preference for discussing affordability issues in workgroups, such as the EAAC, but recognized the need for more immediate relief. Accordingly, she recommended that the Commission adopt the timeline outlined in the Energy Affordability Report with implementation of specific recommendations by October 1, 2026. Finally, the ALJ recommended that the

Commission direct DTE Electric to expand education and assistance for low-income customers to access weatherization and energy efficiency programs. *Id*., p. 581.

In exceptions, DTE Electric disagrees with the ALJ's recommendation to require the company to present data on the impact of proposed rate increases on the electricity burdens of its residential customers, arguing that such a presentation is not consistent with industry standards and would create burdens beyond the regulated service that the company provides to its customers. DTE Electric's exceptions, p. 176. Additionally, DTE Electric excepts to the ALJ's determination that an unaffordable electric burden exists when an electric bill constitutes more than 4% to 6% of household income. The company avers that such a determination is inconsistent with the Commission's previously adopted definition of "affordability," and further that such a determination is procedurally inappropriate. *Id*., pp. 176-177. Finally, DTE Electric argues that the ALJ's recommendation to require the company to implement an initiative to inform and educate low-income customers about programs and funding related to weatherization, EWR, and energy efficiency is unnecessary and duplicative because the company "already operates a comprehensive initiative that includes annual system-wide assistance notifications, agency-partnered Community Resource Fairs with onsite application support, Income-Qualified EWR programs delivering weatherization-aligned measures, employee ambassador training for proactive customer assistance, and data-driven outreach targeting households with the highest energy burdens (4T, 1785, 2716-2722)." *Id*., p. 177.

The DAAOs note that the ALJ found that they provided extensive evidence that low-income customers and BIPOC communities face unaffordable energy burdens and argue that the Commission must factor this information into its rate setting analysis. The DAAOs' exceptions, pp. 6-7. Specifically, they advocate for the Commission to require DTE Electric to present energy

burden data by energy burden brackets and by income range brackets based on FPL, or at a minimum, to present the average affordable energy burden. *Id*., pp. 7-9. The DAAOs further argue that the Commission should deny the company's proposed rate increase based on their contention that the rate increase will worsen the affordability crisis in the company's service territory. *Id*., pp. 9-10. Moreover, they assert that the Commission cannot legally approve a rate increase without taking a comprehensive look at affordability and balancing customer and utility interests, and that any action without such an analysis would be arbitrary and capricious. *Id*., pp. 10-12. Finally, the DAAOs again advocate for the Commission to take immediate action to address affordability and to decline deferring affordability issues to the EAAC. *Id*., pp. 13-14.

In replies to exceptions, DTE Electric objects to the DAAOs exception regarding the presentation of energy burden data on procedural grounds and again argues that the determination of what constitutes an affordable energy burden is inconsistent with the Commission's prior definition of "affordability" and that affordability issues are to be addressed by the EAAC. DTE Electric's replies to exceptions, pp. 66-67.

The DAAOs repeat their contention that the Commission cannot approve DTE Electric's proposed rate increase if it considers affordability, which they assert is mandated by statute. DAAOs' replies to exceptions, pp. 6-7. They also state their agreement with the ALJ's recommendation to require the company to produce information on energy burdens, which they contend align with the Commission's definition of affordability. *Id*., pp. 7-10. Finally, the DAAOs again advocate for the Commission to decline deferring affordability issues to the EAAC and to take immediate and concrete steps to address the issue. *Id*., pp. 12-13.

The Commission acknowledges the challenge of affordability for low-income customers and the potential of using energy burden as a useful metric for assessing affordability. In conjunction

with this recognition, the Commission notes its efforts to address affordability in Case No. U-20757, which included the Commission's directive for the Staff to develop a proposal for an energy affordability standard and how that standard can be integrated into the regulatory environment. *See*, September 11, 2025 order in Case No. U-20757, p. 4 (quoting Energy Affordability Report, p. 1). Moreover, the Commission agrees with the ALJ that the Staff's Energy Affordability Report filed in Case No. U-20757 addresses concerns about affordability and the need for immediate relief. *See*, PFD, p. 581. Accordingly, for these reasons, the Commission finds that issues related to energy burden are more appropriately addressed in Case No. U-20757, as that docket enables the Commission to obtain a more complete picture of how the Commission will address customers' energy burdens in the broader regulatory environment. Consequently, the Commission respectfully rejects the ALJ's recommendation to require DTE Electric to provide data in its future rate cases regarding its customers' energy burdens. *See*, PFD, p. 580.

The Commission also agrees with the ALJ that the Commission must follow statutory and other legal directives and reiterates its finding that the final decision in this case represents a determination that is based on a thorough assessment of the reasonableness and prudence of the requests on the record. The Commission, therefore, declines to adopt the DAAOs' proposal to reject a rate increase in this case and adopts the ALJ's recommendation on this issue. *See*, *id*.

Finally, the Commission acknowledges the company's efforts on programs related to weatherization, EWR, and energy efficiency, but agrees with the intervenors that more can be done to educate and inform low-income customers. Accordingly, the Commission adopts the ALJ's recommendation on this issue and directs DTE Electric to improve its existing assistance programs to better educate and assist low-income customers with accessing these programs and obtaining funding associated with weatherization, EWR, and energy efficiency. *See*, *id*., p. 581.

2. Low-Income Assistance Programs

DTE Electric stated that its energy assistance programs are aligned with the definition of "affordability" adopted by the Commission in its December 21, 2023 order in Case No. U-20757 and that the programs are designed to achieve several key objectives, including sustained energy access, arrears reduction, payment habit encouragement, consumption reduction, short-term assistance, empowerment and self-sufficiency, and community collaboration. 4 Tr 2714-2716.

The company explained that it offers several low-income assistance programs, including the Low-Income Self Sufficiency Program (LSP), Residential Income Assistance (RIA) credits, and Low-Income Assistance (LIA) credits. 4 Tr 2717. DTE Electric stated that the LSP is a two-year payment plan for households at or below 150% FPL, with monthly payments based on income and energy use, and that the program was recently modified to align with other utilities' affordable payment plans as directed by the Commission. 4 Tr 2723-2724. The company further stated that RIA and LIA credits are statutory programs available to customers at or below 150% FPL or those receiving certain public assistance; RIA credits offset the monthly electric service charge, while LIA credits provide $50 per month. 4 Tr 2725-2727, 2730. Additionally, DTE Electric described its Payment Stability Plan (PSP) pilot, which was a percentage of income-based program (PIPP) directed at customers at or below 200% of FPL, under which customers paid 6% of household income for either gas or electric service, or 10% for both. 4 Tr 2725.

The DAAOs argued that DTE Electric's assistance programs are insufficient to protect low-income customers from rate increases. They argued that the LSP's 150% FPL eligibility limit excludes many households with unaffordable energy burdens and that RIA and LIA credits do not meaningfully reduce bills, noting that RIA credits are too small to even cover the company's proposed rate increase and that access to LIA credits is limited. 5 Tr 4114-4115. Citing rising

arrears and shutoffs, the DAAOs warned that affordability will continue to worsen without Commission action. 5 Tr 4116. Accordingly, they advocated for the Commission to require DTE Electric to implement a PIPP for low-income customers that caps income payment at 4%, limits arrears to $3,000, and only requires income recertification every two to four years. 5 Tr 4116, 4118-4120.

The DAAOs further argued that the LSP is intended to keep bills affordable and prevent shutoffs, yet many enrolled customers still experience disconnections. They noted that approximately 18% and 19% of LSP participants in 2021 and 2022, respectively, were shut off within a year of enrollment and asserted that the company does not effectively communicate available assistance programs. 5 Tr 4173. Moreover, the DAAOs voiced concerns about proposed modifications to the LSP, including DTE Electric's limited proactive outreach to inform current enrollees. 5 Tr 4303-4304. As a result, the DAAOs proposed that the Commission require DTE Electric to automatically enroll customers in a PIPP and to provide clearer and more frequent communication regarding low-income assistance options. 5 Tr 4176. Alternatively, the DAAOs proposed that the Commission require the company to immediately improve its modified LSP and to gather information regarding the impact of the transition to the company's modified LSP on current enrollees. 5 Tr 4322.

Additionally, the DAAOs contended that DTE Electric would need $310 million annually to keep electric bills affordable at current rates, rising to $395 million if the company's proposed 11.1% rate increase is approved. 5 Tr 4212. They estimated the total affordability gap to be $510 million today and $605 million after the company's proposed increase, compared to the company's reported $144 million in assistance spending in 2024. 5 Tr 4214-4215. The DAAOs asserted that the company's proposed rate increase would make 40,000 more customers eligible

for assistance and leave most eligible households unserved. 5 Tr 4212. They opined that the burden on these households could be minimized with meaningful contributions to the PIPP from commercial and industrial customers. 5 Tr 4214.

The DAAOs also opined that the LSP should be replaced with a PIPP modeled on the PSP pilot, noting that PSP pilot participants reduced electric and gas use while LSP participants increased consumption. 5 Tr 4414-4415. They supported reallocating LSP, RIA, and LIA funds to a PSP program but recommended several changes, including lower income-based caps, expanded arrearage forgiveness and complementary benefits, sufficient funding, and the use of a third-party administer to improve outreach and enrollment. 5 Tr 4416-4417.

Finally, the DAAOs stated that although a PIPP would benefit low-income households across DTE Electric's service territory, it would not address deeper, community-level drivers of energy insecurity. 5 Tr 4433. Accordingly, the DAAOs proposed a Community-Wide Affordability Program (CWAP) that would provide automatic bill credits to all residents within targeted census tracts, thereby reducing median electric and gas energy burdens to affordable levels. They noted that this approach could incorporate additional data, such as shutoffs and arrears, and cited a similar program approved in Minnesota in 2024 as an effective model. 5 Tr 4418-4420, 4433. Although CWAP benefits would be higher than current LIA and RIA credits, they argued that the program would reduce administrative burdens and could be scaled to different budgets while complementing a PIPP. 5 Tr 4422-4424. The DAAOs further urged the Commission to evaluate affordability programs based on net costs after accounting for operational savings and other offsets, identifying over $215 million in potential cost offsets that could help fund expanded affordability and shutoff programs. 5 Tr 4431, 4435-4436.

In rebuttal, DTE Electric stated that income-based programs like PIPPs can support low-income customers but declined to address the DAAOs' specific recommendations, stating that the company should wait for the EAAC's and the Commission's review of a statewide PIPP while continuing to rely on existing programs. 4 Tr 2746-2747.

The Staff cited MCL 460.11(2) and MCL 460.10t(6)(b) in its rebuttal, as well as prior Commission orders, to note that utilities must include low-income rates in filings and define eligible low-income households as those at or below 150% FPL. 5 Tr 5227. It explained that the Commission has consistently ruled that utility cases are not the proper venue for broad energy assistance reforms, and that such issues have instead been deferred to forums like the EAAC and EWR plan proceedings. The Staff added that its Energy Affordability Report, issued on September 10, 2025, addressed many issues raised by the DAAOs and, therefore, proposed that the Commission align its decisions in this case with that report. 5 Tr 5228-5229.

The ALJ agreed with the DAAOs that DTE Electric's current low-income programs are inefficient, leaving many struggling customers without adequate support. At the same time, she recognized the Staff's point that programs must comply with MCL 460.11(2) and define "eligible low-income customer" as households at or below 150% FPL, pursuant to MCL 460.10t(6)(b). The ALJ further found that the EAAC and Energy Affordability Report appropriately addressed the complexities of low-income assistance and included specific recommendations for a redesigned system targeting an overall energy burden of 6% and an electric burden of 4%. PFD, p. 594. Accordingly, the ALJ recommended that the Commission review the Energy Affordability Report and adopt its recommendations by February 2026 so that a redesigned energy assistance landscape can be implemented by October 1, 2026. *Id*., pp. 594-595. The ALJ further recommended that the DAAOs participate in the EAAC and that the Commission direct the EAAC to review

considerations of a CWAP and issue a report by October 1, 2026. Finally, the ALJ recommended that the Commission direct DTE Electric to use electric burden as its key indicator of affordability when analyzing its low-income programs. *Id*., p. 595.

In exceptions, DTE Electric disagrees with the ALJ's recommendation to require the company to use electric burden as a key indicator of affordability in its analysis of low-income programs, arguing that such issues should instead be addressed in Case No. U-20757. DTE Electric's exceptions, pp. 177-178. The DAAOs reiterate their belief that DTE Electric's assistance programs are inadequate and advocate for the Commission to take action in this rate case to address these programs. They argue that the EAAC and its Energy Affordability Report are not sufficient to address the needs of struggling customers. In turn, the DAAOs maintain their proposal for the Commission to order the company to institute a PIPP and CWAP. DAAOs' exceptions, pp. 15-17.

In replies to exceptions, DTE Electric maintains its argument that affordability issues are more appropriately addressed by the EAAC and in other forums. The company further asserts that, contrary to the DAAOs' contentions, it undertakes extensive efforts to support and advocate for its customers and that its assistance programs make a meaningful difference. DTE Electric's replies to exceptions, pp. 68-69. The DAAOs repeat their preference that the Commission act in this rate case to require the company to establish a PIPP and a CWAP. DAAOs' replies to exceptions, pp. 13-14.

The Commission agrees with the Staff that rate cases are not the appropriate forum for large-scale energy assistance reforms, and further, that many of the proposals made by the DAAOs in this case overlap with the topics addressed in the Staff's Energy Affordability Report. *See*, 5 Tr 5228-5229. The Commission, therefore, declines to adopt the DAAOs' specific proposal

related to low-income assistance programs and instead finds that these issues are more appropriately addressed in Case No. U-20757, including the Commission's pending order that will be issued in that docket.

The Commission further agrees with the Staff that the company's low-income assistance programs must conform to legal requirements, including the definition of an "eligible low-income customer," which is limited to customers whose household incomes do not exceed 150% FPL or who receive certain government assistance. *See*, 5 Tr 5228-5229; *see also*, MCL 460.10t(6)(b). Accordingly, the Commission declines to adopt the DAAOs' proposal to require DTE Electric to immediately adopt a CWAP and finds that issues pertaining to energy assistance reform are being addressed in Case No. U-20757.

3. Unregulated Programs

The DAAOs contended that many DTE Electric customers do not clearly understand the distinction between affordability programs and optional, unregulated programs. According to the DAAOs, customers mistakenly believe that these programs provide affordability assistance and feel pressured to enroll after interactions with DTE Electric's customer service representatives. The DAAOs further noted that some customers remain enrolled in these programs for years without knowing what charges they are incurring, which causes their bills to rise and deepens existing arrears. 5 Tr 4293-4294.

Additionally, the DAAOs raised concerns regarding DTE Electric's TreeGuard Assurance and Surge Protection programs, as well as the company's Home Protection Plus and GreenBacks Cash offerings, arguing that these programs significantly increase customer bills and give DTE Electric an unfair competitive advantage over other businesses. They further questioned how the company can distinguish the costs of these programs from past-due balances when it does not track the

portion of customers' arrears attributable to unregulated programs. 5 Tr 4383-4386. The DAAOs also argued that participation in unregulated programs is disproportionately higher among Wayne County residents and observed that DTE Electric offers less profitable programs that mainly benefit higher-income residential or commercial and industrial customers, while pricing programs with higher participation from lower-income and majority BIPOC communities to generate significant profits. 5 Tr 4386-4387. Accordingly, the DAAOs proposed several recommendations regarding unregulated programs and advocated for the Commission to investigate how additional charges for unregulated programs connect with affordability and assistance programs. 5 Tr 4388-4389; *see also*, DAAOs' initial brief, p. 28.

The ALJ noted that no party other than the DAAOs presented evidence on DTE Electric's unregulated programs. She found that many low-income customers that are enrolled in the company's unregulated programs likely do not need them and cannot afford them. As such, the ALJ recommended that "the EAAC be tasked with investigating the impact of [DTE Electric's] unregulated programs on affordability and shutoffs, to include disparities in marketing and enrollment, and make recommendations to the Commission on ways to mitigate these impacts." PFD, p. 598.

DTE Electric excepts to the ALJ's recommendation because, as the company asserts, the Commission cannot regulate unregulated programs. The company further argues that its unregulated programs are separate from rates for regulated electric service, are discretionary, and have distinct considerations from an affordability standpoint. DTE Electric's exceptions, pp. 178-179.

In exceptions, the DAAOs contend that ample evidence exists to show that DTE Electric's unregulated programs harm low-income customers. As such, the DAAOs urge the Commission to

take immediate action. Specifically, in lieu of referring the issue to the EAAC, the DAAOs assert that the Commission can immediately order the company to separate unregulated programs' bills from standard bills for electric and gas service, to require the company to provide customers with information on what the programs do and do not provide, to enable customers to cancel participation anytime without penalty, to require DTE Electric to inform customers in arrears and facing shutoffs if they are participating in the programs, to require the company to reduce marketing for the programs, and to require the company to report annually on the number of participants in each program, by census tract, revenue collected, and benefits paid out. They also contend that the Commission can launch a thorough investigation and evaluation of DTE Electric's unregulated programs within the next six months. The DAAOs' exceptions, pp. 18-19.

In replies to exceptions, DTE Electric repeats its argument that its unregulated programs are wholly separate from the rates it charges for regulated electric service and are, therefore, distinct with respect to affordability. The company also asserts that its unregulated programs are already subject to certain administrative rules; consequently, DTE Electric argues that the Commission should reject the DAAOs' proposals to study and evaluate the programs. DTE Electric's replies to exceptions, pp. 69-70.

In their replies, the DAAOs argue that DTE Electric falsely states that the Commission lacks authority to regulate the company's unregulated programs. They assert that, while the Commission cannot regulate the price of these programs, the Commission has the authority to address how the programs intersect with affordability and consumer protection. The DAAOs also contend that the company's unregulated programs significantly increase customer bills and cause other issues that impact affordability. The DAAOs' replies to exceptions, pp. 15-16. Accordingly,

they maintain their call for the Commission to take concrete steps to address DTE Electric's unregulated programs. *Id*., pp. 16-17.

While acknowledging that the Commission does not regulate DTE Electric's unregulated programs, the Commission agrees with the ALJ that, based on the evidence presented in this case, there are likely low-income customers enrolled in the company's unregulated programs that do not need or cannot afford these programs. *See*, PFD, p. 598. Moreover, the Commission finds it highly concerning that the company concedes that it does not distinguish between missed payments for unregulated programs and missed payments for its regulated electric service. *See*, 5 Tr 4385-4386; *see also*, Exhibit DAO-449. If the company does not distinguish between these two things, the Commission finds that it is unclear how the company can determine that its customers are not being shut off for non-payment of unregulated programs. Accordingly, the Commission directs DTE Electric, in its next electric rate case, to demonstrate that its unregulated programs do not contribute to customer shutoffs. However, the Commission respectfully declines to adopt the ALJ's recommendation to direct the EAAC to investigate the impact of DTE Electric's unregulated programs on affordability and shutoffs, including disparities in marketing and enrollment, and to make recommendations on ways the Commission may mitigate any impacts. *See*, PFD, p. 598. Unregulated programs are just that: unregulated. As the company states in its exceptions to the PFD, "the unregulated programs offered by the Company are wholly separate from the rates it charges for regulated electric service. They are discretionary programs that are made available to customers, similar to any other discretionary product or service that customers may choose to purchase." DTE Electric's exceptions, p. 178. As such, the Commission finds where there is a nexus between the regulated electric service provided by DTE Electric and the unregulated services otherwise provided by DTE affiliates, such as the troubling possibility

that such regulated electric service may be shut off due to lack of payment for unregulated services, the Commission will act. But this does not provide a basis to reach into the otherwise unregulated activities that are outside of the Commission's Code of Conduct or other rules.

4. Shutoffs

CUB and NRDC stated that the most significant impact of DTE Electric's increasing rates is the sharp rise in customers who remain disconnected for nonpayment at the end of each month. They stated that while shutoffs have remained relatively stable, more customers are unable to meet the requirements for service restoration. 5 Tr 4829. According to CUB and NRDC, the average number of customers remaining disconnected rose from approximately 1,783 in 2022-2023 to 4,332 by the last quarter of 2024. 5 Tr 4830. They attributed this increase in part to rapidly rising arrears balances, which they stated have roughly doubled since late 2023. 5 Tr 4831. They further contended that the company's proposed rate increase would likely worsen both disconnections and arrears. As a result, CUB and NRDC proposed that the Commission require DTE Electric to investigate and address these trends in its next general rate case. 5 Tr 4833.

Additionally, CUB and NRDC questioned DTE Electric's policy of requiring customers that have had checks returned to pay their bills in cash, arguing that the policy was unsupported, resulted in increased arrearages, and did not reduce the cost of service. 5 Tr 4860-4862. In turn, they advocated for the Commission to require the company to justify its policy on a cost-of-service basis in its next rate case. 5 Tr 4835.

The CEOs presented a regression analysis of DTE Electric's residential disconnection data by zip code, using income and BIPOC concentration variables. 4 Tr 3696-3697. They stated that the results of this analysis showed that higher income is associated with fewer disconnections, while higher BIPOC concentration is associated with significantly more disconnections, even when

income is held constant. 4 Tr 3697-3698. The CEOs further noted that zip code-level data limits the accuracy of these conclusions because zip codes can contain diverse communities. 4 Tr 3699-3700. As a result, the CEOs proposed that the Commission require the company to track disconnection data at the census tract level and further for DTE Electric to review its disconnection patterns and policies to assess whether outcomes vary by location, income, or racial composition. 4 Tr 3701-3702.

The DAAOs asserted that DTE Electric's reliability models focus on reducing outage minutes but ignore shutoff minutes, which they argued should be treated as outages. Using recent company data, the DAAOs estimated 52 million annual shutoff minutes, which they estimated would increase by at least 25 million shutoff minutes annually because of the company's proposed rate increase. 5 Tr 4227-4228. The DAAOs further asserted that there is a lack of awareness of DTE Electric's winter shutoff protection plans and that DTE Electric should increase its efforts to inform and automatically enroll seniors in the Senior Winter Protection Plan and to automatically reconnect their service during the heating season. 5 Tr 4309-4311. Regarding the company's Critical Care Protection and Medical Customer Protection programs, the DAAOs criticized the requirement that customers submit medical certification only after receiving a shutoff notice and noted that DTE Electric may still deny participation even with certification. Accordingly, they proposed that the company rely more on customers and their medical providers in determining eligibility and to improve outreach and information about these programs to both customers and medical professionals. 5 Tr 4314-4317.

Additionally, the DAAOs reported that since 2019, DTE Electric has carried out over one million shutoffs, with 8.6% of all customers and over 80% of low-income customers affected between 2022-2024. 5 Tr 4356-4359. According to the DAAOs, many shutoffs are repeated or

prolonged, with 20% occurring multiple times and 40,000 lasting three or more days. 5 Tr 4359-4360. They estimated that the average cost per shutoff was $297, with 2023 shutoffs causing $56.7 million in non-utility losses. 5 Tr 4363.

The DAAOs estimated three societal costs of shutoffs: lost wages and unpaid labor, shortened lifespans from energy deprivation, and premature deaths caused by direct shutoffs. 5 Tr 4402-4403. They noted that shutoffs also impose costs on ratepayers through collections, customer service, and surcharges for programs that fail to prevent disconnections. 5 Tr 4402. They also asserted that DTE is not required to shut off customers who cannot pay and that the company has a financial incentive to execute shutoffs because of late and reconnection fees. To prevent shutoffs, the DAAOs proposed that DTE Electric should set targets and measure progress on affordability and energy insecurity, identify eligible but unregistered low-income customers, set system-wide and low-income targets to reduce shutoffs, prioritize EWR for vulnerable households, expand shutoff protections for medically at-risk customers, and align payment programs with a 6% energy burden standard. 5 Tr 4381-4382.

Finally, the DAAOs supported a shutoff moratorium. Alternatively, they proposed that the Commission adopt the following recommendations: (1) seasonal summer shutoff protections for extreme heat and wildfires, (2) expanded condition-based summer shutoff protections, (3) blanket shutoff protections for pregnant people and households with children, (4) permanent medical and critical care protections, and (5) shutoff protections for households that have requested but were denied participation in an EWR or assistance program. 5 Tr 4411-4412.

In rebuttal, DTE Electric defended its cash payment policy and stated that the company applies disconnection policies uniformly and argued that reporting shutoff data at the census tract level would be impractical and unnecessary. 4 Tr 2747-2748. In response to the CEOs' proposal

to investigate rising disconnections, the company noted that data tracks premises, not individual customers, and can reflect vacancies, seasonal inactivity, and relocations, making conclusions about hardship and behavior unreliable. Finally, DTE Electric stated that it would continue required reporting under Case No. U-20757 and argued that any additional analysis should consider data limitations, feasibility, and potential impact. 4 Tr 2743-2745.

The Staff's rebuttal noted that extreme weather shutoff policies are already being addressed in Case No. U-20140, with recommendations due in February 2026. The Staff further added that while no proceeding currently addressed blanket protections for pregnant people or households with young children, the Michigan Energy Assistance Program already prioritizes energy assistance for vulnerable households, and medical/critical care shutoff protections are handled in Case No. U-20757 through the Critical Care Collaborative (CCC). 5 Tr 5313-5315.

The ALJ agreed with the intervenors that data showed that shutoffs are increasing and impose costs upon impacted customers, ratepayers, and society and that it would be prudent to more thoroughly analyze shutoffs. As a result, she recommended that the Commission direct DTE Electric to:

> gather, review, and analyze its customer account data determine the following: how many customers whose electricity is shut off for nonpayment have their service restored and the average time it takes for restoration; whether the duration of the average shut-off is increasing; whether and to what extent shut-off duration correlates with arrearage balances; and any other factor that may reveal why disconnections are increasing and how to reduce them.

PFD, p. 609. Additionally, the ALJ found that the company should reassess its disconnection policies and use regression analysis to determine whether shutoffs disproportionately affect customers based on race, income, or geography, and should report shutoff data at the census tract level. *Id*., p. 610.

The ALJ further found that recommendations related to DTE Electric's medical and critical care protection programs should be addressed in Case No. U-20757 through the work of the CCC, and that the CCC should review certification timing requirements and issue recommendations to strengthen these programs to ensure that all eligible customers can access protections by March 2026. She also recommended that the Commission require DTE Electric to publish its internal eligibility guidance, proactively engage with medical providers, and provide clear explanations and an appeals process for customers denied participation in these programs.

Finally, although the DAAOs proposed a shutoff moratorium, the ALJ found that the Commission has determined that rate cases are not the proper forum for such measures, which should instead be considered through other forums such as the EAAC. The ALJ, therefore, recommended that the Commission direct the EAAC to consider the following:

> (1) seasonal summer shutoff protections that account for both extreme heat and wildfire smoke; (2) expanded condition-based summer shutoff protections that set a conservative heat index threshold for all utilities accounting for humidity and the duration of a heat wave; (3) blanket shutoff protections for pregnant people and households with children; (4) permanent medical/critical care protections for households with a documented condition that requires uninterrupted access to energy; and (5) shutoff protection for households that have requested participation in an EWR or assistance programs but have been waitlisted or denied because of insufficient availability. Further, the EAAC should analyze the costs of a complete moratorium on shutoffs for non-payment and the specific costs of shutoffs, as well as the value of reduced shutoffs in customer benefits and reduced operating costs.

PFD, pp. 610-611.

In exceptions, DTE Electric asserts that this rate case is not the appropriate forum to address shutoffs and related issues and reiterates that a regression study of shutoffs is unnecessary and would be overly burdensome. DTE Electric's exceptions, pp. 179-180. The company further argues that an evaluation of shutoff and arrearage trends should not be accelerated and that many

of the intervenors' recommendations concerning medical and critical care programs are more appropriately addressed by the EAAC. *Id*., p. 179.

The DAAOs argue that the Commission needs to take greater action to stop or reduce shutoffs, namely by ordering a complete shutoff moratorium, or alternatively, providing for enhanced protections for low-income customers. They advocate for the Commission to reject deferring shutoff issues to the EAAC, and instead to address these issues in this rate case. DAAOs' exceptions, pp. 20-21. The DAAOs further argue that the Commission should impose strict deadlines of no more than a few months to address and improve DTE Electric's Critical Care Protection and Medical Care Protection programs. *Id*., pp. 22-24.

In replies to exceptions, DTE Electric reiterates that it applies its shutoff policies uniformly. The company also states that it will continue to engage in and support the CCC process occurring in Case No. U-20757. DTE Electric's replies to exceptions, pp. 70-71.

The DAAOs contend that rate cases are the appropriate forum to consider shutoffs given that DTE Electric's rate increase will result in increased shutoffs. Further, they advocate for the Commission to require the company to conduct a regression analysis, which they contend would be consistent for what was ordered for Consumers in Case No. U-21585. DAAOs' replies to exceptions, pp. 18-20.

Finally, the Staff, in response to the DAAOs' exceptions regarding the gathering and analysis of shutoff data, notes that the Commission already requires utilities to report disconnection information in Case No. U-20757 and Case No. U-18120. The Staff further expresses its agreement with the ALJ that rate cases are not the proper forum for the consideration of shutoff moratoria and reiterates its contention that extreme weather policies should be addressed in Case

No. U-20140 and that many of the DAAOs' recommendations regarding medical and critical care shutoff protections have already been addressed elsewhere. Staff's replies to exceptions, pp. 5-14.

The Commission is concerned with the high levels of shutoffs among DTE Electric's customers, which the Commission finds is increasing and results in additional costs to impacted customers. *See*, 5 Tr 4829-4832. The Commission notes that it currently requires utilities to present data on disconnected service, arrearages, and other customer related metrics and that this data is accessible in the docket in Case No. U-18120 as well as on the Commission's public website. However, the Commission agrees with the ALJ that it would be prudent for DTE Electric to more thoroughly analyze shutoffs. *See*, PFD, p. 609. Accordingly, the Commission adopts the ALJ's recommendation and directs DTE Electric to gather, review, and analyze its customer account data to determine: (1) how many customers whose electricity is shut off for non-payment have their service restored and the average time it takes for restoration; (2) whether the duration of the average shutoff is increasing; (3) whether and to what extent shutoff duration correlates with arrearage balances; and (4) any other factor that may reveal why disconnections are increasing and how to reduce them. Further, the Commission adopts the ALJ's recommendation to direct DTE Electric to review its disconnection policies and use regression analysis to determine if customers are disconnected disparately based on race, income, or geography, and to report shutoff data at the census tract level. *See*, *id*., p. 610.

With respect to medical and critical care, the Commission notes the work of the CCC in Case No. U-20757 and highlights the recent opening of a rulemaking process to improve experiences for critical care customers. The Commission further notes that the CCC will be submitting a report in the first quarter of 2026 that addresses many of the concerns raised by the DAAOs. The Commission, therefore, agrees with the Staff and finds that shutoff protections for medical and

critical care customers are being addressed in Case No. U-20757 and are thus more appropriately discussed in that docket. *See*, 5 Tr 5315. Consequently, the Commission declines to adopt the DAAOs' specific proposals on this issue and respectfully rejects the ALJ's recommendation to require the CCC to review the timing requirement of the appropriate certification form and to issue a report with recommendations to increase the effectiveness of the company's medical and critical care programs. *See*, PFD, p. 610. However, finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission adopts the ALJ's recommendation to direct DTE Electric to "publish its internal guidance for eligible conditions, affirmatively reach out to medical providers, and provide fulsome and timely explanations and an appeal process to customers denied entrance into the programs." *Id*.

Additionally, the Commission reiterates its previous determination that a rate case is not the appropriate forum to consider shutoff moratoria and that consideration of such proposals is more appropriately addressed through the Commission's work in other dockets. For example, the Commission notes the Staff's work related to extreme weather condition policies in Case No. U-20140, which includes the filing of a report this month that addresses many of the recommendations raised by the DAAOs, including seasonal summer and wildfire smoke protections, as well as heat index protections. Accordingly, the Commission agrees with the Staff that the Commission is already addressing some of the issues raised in the DAAOs' proposal, and therefore, declines to adopt those specific proposals. The Commission, therefore, respectfully rejects the ALJ's recommendation to direct the EAAC to consider the specific issues outlined by the DAAOs as they are already being addressed. *See*, *id*., pp. 610-611. Further, the Commission remains committed to efforts to reduce arrearages and shutoffs, including considering additional specific shutoff protections as outlined above. However, the Commission is not convinced that a

complete moratorium on shutoffs for non-payment is the best way to protect vulnerable customers. As such, the Commission respectfully declines to adopt the ALJ's recommendation relating to further investigation of a complete moratorium on shutoffs for non-payment. *Id*., p. 611. The Commission reserves the ability to revisit this decision in the future as warranted by additional evidence or new developments.

Finally, the Commission is persuaded by the evidence presented by CUB in this case that DTE Electric's policy of requiring cash-only payments for certain customers has the potential to increase arrearages for those customers and increase uncollectible expenses. *See*, 5 Tr 4863-4867. The Commission, therefore, finds that it would be prudent for the company to conduct a more thorough analysis of this policy. Accordingly, the Commission directs DTE Electric, in its next electric rate case, to provide a BCA that demonstrates whether the company's current cash-only policy reduces arrearages and decreases costs. The Commission further directs the company to provide financial assistance information to any customer that is subject to the cash-only policy.

D. Environmental Justice

DTE Electric stated that it integrates EJ into its grid planning through three main approaches: (1) factoring EJ into its GPM to prioritize investments, (2) funding programs to improve reliability in EJ communities with poor reliability, and (3) supporting vulnerable customers through community outreach during storm-related outages. 3 Tr 1222. The company explained that it defines EJ or vulnerable communities as census tracts scoring at or above the 80th percentile on the MiEJScreen composite. 3 Tr 1223. Using this definition, DTE Electric stated that it identified 483 census tracts, or approximately 29% of its service area serving roughly 550,000 customers, as EJ communities. According to the company, these EJ areas encompassed 1,032 circuits (32% of total circuits) and 8,080 circuit miles (19% of total distribution miles). 3 Tr 1230.

Additionally, DTE Electric presented a reliability analysis that grouped census tracts into quartiles, ranging from best to worst reliability. 3 Tr 1224-1229. The company stated that the results of the analysis showed that EJ communities generally experienced better-than-average reliability, as measured by System Average Interruption Frequency Index and SAIDI, under both All-Weather and Non-MED. 3 Tr 1235-1236. DTE Electric further averred that its investment patterns demonstrated a commitment to improving reliability in EJ areas, stating that between 2020 and 2024, the company directed 85% of its 4.8 kV hardening investments, 60% of its 4.8 kV conversion investments, and 23% of its tree-trimming investment to EJ communities, with similar allocations planned for 2025 to 2026. 3 Tr 1242-1243. Moreover, the company explained that it applies an EJ multiplier to adjust benefit-cost ratios when prioritizing projects in PTMM and distribution automation programs, and that the company has completed or plans reliability improvements by 2025-2026 on approximately half of the 185 worst-performing distribution circuits that are also classified as EJ communities. 3 Tr 1243.

The CEOs commended DTE Electric for incorporating EJ into its prioritization tools and business processes but recommended that reliability reporting include distributions, and not just averages, across EJ gradations. They further proposed that investment decisions pair MiEJScreen tool with reliability and energy burden indicators so that investments increase reliability without worsening affordability. 4 Tr 3630. Further, the CEOs stated that regression analysis is a valuable tool for evaluating reliability metrics and understanding outage impacts across different communities. As such, although they did not perform such an analysis in this case, they proposed that the Commission require DTE Electric to conduct regression analyses in every rate case and in DGP, consistent with prior Commission directives. 4 Tr 3695-3696.

The DAAOs identified two fundamental flaws in DTE Electric's EJ analysis. First, they argued that the MiEJScreen tool failed to reflect meaningful differences within census tracts, which can vary widely in income, housing quality, and energy needs. 5 Tr 4122. Second, they argued that DTE Electric's use of systemwide averages to evaluate service reliability in EJ census tracts was misleading, as it masks disparities between vulnerable urban areas and generally less reliable non-urban areas. 5 Tr 4123-4124. The DAAOs further noted that despite the Commission's directives in Case No. U-21534 to evaluate demographic changes and to work with interested persons to incorporate additional EJ considerations, DTE Electric had not conducted such an evaluation, established a timeline, or engaged with the DAAOs or other interested persons. 5 Tr 4126-4127. Moreover, the DAAOs stated that the company had offered no evidence that its EJ multiplier increased investment in vulnerable communities and criticized the multiplier's reliance on DTE Electric's flawed methodology for identifying vulnerable census tracts. 5 Tr 4128-4129.

Based on these concerns, the DAAOs offered four recommendations, urging the Commission to direct DTE Electric to: (1) immediately conduct and incorporate the analysis of changing demographics over time within the census tracts the company had identified for EJ prioritization, (2) immediately conduct an analysis comparing service reliability in vulnerable census tracts to non-vulnerable census tracts with similar population densities and other characteristics and develop an investment plan to eliminate disparities, (3) immediately conduct and incorporate into the company's equity considerations an analysis of the extent to which projects in vulnerable census tracts are benefitting residential versus commercial customers, and (4) perform an analysis before the company's next general rate case to determine if the EJ multiplier is actually increasing the selection of projects benefiting vulnerable communities. 5 Tr 4129-4130.

Additionally, the DAAOs criticized DTE Electric's investment models for undervaluing residential outage impacts and overemphasizing commercial and industrial customers. 5 Tr 4231-4235. They supported an alternative approach that would treat outage costs as part of a household's resilient energy burden, and showed that many households in Huron, Sanilac, and Wayne Counties face annual burdens exceeding $1,000. 5 Tr 4235-4236. They further argued that the company's planning inadequately accounts for EJ by focusing on the proportion rather than the number of residential customers and by excluding EJ considerations from key models and outage programs. 5 Tr 4237-4238. The DAAOs, therefore, proposed integrating EJ more fully into investment prioritization. Lastly, the DAAOs advocated for NWAs such as DR, energy efficiency, and solar plus storage, including resilience hubs, as more effective and affordable ways to improve resilience. 5 Tr 4239-4240. Accordingly, they urged DTE Electric to evaluate these options in future planning and rate cases. 5 Tr 4249.

In rebuttal, DTE Electric challenged the DAAOs' proposals and argued that widespread use of NWAs and demand response is impractical, costly, and unlikely to achieve sufficient customer participation. The company further argued that traditional grid investments better address the root causes of outages; however, DTE Electric stated that it may consider NWAs in future BCAs. 3 Tr 950-951. The company also rejected claims that its EJ multiplier skews investments toward areas with few residential customers and asserted that it does not believe additional EJ analysis is necessary. 3 Tr 1276-1278, 1291-1292. Further, DTE Electric noted reliability data showing that EJ communities experience equal or better outage performance than the system average and conveyed that additional demographic and regression analyses would be included in the company's 2026 DSP. 3 Tr 1294-1295.

The ALJ found that DTE Electric failed to provide an analysis on changing demographics over time, as required by the Commission in Case No. U-21534, noting that it was troubling given that the company chose to file its rate case without providing sufficient time to perform the analysis. Accordingly, she recommended that the Commission reaffirm that DTE Electric must include such an analysis in its next rate case and in its 2026 DSP. PFD, p. 621. The ALJ further agreed with the CEOs and the DAAOs that the company's EJ analysis should be improved. As a result, she recommended that the Commission require DTE Electric to:

> (1) run a regression analysis in all its rate cases and DSPs, (2) conduct an analysis comparing service reliability in EJ census tracts to non-EJ census tracts with similar population densities and other characteristics, such as urban EJ to urban non-EJ; (3) include distributions, not just averages, across EJ gradations in its reliability reporting; and (4) pair the MiEJ Screen tool with reliability and energy-burden indicators so that investments increase reliability without worsening affordability.

Id., pp. 621-622.

Finally, the ALJ recommended that the Commission require the company "to better account for the number of residential customers on a given circuit rather than just the proportion of customers living in an EJ community, if possible, when prioritizing EJ in its GPM model," and further that DTE Electric "incorporate EJ into its Reliability Model, and build EJ considerations into the CE [customer excellence program] and SRIP [strategic reliability improvement program] to further target disadvantaged communities." *Id*., p. 622.

In exceptions, DTE Electric disagrees with the ALJ's recommendations and takes issue with the PFD's assertion that the company failed to follow the Commission's directive in Case No. U-21534, arguing that the Commission-directed analysis is complex and that performing the study in three months was not practicable. DTE Electric's exceptions, pp. 180-181. The company also objects to the ALJ's recommendation that the company expand its EJ analysis through additional studies, including with regression analyses, noting that the purpose of regression

analysis in distribution planning is unclear and that such an analysis is more appropriate in DTE Electric's 2026 DSP. *Id*., p. 182. DTE Electric also states that its DSP analysis will address certain comparison and reporting recommendations, but the company objects to adding new indicators without a clear explanation of their benefits or how they differ from existing screening criteria. Finally, DTE Electric opposes recommendations to further modify its planning models and programs, stating that EJ considerations are already incorporated. *Id*., pp. 183-184.

The DAAOs agree with the ALJ's recommendations in their exceptions and advocate for the Commission to require DTE Electric to change its outage credit program to better compensate customers for outages and to incentivize reliability. According to the DAAOs, the company's current outage structure is inadequate and should instead "sufficiently reimburse DTE customers for lost groceries, medication, and alternative housing if individuals cannot stay in their homes due to unsafe temperatures." DAAOs' exceptions, p. 29. In turn, they urge the Commission to direct the Staff to lead a process to update the company's outage credits to more accurately reflect the full costs experienced by customers during an outage. *Id*.

In replies to exceptions, DTE Electric objects to the DAAOs' exceptions on procedural grounds and argues that the record does not support their statements regarding systemwide reliability. The DAAOs maintain their position that the Commission should require DTE Electric to improve its EJ analysis in the next rate case. DAAOs' replies to exceptions, pp. 21-24.

The Commission agrees with the DAAOs that DTE Electric did not provide an analysis on changing demographics over time, as recommended in Case No. U-21534. *See*, 5 Tr 4126-4127. The Commission, therefore, adopts the ALJ's recommendation to direct the company, in its next rate case and in its 2026 DSP, to evaluate changing demographics over time using data consistent with underlying data sets for the detailed regression analysis already required to investigate

customer demographics and reliability for vulnerable communities to be used in the company's distribution plan case to help enable a complete understanding of equity outcomes, including along the lines of race and class. *See*, PFD, p. 621.

The Commission further agrees with the intervenors that DTE Electric's EJ analyses can and should be improved. Accordingly, finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission directs the company to: (1) run a regression analysis in all of the company's future rate cases and DSPs; (2) conduct an analysis comparing service reliability in EJ census tracts to non-EJ census tracts with similar population densities and other characteristics, such as urban EJ to urban non-EJ; (3) include distributions, and not just averages, across EJ gradations in the company's reliability reporting; and (4) pair the MiEJScreen tool with reliability and energy-burden indicators so that investments increase reliability without worsening affordability. *See*, *id*., p. 622.

Finally, finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission directs DTE Electric to better account for the "number of residential customers on a given circuit rather than just the proportion of customers living in an EJ community, if possible, when prioritizing EJ in its GPM model, incorporate EJ into its Reliability Model, and build EJ considerations into the CE and SRIP programs to further target disadvantaged communities." *Id*.

E. Accounting Requests

The ALJ noted that DTE Electric used its ROR on permanent capital as the return on the tree-trimming surge regulatory asset revenue requirement. The Staff, however, argued that the Commission's previously approved return at the company's short-term debt cost rate should continue. The ALJ agreed with the Staff and, therefore, recommended that the Commission adopt a reduction of DTE Electric's revenue requirement for the tree-trimming regulatory asset by

$7.062 million. *See*, PFD, p. 622. Additionally, the ALJ found that the Monroe regulatory asset revenue requirement should be based on the Commission's final order. *Id*.

In exceptions, DTE Electric notes that, in Case No. U-21193, the Commission approved regulatory asset treatment for certain Monroe Power Plant assets. The company further explains that the Staff recommended the return on the Monroe regulatory assets be based on its recommended 6.52% projected pre-tax cost of capital, as opposed to the company's projected pre-tax cost of capital of 6.58%. According to DTE Electric, this difference resulted in a return of approximately $139 million rather than $141 million. For the same reasons discussed in the company's arguments related to cost of capital, DTE Electric urges the Commission to approve its overall pre-tax cost of capital of 6.58%, which it states will appropriately flow through to the return on the Monroe regulated asset revenue requirement. DTE Electric's exceptions, p. 184.

Additionally, DTE Electric contends that the ALJ failed to address several of the company's accounting requests. Specifically, the company seeks approval to continue previously approved deferral accounting for the following costs: (1) pension expense, (2) OPEB expense, (3) incentive compensation expense, (4) LIA/RIA credits, (5) Ludington overhaul expense, (6) Program Evaluation & Review Commission (PERC) projects, and (7) certain Charging Forward/TEP programs. DTE Electric's exceptions, p. 185 (referencing DTE Electric's initial brief, pp. 242-244); *see also*, 4 Tr 2425-2426, 2469-2471, 2473, 2480.

DTE Electric further asserts that the ALJ failed to address the company's new accounting authorizations related to:

> (i) permission to record issuance costs (e.g., commitment fees, due diligence, legal) associated with securing debt financing of up to $7.2 billion from the U.S. Department of Energy under the Inflation Reduction Act (IRA) to a regulatory asset for future recovery, if the Company does not reach financial close on this loan (Uzenski, 4T 2486-2487); (ii) to defer investment tax credits (ITC) that DTE Electric expects to earn under the IRA with respect to the Trenton Channel battery

> storage asset to a regulatory liability (Uzenski, 4T 2483); (iii) the Company also notified the Commission in response to its prior direction to defer certain outage credits in account 182.3, Other Regulatory Assets, that no such deferred costs are reflected in the instant case. If the cost becomes material, the Company will defer the expense and request recovery in a future rate case. (Uzenski, 4T 2486).

DTE Electric's exceptions, pp. 185-186. According to DTE Electric, the Staff did not oppose these requests; as such, the company advocates for the Commission to authorize its requests for regulatory accounting treatment. DTE Electric's exceptions, p. 186.

Finding the ALJ's findings and recommendation on DTE Electric's tree-trimming surge regulatory asset revenue requirement to be well-reasoned and supported by the record, the Commission adopts the PFD. *See*, PFD, p. 622. Accordingly, the Commission adopts a reduction of DTE Electric's revenue requirement for the tree-trimming regulatory asset by $7.062 million. Additionally, consistent with the Commission's decision on cost of capital, the Commission agrees with the Staff's proposed pre-tax weighted cost of capital, which results in a reduction of return on the Monroe regulated asset revenue requirement of approximately $1.235 million. *See*, PFD, Appendix A1.2. Finally, finding the company's requests for continued and new regulatory accounting treatment to be unopposed, the Commission authorizes DTE Electric to continue the previously approved accounting authorizations as well as its new requests for authorizations associated with the IRA. *See*, DTE Electric's initial brief, pp. 242-244.

IX. COST OF SERVICE

DTE Electric utilized an unbundled cost of service (UCOS)[13] study, which the company explained was developed using the systemic functionalization, classification, and allocation of its

[13] The ALJ noted that in discussing DTE Electric's UCOS, she also used the term cost of COSS and considered the terms to be interchangeable. For the purposes of this order, the Commission does the same.

fixed and variable costs to provide service to each customer class. Providing a brief overview of a COSS, the company explained that functionalization assigns all costs to the major functions, production (i.e., generation and transmission) and distribution. Classification divides these costs into customer-related costs, demand-related costs, and energy-related costs, and allocation apportions the costs to the respective customer class based upon each class's responsibility for the incurrence of these costs. DTE Electric's initial brief, p. 218. DTE Electric applied the 4 coincident peak (CP) 75-0-25 method for the allocation of purchased power capacity costs in the forecasted UCOS and the 12CP-0-0-100 for fuel costs, consistent with the January 23 order. 4 Tr 2548-2561; Exhibit A-16, Schedule F1.3; DTE Electric's initial brief, pp. 217-219.

For cost of service (COS), the disputed issues pertain to COSS allocation adjustments proposed by the intervenors pertaining to: (1) PSP pilot, RIA credit, LIA credit, and the Residential Service Senior Citizens Provision (RSC) credit allocation; (2) TEP cost allocation; and (3) the production cost allocator. Also in dispute are aspects of the state reliability mechanism capacity charge. These issues are addressed below.

A. Cost of Service Study Allocation Adjustments

1. Low-Income Payment Stability Plan Pilot, Residential Income Assistance, Low-Income Assistance, and Residential Service Senior Citizens Credit Allocation

The Staff took issue with DTE Electric's COSS allocator for the company's PSP pilot, RIA, LIA, and the RSC and argued that the cost allocation should be based on a total COS basis rather than on a customer-count basis. The Staff reasoned that the customer count cannot always be tied directly to a customer class. For the RIA, the Staff contended that the revenue shortfall resulting from residential credits or energy assistance should not be attributed solely to the residential customer class, even though only residential customers receive those credits because the shortfall is a general business cost. The Staff cited MCL 460.11 and Consumers' allocation of revenue

shortfall in support of its proposed 402 allocation method for RIA, LIA, and RSC credits as well as PSP. 5 Tr 5217-5220; 5248; Staff's initial brief, pp. 197-198. ABATE disagreed with the Staff's proposed allocation changes and supported the company's proposed allocation methods. ABATE argued that the costs of energy assistance programs are caused only by the residential class and therefore, the Staff's proposal does not reflect cost causation principles. ABATE agreed that MCL 460.11 requires these costs to be allocated to all customer classes but argued that there is no requirement for the basis to be the total billed revenues of each customer class. 4 Tr 3227-3228; *see also*, ABATE's initial brief, pp. 77-79.

First, the ALJ observed that DTE Electric had noted the Staff's and ABATE's arguments but did not take a specific position on them. Next, the ALJ stated that DTE Electric's allocation method for RIA, LIA, and RSC credits is consistent with prior practice and has been approved by the Commission. The ALJ explained that she was not convinced to adopt the Staff's proposed methodology at this time, considering that this same proposal is being addressed in Case No. U-20757. Therefore, the ALJ recommended that the Commission approve the company's allocation methodology for PSP, RIA, LIA, and RSC credits and reject the Staff's proposed change until there is a more robust evidentiary presentation supporting such a change. PFD, p. 626.

The Staff takes exceptions to two aspects of the PFD on this issue. First, the Staff excepts to the ALJ's assertion that the Commission has approved the RIA, LIA, and RSC allocation in past rate cases, arguing that the assertion misrepresents the Staff's testimony. Staff's exceptions, p. 9 (citing PFD, p. 627). Recalling its testimony, the Staff asserts that the current Consumers' allocation methodology for the same RIA, LIA, and RSC credits is based on the total cost of service, which is different from DTE Electric's originally approved methodology. Staff's

exceptions, p. 9 (citing 5 Tr 5217-5218). Next, the Staff states that the ALJ opined that the Staff had not utilized its proposed allocation methodology in its case. The Staff contends that this finding is incorrect. Again, recalling its testimony, the Staff states that it included allocating the RIA, LIA, and RSC credits on total billed revenue, which is similar to Consumers' total cost of service allocator. Per the Staff, there would be no need to create a new allocator and this allocation provides an interim solution while awaiting a Commission decision on a consistent allocation approach in Case No. U-20757. Lastly, the Staff argues that its proposal is appropriate even though it has made a similar proposal in Case No. U-20757. The Staff reasons that, as the Commission reviews the instant case, it should align its decisions in this case with its planned approvals in Case No. U-20757. Staff's exceptions, p. 10 (citing 5 Tr 5229).

In replies to exceptions, DTE Electric restates its position and the Staff's arguments in exceptions before agreeing with the PFD. The company contends that the ALJ correctly found that the company's allocation methodology was consistent with prior Commission approvals and that the Commission should adopt the PFD. DTE Electric's replies to exceptions, pp. 73-74.

ABATE responds to the Staff's exception to the PFD and calls the Staff's objection unreasonable because it does not reflect the cost of service. As to the Staff's argument that as the Commission reviews this case, it should consider what it plans to approve as a result of the Energy Affordability Report in Case No. U-20757, ABATE contends that the Commission decision here must be based on the instant record, not another non-contested proceeding which may involve similar evidence or parties. ABATE agrees with the PFD that DTE Electric's allocation methodology for RIA, LIA, and RSC credits is consistent with prior practice and Commission approvals. Thus, ABATE asks the Commission to adopt the PFD.

Having reviewed the record in this matter, the parties' arguments, and the PFD, the Commission respectfully declines to adopt the ALJ's recommendation to maintain DTE Electric's current RIA, LIA, and RSC credit allocation. The Commission finds the Staff's position to shift the credit allocation to a total revenue-based method to be persuasive. As the Staff explained, the revenue shortfall attributed to energy assistance credits is not the result of the characteristics of the energy service provided—it is attributed by a customer's ability to pay and is thus, more properly considered a general business cost. The Commission also agrees that DTE Electric's current method of allocating costs based on customer counts assigns costs disproportionately to the residential class, which by its nature, has a much larger number of customers. *See*, 5 Tr 5217-5220; 5248; Staff's initial brief, pp. 197-198. The Staff's method comports with MCL 460.11(2), requiring assistance program costs to be recovered from all customer classes, and is consistent with Consumers' approved allocation method.

Further, the rationale for treating the RIA, LIA, and RSC credits as a general cost of business and, therefore, allocating based on total revenues is akin to the Commission's similarly approved treatment of uncollectible expenses. In the November 18 order, the Commission agreed with the Staff's arguments in that case that uncollectibles are a general cost of business properly allocated based on total revenues as opposed to DTE Electric's argument that uncollectibles allocation should be based on the proportional cost to a particular rate group based on the amount of uncollectibles that are incurred in the group. In Case No. U-20836, the Staff and the ALJ relied upon the Commission's decision in the December 9, 2021 order in Case No. U-20940, a DTE Gas Company rate case, in which the Commission stated:

> The question of whether to pay–or not to pay–the utility bill rests with the individual customer, not the class in which that customer is situated. Because these costs tie much more closely to the company's basic cost of doing business than to the current allocation approach that conflates cost causation with mere class

> membership the Commission adopts the PFD's allocation of uncollectibles on the Cost of Service plus Cost of Gas allocator.

December 9, 2021 order in Case No. U-20940, pp. 189-190. In this context, the Commission finds that uncollectibles are akin to the RIA, LIA, and RSC credits in that one customer class may be the recipient or driver of these costs, as with uncollectibles, but the nature of the revenue shortfall is not tied to the actual service delivered; rather, it is tied to the choices or circumstances of an individual customer.

Therefore, while DTE Electric notes that its allocation method is consistent with the currently approved method, the Commission finds there is sufficient reason and supporting evidence to shift course, as the Commission has done previously when presented with convincing reason to do so. *See*, December 9, 2021 order in Case No. U-20940, pp. 189-190; December 22, 2021 order in Case No. U-20963, p. 354. Additionally, this specific issue of cost allocation for the RIA, LIA, and RSC credits was not explicitly raised in any of DTE Electric's rate cases in recent years and, therefore, the Commission has not had the opportunity to consider the merits of this particular issue.

ABATE argues that the residential class is the only customer class causing these costs, though it also concedes that these costs "may be a general cost of business" and that MCL 460.11 does not require these costs to be allocated on the basis of total billed revenues. 4 Tr 3227. However, MCL 460.11 does not require any particular allocation method to be used and, therefore, finding the Staff's proposal to be reasonable, the Commission adopts the Staff's method. As the Staff and the ALJ mentioned, this proposal is also being considered in Case No. U-20757. While not pre-determining the Commission's decisions in that case, the Commission finds that the Staff's method is an appropriate interim allocation method consistent with MCL 460.11 and the method employed by Consumers.

2. Transportation Electrification Plan Cost Allocation

ABATE took issue with DTE Electric's functionalization of TEP costs, arguing that it will not provide a net cumulative present value benefit to the company's customers as a whole until 2047 (approximately 20 years after the first costs were incurred). ABATE proposed that the TEP costs should be allocated on the basis that DTE Electric originally proposed in Case No. U-21297—on the basis of net distribution plant because these investments mainly involve distribution system investments. ABATE argued that TEP costs should be recovered from the customer classes that are directly benefiting from EV chargers. ABATE also suggested that DTE Electric be required in its next rate case to identify the total paid rebates by customer class and voltage level in each customer class so that this information can be used for TEP cost allocation in the next rate case. 4 Tr 3206-3209; Exhibit AB-3; *see also*, ABATE's initial brief, pp. 73-74.

The Staff opposed ABATE's recommended change for the functionalization and allocation of TEP costs and argued that TEP program expenditures are used to install EV charging infrastructure that, in turn, leads to EV loads that need generation, and thus, the allocation of TEP costs is related to power supply. The Staff argued that DTE Electric's IRP showed that load forecasting for EV growth is an important piece of power supply planning, which is why the Staff supported a revenue allocator that includes power supply in Case No. U-21297. While not supporting ABATE's recommendation for the direct assignment of TEP rebates by voltage level in the company's next rate case, the Staff stated that this method is better than the net distribution plant method recommended by ABATE. 5 Tr 5251-5252.

MEIU asked the Commission to reject ABATE's proposal and proposed that DTE Electric account for 100% of the additional revenue generated by EV charging, as opposed to 10%, and extend the amortization schedule of TEP costs. 5 Tr 4016. However, MEIU agreed with

ABATE's recommendation to require the company to identify total paid rebates and voltage levels by customer class in the next rate case as long as the company is also required to present an accounting scheme that captures the full NPV benefits of the TEP program and an amortization schedule that accurately reflects the useful life of EV charging equipment. 5 Tr 4016-4017.

The ALJ noted that neither the Staff, ABATE, nor MEIU addressed this issue in their respective initial briefs, and while DTE Electric objected to ABATE's proposal, it did not address the Staff's or MEIU's positions in its initial brief. The ALJ then recommended that the Commission adopt the recommendations from MEIU. The ALJ reasoned that:

> Since the Commission issued its order in Case No. U-21297, the issues surrounding EV adopting and costs have continued to evolve. To properly evaluate how the costs associated with the Company's TEP are functionalized and allocated to support cost of service principles, more granular information to support that allocation may be required.

PFD, p. 631.

In exceptions, ABATE argues that the ALJ's recommendation for continuing a revenue-based allocation across all customer classes fails to reflect cost causation as well as the impact of purported benefits. ABATE contends that neither MEIU's arguments nor the record in this case support continuing the current approach because MEIU's supporting claims regarding the increase in revenue from EV charging are speculative. ABATE's exceptions, p. 12. ABATE argues that the assertion that the data is incomplete is not an appropriate basis to continue allocating costs to customers that do not cause those costs, particularly when no benefit has been demonstrated over the relevant time period of this case. Per ABATE:

> Even if the Commission is inclined to consider benefits for the purposes of cost allocation (which it should not as such an approach is inconsistent with cost-causation principles), this acknowledgment demonstrates that there is no basis for doing so here. As MEIU itself stated, "any evaluation of that data would also be incomplete and therefore cannot be fully relied upon to accurately assess the full scope of the NPV benefits offered by TEP programs and the timeline under which

> DTE customers can expect to realize said benefits." (Id.) As such, these costs should be allocated to the customers which cause them, rather than allocated across customer classes based on incomplete and uncertain NPV benefit speculation and assumptions. Stated differently, MEIU's assertion that the current policy debate is based on assumptions and incomplete information merits allocating these costs in accordance with their demonstrated causation, not assumptions regarding admittedly unknown NPV benefits.

ABATE's exceptions, pp. 12-13. Thus, ABATE asks the Commission to adopt its allocation recommendation. *Id*., p. 13.

In its replies to exceptions, DTE Electric repeats its position expressed in its initial brief to argue that ABATE's proposed change should be rejected and that the Commission should adopt the PFD. The company adds that ABATE's request for reports on total rebates by customer class and voltage level should be rejected because it is not relevant to the cost allocation framework. DTE Electric's replies to exceptions, pp. 74-75.

The Staff repeats its opposition to ABATE's proposal for TEP allocation in its replies to exceptions and points out that whether ABATE recommended allocation based on net plant, as it did in exceptions, or on distribution plant, as it did in its initial brief, is irrelevant. The Staff reasons that the ALJ's recommendation was correct based on the record and should be adopted by the Commission. Staff's replies to exceptions, pp. 44-45.

The Commission finds the ALJ's recommendation to be well-reasoned and supported by the record. *See*, PFD, p. 631. The Commission is not persuaded by ABATE's arguments and finds that the Staff sufficiently demonstrated that the TEP program expenditures are indeed related to power supply. 5 Tr 5251. As such, the Commission finds it appropriate to maintain the company's TEP allocation as it was approved in Case No. U-21297 at this time. However, the Commission agrees with the ALJ's assessment that EV adoption and charging infrastructure are continuing to evolve along with the treatment of the associated costs, and as such MEIU's

recommendations should be adopted. *See*, 5 Tr 4016-4017. Therefore, in its next rate case, DTE Electric shall: (1) identify the total paid rebates and voltage levels by customer class; (2) propose an accounting scheme that accurately captures the full NPV benefits, including all revenue attributable to charging and associated network effects, provided by its programs across customer classes; and (3) propose an amortization schedule that more appropriately reflects the true useful life of EV charging equipment.

3. Production Cost Allocation

The Staff made recommendations regarding the information provided on production cost allocation in future rate cases, namely that DTE Electric run and present the standard CP tests in its next rate case. The Staff also asked that the company provide insight into how it views seasonal or monthly load growth in the future and comment on the potential for changing the production allocator based on seasonal load shift. However, the Staff did not recommend a change to the current production allocator in this case. 5 Tr 5248.

Citing the growing trend towards electrification, the ALJ acknowledged that there is merit in having the utility provide more information on how it views growth impacting the production cost allocator based on a seasonal load shift. Therefore, the ALJ recommended that the Commission consider approving the Staff's request or initiate another proceeding to address such a concern on a utility-industry wide basis. PFD, pp. 631-632.

In exceptions, DTE Electric states that it does not take issue with the Staff's recommendation and notes that no party proposed a separate proceeding to address the Staff's recommendation. Therefore, the company asks the Commission to decline to create a separate proceeding. DTE Electric's exceptions, p. 186.

Noting that DTE Electric's exception was limited to a request not to initiate a separate proceeding, but that the company otherwise agreed with the Staff's request, the Commission adopts the ALJ's recommendation to approve the Staff's request. Therefore, the Commission directs DTE Electric in its next rate case to: (1) run and present the standard CP tests, and (2) provide some insight into how it views seasonal or monthly load growth in the future with comments on the potential for changing the production allocator based on the seasonal load shift.

B. State Reliability Mechanism Capacity Charge

DTE Electric calculated an SRM capacity charge of $486.75 per MW-day and explained that, consistent with the methodology approved in the January 23 order, it had included all production costs except for fuel, variable O&M, MERC, and certain purchased power costs. 4 Tr 2562-2566; Exhibit A-16, Schedule F1.5, p. 1. The Staff calculated an SRM capacity charge of $460.52 per MW-day, a $26.24 per MW-day reduction from DTE Electric's position. 5 Tr 4962, 4967; Exhibit S-6, Schedule F1.5. The Staff explained the cause of the company's significant proposed increase in the SRM capacity charge as follows:

> The main cause for this large increase is the Company's Reconciliation of Net Sales Benefit Difference in which it reconciles the 2024 projected Energy Sales Revenues net of fuel costs from Case No. U-21297 with the actual amounts that occurred in that year. This calculation can be found on Company Exhibit A-26, Schedule P4. The result of the reconciliation is a difference between the forecasted and actual amounts of $1.12 billion. When this variance is factored into the calculation of the capacity revenue requirement, it increases it by that amount.
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> The largest factor is the difference between the Company's 2024 projected Energy Market Sales revenues and the actual revenues that occurred in 2024. The Company projected Energy Market Sales revenues in 2024 to be approximately $2.26 billion but the actual Energy Market Sales revenues in 2024 were only $1.38 billion, a difference of $877 million. This is by far the biggest cause of the very large increase in the capacity revenue requirement and SRM capacity charges.

5 Tr 4963. Citing its concerns regarding DTE Electric's energy market sales forecast, the Staff asked that in the next rate case, the company be required to provide all of the data it uses to make its energy market sales forecast as part of its initial filing and to include a calculation of its forecast in excel format with all formulas intact. 5 Tr 4964.

Energy Michigan took issue with the true-up mechanism and provided extensive testimony describing the function of the SRM charge and the true-up mechanism under MCL 460.6w(4). *See*, 5 Tr 3885-3897. To briefly summarize, Energy Michigan contended that a flaw exists in the SRM statute in that the cases that set an SRM surcharge based on projected energy market sales net of fuel and the cases that true-up the projected values to actual energy market sales net of actual fuel take significant amounts of time. This demand on time results in SRM charges and true-ups that are infinitely pancaked because an SRM charge is set at the date of a final order in a rate case and the next setting of an SRM charge comes in the next final rate case order which can be over one year apart. Thus, a utility and a customer are only trued up if the customer pays an SRM charge in one year and then pays an SRM charge in a later year. Per Energy Michigan, "[n]o matter what the rate case test period is for setting the capacity portion of the SRM charge, the time period for actuals for the offsets value of energy market sales net of fuel must match the test period. This has not been the process in true-ups for DTE." 5 Tr 3899.

Energy Michigan also pointed out problems with the company's inclusion of a portion of purchased power costs when determining its projected energy market sales revenue net of fuel costs in performing its true-ups, which Consumers and Upper Peninsula Power Company do not do. Per Energy Michigan:

> The timing flaw in the SRM statute, coupled with the current formulaic method for true-ups that has been implemented in all four of the SRM Charge cases that have included a true-up so far, results in each of the true-ups being in error. This will continue into the future as long as the present true-up method is applied -- that is,

> all future true-ups using the present method will be in error. Consequently, neither the utility nor the customer will be treated fairly under the present true-up method.
>
> As stated previously, under the present true-up method, the customer and the utility can be trued up only if the customer that pays an SRM Charge in one year also pays an SRM charge determined in a later year. The result of the timing flaw in the SRM statute is that SRM Charges and true-ups end up infinitely pancaked.
>
> In an apparent attempt to "unpancake" overlapping cases for SRM Charges and true-ups, each true-up case attempts to back out the true-up amount from the previous case by reversing the true-up amount that was included in the previous case, which true-up amount was for the SRM Charge two cases ago. This merely creates an additional error if the customer owing an SRM Charge from the previous case was not billed an SRM Charge from two cases ago.

5 Tr 3902-3903 (citing Exhibit EM-6).

Explaining that no entity has yet been assessed an SRM capacity charge and that the soonest this could occur is five years from now (given that load serving entities have demonstrated sufficient capacity for four years out) with a true-up occurring one year later, Energy Michigan stated that the Commission has time to correct the true-up methodology. Energy Michigan recommended that the Commission suspend the current true-up methodology and implement a customer-specific true-up method that would apply to any customer assessed an SRM charge and is triggered only when there is a customer subject to an SRM charge. 5 Tr 3908-3914.

The Staff also acknowledged the flaws in the true-up system for the SRM capacity charge but recommended that if the Commission opts to retain the current true-up methodology, then $329 million of the prior years' true-ups in Case Nos. U-18248 and U-20561 should be removed from the capacity revenue requirement because they have been trued up previously. Staff's initial brief, pp. 191-192.

The ALJ agreed with the Staff's recommendation to require DTE Electric to provide the data that it uses to develop its energy market sales forecast as part of its initial rate case filing and to include a calculation of its forecast in excel format with the formulas intact. PFD, p. 641. Next,

the ALJ expressed appreciation for Energy Michigan's analysis of the issues with the SRM true-up process and recognized that the current process is flawed. The ALJ agreed with Energy Michigan and the Staff that MCL 460.6w(4) allows flexibility in the true-up methodology. As such, the ALJ recommended that the Commission discontinue DTE Electric's current true-up methodology and direct the company to perform a true-up only if a customer is subject to the capacity charge and there is actual revenue to reconcile. The ALJ recommended using the Staff's true-up methodology that provides for a customer-specific true-up based on the number of MW-days the customer requires the company to provide them capacity. *Id*. (citing Staff's initial brief, p. 192). Lastly, the ALJ declined to address Energy Michigan's statements regarding inconsistencies related to purchased power costs in the SRM because, as DTE Electric pointed out and Energy Michigan acknowledged, the Commission addressed and resolved this issue in the January 23 order. PFD, pp. 641-642 (citing January 23 order, p. 390).

No party filed exceptions or replies to exceptions to the PFD on the SRM capacity issue.

Having reviewed the record and the PFD on this issue, the Commission finds the majority of the ALJ's recommendations to be well-reasoned and supported by the record in this case. First, the Commission notes that the company agreed with the Staff's request for the company to provide in its next rate case the data that it uses to develop its energy market sales forecast including a calculation of its forecast in excel format with the formulas intact. DTE Electric's initial brief, p. 224. Therefore, the Commission directs DTE Electric to provide, in its next rate case, all data that it uses to develop its energy market sales forecast including a calculation of its forecast in excel format with all formulas intact. Second, the Commission agrees with the ALJ's rejection of Energy Michigan's arguments regarding the company's inclusion of the variable component of purchased power costs in the SRM calculation. *See*, PFD, pp. 641-642; *see also*, 5 Tr 3901. The

Commission directly addressed this methodology question in the January 23 order and the Commission does not find that a departure from the decision reached in the January 23 order is warranted at this time. *See*, January 23 order, p. 390.

As to the true-up mechanism, the Commission finds Energy Michigan's extensive testimony on this issue both informative and persuasive. *See*, 5 Tr 3885-3918; *see also*, Exhibits EM-2 through EM-7. Thus, the Commission is persuaded by Energy Michigan's and the Staff's positions that the true-up mechanism pursuant to MCL 460.6w(4) is flawed in terms of the reconciliations and the inability to apply the reconciled amounts to the subsequent years' SRM capacity charge because of the timing issue presented by rate case and reconciliation proceedings. The Commission agrees with the ALJ that the current true-up methodology should be discontinued.

However, departing from the PFD, the Commission finds that Energy Michigan's recommended true-up methodology, as opposed to the Staff's, represents a more reasonable true-up process that can be used when a customer is actually assessed an SRM charge. *See*, 5 Tr 3910. Energy Michigan testified that a customer-specific true-up can be done on an ad hoc basis for a customer that is actually assessed an SRM charge without revising any present or future SRM charges. Energy Michigan explained its method further:

> A simple method for truing up a customer is to determine the difference between what the customer initially paid -- with projected energy market sales net of fuel -- compared to what the customer should pay with actual energy market sales net of fuel. Actuals, once they are available, would be substituted for projections in recalculating the SRM Charge, and the customer would be billed for, or refunded, the difference between the two calculated charges. In this manner, both the customer and the utility would be treated fairly, and no "gaming" of high forecasts or low forecasts would be possible. It also eliminates another inherent error of the present formulaic method, which is that the customer does not necessarily have the same MW capacity obligation in two different periods.

5 Tr 3914. Energy Michigan also provided an example of how its method would work in practical terms as well as the advantages of applying such a methodology. The Commission finds that Energy Michigan provided substantial support to demonstrate that its true-up methodology is appropriate, tied to the specific SRM charge amount paid by the customer that would trigger the need for a true-up mechanism, and is simplified without the need to adjust the overall SRM capacity charges unnecessarily. *See*, 5 Tr 3914-3918; Exhibit EM-2. The Commission clarifies however that the implementation of this methodology is not necessary at this time and repeats that the use of a true-up mechanism should be employed in the event that a customer is actually assessed an SRM capacity charge.

The Commission notes that DTE Electric did not address in either its rebuttal, briefing, or exceptions the Staff's or Energy Michigan's arguments pertaining to the true-up mechanism apart from summarizing the parties' positions in its initial brief. *See*, DTE Electric's initial brief, p. 224.

As to the SRM capacity charges proposed by DTE Electric and the Staff, the Commission notes that the ALJ did not include a recommendation as to which SRM capacity charge should be adopted. The Staff testified the company's capacity revenue requirement in this case increased by $1.9 billion and the SRM capacity charge increased by $256.24 per MW-day. Per the Staff:

> The main cause for this large increase is the Company's Reconciliation of Net Sales Benefit Difference in which it reconciles the 2024 projected Energy Sales Revenues net of fuel costs from Case No. U-21297 with the actual amounts that occurred in that year. This calculation can be found on Company Exhibit A-26, Schedule P4. The result of the reconciliation is a difference between the forecasted and actual amounts of $1.12 billion. When this variance is factored into the calculation of the capacity revenue requirement, it increases it by that amount.
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> The largest factor [causing the variance in the reconciliation of net sales benefit difference] is the difference between the Company's 2024 projected Energy Market Sales revenues and the actual revenues that occurred in 2024. The Company projected Energy Market Sales revenues in 2024 to be approximately $2.26 billion

> but the actual Energy Market Sales revenues in 2024 were only $1.38 billion, a difference of $877 million. This is by far the biggest cause of the very large increase in the capacity revenue requirement and SRM capacity charges.
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> The Company states in response to Staff Audit Request MJP-1 that the difference is primarily driven by lower actual MISO wholesale energy market prices compared to the forecasted energy marked prices used in Case No. U-21297. See Staff Exhibit S-28.

5 Tr 4963-4964.

The Staff then explained its concerns with the company's Energy Market Sales forecast for 2026 presented in Exhibit A-26, Schedule P3. According to the Staff, DTE Electric did not explain its methodology for the forecast in terms of providing a detailed calculation for how it arrived at the $2.1 billion capacity revenue requirement for 2026. The Staff testified that the actual energy market sales revenue data for the most recent five-year period does not support the company's forecast; rather, the Staff's calculation using the actual recent five-year data results in an amount of $1.62 billion. 5 Tr 4964 (citing Exhibit S-28).

The Commission finds the Staff's testimony persuasive and therefore agrees with the Staff's calculation and resulting SRM capacity charge of $460.52 per MW-day. DTE Electric did not rebut the Staff's position, address it in briefing, or file exceptions to the PFD on this issue. However, in light of the Commission's decision to discontinue the true-up mechanism, using the Staff's calculation without applying the true-up mechanism results in an approved SRM capacity charge of $216.70 per MW-day.

X. RATE DESIGN AND TARIFF ISSUES

Rate design refers to the framework to set prices and standards for the reliable provisions of electricity services. PFD, p. 642. In the PFD, the ALJ broke down rate-design issues into those affecting residential service and those affecting commercial and industrial service. *Id*.

A. Residential Rate Design

1. Seasonal Distribution Rates

MNSC disagreed with DTE Electric's "approach to rate design, largely on the grounds that it provides improper signals to customers and in doing so also creates significant intra-class cross-subsidies[, and] . . . propose[d] that the Commission direct DTE to present seasonal volumetric distribution rates in its next [rate] case[.]" 5 Tr 4783. MNSC explained that the company currently uses a "uniform volumetric distribution charge throughout the year[,]" but DTE Electric's "distribution system capacity utilization is distinctly seasonal with a regime of higher utilization from approximately mid-May until the beginning of October." 5 Tr 4783. MNSC asserted that a shift to seasonal distribution rates would: (1) more accurately bill customers for their cost of service, (2) help repair an unfairness with current rate design,[14] (3) seasonal

[14] MNSC explained that the current rate design is unfair because:

distribution rates that are higher in the summer will incent customers to adopt energy efficiency measures to reduce summer load to avoid utility costs; and (4) seasonal distribution rates that are lower in the winter may enable customers to adopt electric heat by making it less costly to operate. 5 Tr 4783-4785.

DTE Electric rebutted MNSC's recommendation, arguing that:

> [MNSC's] proposed changes to the classification and allocation of certain distribution costs should be dismissed for three reasons: (1) [MNSC] does not provide a technical justification for how energy consumption drives equipment sizing and associated costs for distribution plant; (2) without a causal explanation for how energy consumption drives equipment sizing and associated costs, [MNSC's] proposal contradicts the cost causation principle of cost-of-service; and (3) [MNSC's] proposal also contradicts the classification and allocation methods prescribed by the National Association of Regulatory Utility Commissioners (NARUC)[.]

5 Tr 2572-2573. The company also asserted that MNSC offered a substantially similar proposal in DTE Electric's last rate case, Case No. U-21534, which the Commission declined to adopt. 5 Tr 1787 (citing the January 23 order, p. 380). DTE Electric contended that the Commission should again reject MNSC's proposal, arguing that "Case No. U-21534 featured extensive evidence and

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> distribution system costs are allocated in the Company's COSS based on customer count, demand, and special studies of metering costs. Demand is used to allocate costs of "poles, wires, conduit, substations, transformers, and other equipment that comprise the distribution system." The demand metrics used in the COSS are all based on summer peaks. Some distribution costs are assigned to monthly service charges, but most distribution system costs assigned to residential customers are then assigned uniformly as a rate per kWh. Unfairness arises in this approach in that customers that have electric heat have significantly greater kWh sales than customers that use fossil-fueled heat but have similar summer peak demand[.] As a result, the customers with electric heat overpay their cost of service because they pay a kWh rate based on the average ratio of annual kWh consumption to summer demand peak.

5 Tr 4784 (footnotes omitted).

briefing on the topic and there is no additional information provided in this case." 4 Tr 1788-1789 (footnote omitted).

In rebuttal, the Staff acknowledged MNSC's proposal and expressed no preliminary opposition. 5 Tr 5252. The Staff recommended, however, that "time and schedule be considered [as part of the current process being discussed] to separate cost of service and rate design from the rate cases [and] future cases that may be filed." 5 Tr 5252-5253.

While acknowledging MNSC's recommendation, ABATE asserted that "[t]his recommendation should only be applied to residential customers and should in no way be construed as a prescription to change the allocation of distribution among the customer classes in the class cost of service study." 4 Tr 3231. ABATE argued that "[a]ny change of distribution rates that affects Primary customers must be studied prior to its implementation and be shown to be truly reflective of cost-causation principles." 4 Tr 3231-3232.

While the ALJ appreciated MNSC's proposal for seasonal distribution rates, she agreed with DTE Electric that more support is necessary for the proposal and recommended that the Commission decline to adopt MNSC's proposal. PFD, p. 645. Should a proposal for seasonal distribution rates be raised again, the ALJ suggested that consideration be given to the complicated nature of benefits and customer behavioral changes that would be necessary to effectuate such a proposal. *Id*. The ALJ also recommended that the Commission "require MNSC to present its vision for how the Company would implement the customer educational element that will be necessary to prompt customers to make the necessary behavioral changes and see a benefit." *Id*.

No exceptions were filed on this issue.

While affirming the importance of COS principles, including in the development of distribution charges, the Commission respectfully declines to adopt MNSC's proposal to direct

DTE Electric to present seasonal volumetric distribution rates in its next rate case. The record in this case is not sufficiently developed for the Commission to determine whether such a proposal is necessary and beneficial, and the Commission notes that no exceptions were filed to the ALJ's recommendation not to direct such a change. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 645.

2. Rate Schedule D1.6 Transition and Closure

In the January 23 order, the Commission approved DTE Electric's proposal to retire Rate Schedule D1.6 (D1.6) and transition these customers to Rate Schedule D1.11 (D1.11) (which is the company's standard residential service rate with time-variable rates). January 23 order, pp. 393-394. The January 23 order also required the company to: (1) include in its next general rate case "an analysis of shutoff information, an analysis of the factors impacting household ability to shift usage, and regression analysis" as it related to the D1.6 to D1.11 transition; and (2) implement mitigation measures for the other customers who may experience higher utility rates as a result of the transition through "expanded educational outreach to low-income customers regarding low-income energy efficiency programs, weatherization, and smart thermostats; and the use of smart meter data to identify customers and address energy-limiting behavior that is adverse to health and safety." *Id*., p. 394.

In this case, DTE Electric proposed the elimination of D1.6 and completed customer transition to D1.11. 4 Tr 1751. For its analysis of shutoff information, the company explained that "[a]t the time of this [case] filing, the transition from D1.6 to D1.11 has not yet occurred[,] . . . [but] disconnect rates pre and post TOU analysis shows very little impact to overall disconnect rates." 4 Tr 2732. DTE Electric further explained that it "will provide further analysis for D1.6 customers

transitioning to D1.11 when either a full year of data is available or in the next rate case filing (whichever occurs earlier)." 4 Tr 2732.

For its analysis of factors impacting household ability to shift usage, DTE Electric explained that it "contracted with a vendor who conducted four surveys on enrollment, dropout, and post-cooling and post-heating behaviors. The surveys sought to measure the [company's Advanced Customer Pricing P]ilot's[15] impacts on customer behavior, knowledge and energy usage." 4 Tr 2529. DTE Electric opined that the survey results indicated that low-income customers have both a desire to shift usage and are capable of doing so. 4 Tr 2530.

For its regression analysis, the company explained that it used data from 2022 to test for a correlation between the difference in a customer's D1.6 and D1.11 bill and their electricity use, population density, or the MiEJ Screen Composite rate. 4 Tr 2533. From this analysis, DTE Electric concluded that the "average D1.6 customer represented in the 2022 data, [sic] would be expected to have a 0.17% lower bill on [the] D1.11 [rate]." 4 Tr 2536. While the analysis results highlight a correlation between a customer's D1.6 and D1.11 bill and the independent variables (kWh usage, population density, and MiEJ Screen Scores), the company argued that the impact is small. 4 Tr 2536.

For DTE Electric's mitigation measures, the company explained that it has "developed enhanced materials for transitioning customers. Materials sent to customers will include explanations of the rate, the time of use prices themselves, and additional details about EWR

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[15] Per DTE Electric, the Advanced Customer Pricing Pilot (also known as the ACPP) was a pilot program "approved by the Commission prior to the implementation of Rate Schedule D1.11. It tested two time-of-use (TOU) rates along with an opt-in and opt-out strategy for enrollment and 220,000 customers were selected to participate. It also segmented and assessed low-income customers both through usage statistics and survey response." 4 Tr 2529.

programs, including link, for both income-qualified and broad-based programs. The Company is sending these materials [to] . . . all transitioning customers[.]" 4 Tr 1781. DTE Electric also explained that it is "developing an approach to leverage AMI data for transitioning customers to further assist them in understanding available efficiency programs and how they use energy[,]" but the company needs to have usage from the transitioning customers on D1.11 (or any other rate of their choosing) sufficient to support any further analysis and communication. 4 Tr 1784.

The CEOs agreed that DTE Electric's plan for communication with customers and its plan to provide materials explaining low-income energy efficiency offerings align with the Commission's directive for expanded outreach to low-income customers. 4 Tr 3633-3634. The CEOs also agreed that "the Company has begun implementing a rollout that is directionally consistent with the Commission's outreach expectations[.]" 4 Tr 3635. The CEOs disagreed, however, with the company's weatherization and smart-thermostat promotion, finding that DTE Electric has yet to describe a targeted promotion plan. 4 Tr 3634. The CEOs also asserted that DTE Electric failed to present an "AMI-analytics plan that flags at-risk households and triggers tailored interventions[; while the company] . . . references AMI in the context of cost allocation and meter-reading (which implies the data infrastructure exists)[, it] does not describe using AMI data streams to proactively identify customers exhibiting energy-limiting or health-risk behaviors." 4 Tr 3634. As a result, the CEOs recommended that the Commission direct DTE Electric to: (1) "[i]dentify and assist low-income customers during the D1.6 to D1.11 Time-of-Use transition by requiring AMI-based analytics to flag at-risk households; targeted multilingual outreach; streamlined enrollment in assistance (e.g. LIA/arrears management); and practical mitigations (e.g. smart-thermostat support, weatherization referrals, safety checks, and near-term bill-protection where warranted)[;]" and (2) conduct shadow billing of vulnerable transitioning customers and perform targeted outreach to

mitigate bill impacts. 4 Tr 3636-3637; CEOs' initial brief, p. 45. The CEOs also argued that the company should include a discussion in its next rate case on the transition and its mitigation measures. CEOs' initial brief, pp. 43-45.

The DAAOs asserted that the Commission approved DTE Electric's transition of customers from D1.6 to D1.11 based on the company's projection that "nearly two-thirds of low-income customers would experience reduced utility rates[;]" however, the DAAOs argued, TOU pricing "punishes people who cannot be flexible in their energy usage[,]" and the company appears to have "no plan to verify that a majority of low-income customers will actually see lower rates under D1.11." 5 Tr 4131, 4168. The DAAOs also argued that the results of DTE Electric's ACPP survey demonstrated that "many low-income customers may engage in energy-limiting behavior[16] as a direct result of the transition to D1.11[,]" but the company provided "no testimony supporting any ongoing or planned efforts to address energy-limiting behavior by its low-income customers." 5 Tr 4132, 4135. The DAAOs further argued that DTE Electric's mitigation measures merely provide general information on weatherization and smart thermostats through mailers and emails, which is inadequate. 5 Tr 4136-4137. Therefore, the DAAOs recommended that the Commission:

> 1. Require that DTE track low-income customers' bills after the transition to Rate Schedule D1.11 and report this data in its next general rate case in such a form that it will permit analysis of how many low-income customers experienced decreased and increased bills and by how much.
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> 2. Require that before its next rate case filing, DTE develop substantive programs beyond mere educational outreach to mitigate energy-limiting behavior and assist low-income customers in weatherizing their homes and installing smart thermostats. While this may include aspects of the Company's existing energy

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[16] According to the DAAOs, energy-limiting behavior is defined by the energy researchers as the "'inability or unwillingness to consume enough energy to reach a desired level of comfort.'" 5 Tr 4132.

> waste reduction (EWR) efforts, the Company should do more to understand and mitigate harmful energy-limiting behavior.
>
> 3. Clarify that, before its next rate case filing, DTE must conduct a targeted analysis focusing specifically on factors impacting low-income customers' ability to shift their energy usage to non-peak hours.

5 Tr 4140. The DAAOs also recommended that DTE Electric also be required to provide additional outreach, support, and financial resources to the low-income customers who will experience higher utility bills after transitioning to D1.11. 5 Tr 4329.

The DAAOs agreed with the CEOs' recommendation that the company use AMI-based analytics to flag at-risk households and provide targeted multilingual outreach and streamlined enrollment in assistance programs, and that the company offer practical mitigations that provide smart-thermostat support, weatherization referrals, safety checks, and near-term bill-protection (where warranted). 5 Tr 4330-4331. However, the DAAOs disagreed with the CEOs' assertion that DTE Electric's actions aligned with the Commission's directive for expanded outreach to low-income customers, arguing that:

> far greater financial investments in whole-home weatherization for low-income households; increased partnerships with trusted community messengers to share accessible information with residents and clarify confusion regarding the D1.11 Time-of-Use transition; greater investments in energy efficient appliances for low-income household; and other equity-centered actions are needed from the Company to ensure the transition to D1.11 does not place inequitable burdens on low-income customers.

5 Tr 4331.

The DAAOs argued that because DTE Electric failed to perform its obligations under the January 23 order, the Commission should require the company to allow those low-income customers who wish to remain on or transition back to a flat rate to do so and should halt the transition to D1.11 until the company establishes a system to properly identify and address energy-limiting behavior that is determinantal to health and safety. DAAOs' initial brief, pp. 80, 83-86.

The DAAOs also recommended that the Commission require DTE Electric to track customer bills after the transition and analyze the non-monetary consequences of the rate schedule for low-income customers and provide support to counteract these consequences. *Id*., pp. 87-89.

In addressing the three analyses DTE Electric was required to conduct pursuant to the January 23 order, the ALJ observed that none of the parties objected to the sufficiency of DTE Electric's regression analysis. PFD, p. 655. The ALJ noted, however, that the company did not provide an analysis on shutoff information, claiming that "it will provide the analysis either when a full year of data is available or in the next rase case." *Id*., pp. 654-655. The ALJ also agreed with the DAAOs' assertion that DTE Electric "has not sufficiently analyzed the factors impacting household ability to shift usage[, finding that] DTE's use of previous surveys that were not designed specifically to address this directive are insufficient." *Id*., p. 654. Therefore, the ALJ recommended that the Commission direct the company to conduct an updated analysis specifically designed to analyze the factors impacting low-income customers' ability to shift usage in its next rate case and provide a "shutoff analysis as soon as feasible, but not later than the Company's next rate case." *Id*., pp. 654-655.

Regarding the required mitigation measures, the ALJ agreed with the CEOs that DTE Electric failed to describe a targeted plan to promote weatherization and smart thermostats but disagreed with the DAAOs' contention that the Commission's January 23 order required DTE Electric to develop substantive programs beyond mere educational outreach. PFD, p. 655. As a result, the ALJ recommended that the Commission order DTE Electric to "update and modify its educational outreach to transitioning low-income customers to ensure it includes substantive information about weatherization and smart meters." *Id*.

The ALJ also agreed with the CEOs' assertion that DTE Electric should "identify and assist low-income customers during the D1.6 to D1.11 transition by requiring AMI-based analytics to flag at-risk households; targeted, multilingual outreach; streamlined enrollment in assistance (e.g., LIA/arrears management); and practical mitigations (e.g., smart thermostat support, weatherization referrals, safety checks, and near term bill protection where warranted)." PFD, pp. 655-656. Therefore, the ALJ recommended that the Commission direct DTE Electric to:

> discuss the transition and its mitigation measures in its next rate case, including conducting shadow billing of vulnerable transitioning customers and targeted outreach to those customers to address bill impacts[, and] . . . require that DTE track low-income customer bills after the transition and report this data in its next rate case in such a form that it will permit analysis of how many low-income customers experienced decreased and increased bills and by how much.

Id., p. 656.

In exceptions, the DAAOs support the ALJ's recognition of (1) DTE Electric's failure to produce sufficient analysis of factors impacting household ability to shift usage, (2) the company's failure to describe a targeted plan to promote weatherization and smart thermostat implementation, and (3) the requirement to identify and assist low-income customers during the transition using AMI data. DAAOs' exceptions, p. 30. The DAAOs also agree with the ALJ's recommendation that the Commission direct the company to track low-income customer bills after the customers transition from D1.6 and report this information in the company's next rate case but argue that this analysis needs to be more expeditious. *Id*., p. 31. However, the DAAOs disagree with the ALJ's interpretation that the January 23 order did not require DTE Electric to develop substantive programs beyond mere educational outreach, arguing that the Commission:

> expressly ordered DTE to implement 'the [Clean Energy Organizations'] recommended mitigation measures' for customers who may experience higher utility rates as a result of the transition to time-of-use rates, and those recommended measures were not limited to informational outreach. Rather, they included affirmative actions designed to reduce customers' bills and mitigate energy-limiting

> behavior, and this was to be done specifically through weatherization and the provision of smart thermostats per the order. The [ALJ]'s reading collapses the CEO's distinct mitigation measures into a single educational obligation, rendering the Commission's explicit references to weatherization and smart thermostats as excess rather than intentional direction. Such an interpretation is inconsistent with the plain language of the [January 23] Order, which separately identifies expanded educational outreach, weatherization, and smart thermostats as discrete mitigation measures the Company was required to implement.

Id., pp. 31-32 (footnotes omitted) (alterations in original).

DTE Electric disagrees with the DAAOs' exception to the ALJ's recommendations. DTE Electric's replies to exceptions, p. 76. DTE Electric asserts that the DAAOs' "calls for requiring 'immediate' actions [to track and report information on low-income customer bills after the customers transition from D1.6] should be disregarded." *Id*. (citing DAAOs' exceptions, p. 31). The company argues that the DAAOs' "basis for expedition is based on a misinterpretation of the Company's Initial Brief that [the DAAOs] contend shows the 'transition had already occurred[.]'" *Id*. The company also argues that it is "unaware of any systemic issues with time-of-use and DAAO[s] ha[ve] yet to produce any contrary evidence." DTE Electric's replies to exceptions, p. 76 (citing 4 Tr 1780, 1785; DTE Electric's reply brief, pp. 207 -208). DTE Electric also asserts that the DAAOs' "attempts to split the elements of the educational outreach into discrete measures should also be rejected." DTE Electric's replies to exceptions, p. 76 (citing DAAOs' exceptions, p. 32). The company argues that the DAAOs' contention that the January 23 order:

> entailed "the provision, installation and facilitation of those measures of eligible low-income customers, not merely informing customers that such programs exist[,]" . . . is a misinterpretation of the [January 23 order] and [the CEOs'] recommendation which stated, "For the remaining one-third of customers who may experience higher utility rates as a result of the transition, the Commission finds that the company shall implement the CEOs' recommended mitigation measures: expanded educational outreach to low-income customers regarding low-income energy efficiency programs, weatherization, and smart thermostats[,]" which the Company has done.

DTE Electric's replies to exceptions, pp. 76-77 (citations omitted) (citing DAAOs' exceptions, p. 32; January 23 order, p. 394).

DTE Electric also takes exception to the ALJ's recommendations. The company excepts to the ALJ's recommendation that the Commission direct DTE Electric to conduct an updated analysis specifically designed to analyze the factors impacting low-income customers' ability to shift usage and provide this analysis as soon as feasible, but not later than the company's next rate case. DTE Electric's exceptions, p. 188 (citing PFD, pp. 654-655). The company argues that the January 23 order "did not direct the Company to create a new analysis, nor an analysis based on specifically transitioning customers." DTE Electric's exceptions, p. 188. DTE Electric asserts that:

> the Company provided [] an extensive discussion and contextualization of a robust analysis of behavioral factors and perspectives around energy usage (e.g. "ability to shift usage") specific to low-income customers. It was conducted based on the ACPP, an extensive, costly, and statistically robust effort conducted over more than a year, involving more than ten thousand customers in support of a rate transition for approximately two million customers. The Company's prior time-of-use rate transition also included approximately 95,000 low-income customers. Neither the prior time-of-use transition nor the now completed D1.6 transition has evidenced any structural concern or complaints from customers. As such, the Commission should reject the PFD on this matter.

Id. (citations omitted) (citing 4 Tr 1781-1782, 1785, 2527-2531; Exhibit DAO-6).

DTE Electric also excepts to the ALJ's recommendation that the Commission direct the company to "'update and modify its educational outreach transitioning low-[income] customers to ensure it includes substantive information about weatherization and smart meters.'" DTE Electric's exceptions, p. 189 (quoting PFD, p. 655). The company argues that the January 23 order "did not direct the Company to 'describe a targeted plan to promote weatherization and smart thermostats[.]' Instead, [the January 23 o]rder directed the Company to implement 'expanded educational outreach to low-income customers regarding low-income energy efficiency

programs, weatherization, and smart thermostats[,]'" which the company has completed. DTE Electric's exceptions, p. 189 (quoting PFD, p. 655; January 23 order, p. 394). As such, DTE Electric contends that the Commission should reject the ALJ's recommendation to further expand the communication beyond the directives in the January 23 order. DTE Electric's exceptions, p. 189.

DTE Electric also excepts to the ALJ's finding that the company did not present a plan to use AMI data to identify and address energy limiting behavior and that the company's explanation on its developing approach was insufficient. DTE Electric's exceptions, p. 189 (citing PFD, p. 655). DTE Electric argues that the company "described its plan to address this requirement on the record, including the approaches under consideration." DTE Electric's exceptions, p. 190. The company also argues that it could "not have already completed the outreach given that the transition was conducted in October 2025 and an analysis based on meter data requires the transition to have occurred and for that to be D1.11 data to analyze." *Id*. DTE Electric also disagrees with the ALJ's recommendation that the Commission require the company to identify and assist low-income customers during the D1.6 to D1.11 transition with outreach including AMI-based analytics to flag at-risk households; targeted, multilingual outreach; streamlined enrollment in assistance; and practical mitigations. *Id*. (citing PFD, pp. 655-656). DTE Electric asserts that it sent "extensive materials to *all* customers transitioning (not just those deemed 'at risk')[, and t]he customers being transitioned are by definition already enrolled and receiving LIA credit (a requirement of the former D1.6) and were provided extensive 'practical mitigation' information via the welcome kits sent to customers." *Id*. (emphasis in original). As such, the company contends that the Commission should reject these recommendations. DTE Electric's exceptions, p. 190.

DTE Electric also excepts to the ALJ's recommendation that the Commission require the company to discuss the transition and its mitigation measures in its next rate case (including conducting shadow billing of vulnerable transitioning customers and targeted outreach to those customers to address bill impacts). *Id*. The company asserts that "[t]aken as a whole, it is not evident what purpose these recommendations serve given that the transition is complete[;] . . . [s]hadow billing is not possible to conduct given that the Company's instant case does not include rates for Rate Schedule D1.6[.]" *Id*., pp. 190-191 (citing PFD, p. 656). DTE Electric also disagrees with the ALJ's recommendation that the Commission require the company to track low-income customer bills after the transition and report this data in its next rate case. DTE Electric's exceptions, p. 191. DTE Electric asserts that the company is "unable to track actual bills relative to a hypothetical D1.6 bill – the rate has been closed and there is no D1.6 rate upon which to conduct such an assessment. The Company is again unclear what such tracking would tangibly accomplish given that D1.6 was closed by the Commission." *Id*., p. 191. Thus, the company contends that the Commission should reject these recommendations. *Id*.

In its replies, the DAAOs disagree with DTE Electric's exception to the ALJ's recommendation that the company conduct an updated analysis of the factors impacting low-income customers' ability to shift usage in its next rate case. DAAOs' replies to exceptions, p. 24 (citing DTE Electric's exceptions, p. 188). The DAAOs contend that the company misreads the Commission's directive in the January 23 order, asserting that the Commission "expressly found that DTE 'did not sufficiently perform the impact study' previously ordered and therefore required the Company, in its next general rate case, to include analyses of shutoff information, household ability to shift usage, and regression analyses related to the transition from Rate Schedule D1.6 to D1.11." DAAOs' replies to exceptions, pp. 24-25 (quoting the January 23 order, p. 394).

Continuing, the DAAOs assert that the company's "contention that the Commission actually ordered 'extensive discussion and contextualization of a robust analysis of behavioral factors and perspectives around energy usage (e.g., "ability to shift usage") specific to low-income customers' is immaterial when the existing analysis has been described as 'insufficient.'" DAAOs' replies to exceptions, p. 25 (quoting DTE Electric's exceptions, p. 188). Moreover, the DAAOs argue that DTE Electric claims that the "TOU and D1.6 transitions have not 'evidenced any structural concerns or complaints from customers' . . . is contradicted by [the DAAO's] testimony documenting affordability struggles and energy-limiting behavior that is likely to be exacerbated by the transition to D1.11." DAAOs' replies to exceptions, p. 25 (footnote omitted) (quoting DTE Electric's exceptions, p. 188; citing 5 Tr 4132-4134).

The DAAOs also disagree with the company's argument that the ALJ exceeded what the January 23 order required when she recommended that DTE Electric "'update and modify its educational outreach to transitioning low-income customers to ensure it includes substantive information about weatherization and smart meters.'" DAAOs' replies to exceptions, p. 25 (quoting DTE Electric's exceptions, p. 189). The DAAOs assert that the ALJ correctly rejected this position. DAAOs' replies to exceptions, p. 25.

The DAAOs also disagree with DTE Electric's exception to the ALJ's recommendation for more AMI-based analysis and outreach. *Id*., p. 26 (citing DTE Electric's exceptions, p. 189). The DAAOs argue that the company's contention that it "'could not have already completed the outreach given that the transition was conducted in October 2025 and an analysis based on meter data requires the transition to have occurred and for there to be D1.11 data to analyze[]' . . . does not support [its] position; rather, it demonstrates that the Company failed to comply with the Commission's directive in [Case No.] U-21534." DAAOs' replies to exceptions, pp. 26-27

(footnote omitted) (quoting DTE Electric's exceptions, p. 190). Continuing, the DAAOs argue that DTE Electric's exception to the ALJ's recommendation "misrepresents the [ALJ]'s finding of fault in citing the lack of post-transition datasets. The [ALJ] does not fault DTE for lacking these datasets; it faults DTE for presenting no concrete plan to use AMI data to identify and assist at-risk customers *once this data becomes available*." DAAOs' replies to exceptions, p. 27 (emphasis in original) (citing DTE Electric's exceptions, p. 190; PFD, p. 655). The DAAOs contend that the ALJ appropriately recognized that the company's vague description of developing an approach does not satisfy its obligation to take actionable steps to address energy-limiting behavior adverse to health and safety. DAAOs' replies to exceptions, p. 27 (citing DTE Electric's exceptions, p. 189; the January 23 order, p. 394).

The DAAOs also disagree with the company's assertions that it has "already completed the ALJ's recommendation to identify and assist low-income customers during the D1.6 to D1.11 transition[,] . . . that it is unaware of concerns from transitioned customers[,] and that its broad dissemination of materials to all customers renders targeted outreach unnecessary." DAAOs' replies to exceptions, p. 28 (footnote omitted) (citing DTE Electric's exceptions, p. 190). The DAAOs argue that DTE Electric's assertions are contradicted by the record. DAAOs' replies to exceptions, p. 28; *see*, 5 Tr 4133, 4135. Further, the DAAOs argue that "the fact that DTE relies on generalized outreach demonstrates the problem that the [ALJ] seeks to remedy. . . . Targeted outreach is necessary precisely because low-income customers face distinct barriers and risks that are not addressed through mass mailings or generic communications." DAAOs' replies to exceptions, p. 28; *see*, PFD, pp. 655-656; 5 Tr 4135-4136.

The DAAOs also disagree with DTE Electric's argument that "shadow billing is neither feasible nor necessary and that tracking bill impacts lacks purpose because D1.6 rate has been

closed." DAAOs' replies to exceptions, p. 28 (citing DTE Electric's exceptions, p. 190). The DAAOs assert that the company is "misconstruing the [ALJ]'s recommendation [on this issue]. Rather than requiring immediate implementation of shadow billing, the [ALJ]'s recommendation would require discussion of such tools as a means of understanding how time-of-use rates have altered usage patterns and bill impacts." DAAOs' replies to exceptions, pp. 28-29 (citing PFD, p. 656).

In its replies, the CEOs also disagree with DTE Electric's argument that it cannot perform a shadow bill on the impacts of the rate transition because the company closed D1.6. CEOs' replies to exceptions, p. 7 (citing DTE Electric's exceptions, pp. 190-191). The CEOs argue that the company should be able to use historical D1.6 rate data to approximate what customers would be paying and then compare that to their current rates under D1.11. CEOs' replies to exceptions, p. 7.

The Commission has reviewed the record and the parties' arguments on the analyses that DTE Electric provided pursuant to the January 23 order and finds that the ALJ's recommendations on these three analyses are well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue and requires DTE Electric to include in its next rate case an updated analysis specifically designed to analyze the factors impacting low-income customers' ability to shift usage between on peak and off peak as well as an updated shutoff analysis. *See*, PFD, pp. 654-655.

The January 23 order also required DTE Electric to implement mitigation measures that expanded educational outreach to low-income customers regarding low-income efficiency programs, weatherization, and smart thermostats; and used smart meter data to identify customers and address energy-limiting behavior that is adverse to health and safety. *See*, January 23 order, p. 394. The Commission agrees with the ALJ that the January 23 order did not require the

company to develop substantive programs beyond educational outreach. The Commission also agrees with the ALJ's recommendation that DTE Electric should update its current educational outreach to include substantive information about weatherization and smart meters. Therefore, the Commission adopts the ALJ's findings and conclusions on this issue and requires DTE Electric to update its current educational outreach to include substantive information about weatherization and smart meters. *See*, PFD, p. 655.

While the Commission recognizes the progress the company has made towards its implementation of an AMI-data plan, the Commission agrees with the ALJ on the insufficiency of the plan and that DTE Electric shall use AMI-based analytics to flag at-risk households; deploy targeted, multilingual outreach; and streamline enrollment in assistance. However, the Commission respectfully disagrees with the ALJ's recommendation to require the company to use the AMI-based analytics for practical mitigations such as smart thermostat support, weatherization referrals, safety checks, and near-term bill protection. *See*, PFD, pp. 655-656. The Commission also respectfully disagrees with the ALJ's recommendation to require DTE Electric to discuss the transition and its mitigation measures, and to track and report low-income customer bills after the transition in the company's next rate case. *See*, PFD, p. 656; DTE Electric's exceptions, pp. 190-191. Therefore, the Commission adopts the ALJ's recommendation to require DTE Electric to use AMI-based analytics to flag at-risk households; deploy targeted, multilingual outreach; and streamline enrollment in assistance. *See*, PFD, pp. 655-656.

3. Rate D1.1 – Demand Response AC Direct Load Control

DTE Electric offers residential and commercial customers an Interruptible Space Conditioning tariff (Rate D1.1) called the CoolCurrents program. 3 Tr 1350. The company explained that "[c]ustomers who enroll in [the] CoolCurrents [program] are equipped with a direct load control

device (LCD) on their air conditioning unit(s) or central heat pump that allows the Company to cycle the associated appliance in exchange for a discounted rate." 3 Tr 1350.

The Staff asserted that the company's current implicit discount provided to Rate D1.1 customers is based on "an assumption made many years ago that self-perpetuates in base rate design. Basing rates on old designs over a long period can gradually erode the connection between those rates and actual costs[.]" 5 Tr 4912. Rather, the Staff argued:

> [i]nstead of offering a flat monthly credit for participation on [R]ate D1.1, like Consumers does for its similar DR program, Staff recommends that the Company develop a discount that can be applied to Rate D1.1 power supply charges that reflect the value of the interruptible resource. In the future Staff would like to design charges for Rate D1.1 that match power supply rates for other residential customers, and update the discount applied to those rates independently from base rates. This method would make the cost-benefit analysis of the DR resource easier to determine in the future and make the current implicit discount and [sic] explicit one.

5 Tr 4911-4912. Therefore, the Staff recommended that the Commission direct DTE Electric to "provide in its next rate case the data necessary to develop an explicitly calculated discount for Rate D1.1 power supply rates that reflects the value provided by interruptible load" to ensure that Rate D1.1 customers are appropriately credited for their DR contributions. 5 Tr 4912.

The ALJ recommended that the Commission adopt the Staff's recommendation, noting that "[n]either DTE nor any other party responded to [the Staff's] recommendation in rebuttal or in briefing[.]" PFD, p. 658.

No exceptions were filed on this issue.

The Commission adopts the Staff's and the ALJ's recommendations, finding the recommendations to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 658.

4. Rate D8 – Non-interruption Fee Adder

According to DTE Electric, Rate D8 is the company's primary voltage interruptible rate. 4 Tr 2590.

The Staff explained that Rate D8 is a DR rate similar to the residential D1.1, but unlike the Rate D1.1, which allows the company to directly interrupt the customer's load, the company in a Rate D8 requests "that the customer reduce their load under certain economic or reliability conditions." 5 Tr 4912. The Staff also explained that:

> [c]ustomers on Rate D8 may avoid interruption by paying for the cost of replacement energy plus $0.00576 per kWh (the non-interruption fee) and plus the appropriate voltage level charge. The voltage level charges are updated through the normal course of the rate design process because they are based on non-capacity voltage level energy discounts for Rate D11, the primary supply rate, which are a function of loss factors. However, the non-interruption fee adder of $0.00576 is not regularly updated and has been the same since it was set in 2003. For this reason Staff recommends that the non-interruption fee for Rate D8, not including the voltage level charges, be updated for inflation using the Bureau of Labor Statistics' inflation calculator for the period between January 2009 and June 2025. Updating the charge for inflation as Staff describes would result in a new fee of $0.00880. In order to avoid rate shock Staff recommends increasing the charge only halfway to its full 2025 level by setting the non-interruption fee to $0.00728 in the instant case. Increasing the non-interruption fee will not affect base rates because revenue generated from the fee is used to offset PSCR and will thus be reflected in following PSCR reconciliations. Staff recommends that the Commission direct the Company to increase its Rate D8 non-interruption fee to $0.00880 in its next general rate case.

5 Tr 4912-4913 (footnotes omitted).

The ALJ recommended that the Commission adopt the Staff's recommendation to reset the non-interruption fee, noting that "[n]either DTE nor any other party responded to [the Staff's] recommendation in rebuttal or in briefing[.]" PFD, p. 660.

No exceptions were filed on this issue.

The Commission adopts the Staff's and the ALJ's recommendations to reset the non-interruption fee, finding the recommendations to be well-reasoned and supported by the record.

Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 660.

B. Commercial Secondary and Primary Rate Design

DTE Electric proposed changes to rate design for certain commercial secondary and primary rate schedules, contending that the only exceptions to the rate design structure were for the company's commercial and primary TOU rates, which were recently approved in the January 23 order. 4 Tr 2584 (citing Exhibit A-16, Schedule F3). The company argued that "[p]ower supply capacity revenue has historically been collected entirely through demand charges on [Rate Schedules D4, D6.2, and D11], however, the capacity revenue requirements for these rate schedules in the instant case exceeded the current demand share of the present demand to energy ratios." 4 Tr 2585. As a result, DTE Electric proposed that a portion of the capacity costs be recovered on a volumetric basis on the relevant rate schedules, arguing that this approach is more appropriate than "negative rates and maintains alignment with the allocations of capacity and non-capacity costs and also maintains designing power supply rates such that the present ratio recovered via demand versus energy rates is held constant which aligns with the rate design methodology established in [Case Nos. U-21297 and U-21534]." 4 Tr 2585-2586.

1. Commercial Secondary Rate Design

According to DTE Electric, commercial secondary rate design is the company's "development of capacity and non-capacity charges for each commercial secondary rate schedule based on the cost of service . . . [and] design distribution rates for all commercial secondary rate schedules." 4 Tr 2590. The company explained that its proposed power supply capacity and non-capacity rates were "designed to recover the revenues pursuant to . . . Exhibit A-16, Schedule F1.5, which shows how much the power supply revenue requirement for each rate class is related to capacity and non-

capacity costs." 4 Tr 2587. The company further explained that power supply revenue targets were allocated using the same methodology utilized in Case No. U-21534. 4 Tr 2588.

The ALJ recommended that the Commission adopt DTE Electric's proposed commercial secondary rate design, noting that the Staff nor any other party addressed this rate design proposal in testimony or briefs. PFD, pp. 662-663.

No exceptions were filed on this issue.

The Commission adopts DTE Electric's and the ALJ's proposed commercial secondary rate design, finding the recommendations to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, pp. 662-663.

2. Rate D3 – EV Fast Charger Rate

In the January 23 order, DTE Electric was directed to collaborate with the Staff and any other interested persons on developing an "optional successor EV fast charger rate to [Rate] D3 which will be available to EV fast charging customers when [Rate] D3 is no longer available. DTE Electric [was instructed to] file its proposal for a successor EV fast charger rate . . . no later than December 1, 2026[.]" January 23 order, p. 426. The January 23 order also extended the existing demand charge holiday an additional two years (through June 1, 2028).[17] *Id*., pp. 426, 468.

The Staff did not recommend a change in the demand holiday but did recommend removal of the two-year rolling provision from the currently approved holiday and for the June 1, 2028 sunset date to remain firm. 5 Tr 5246. The Staff argued that the "charging stations on [R]ate D3 with a

[17] According to the Staff, the demand charge holiday was first implemented in the May 2, 2019 order in Case No. U-20162 with a scheduled sunset of June 1, 2024 and extended to June 1, 2026 with a rolling two-year clause for new chargers installed after June 1, 2024 in the December 1 order.

demand above 1000kW [sic] are receiving a subsidy and that subsidy should be discontinued[.]" 5 Tr 5246. The Staff also recommended that DTE Electric: (1) propose a new tariff for fast charging in its next rate case based on available fast charging data; (2) base the new tariff on COS and be an energy only rate, with no demand charges; and (3) provide rate design options that consider station uptime and charging reliability. 5 Tr 5246-5247.

MEIU disagreed with the Staff's recommendations "to remove the two-year rolling waiver provision for DCFC energized after June 2026 and to require the Company to create a DCFC tariff in its next general electric rate case." 5 Tr 4007. Instead, MEIU recommended that the Commission require DTE Electric to: (1) conduct a comprehensive evaluation of best practices as it relates to DCFC tariffs being implemented in other states and countries, (2) conduct a stakeholder convening to gather key stakeholder and industry feedback on issues related to DCFC tariffs and demand charges, and (3) to present its findings and propose a long-term plan for the eventual implementation of an appropriate DCFC tariff by December 1, 2026. 5 Tr 4007.

Similar to MEIU, Walmart recommended that the Commission direct DTE Electric to "plan, develop, and announce a stakeholder convening agenda and schedule as soon as is prudent to allow for sufficient opportunity and time to develop a consensus-based EV fast charging rate proposal to present to the Commission no later than December 1, 2026." 5 Tr 4099.

The Staff rejected MEIU's and Walmart's "implied recommendation . . . that we should wait until there is market stability or steady state usage [before] a fast charging tariff is adopted." Staff's initial brief, pp. 195-196. The Staff argued that this recommendation is without merit

because "Staff is currently working on implementing tariffs for large users based on potential data centers, and there is no stability in the data center market." *Id*., p. 196.

DTE Electric rebutted the Staff's proposal, arguing that the January 23 order "already establishes a clear path to a successor EV fast charger rate, directing the Company to file a new rate design by December 1, 2026—after robust stakeholder engagement[,] . . . [and] the Company is committed to meeting this timeline and collaborating with Staff and other interested parties." 4 Tr 1790; DTE Electric's initial brief, p. 233. The company agreed that the "resulting rate should be grounded in cost-of-service principles, with considerations such as uptime and reliability appropriately vetted through the stakeholder process and addressed in the subsequent filing, rather than set as predetermined criteria." 4 Tr 1790; DTE Electric's initial brief, p. 233. DTE Electric contended that "[s]takeholder engagement prior to the December 2026 filing is already provided for and is the proper forum to evaluate design[, therefore], no further action is needed from the Commission. 4 Tr 1790; DTE Electric's initial brief, p. 233.

The ALJ agreed with the Staff's proposals, finding that the proposals aligned with the plans for the DCFC tariff set out in the January 23 order. PFD, p. 667. However, the ALJ disagreed with the MEIU's recommendation that a "track record for market stability or steady state usage should be established before a fast-charging tariff is adopted" for the reasons articulated by the Staff. *Id*. Moreover, the ALJ:

> [n]oting DTE's acknowledgment that many of the interests of Staff and the Intervenors are already built into the plans for the EV DCFC charging tariff, as set forth in the [January 23] order, . . . [found] that, aside from adopting the recommendations of Staff and reiterating the need to follow the directives of the Commission in its [January 23] order in Case No. U-21534, no additional direction is necessary from the Commission at this time.

Id.

While DTE Electric agrees with the ALJ's recommendation that any successor EV fast-charging rate should be grounded in cost-of-service principles and developed through the specific process the Commission already established in the January 23 order, the company "takes exception to the PFD to the extent [the ALJ] is pre-ordaining detailed design criteria such as an energy-only structure with no demand charges." DTE Electric's exceptions, pp. 192-193 (citing PFD, p. 667). The company asserts that these considerations will be vetted through a future stakeholder process. DTE Electric's exceptions, p. 193. The company also clarifies that the December 1, 2026 tariff filing date established in the January 23 order should be maintained. *Id*.

In exceptions, MEIU disagrees with the ALJ's recommendations on this issue, arguing that the Commission should "at a minimum, leave intact all of its findings from [the January 23 order], including the rolling two-year demand limit waiver and a December 1, 2026 deadline for a DCFC rate filing—which Staff here proposed (without justification) to instead move *up* to the Company's next rate case." MEIU's exceptions, p. 6 (emphasis in original). In the alternative, MEIU reiterates its request for the Commission to recognize that additional time beyond the December 1, 2026 deadline for a DCFC rate filing is necessary to permit both the DCFC market to further mature and for DTE Electric to conduct the stakeholder outreach required by the January 23 order. *Id*.

The Staff disagrees with MEIU's argument, asserting that the ALJ appropriately considered this matter and made an acceptable recommendation. Staff's replies to exceptions, p. 45 (citing MEIU's exceptions, pp. 5-6; PFD, p. 667).

DTE Electric also disagrees with MEIU's argument, agreeing with the ALJ's "rejection of MEIU's proposal to wait for 'market stability' or steady-state usage before implementing a fast-charging tariff." DTE Electric's replies to exceptions, p. 79 (citing MEIU's exceptions, pp. 5-6;

PFD, p. 667). The company, however, agrees with MEIU's assertion that the "December 1, 2026 DCFC tariff filing deadline should be maintained, consistent with the [January 23 o]rder[, and takes no position on the rolling two-year demand limit waiver." DTE Electric's replies to exceptions, p. 79 (citing MEIU's exceptions, p. 6).

Having reviewed the record and the parties' arguments on this issue, the Commission agrees with the ALJ's recommendations except for removing the two-year rolling demand charge holiday provision from the currently approved holiday. *See*, PFD, p. 667. The Commission finds that the two-year rolling demand charge holiday provision should remain in place, as the Staff provided no convincing evidence to depart from the decision made in the January 23 order. Therefore, the Commission adopts the ALJ's recommendations on this issue apart from removing the two-year rolling demand charge holiday provision, which shall remain in place.

3. Rate D11 – Commercial and Industrial Primary Rate Design

According to DTE Electric, Rate D11 is the Company's "main primary rate schedule and is available to customers served at primary, sub-transmission, or transmission voltage." 4 Tr 2590. The company proposed a rate design for primary power supply rates that maintained the currently approved ratio between demand and energy rates for Rate D11, opining that the current demand/energy split for Rate D11 customers using present value was 53% demand charges and 47% energy charges.[18] 4 Tr 2584-2585 (citing the January 23 order and December 1 order). DTE

[18] Per DTE Electric, the current ratio between power supply demand and energy rates for Rate D11 was "intended to mitigate the impacts of volatility in the capacity and non-capacity allocations and the resulting volatility in the overall ratio of demand and energy-based rates. The ratio considers total power supply revenues (i.e. both capacity and non-capacity revenues)." 4 Tr 2584-2585.

Electric proposed no changes to the primary rate service charges and proposed no new primary rate schedules. 4 Tr 2596-2597.

ABATE agreed that the company's primary customer class rate design was consistent with the December 1 order and the establishment of a fixed 53% demand and 47% energy split was made to "address rate case to rate case volatility in the SRM capacity charge that is related to the annual true up of that charge." 4 Tr 3212. However, ABATE asserted that DTE Electric's primary customer class rate design had two constraints: (1) consistent with historical methodologies, the SRM capacity charge is used to determine the split between power supply capacity charges and power supply non-capacity charges[;]" and (2) "the continued volatility of the SRM capacity charges is creating a new issue in this case that the current fixed [53% demand and 47% energy] split cannot reasonably solve." 4 Tr 3212. ABATE explained that because the SRM capacity charge in this case (which suggested 68% of the power supply revenue requirement is capacity related) is so high and the total power supply charges are subject to the fixed 53% demand and 47% energy split, DTE Electric has "chosen to, for the first time, implement a power supply capacity energy charge, and to zero out the power supply non-capacity demand charge." 4 Tr 3212. ABATE argued that the company's use of SRM capacity charges to identify the portion of DTE Electric's total production facility costs that are recovered through the demand charges are problematic for the following reasons:

> First, from rate case to rate case the use of the SRM capacity charge as the basis of apportionment of total production facility costs between demand and energy charges resulted in a very large swing in the apportionment of the total production facility costs for a customer class between the demand and energy charges for that class. This violates the principle of rate stability in ratemaking. Consideration of rate stability in ratemaking can mitigate rate shock for customers.
>
> Second, it failed to consider that all production facility costs are fixed costs that are not driven by energy consumption and that this nature of them is not changed by the portion of them that is classified as capacity versus non-capacity by the SRM

> capacity charge. All of the fixed production facility costs that are allocated to a customer class should be recovered through demand charges to the extent demand charges are used to recover costs for that customer class and regardless of the allocator used to allocate those costs to the customer classes.

4 Tr 3213-3214. Therefore, ABATE recommended for D11 primary customer rates with both demand and energy charges that 63% of the power supply costs be recovered through demand charges and 37% through energy charges, based on the company's 2025 power supply cost components. 4 Tr 3218-3219. Continuing, ABATE recommended that "the transmission costs [should be] recovered through the non-capacity demand charge, and the remainder of the 63% of fixed costs being recovered through the capacity demand charge. 37% of the power supply revenues from these classes should be recovered through the non-capacity energy charge." 4 Tr 3219.

Kroger opined that ABATE's "proposal to modify the primary rate design in this case would . . . be favorable to higher-than-average load factor customers and unfavorable to lower-than-average load factor customers." 5 Tr 4453. Kroger also expressed concerns with ABATE's recommendation to modify the primary rate design, arguing that this proposal would result in the "third of three different rate design methodologies in a span of just three rate cases." 5 Tr 4453. While Kroger agreed with some of ABATE's concerns "regarding the methodologies that have historically employed in DTE's primary rate design, . . . [Kroger is] also concerned about frequent and significant deviations from the underlying methodology, particularly when such changes consistently align with conditions that favor one subset of customers over another." 5 Tr 4453. Kroger recommended that the Commission "carefully consider any further changes to the primary rate design *methodology* and only approve a new rate design methodology if it determines that an alternative method is both superior and aligned with cost causation." 5 Tr 4453-4454 (emphasis in original). Kroger also recommended that if the Commission decided to order a rate design

methodology that "targets a specific ratio of demand to energy revenues based on the underlying cost causation, . . . [then] revenues produced from the on-peak energy charge premium should be considered demand related." 5 Tr 4455.

While the Staff agreed with ABATE's argument that the SRM charge method to determine capacity and non-capacity revenue requirements can have a volatile effect on rate design, the Staff disagreed with ABATE's assertion that "[a]ll of the fixed production facility costs that are allocated to a customer class should be recovered through demand charges to the extent that demand charges are used to recover costs for that customer class and regardless of the allocator used to allocate those costs to the customer classes." 5 Tr 4920 (quoting 4 Tr 3214); *see also*, 4 Tr 3217-3220. The Staff also argued that ABATE's suggestion that 63% of power supply costs are fixed and the remaining 37% are variable was the same argument ABATE made in Case No. U-21297, and the Commission did not approve it then and should not in this case as well. 5 Tr 4922; Staff's initial brief, p. 183. As such, ABATE's proposal for primary supply rate design using a fixed/variable cost method should be rejected. 5 Tr 4922; Staff's initial brief, p. 185. The Staff also recommended that the Commission: (1) continue to approve the current 47% demand charge and 53% energy charge split for recovering power supply revenue from primary customers; (2) require DTE Electric to provide more information on its energy market sales forecast in future cases so that the future forecasts can be made more accurately and can prevent large swings between the capacity and non-capacity revenue requirements; and (3) require the company to "provide all the data it uses to make its Energy Market Sales forecast as part of its initial filing in its next rate case . . . to prevent very large swings between the capacity and non-capacity revenue requirements and SRM capacity charges." 5 Tr 4922, 4964-4965.

The Staff disagreed with Kroger's proposal to include on-peak premium revenue in the demand/energy ratio calculation, arguing that Kroger's proposal implies that non-capacity energy charges can be construed as capacity demand-related capacity costs. Staff's initial brief, p. 185. The Staff explained that the primary issue in establishing the demand/energy ratio is the "large difference between forecasted and actual energy market sales and their reconciliation has downstream effects on rate design, so fixing the root problem will solve the issue of rate design without necessitating new methods of rate design." *Id*., p. 186.

The ALJ acknowledged "the challenges that arise in designing primary power supply rates and appreciate[d] ABATE's and Kroger's efforts to find a resolution for those challenges." PFD, p. 676. However, the ALJ found that the current rate design was consistent with the January 23 order and December 1 order and that the recommendations for a redesign by ABATE and Kroger were not appropriate at this time. *Id*. The ALJ also observed that ABATE's proposal mirrored its proposal in Case No. U-21297, which the Commission declined in the December 1 order, and that ABATE presented no distinguishing facts or circumstances in this case that would prompt a recommendation for change. *Id*. The ALJ agreed with the Staff's proposal that:

> "[i]f the Commission approves Staff's proposal to enhance the forecast of energy market sales and thus dampen the large swings in revenue requirements created by reconciling the forecast to actuals, then perhaps in future rate cases it will be appropriate to revert to the previous method of allowing the capacity and noncapacity revenue requirements to inform the ratio of demand and energy charges."

Id. (quoting Staff's initial brief, p. 184). Therefore, the ALJ recommended that the Commission adopt the "currently approved method for designing primary power supply rates [as] the most appropriate at this time and . . . [approve] the Company's primary power supply rate design." PFD, p. 676.

In exceptions, ABATE disagrees with the ALJ's recommendations on this issue, arguing that the ALJ's assertion was "not consistent with the record in this proceeding or the Commission's determination in the [December 1 order.]" ABATE's exceptions, p. 9. ABATE reiterates its argument that the methodology used to calculate the ratio of demand to energy charges should be reformulated to address the continued volatility of the SRM capacity charges and the fixed 53% demand and 47% energy split, which ABATE contends is consistent with the ALJ's and the Commission's directives in Case No. U-21297. *Id*., pp. 9-10 (citing the December 1 order, pp. 323-328).

DTE Electric disagrees with ABATE's exception on this issue. DTE Electric's replies to exceptions, p. 78 (citing ABATE's exceptions, pp. 9-11). The company agrees with the ALJ's conclusion that the company's current primary customer rate design is "consistent with the most recent Commission orders and directives and that ABATE's proposal for a re-design is not reasonable or necessary at this time." DTE Electric's replies to exceptions, p. 78 (citing PFD, p. 676). DTE Electric argues that ABATE "presented no compelling reason to depart from the established and Commission-approved methodology for the demand/energy split. Because the evidence supports the Company's current primary rate design methodology, the Commission should reject ABATE's proposal and adopt the PFD's recommendation." DTE Electric's replies to exceptions, pp. 77-78.

Having reviewed the record and the parties' arguments on this issue, the Commission finds the ALJ's recommendations well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, pp. 676.

4. Rate Schedule D3.5

According to DTE Electric, "Rate Schedule D3.5 is a Company owned charging service and includes on/off peak non-capacity energy charges and a session fee." 4 Tr 2586. The company explained that the "rate structure for Rate Schedule D3.5 has a non-capacity energy charge based on time of use and a session fee which includes power supply capacity and is based on the demand rating of the charging station consistent with the approved rate design in [the January 23 order in] Case No. U-21534." 4 Tr 2588.

Electrify America supported the company's position on the utility-owned fast charging infrastructure investments being strategic and targeted, but recommended that:

> should the Commission approve a future DTE proposal to install, own, and operate a DCFC site, the customer pricing at such a site should not be permitted to significantly undercut the pricing offered by private entities offering similar services. As such, the session fee and volumetric components of Rate Schedule No. D3.5 should be updated to reflect market rates for public fast charging infrastructure at similar power levels in DTE's service area. This would help remove doubts for non-utility EV charging infrastructure operators such as Electrify America to facilitate continued investments in DTE's service area.

4 Tr 3600.

DTE Electric rebutted Electrify America's assertion, arguing that Rate Schedule D3.5 "was not intended to compete with or displace private investment, but rather to explore utility-owned charging in a controlled and transparent manner. Any future expansion or modification of this rate would be subject to Commission review and stakeholder input." 4 Tr 2607. Therefore, the company disagreed with Electrify America's argument that Rate Schedule D3.5 distorts competition. 4 Tr 2607. Moreover, DTE Electric contended that Electrify America's concerns about competitive impacts are speculative and premature, asserting that the company "does not currently operate, nor does it plan to install, any utility-owned DC fast charging infrastructure through 2028. Rate Schedule D3.5 was designed to support a limited pilot applicable to a

maximum of 100 chargers and is not currently in use." 4 Tr 2608. Thus, the company asserted that the Commission should reject Electrify America's proposal to update the session fee and volumetric components of Rate Schedule D3.5 to reflect market rates. 4 Tr 2608.

Electrify American did not file a brief on this issue.

The ALJ agreed with DTE Electric, noting that Rate Schedule D3.5 "is a limited pilot, is not currently in use, and DTE does not expect deployment before 2028." PFD, p. 679. The ALJ also agreed that because Rate Schedule D3.5 is designed to explore utility-owned investments and not private investments, Electrify America's "concerns over rate competitiveness [are] speculative at this time and can be better assessed once the pilot is closer to deployment." *Id*. Therefore, the ALJ recommended that the Commission approve DTE Electric's Rate Schedule D3.5. *Id*.

No exceptions were filed on this issue.

The Commission adopts DTE Electric's and the ALJ's recommendations to approve the company's Rate Schedule D3.5, finding the recommendations to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 679.

5. Revisions to Rate Schedule D14 on-Peak Period

The Commission approved Rate Schedule D14 in the January 23 order. Per DTE Electric, Rate Schedule D14 is an "optional time of use rate with power supply rates that vary depending on season and time of day and . . . will be available to customers no later than December 31, 2025." 4 Tr 2590. The company explained that the Commission directed it to propose a "modification to Rate Schedule D14 with an on-peak window of time that is sufficiently shorter than eight hours following consultation with interested parties. The Company met with interested parties . . . [and

provided a modified] D14 on-peak period in this case, consistent with the January 23, 2025 Order." 4 Tr 2592.

The ALJ recommended approval of Rate Schedule D14, noting that no parties opposed the company's proposal.

No exceptions were filed on this issue.

The Commission adopts DTE Electric's and the ALJ's recommendations to approve the company's Rate Schedule D14, finding the recommendations to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 679.

C. Commercial and Industrial Rate Schedules

The ALJ recommended approval of DTE Electric's commercial and industrial rate schedules, noting that the company provided an overview of its proposed commercial and industrial rate schedule revisions in its initial brief and no party objected to these revisions. PFD, p. 679 (citing DTE Electric's initial brief, pp. 239-240).

No exceptions were filed on this issue.

The Commission adopts DTE Electric's and the ALJ's recommendations to approve the company's commercial and industrial rate schedules, finding the recommendations to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 679.

D. Streetlighting Rate Design

DTE Electric proposed a rate design for the outdoor lighting and ATS Tariff offerings using the lighting model and provided Exhibit A-16, Schedule F3 to demonstrate the "present and proposed rate design and corresponding revenues by rate schedule, based on the billing

determinants for the 12 months ending December 31, 2026 The exhibit details the forecasted billing determinants as well as the resulting present and proposed rates and revenues." 4 Tr 1409, 1432.

The Staff recommended that DTE Electric be "required to file a proposal in its next rate case for universal lighting rates." 5 Tr 4906. The Staff argued that because the company "no longer offers non-LED lighting to new customers and no longer services non-LED luminaries, instead replacing them with LED luminaires, it is appropriate for the Company to begin the transition to a universal lighting rate design." 5 Tr 4906 (footnotes omitted).

DTE Electric supported the Staff's recommendation to include a proposal for universal lighting rates in its next rate case filing, noting that "[t]his approach aligns with broader goals of rate simplification and transparency, and the Company is committed to working collaboratively with stakeholders to evaluate fair and equitable lighting rates." 3 Tr 1452-1453.

The ALJ recommended approval of the Staff's proposal, noting that the company supported this proposal. PFD, p. 680.

No exceptions were filed on this issue.

The Commission adopts the Staff's recommendation, finding the recommendation to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 680.

E. Nuclear Surcharge

The ALJ recommended approval of DTE Electric's nuclear surcharge, noting that the company provided an overview of its proposed nuclear surcharge in its initial brief and no party objected to this proposal. PFD, p. 680 (citing DTE Electric's initial brief, p. 242).

No exceptions were filed on this issue.

The Commission adopts DTE Electric's and the ALJ's recommendations to approve the company's nuclear surcharge, finding the recommendations to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 680.

F. Tariffs

1. Residential Electric Vehicle Tariff Minimum Service

In the January 23 order, DTE Electric was directed to "modify tariff sheet no. C-27.00, using Consumers Energy sheet D-14.00 as guidance, to establish a limited waiver for CIAC which may arise from residential EV charger installation." 4 Tr 1450. As a result of the directive, the company proposed adding Section C6.1(16) with the following language:

> *"Residential minimum service is 10 kW of connected load. Service for residential electric vehicle charging is not considered in the minimum service. Electric vehicle charging equipment exceeding 9.6 kW of demand at the meter, or total connected load exceeding 10 kW (excluding electric vehicle charging equipment), may be subject to additional charges in accordance with the Section C6."*

4 Tr 1450 (emphasis in original).

The Staff recommended that the company "propose on rebuttal a new wording of the sentence 'Residential minimum service is 10 kW of connected load' to avoid [possible] confusion . . . or remove the sentence entirely. With the sentence removed the application of additional charges should remain unchanged and have the same desired effect." 5 Tr 4914.

DTE Electric was unopposed to the Staff's proposal to remove the referenced sentence from the EV minimum service tariff proposal. 4 Tr 1791.

The ALJ recommended approval of the Staff's proposal, noting that the company was unopposed to this proposal. PFD, p. 681.

No exceptions were filed on this issue.

The Commission adopts the Staff's recommendation, finding the recommendation to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 681.

2. Rate D13 – XL Large Industrial Rate

According to DTE Electric, Rate Schedule D13 is the company's XL Large Industrial Rate. 4 Tr 2590. The company explained that the proposed Rate Schedule D13 design is "consistent with the approved design in Case NO. U-21534 and utilizes Blue Water Energy Center (BWEC) as a proxy indication of marginal cost to serve. The proposed capacity rates maintain the levelized cost of BWEC capacity approved by the Commission in successive cases, including Case No. U-21534, and remain unchanged." 4 Tr 2596.

The Staff asserted that the "details of the facilities allowance are not currently reflected in the Company's rate book." 5 Tr 2914-2915. The Staff recommended that DTE Electric:

> in its next general rate case, propose an exhibit defining the calculation of the facilities allowance for Rate D13 for inclusion in its proposed tariffs. The facilities allowance for Rate D13 language should be added to Section C6 of the Company's rate book. Including the applicable CIAC, line extension, and facilities allowances for all customers in the Company's rate book will provide transparency for these customers and will aid in resolving any potential disputes between the Company and customers should they arise. Enshrining Commission-approved procedures which rely on rates into the rate book allows customers to be certain of fair treatment by the Company. For these reasons the Commission should require the Company to include the facilities allowance for Rate D13 in its proposed tariffs in the Company's next general rate case.

5 Tr 2915.

DTE Electric did not object to the Staff's recommendation.

The ALJ recommended approval of the Staff's proposal, noting that the company did not object to this proposal. PFD, p. 682.

No exceptions were filed on this issue.

The Commission adopts the Staff's recommendation, finding the recommendation to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 682.

3. Reformat of Tariff Pages

The Staff recommended that the Commission require DTE Electric to "propose tariffs in its next [rate] case that move miscellaneous charges from blocks of text to individual lines or some other method of highlighting the charge." 4 Tr 4918.

DTE Electric did not oppose the Staff's recommendation.

The ALJ recommended approval of the Staff's proposal, noting that the company did not oppose this proposal. PFD, p. 682.

No exceptions were filed on this issue.

The Commission adopts the Staff's recommendation, finding the recommendation to be well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. *See*, PFD, p. 682.

THEREFORE, IT IS ORDERED that:

A. Based on the findings in this order adopting a January 1, 2026 through December 31, 2026 test year, a jurisdictional rate base of $23,047,490,000, an authorized rate of return on common equity of 9.90%, and an authorized overall rate of return of 5.32%, DTE Electric Company is authorized to implement rates that increase its annual electric revenues by $242,406,000, on a jurisdictional basis, over the rates approved in the January 23, 2025 order in Case No. U-21534.

B. DTE Electric Company is authorized to implement rates consistent with the revenue deficiency approved by this order on a service rendered basis for service provided on and after March 5, 2026, as reflected in Attachment A (a summary of revenue by rate class), Attachment B

(tariff sheets), and Attachment C (updated calculation of the capacity charge) to this order. Within 30 days of the date of this order, DTE Electric Company shall file tariff sheets substantially similar to Attachment B. When filing the tariffs consistent with those ordered, DTE Electric Company shall also update the Standard Allowance amounts on Tariff Sheet C-30.00, Section C6.2(4)(a), to be consistent with the rates approved in this order. After the tariff sheets have been reviewed and accepted by the Commission Staff for inclusion in the company's tariff book, DTE Electric Company shall promptly file the final tariff sheets in this docket and serve all parties. DTE Electric Company shall implement a state reliability mechanism capacity charge of $79,096 per megawatt-year, or $216.70 per megawatt-day, for customers taking capacity service, as shown on Attachment C to this order. Attachment B contains the associated capacity rates.

C. As set forth in the order and agreed to by the company, DTE Electric Company shall include a thorough discussion of the sunsetting impacts of electric vehicle tax credits on electric vehicle adoption in the company's next transportation electrification plan filing due July 1, 2026, and in the company's next rate case.

D. As set forth in the order, DTE Electric Company shall, beginning with its next rate case, start identifying and tracking utility make-ready costs for electric vehicle charger deployments and shall provide in its application, updated when possible during the pendency of the case, the actual cost of utility make-ready installations completed in prior years with a comparison of those costs to forecasts from prior rate cases.

E. As set forth in the order, DTE Electric Company shall, beginning with its next rate case, update its benefit cost analyses to include the full revenue requirement (i.e., full customer costs) in support of the company's proposed capital investments.

F. As set forth in the order, DTE Electric Company shall reevaluate the company's criteria for determining what equipment, including poles, needs immediate replacement and what equipment can be replaced in the future, and shall include these reevaluated criteria in its next rate case.

G. As set forth in the order, DTE Electric Company shall work together with the Commission Staff and interested parties from the present rate case to develop more concrete planning protocols and guidelines to inform the pace of the company's circuit conversions, to the extent feasible. DTE Electric Company shall then file evidence of this collaboration, along with the company's full strategy around conversions, in its next distribution system plan filing.

H. DTE Electric Company shall include in its next integrated resource plan case an explanation of its investigation into and proposed ways to improve its third-party demand response procurement process, as described in this order.

I. In its next Transportation Electrification Plan, DTE Electric Company shall include an analysis of how the One Big Beautiful Bill Act will impact electric vehicle adoption and load in the company's service territory going forward. DTE Electric Company shall also provide detailed information on the performance, costs, and enrollment associated with the Smart Charge pilot program, including an updated benefit cost analysis, as described in this order.

J. In its next rate case, DTE Electric Company shall report on whether it has charged a contribution in aid of construction to any residential customers who have exceeded the wattage limitations for residential electric vehicle infrastructure, including the amount and timing of any fees that have been assessed.

K. DTE Electric Company shall track revenue collected from the back-billing of customers with unregistered meters as a regulatory liability, consistent with the Commission Staff's proposal until such time as it can be included as an offset to rates in future rate cases.

L. DTE Electric Company shall track tree-related outages for circuits falling behind the required five-year cycle and present this data in its next general rate case.

M. DTE Electric Company shall develop and file an interim report pertaining to tree trimming and specifically investigate the costs and benefits of moving to a four-year cycle. DTE Electric Company shall collaborate with the Commission Staff to determine the parameters of the report, including the timeline for filing.

N. DTE Electric Company is authorized to include up to an additional $20 million to achieve the five-year trimming cycle as a regulatory asset, with the Commission to review both the total amount and the reasonableness and prudence of the expenditures in a future case.

O. DTE Electric Company shall: (1) document its review of municipalities' capital improvement plans and (2) discuss project prioritization and timing with local officials prior to committing design capital to a project.

P. DTE Electric Company shall provide a detailed and itemized list of expenditures, with names of vendors and a detailed description of the nature of expenses, of DTE Electric Company's spending on electoral campaigns, advertising, marketing, lobbying, trade associations, and 501(c)(3) and 501(c)(4) non-profits.

Q. As set forth in the order, DTE Electric Company shall establish a mechanism to provide a detailed and robust description and justification for expenses on both internal and external consultants to complete future rate cases and provide those costs with each new rate case filing, beginning with its next rate case application.

R. DTE Electric Company shall make efforts to improve its existing weatherization, energy waste reduction, and energy efficiency programs to better educate and assist low-income customers with accessing and obtaining funding associated these programs.

S. In its next general rate case, DTE Electric Company shall demonstrate that its unregulated programs do not contribute to customer shutoffs.

T. DTE Electric Company shall gather, review, and analyze its customer account data to determine: (1) how many customers whose electricity is shut off for non-payment have their service restored and the average time it takes for restoration, (2) whether the duration of the average shutoff is increasing, (3) whether and to what extent shutoff duration correlates with arrearage balances, and (4) any other factor that may reveal why disconnections are increasing and how to reduce them. DTE Electric Company shall also review its disconnection policies and use regression analysis to determine if customers are disconnected disparately based on race, income, or geography, and to report shutoff data at the census tract level.

U. DTE Electric Company shall publish its internal guidance for eligible conditions for medical and critical care program participation, affirmatively reach out to medical providers, and provide fulsome and timely explanations and an appeal process to customers denied entrance into the programs.

V. In its next general rate case, DTE Electric Company shall provide a benefit cost analysis that demonstrates whether the company's cash-only policy reduces arrearages and decreases costs. DTE Electric Company shall also provide financial assistance information to any customer that is subject to the cash-only policy.

W. In its next general rate case and its 2026 distribution system plan filing, DTE Electric Company shall evaluate changing demographics over time using data consistent with underlying data sets for the detailed regression analysis already required to investigate customer demographics and reliability for vulnerable communities to be used in the company's distribution

system plan case to help enable a complete understanding of equity outcomes, including along the lines of race and class.

X. In future rate cases and distribution system plans, DTE Electric Company shall run a regression analysis, conduct certain analyses, pair the MiEJScreen tool with reliability and energy burden indicators, and incorporate environmental justice into its models and programs, as described in this order.

Y. With respect to production cost allocation, DTE Electric Company in its next rate case shall run and present the standard coincident peak tests and provide insight into how it views seasonal or monthly load growth in the future with comments on the potential for changing the production allocator based on the seasonal load shift.

Z. With respect to the transportation electrification plan allocation, in its next rate case, DTE Electric Company shall identify the total paid rebates and voltage levels by customer class; propose an accounting scheme that accurately captures the full net present value benefits, including all revenue attributable to charging and associated network effects, provided by its programs across customer classes; and propose an amortization schedule that more appropriately reflects the true useful life of electric vehicle charging equipment.

AA. DTE Electric Company shall provide, in its next general rate case, all data that it uses to develop its energy market sales forecast including a calculation of its forecast in excel format with all formulas intact.

BB. In its next general rate case, DTE Electric Company shall provide an updated analysis specifically designed to analyze the factors impacting low-income customers' ability to shift usage on Rate Schedule D1.11.

CC. As set forth in the order, DTE Electric Company shall provide an updated shutoff analysis as soon as feasible, but not later than its next general rate case.

DD. In its next general rate case, DTE Electric Company shall provide the data necessary to develop an explicitly calculated discount for Rate Schedule D1.1 power supply rates that reflects the value provided by interruptible load.

EE. In its next general rate case, DTE Electric Company shall increase its Rate Schedule D8 non-interruption fee to $0.00880.

FF. In its next general rate case, DTE Electric Company shall include a proposal for universal lighting rates.

GG. In its next general rate case, DTE Electric Company shall include the facilities allowance for Rate Schedule D13 in its proposed tariffs.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at LARA-MPSC-Edockets@michigan.gov and to the Michigan Department of Attorney General - Public Service Division at sheac1@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Daniel C. Scripps, Chair

Katherine L. Peretick, Commissioner

Shaquila Myers, Commissioner

By its action of February 19, 2026.

Lisa Felice, Executive Secretary

DTE Electric Company
Case No. U-21860
Order Summary of Present and Proposed Revenue

Michigan Public Service Commission
DTE Electric Company
Order Summary of Present and Proposed Revenue by Rate Schedule

Case No.: U-21860
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Total Revenues

Line No.	(a) **Residential**	(b) **Total Present Revenue ($000's)**	(c) **Total Proposed Revenue ($000's)**	(d) **Total Net Increase/ (Decrease) ($000's)**	(e) **Total Net Increase/ (Decrease) (%)**
1	D1 non-transmit meter	$17,297	$17,993	$697	4.0%
2	D1.1 Int. Air	$49,370	$51,643	$2,273	4.6%
3	D1.2 TOD	$64,515	$68,042	$3,527	5.5%
4	D1.7 TOD	$16,532	$17,419	$887	5.4%
5	D1.8 Dynamic	$30,735	$32,083	$1,349	4.4%
6	D1.9 Elec. Vehicle	$2,340	$2,454	$114	4.9%
7	D1.11 Time of Use	$2,803,204	$2,915,987	$112,784	4.0%
8	D2 Elec. Space Heat	$49,722	$52,069	$2,348	4.7%
9	D5 Res. Water Ht.	$13,997	$14,731	$735	5.2%
10	Total Residential	$3,047,710	$3,172,423	$124,713	4.1%
11					
12	**Secondary**				
13	D1.1 Int. Air	$712	$751	$39	5.5%
14	D1.7 TOD	$1,627	$1,748	$121	7.4%
15	D1.8 Dynamic	$118	$124	$6	5.3%
16	D 1.9 Elec Vehicle	$196	$205	$9	4.6%
17	D3 Gen. Serv.	$1,148,007	$1,211,341	$63,333	5.5%
18	D3.1 Unmetered	$12,104	$12,872	$767	6.3%
19	D3.2 Sec. Educ.	$64,311	$69,302	$4,991	7.8%
20	D3.3 Interruptible	$8,045	$8,578	$534	6.6%
21	D3.5 Charging Serv.	$0	$0	$0	-
22	D4 Lg. Gen. Serv.	$270,899	$286,064	$15,166	5.6%
23	D5 Com. Wat. Ht.	$1,027	$1,097	$70	6.8%
24	E1.1 Eng. St. Ltg.	$1,224	$1,306	$82	6.7%
25	R7 Greenhs. Ltg.	$277	$298	$21	7.5%
26	R8 Space Cond.	$9,543	$10,109	$566	5.9%
27	Total Secondary	$1,518,091	$1,603,796	$85,706	5.6%
28					
29	**Primary**				
30	D11 Prim. Supply	$987,377	$1,010,773	$23,396	2.4%
31	D12 Exp. Lrg Cust	$0	$0	$0	-
32	D6.2 Pri. Educ.	$81,104	$81,714	$610	0.8%
33	D8 Int. Primary	$43,664	$45,195	$1,531	3.5%
34	D10 El.Schools	$1,975	$2,049	$74	3.8%
35	R1.1 Alt. Mtl. Melt.	$7,093	$7,375	$282	4.0%
36	R1.2 El. Pr. Htg.	$30,409	$32,175	$1,766	5.8%
37	R3 Standby	$9,177	$8,905	($272)	(3.0%)
38	R10 Int. Supply	$41,104	$41,385	$281	0.7%
39	Total Primary	$1,201,902	$1,229,571	$27,669	2.3%
40					
41	D13 XL	$0	$0	$0	-
42					
43	**Other**				
44	D9 Protective Ltg.	$12,943	$13,960	$1,017	7.9%
45	E1 Muni Street Ltg	$68,039	$71,046	$3,007	4.4%
46	E2 Traffic Lights	$5,685	$5,980	$294	5.2%
47	Total Other	$86,667	$90,985	$4,318	5.0%
48					
49	**Total All Classes**	$5,854,370	$6,096,776	$242,406	4.1%

Michigan Public Service Commission
DTE Electric Company
Order Summary of Present and Proposed Revenue by Rate Schedule

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Power Supply Revenues

Line No.	(a) Residential	(b) Power Supply Sales (MWH)	(c) Present Revenue ($000's)	(d) Increase/ (Decrease) ($000's)	(e) Proposed Revenue ($000's)	(f) Capacity Revenue ($000's)	(g) Non-Capacity Revenue ($000's)
1	D1 non-transmit meter	86,377	$8,046	($11)	$8,035	$2,989	$5,046
2	D1.1 Int. Air	280,907	$20,314	($28)	$20,286	$7,547	$12,739
3	D1.2 TOD	365,785	$26,898	$530	$27,429	$7,917	$19,511
4	D1.7 TOD	109,318	$5,961	($8)	$5,952	$2,214	$3,738
5	D1.8 Dynamic	166,790	$12,848	($18)	$12,830	$4,773	$8,057
6	D1.9 Elec. Vehicle	14,047	$891	($1)	$890	$331	$559
7	D1.11 Time of Use	13,983,125	$1,285,395	($1,790)	$1,283,604	$477,535	$806,070
8	D2 Elec. Space Heat	280,163	$19,965	$52	$20,017	$5,174	$14,842
9	D5 Res. Water Ht.	90,405	$4,438	($6)	$4,432	$1,649	$2,783
10	Total Residential	15,376,916	$1,384,756	($1,281)	$1,383,474	$510,130	$873,345
11							
12	**Secondary**						
13	D1.1 Int. Air	4,915	$342	($0)	$342	$109	$233
14	D1.7 TOD	14,835	$694	($1)	$693	$221	$472
15	D1.8 Dynamic	779	$65	($0)	$65	$21	$44
16	D1.9 Elec. Vehicle	1,116	$78	($0)	$78	$29	$49
17	D3 Gen. Serv.	7,627,725	$623,643	($874)	$622,769	$198,548	$424,221
18	D3.1 Unmetered	91,684	$6,403	($9)	$6,394	$2,039	$4,356
19	D3.2 Sec. Educ.	327,633	$25,909	($74)	$25,836	$7,873	$17,963
20	D3.3 Interruptible	58,319	$3,984	($6)	$3,979	$1,268	$2,710
21	D3.5 Charging Serv.	0	$0	$0	$0	$0	$0
22	D4 Lg. Gen. Serv.	1,751,416	$133,811	$44	$133,855	$39,393	$94,462
23	D5 Com. Wat. Ht.	8,718	$420	($1)	$419	$134	$285
24	E1.1 Eng. St. Ltg.	10,261	$578	($1)	$577	$184	$393
25	R7 Greenhs. Ltg.	2,572	$120	($0)	$120	$38	$82
26	R8 Space Cond.	69,401	$4,931	($7)	$4,924	$1,570	$3,354
27	Total Secondary	9,969,374	$800,979	($928)	$800,050	$251,426	$548,625
28							
29	**Primary**						
30	D11 Prim. Supply	11,726,585	$773,000	$4,918	$777,918	$199,043	$578,874
31	D12 Exp. Lrg Cust	0	$0	$0	$0	$0	$0.00
32	D6.2 Pri. Educ.	715,411	$56,388	($1,692)	$54,696	$17,353	$37,343
33	D8 Int. Primary	563,451	$32,540	$532	$33,072	$5,798	$27,274
34	D10 El.Schools	12,620	$1,030	$6	$1,036	$265	$770
35	R1.1 Alt. Mtl. Melt.	104,184	$5,836	$191	$6,027	$920	$5,107
36	R1.2 El. Pr. Htg.	347,169	$19,175	$637	$19,813	$2,794	$17,019
37	R3 Standby	86,697	$6,720	($429)	$6,290	$1,734	$4,556
38	R10 Int. Supply	791,195	$36,545	($20)	$36,525	$0	$36,525
39	Total Primary	14,347,312	$931,233	$4,143	$935,376	$227,907	$707,469
40							
41	D13 XL	0	$0	$0	$0	$0	$0
42							
43	**Other**						
44	D9 Protective Ltg.	32,675	$1,506	$39	$1,545	$0	$1,545
45	E1 Muni Street Ltg	121,779	$5,766	($53)	$5,713	$0	$5,713
46	E2 Traffic Lights	59,649	$3,847	$40	$3,887	$873	$3,014
47	Total Other	214,103	$11,120	$26	$11,146	$873	$10,273
48							
49	**Total All Classes**	39,907,705	$3,128,087	$1,960	$3,130,047	$990,335	$2,139,712

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DTE Electric Company
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Distribution Revenues

Line No.	(a) Residential	(b) Distribution Sales (MWH)	(c) Present Revenue ($000's)	(d) Increase/ (Decrease) ($000's)	(e) Proposed Revenue ($000's)
1	D1 non-transmit meter	86,377	$9,250	$708	$9,958
2	D1.1 Int. Air	280,907	$29,056	$2,302	$31,358
3	D1.2 TOD	365,785	$37,616	$2,997	$40,613
4	D1.7 TOD	109,318	$10,572	$896	$11,467
5	D1.8 Dynamic	166,790	$17,887	$1,367	$19,253
6	D1.9 Elec. Vehicle	14,047	$1,448	$115	$1,564
7	D1.11 Time of Use	13,983,125	$1,517,809	$114,574	$1,632,383
8	D2 Elec. Space Heat	280,163	$29,757	$2,296	$32,053
9	D5 Res. Water Ht.	90,405	$9,559	$741	$10,300
10	Total Residential	15,376,916	$1,662,955	$125,994	$1,788,949
11					
12	**Secondary**				
13	D1.1 Int. Air	4,925	$369	$40	$409
14	D1.7 TOD	15,008	$934	$122	$1,055
15	D1.8 Dynamic	778	$53	$6	$59
16	D1.9 Elec Vehicle	1,116	$118	$9	$127
17	D3 Gen. Serv.	7,912,043	$524,365	$64,207	$588,572
18	D3.1 Unmetered	91,684	$5,701	$776	$6,477
19	D3.2 Sec. Educ.	624,096	$38,402	$5,065	$43,467
20	D3.3 Interruptible	66,452	$4,060	$539	$4,600
21	D3.5 Charging Serv.	0	$0	$0	$0
22	D4 Lg. Gen. Serv.	1,977,063	$137,088	$15,122	$152,210
23	D5 Com. Wat. Ht.	8,720	$607	$71	$678
24	E1.1 Eng. St. Ltg.	10,261	$646	$83	$729
25	R7 Greenhs. Ltg.	2,572	$157	$21	$178
26	R8 Space Cond.	70,624	$4,612	$573	$5,185
27	Total Secondary	10,785,342	$717,112	$86,634	$803,746
28					
29	**Primary**				
30	D11 Prim. Supply	14,800,296	$214,377	$18,478	$232,856
31	D12 Exp. Lrg Cust	0	$0	$0	$0
32	D6.2 Pri. Educ.	1,111,894	$24,716	$2,301	$27,017
33	D8 Int. Primary	694,594	$11,124	$1,000	$12,124
34	D10 El.Schools	24,516	$945	$68	$1,013
35	R1.1 Alt. Mtl. Melt.	104,184	$1,257	$90	$1,347
36	R1.2 El. Pr. Htg.	372,261	$11,234	$1,129	$12,363
37	R3 Standby	78,822	$2,457	$157	$2,615
38	R10 Int. Supply	791,195	$4,559	$301	$4,860
39	Total Primary	17,977,763	$270,669.305	$23,525	$294,195
40					
41	D13 XL	0	$0	$0	$0
42					
43	**Other**				
44	D9 Protective Ltg.	32,675	$11,437	$978	$12,414
45	E1 Muni Street Ltg	121,779	$62,273	$3,060	$65,333
46	E2 Traffic Lights	59,649	$1,838	$254	$2,092
47	Total Other	214,103	$75,548	$4,292	$79,839
48					
49	**Total All Classes**	44,354,124	$2,726,283	$240,446	$2,966,729

ATTACHMENT B

Tariff Sheets

(Continued from Sheet No. C-26.00)

C6 DISTRIBUTION SYSTEMS, LINE EXTENSIONS AND SERVICE CONNECTIONS (Contd.)

C6.1 Extension of Service (Contd.)

(13) The applicant shall furnish without cost to the Company, all necessary rights-of-way and line clearance permits in a form satisfactory to the Company. The Company will provide the necessary easement forms, and solicit their execution. The applicant(s), as a condition of service, will be ultimately responsible for obtaining all easements and permits as required by the Company, for construction, operation, maintenance and protection of the facilities to be constructed. Where State or Federal lands are to be crossed to extend service to an applicant or group of applicants, the additional costs incurred by the Company for rights-of-way and permit fees shall be borne by the applicant(s). If the applicant is unable to secure satisfactory easements and/or permits, the Company shall extend its facilities along an alternate route selected by the Company. The applicant will be required to make a non-refundable contribution in aid of construction for all additional costs incurred.

(14) Scheduling of construction shall be done on a basis mutually agreeable to the Company and the applicant. The Company reserves the right not to begin construction until the customer has demonstrated to the Company's satisfaction his intent to proceed in good faith with installation of his facilities by acquiring property ownership, obtaining all necessary permits, starting construction, and/or, in the case of mobile homes, meeting the Company's requirements for permanency.

(15) The Company reserves the right to make the final determination of selection, application, location, routing and design of its facilities. Where excessive construction costs are incurred by the Company at the request of the customer, the customer may be required to make a non-refundable contribution in aid of construction to the Company for such excess costs.

(16) Service for residential electric vehicle charging is not considered in the minimum service. Electric vehicle charging equipment exceeding 9.6 kW of demand at the meter, or total connected load exceeding 10 kW (excluding electric vehicle charging equipment), may be subject to additional charges in accordance with the Section C6.

(17) If the Company determines that the cost of connecting the customer to the 4.8KV system would be greater than the cost of connecting the same customer to the 13.2KV system then the Company may assess the customer the CIAC attributable to connecting to the 13.2 KV system.

C6.2 Overhead Extension Policy

A Customers on Rates D1 and D2.

(1) Overhead Extension Policy - Application for electric service which requires the construction of an extension to the Overhead System will be granted under the following conditions;

(a) Standard Allowance - For each residence, the Company will construct single-phase distribution line extensions at its own cost a distance of 600 feet, of which no more than 250 feet will be on private property (lateral extension).

If the distribution line is constructed such that it can be available to serve only two premises (joint lot line construction), such extension shall be considered as a lateral extension, and the customer(s) requesting service shall each be granted up to 250 feet of free footage. For purposes of this policy, secondary voltage distribution lines shall not be considered as a line extension.

(Continued on Sheet No. C-28.00)

M.P.S.C. No. 1 - Electric
DTE Electric Company
(Final Order Case No. U-21860)

Seventy-Fifth Revised Sheet No. C-62.00
Cancels Seventy-Fourth Revised Sheet No. C-62.00

(Continued from Sheet No. C-61.00)

C8 SURCHARGES AND CREDITS APPLICABLE TO POWER SUPPLY SERVICE

C8.1 Power Supply Cost Recovery (PSCR) Clause

A This Power Supply Cost Recovery Clause permits the monthly adjustment of rates for power supply to allow recovery of the booked costs of fuel and purchased and net interchanged power transactions incurred under reasonable and prudent policies and practices in accordance with 1982 PA 304. All rates for electric service, unless otherwise provided in the applicable rate schedule, shall include a Power Supply Cost Recovery factor.

B The Power Supply Cost Recovery factor is that element of the rates to be charged for electric service to reflect power supply costs incurred by the company and made pursuant to the Power Supply Cost Recovery Clause.

C Effective ***_____, 2026*** the Power Supply Cost Recovery Factor shall consist of an increase or decrease of ***0.010776*** mills per kWh for each full .01 mill increase or decrease in the projected average booked cost of fuel burned for electric generation and purchased and net interchange power incurred above or below a base of 31.26 mills per kWh. Average booked cost of fuel burned and purchased and net interchange power shall be equal to the booked costs in that period divided by that period's net system kWh requirements. Net system kWh requirements shall be the sum of the net kWh generation and net kWh purchased and interchange power.

The following factor(s) were applied to bills rendered during the billing months as indicated below for the calendar years 2023 and 2024.

	2024		2025	
Billing Month	Maximum Authorized Factor ¢/kWh	Actual Factor Billed ¢/kWh	Maximum Authorized Factor ¢/kWh	Actual Factor Billed ¢/kWh
January	1.127	1.127	0.760	0.250
February	1.127	1.127	0.760	0.250
March	1.127	1.127	0.760	0.250
April	1.127	1.127	0.760	
May	1.127	1.127	0.760	
June	1.127	1.127	0.760	
July	1.127	1.127	0.760	
August	1.127	1.127	0.760	
September	1.127	1.127	0.760	
October	1.127	1.127	0.760	
November	1.127	0.250	0.760	
December	1.127	0.250	0.760	

The Company will file a revised Sheet No. C-62.00 monthly, or as necessary, to reflect the factor to be billed the following month.

(Continued on Sheet No. C-63.00)

M.P.S.C. No. 1 - Electric
DTE Electric Company
(Final Order Case No. U-21860)

Forty-Third Revised Sheet No. C-65.00
Cancels Forty-Second Revised Sheet No. C-65.00

(Continued from Sheet No. C-64.03)

C8 SURCHARGES AND CREDITS APPLICABLE TO POWER SUPPLY SERVICE (Contd.)

C8.5 SURCHARGES AND CREDITS APPLICABLE TO POWER SUPPLY SERVICE: Summary of surcharges and credits including PSCR, pursuant to sub-rules C8.1, C8.4 of this rule. (Cents per kilowatthour or percent of base bill unless otherwise noted).

	PSCR (¢/kWh)	Securitization Charge River Rouge (¢/kWh)	Securitization Charge TCSC (¢/kWh)	Total Power Supply Surcharges (excludes REPS) (¢/kWh)
Residential				
D1 Non Transmitting Meter	0.250	0.0257	0.1875	0.4632
D1.1 Int. Space Conditioning	0.250	0.0200	0.1461	0.4161
D1.2 Enhanced TOU	0.250	0.0173	0.1261	0.3934
~~D1.6 Special Low Income Pilot~~	~~0.250~~	~~0.0257~~	~~0.1875~~	~~0.4632~~
D1.7 Geothermal Time-of-Day	0.250	0.0151	0.1100	0.3751
D1.8 Dynamic Peak Pricing	0.250	0.0219	0.1594	0.4313
D1.9 Electric Vehicle	0.250	0.0187	0.1363	0.4050
D1.11 Standard TOU	0.250	0.0255	0.1862	0.4617
D1.13 Overnight Savers	0.250	0.0255	0.1862	0.4617
D2 Space Heating	0.250	0.0159	0.1156	0.3815
D5 Water Heating	0.250	0.0136	0.0992	0.3628
D9 Outdoor Lighting	0.250	0.0051	0.0374	0.2925
Commercial				
D1.1 Int. Space Conditioning	0.250	0.0179	0.1302	0.3981
D1.7 Geothermal Time-of-Day	0.250	0.0119	0.0870	0.3489
D1.8 Dynamic Peak Pricing	0.250	0.0196	0.1426	0.4122
D1.9 Electric Vehicle	0.250	0.0227	0.1655	0.4382
D3 General Service	0.250	0.0209	0.1521	0.4230
D3.1 Unmetered	0.250	0.0175	0.1277	0.3952
D3.2 Educ. Inst.	0.250	0.0197	0.1438	0.4135
D3.3 Interruptible	0.250	0.0174	0.1270	0.3944
D3.5 Charging	0.250	0.0209	0.1521	0.4230
D3.11 TOU General Service	0.250	0.0209	0.1521	0.4320
D4 Large General Service	0.250	0.0185	0.1347	0.4032
D5 Water Heating	0.250	0.0123	0.0895	0.3518
D9 Outdoor Lighting	0.250	0.0051	0.0374	0.2925
R3 Standby (Secondary)	0.250	0.0143	0.1043	0.3686
R7 Greenhouse Lighting	0.250	0.0119	0.0869	0.3488
R8 Space Conditioning	0.250	0.0181	0.1323	0.4004
Industrial				
D6.2 Educ. Inst.	0.250	0.0195	0.1420	0.4115
D8 Interruptible Primary	0.250	0.0110	0.0799	0.3409
D10 Schools	0.250	0.0187	0.1360	0.4047
D11 Primary Supply	0.250	0.0148	0.1081	0.3729
D12 Large Low Peak	0.250	0.0148	0.1081	0.3729
D13 XL	NA	0.0119	0.0865	0.0984
D14 TOU Primary Supply	0.250	0.0148	0.1081	0.3729
R1.1 Metal Melting	0.250	0.0096	0.0701	0.3297
R1.2 Electric Process Heating	0.250	0.0096	0.0697	0.3293
R3 Standby (Primary)	0.250	0.0143	0.1043	0.3686
R10 Interruptible Supply	NA	0.0000	0.0000	0.0000
Governmental				
E1 Streetlighting	0.250	0.0049	0.0358	0.2907
E1.1 Energy Only	0.250	0.0144	0.1048	0.3692
E2 Traffic Lights	0.250	0.0138	0.1005	0.3643

(Continued on Sheet No. C-66.00)

M.P.S.C. No. 1 - Electric
DTE Electric Company
(Final Order Case No. U-21860)

Eleventh Revised Sheet No. C-66.00
Cancels Tenth Revised Sheet No. C-66.00

(Continued from Sheet No. C-65.00)

C9 SURCHARGES AND CREDITS APPLICABLE TO DELIVERY SERVICE

C9.1 Nuclear Surcharge (NS)

On January 1987 MPSC Order authorized the establishment of an external trust fund to finance the decommissioning of Fermi 2 Power Plant when its operating license expires. The Order approves a decommissioning surcharge on customer bills under which the funds are collected. Pursuant to Commission Order U-10102 dated January 21, 1994, a revised surcharge became effective with service rendered on and after January 22, 1994. In the same order, the Commission authorized the establishment of an external fund to finance the disposal of low-level radioactive waste during the operating life of Fermi 2 Power Plant. Pursuant to an order in Case No. U-14399, costs associated with site security and radiation protection services were removed from base rates and transferred to the Nuclear Surcharge. Pursuant to Commission Order U-16472 dated October 20, 2011, a revised surcharge became effective with service rendered on and after October 29, 2011 Pursuant to Commission Order in Case No. U-17767 a revised surcharge became effective with service rendered on and after December 17, 2015**.** Pursuant to Commission Order in Case No. U-18255 a revised surcharge became effective with service rendered on and after April 18, 2018**.** Pursuant to Commission Order in Case No. U-20162 a revised surcharge became effective with service rendered on and after May 9, 2019**.** Pursuant to Commission Order in Case No. U-20561 a revised surcharge became effective with service rendered on and after May 15, 2020. Pursuant to Commission Order in Case No. U-20836 a revised surcharge became effective with service rendered on and after November 25 ,2022. Pursuant to Commission Order in Case No. U-21297 a revised surcharge became effective with service rendered on and after December 15 ,2023. Pursuant to Commission Order in Case No. U-21534 a revised surcharge became effective with service rendered on and after February 6, 2025. ***Pursuant to Commission Order in Case No. U-21860 a revised surcharge became effective with service rendered on and after , 2026.***

C9.2 HOLD FOR FUTURE USE

C9.3 HOLD FOR FUTURE USE

C9.4 HOLD FOR FUTURE USE

(Continued on Sheet No. C-67.00)

(Continued from Sheet No. C-69.01)

C9.7.11 INVESTMENT RECOVERY MECHANISM

On December 15, 2023, the Michigan Public Service Commission approved the Investment Recovery Mechanism (IRM) in Case No. U-21297. The IRM recovers costs related to certain distribution system investments. A schedule of IRM surcharges approved by the Commission is reflected below. The IRM surcharge is applied on the same basis as the underlying rate schedule. The surcharge schedule is updated consistent with the **February 19, 2026** Commission Order in Case No. ***U-21860***.

	Effective January 1, 2026	***Effective January 1, 2027***	***Effective January 1, 2028***	***Effective January 1, 2029***
All residential, except as noted below (¢/kWh)	***0.2762***	***0.3743***	***0.4810***	***0.4882***
Commercial				
All commercial, except as noted below (¢/Kwh)	***0.1796***	***0.2435***	***0.3129***	***0.3175***
Rate Schedule D4 ($/kW)	***0.7675***	***1.0403***	***1.3368***	***1.3566***
Industrial				
Primary, except as noted below ($/kW)	***0.2023***	***0.2743***	***0.3524***	***0.3576***
Subtransmission, except as noted below ($/kW)	***0.0751***	***0.1018***	***0.1308***	***0.1327***
Transmission, except as noted below ($/kW)	***0.0000***	***0.0000***	***0.0000***	***0.0000***
Rate Schedule D10 (¢/Kwh)	***0.0609***	***0.0825***	***0.1060***	***0.1076***
Rider 1.1 / 1.2 (Distribution Voltage) (¢/Kwh)	***0.1796***	***0.2435***	***0.3129***	***0.3175***
Rider 1.1 / 1.2 (Primary Voltage) (¢/Kwh)	***0.0612***	***0.0829***	***0.1066***	***0.1082***
Rider 1.1 / 1.2 (Subtransmission Voltage) (¢/Kwh)	***0.0206***	***0.0280***	***0.0359***	***0.0365***
Rider 1.1 / 1.2 (Transmission Voltage) (¢/Kwh)	***0.0000***	***0.0000***	***0.0000***	***0.0000***
D13 (Primary Voltage) (¢/Kwh)	***0.0370***	***0.0501***	***0.0644***	***0.0653***
D13 (Subtransmission Voltage) (¢/Kwh)	***0.0137***	***0.0186***	***0.0239***	***0.0242***

D13 (Transmission Voltage (¢/Kwh)	***0.0000***	***0.0000***	***0.0000***	***0.0000***

Other				
D9 OPL (Residential) (¢/Kwh)	***1.6993***	***2.3033***	***2.9598***	***3.0037***
D9 OPL (Commercial) (¢/Kwh)	***0.8407***	***1.1395***	***1.4643***	***1.4860***
E1 St Light (¢/Kwh)	***1.4792***	***2.0049***	***2.5764***	***2.6145***
E2 Signals (¢/Kwh)	***0.0826***	***0.1119***	***0.1438***	***0.1459***

C9.7.11 HOLD FOR FUTURE USE

C9.7.12 HOLD FOR FUTURE USE

C9.7.13 HOLD FOR FUTURE USE

C9.7.14 HOLD FOR FUTURE USE

(Continued on Sheet No. C-69.03)

C9.8 Summary of Surcharges and Credits: Summary of surcharges and credits, pursuant to sub-rules C9.1, C9.2, C9.6, C9.7.9, and C.9.7.14. Cents per kilowatthour or percent of base bill, unless otherwise noted.

	NS ¢/kWh	EWRS ¢/kWh	Base Securitization ¢/kWh	IRM ¢/kWh	Total Delivery Surcharges ¢/kWh	LIEAF Factor $/Billing Meter
Residential						
D1 Non Transmitting Meter	***0.0890***	0.2699	0.0804	***0.2762***	***0.7155***	$0.87
D1.1 Int. Space Conditioning	***0.0890***	0.2699	0.1453	***0.2762***	***0.7804***	N/A
D1.2 Enhanced TOU	***0.0890***	0.2699	0.1445	***0.2762***	***0.7796***	$0.87
D1.7 Geothermal Time-of-Day	***0.0890***	0.2699	0.1371	***0.2762***	***0.7722***	N/A
D1.8 Dynamic Peak Pricing	***0.0890***	0.2699	0.1551	***0.2762***	***0.7902***	$0.87
D1.9 Electric Vehicle	***0.0890***	0.2699	0.1513	***0.2762***	***0.7864***	N/A
D1.11 Standard TOU	***0.0890***	0.2699	0.1575	***0.2762***	***0.7926***	$0.87
D1.13 Overnight Savers	***0.0890***	0.2699	0.1575	***0.2762***	***0.7926***	$0.87
D2 Space Heating	***0.0890***	0.2699	0.1527	***0.2762***	***0.7878***	$0.87
D5 Wtr Htg	***0.0890***	0.2699	0.1509	***0.2762***	***0.7860***	N/A
D9 Outdoor Lighting	***0.0890***	0.2699	0.1517	***1.6993***	***2.2099***	N/A
Commercial						
D1.1 Int. Space Conditioning	***0.0890***	See C9.6	0.1055	***0.1796***		$0.87
D1.7 Geothermal Time –of- day	***0.0890***	See C9.6	0.0931	***0.1796***		$0.87
D1.8 Dynamic Peak Pricing	***0.0890***	See C9.6	0.0939	***0.1796***		$0.87
D1.9 Electric Vehicle	***0.0890***	See C9.6	0.1673	***0.1796***		$0.87
D3 General Service	***0.0890***	See C9.6	0.0996	***0.1796***		$0.87
D3.1 Unmetered	***0.0890***	See C9.6	0.0931	***0.1796***		N/A
D3.2 Educ. Inst.	***0.0890***	See C9.6	0.0927	***0.1796***		$0.87
D3.3 Interruptible	***0.0890***	See C9.6	0.0920	***0.1796***		$0.87
D3.5 Charging	***0.0890***	See C9.6	0.1946	***0.1796***		$0.87
D3.11 TOU General Service	***0.0890***	See C9.6	0.0996	***0.1796***		$0.87
D4 Large General Service	***0.0890***	See C9.6	0.0987	See C9.7.11		$0.87
D5 Wtr Htg	***0.0890***	See C9.6	0.1007	***0.1796***		$0.87
D9 Outdoor Lighting	***0.0890***	See C9.6	0.1517	***0.8407***		N/A
R3 Standby Secondary	***0.0890***	See C9.6	0.0129	***0.1796***		$0.87
R7 Greenhouse Lighting	***0.0890***	See C9.6	0.0919	***0.1796***		$0.87
R8 Space Conditioning	***0.0890***	See C9.6	0.0982	***0.1796***		$0.87
Industrial						
D6.2 Educ. Inst.	***0.0890***	See C9.6	0.0155	See C9.7.11		$0.87
D8 Interruptible Primary	***0.0890***	See C9.6	0.0089	See C9.7.11		$0.87
D10 Schools	***0.0890***	See C9.6	0.0200	See C9.7.11		$0.87
D11 Primary Supply	***0.0890***	See C9.6	0.0078	See C9.7.11		$0.87
D12 Large Low Peak	***0.0890***	See C9.6	0.0078	See C9.7.11		$0.87
D13 XL	N/A	See C9.6	0.0024	See C9.7.11		$0.87
D14 TOU Primary Supply	***0.0890***	See C9.6	0.0078	See C9.7.11		$0.87
R1.1 Metal Melting	***0.0890***	See C9.6	0.0076	See C9.7.11		$0.87
R1.2 Electric Process Heating	***0.0890***	See C9.6	0.0157	See C9.7.11		$0.87
R3 Standby Primary	***0.0890***	See C9.6	0.0129	See C9.7.11		$0.87
R10 Interruptible Supply	***0.0890***	See C9.6	0.0027	See C9.7.11		$0.87

(Continued on Sheet No. C-71.00)

	NS ¢/kWh	EWRS ¢/kWh	Base Securitization ¢/kWh	IRM ¢/kWh	Total Delivery Surcharges ¢/kWh	LIEAF Factor $/Billing Meter
Governmental						
E1 Streetlighting Option I	***0.0890***	See C9.6	0.1891	0.5140		N/A
E1 Streetlighting Option II & III	***0.0890***	See C9.6	0.1891	0.5140		N/A
E1.1 Energy Only	***0.0890***	See C9.6	0.0937	0.0595		$0.87
E2 Traffic Lights	***0.0890***	See C9.6	0.0462	0.0275		N/A
Electric Choice						
EC2 Residential	***0.0890***	See C9.6	Note 1	0.0941		$0.87
EC2 Commercial	***0.0890***	See C9.6	Note 1	See C9.7.11		$0.87
EC2 Primary	***0.0890***	See C9.6	Note 1	See C9.7.11		$0.87

NOTE 1: Electric choice tariffs will be billed surcharges and credits applicable to delivery service for the corresponding full service tariff, unless otherwise noted.

(Continued on Sheet No. C-72.00)

RATE SCHEDULE NO. D1 RESIDENTIAL SERVICE RATE – NON-TRANSMITTING METER

AVAILABILITY OF SERVICE: Available to customers desiring service for all residential purposes through one meter to a single or double occupancy dwelling unit including farm dwellings. A dwelling unit consists of a kitchen, bathroom, and heating facilities connected on a permanent basis. Service to appurtenant buildings may be taken on the same meter.

This rate is not available for common areas of separately metered apartments and condominium complexes, nor to a separate meter which serves a garage, boat well or other non-dwelling applications. This rate is only available for residential customers with a non-transmitting meter.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire. Where available, and the demand justifies, three-phase four-wire, Y connected service may be had at 208Y/120 volts nominally.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, three-wire service may be taken.

RATE PER DAY:

Full Service Customers:

Power Supply Charges:

Capacity Energy Charges: ***2.940***¢ per kWh for the first 17 kWh per day
4.239¢ per kWh for excess over 17 kWh per day

Non-Capacity Energy Charge: ***5.842***¢ per kWh for all kWh

Delivery Charges:

Service Charge: $8.50 per month
Distribution Charge: ***9.726***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8. Applies only to actual consumption and not to the minimum charge.

Retail Access Service Customers:

Power Supply Charges for Retail Access Customers taking Utility Capacity service for DTE:

Capacity Energy Charges: ***2.940***¢ per kWh for the first 17 kWh per day
4.239¢ per kWh for excess over 17 kWh

Delivery Charges:

Service Charge: $8.50 per month
Distribution Charge: ***9.726***¢ per kWh for all kWh

(Continued on Sheet No. D-2.00)

(Continued from Sheet No. D-2.00)

RATE SCHEDULE NO. D1 (Contd.) **RESIDENTIAL SERVICE RATE – NON-TRANSMITTING METER**

LOW INCOME ASSISTANCE CREDIT PILOT (contd.):

The monthly credit for the residential Low Income Assistance Credit shall be applied as follows:

Income Assistance Credit: $(50.00) per ***customer*** per month

If a credit balance occurs, the credit shall apply to the customer's future utility Charges.

RESIDENTIAL SERVICE SENIOR CITIZEN PROVISION: When service is supplied to a Principal Residence Customer, who is 65 years of age or older and head of household, a credit shall be applied during all billing months. The monthly credit for the Residential Service Senior Citizen Provision shall be applied as follows:

Delivery Charges: The Senior Citizen Credit is $(4.25) per customer per month and is applicable to Full Service and Retail Open Access customers.

This credit shall not be taken in conjunction with a credit for the Income Assistance Service Provision (RIA) or the Low Income Assistance Credit (LIA).

RATE SCHEDULE NO. D1.1 INTERRUPTIBLE SPACE-CONDITIONING SERVICE RATE

AVAILABILITY OF SERVICE: Available on an optional basis to Residential and Commercial customers desiring separately metered interruptible service for central air conditioning and/or central heat pump use. Customers who have more than one heat pump and/or air-conditioning unit which serves their business or home, will not be permitted to have only a portion of their load on the rate, all units will be interrupted upon the signal from the Company. Installations must conform with the Company's specifications. This rate is not available to commercial customers being billed on a demand rate. Customers who take service on this tariff are not eligible to participate in another Demand Response program with an Aggregator of Retail Customer (ARC) in any MISO season.

HOURS OF SERVICE: 24 hours.

HOURS OF INTERRUPTION: Interruptions may be called for, but not limited to, system testing and evaluation, maintaining system integrity, economic reasons, or when available system generation is insufficient to meet anticipated system load. A System Integrity Interruption Order may be given by the Company when the failure to interrupt will contribute to the implementation of the rules for emergency electrical procedures under Section C3. The Company will limit interruptions to intervals of no longer than 30 minutes in any hour and no longer than 8 hours in any 24-hour period.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire. Where available, and the demand justifies, three-phase four wire, Y connected service may be had at 208Y/120 volts nominally.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, three-wire service may be taken.

RATE PER MONTH: For separately metered space-conditioning service.

Full Service Customers:

Residential Power Supply Charges:

Capacity Energy Charge (June through October):	***2.832***¢ per kWh for all kWh
Capacity Energy Charge (November through May):	***0.702***¢ per kWh for all kWh
Non-Capacity Energy Charge:	***4.535***¢ per kWh for all kWh

Residential Delivery Charges:

Service Charge (June through October):	$1.95 per month
Distribution Charge (Year-round):	***9.726***¢ per kWh for all kWh

Commercial Power Supply Charges:

Capacity Energy Charge (June through October):	***2.735***¢ per kWh for all kWh
Capacity Energy Charge (November through May):	***1.225***¢ per kWh for all kWh Non-
Capacity Energy Charge:	***4.740***¢ per kWh for all kWh

(Continued on Sheet No. D-5.00)

(Continued from Sheet No. D-4.00)

RATE SCHEDULE NO. D1.1 (Contd.) **INTERRUPTIBLE SPACE-CONDITIONING SERVICE RATE**

Full Service Customers (contd.):

Commercial Delivery Charges:

Service Charge (June through October):	$1.95 per month
Distribution Charge (Year-round):	***6.670*** ~~¢~~ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8. Applies only to actual consumption and not to the minimum charge.

Retail Access Service Customers:

Residential Power Supply Charges for Retail Access Customers taking Utility Capacity Service from DTE***:***

Capacity Energy Charge (June through October):	***2.832¢*** per kWh for all kWh
Capacity Energy Charge (November through May***):***	***0.702¢*** per kWh for all kWh

Residential Delivery Charges:

Capacity Service Charge June through October):	$1.95 per month
Capacity Distribution Charge (Year-round):	***9.726¢*** per kWh for all kWh

Commerical Power Supply Charges for Retail Access Customers taking Utility Capacity Service from DTE:

Capacity Energy Charge (June through October):	***2.735¢*** per kWh for all kWh
Capacity Energy Charge (November through May):	***1.225¢*** per kWh for all kWh

Commercial Delivery Charges:

Service Charge June through October):	$1.95 per month
Distribution Charge (Year-round):	***6.670¢*** per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. Applies only to actual consumption and not to the minimum charge. Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

CONTRACT TERM: Open order, terminable on three days' written notice by either party. Where special services are required, the term will be as specified in the applicable contract rider.

RATE SCHEDULE NO. D1.2 **RESIDENTIAL SERVICE RATE – ENHANCED TOU**

AVAILABILITY OF SERVICE: Available on an optional basis to customers who desire time of day service for their residential dwelling. Customers who select this rate must qualify for the Residential Service Rate Standard TOU D1.11.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Capacity Energy Charge (June through October):
4.677¢ per kWh for all On-peak kWh
1.575¢ per kWh for all Off-peak kWh

Capacity Energy Charge (November through May):
3.951¢ per kWh for all On-peak kWh
1.513¢ per kWh for all Off-peak kWh

Non-Capacity Energy Charge (June through October)
11.526¢ per kWh for all On-peak kWh
3.881¢ per kWh for all Off-peak kWh

Non-Capacity Energy Charge (November through May)
9.736¢ per kWh for all On-peak kWh
3.728¢ per kWh for all Off-peak kWh

On-Peak Hours: All kWh used between 1100 and 1900 hours Monday through Friday.
Off-Peak Hours: All other kWh used.

Delivery Charges:

Service Charge: $8.50 per month
Distribution Charge: ***9.726***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Power Supply Charges for Retail Access Customers taking Utility Capacity Service from DTE:
Capacity Energy Charge (June through October):
4.677¢ per kWh for all On-peak kWh
1.575¢ per kWh for all Off-peak kWh

(Continued on Sheet No. D-6.01)

(Continued from Sheet No. D-6.00)

RATE SCHEDULE NO. D1.2 (Contd.) **RESIDENTIAL SERVICE RATE – ENHANCED TOU**

Retail Access Service Customers (Contd.):

Capacity Energy Charge (November through May):
3.951¢ per kWh for all On-peak kWh
1.513¢ per kWh for all Off-peak kWh

On-Peak Hours: all kWh used between 1100 and 1900 hours Monday through Friday.
Off-Peak Hours: all other kWh used.

Delivery Charges:

Service Charge:	$8.50 per month
Distribution Charge:	***9.726***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C5.8.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

CONTRACT TERM: Commencing upon installation of the Time-of-Day meter, service will be provided for twelve continuous months thereafter, with termination upon mutual consent of the Company and the customer.

WATER HEATING SERVICE: Water heating service is available on an optional basis.

INTERRUPTIBLE SPACE CONDITIONING PROVISION: Rate D1.1 is available on an optional basis.

INCOME ASSISTANCE SERVICE PROVISION (RIA): When service is supplied to a Principal Residence Customer, where the household receives a Home Heating Credit (HHC) in the State of Michigan, a credit shall be applied during all billing months. For an income assistance customer to qualify for this credit, the Company shall require annual evidence of the HHC energy draft or warrant. The customer may also qualify for this credit upon confirmation by an authorized State or Federal agency verifying that the customer's total household income does not exceed 150% of the poverty level as published by the United States department of health and human services or if the customer receives any of the following: i) Assistance from a state emergency relief program; ii) Food stamps or iii) Medicaid. If a customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

The monthly credit for the residential Income Assistance Service Provision shall be applied as follows:

(Continued on Sheet No. D-7.00)

(Continued from Sheet No. D-6.01)

RATE SCHEDULE NO. D1.2 (Contd.) **RESIDENTIAL SERVICE RATE– ENHANCED TOU**

Delivery Charges: These charges are applicable to Full Service and Retail Open Access customers.
Income Assistance Credit: $(8.50) per customer per month

LOW INCOME ASSISTANCE CREDIT PILOT: This credit is available to up to an annual average of 32,000 qualifying customers taking service under an applicable residential rate schedule. This credit shall not be taken in conjunction with a credit for the Income Assistance Service Provision (RIA) or the Senior Citizen Provision. In addition to the income verification methods listed above, a customer may qualify for the Low-Income Assistance Credit Pilot with proof of Enrollment in the Company's affordable payment plan as sanctioned under the Michigan Energy Assistance Program (MEAP) or having received one-time MEAP assistance in the past 12 months. If a customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

The monthly credit for the residential Low Income Assistance Credit shall be applied as follows:

Income Assistance Credit: $(50.00) per ***customer*** per month.

If a credit balance occurs, the credit shall apply to the customer's future utility Charges.

RESIDENTIAL SERVICE SENIOR CITIZEN PROVISION: When service is supplied to a Principal Residence Customer, who is 65 years of age or older and head of household, a credit shall be applied during all billing months. The monthly credit for the Residential Service Senior Citizen Provision shall be applied as follows:

Delivery Charges: The Senior Citizen Credit is $(4.25) per customer per month and is applicable to Full Service and Retail Open Access customers.

This credit shall not be taken in conjunction with a credit for the Income Assistance Service Provision (RIA) or the Low Income Assistance Credit (LIA).

RATE SCHEDULE NO. D1.7 **GEOTHERMAL TIME-OF-DAY RATE**

AVAILABILITY OF SERVICE: Available on an optional basis to residential customers desiring separately metered service for approved geothermal space conditioning and/or water heating. To qualify for the rate the water heater must be for sanitary purposes with the tank size, design and method of installation approved by the company. The space conditioning equipment must be permanently installed.

HOURS OF SERVICE: 24 Hours

CURRENT, PHASE AND VOLTAGE: Same as D1 and D3 Rates

CONTRACT TERM: The customer shall contract to remain on this rate for at least 12 months terminable on three days notice after the initial 12 months by either party. Where special services are required, the term will be specified on the applicable contract rider.

INSULATION STANDARDS FOR ELECTRIC HEATING: See Section C4.9.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

LATE PAYMENT CHARGE: See Section C4.8.

RATE PER DAY:

Full Service Customers:

Residential Power Supply Charges:

Capacity Energy Charge (June through September):

5.140¢ per kWh for all On-peak kWh
1.703¢ per kWh for all Off-peak kWh

Capacity Energy Charge (October through May):

2.221¢ per kWh for all On-peak kWh
1.745¢ per kWh for all Off-peak kWh

Non-Capacity Energy Charge (June through September)

8.677¢ per kWh for all On-peak kWh
2.874¢ per kWh for all Off-peak kWh

Non-Capacity Energy Charge (October through May)

3.749¢ per kWh for all On-peak kWh
2.946¢ per kWh for all Off-peak kWh

On-Peak Hours: All kWh used between 1100 and 1900 hours Monday through Friday.
Off-Peak Hours: All other kWh used.

Residential Delivery Charges:

Service Charge: 6.70¢ per day
Distribution Charge: ***9.726¢*** per kWh for all kWh

(Continued on Sheet No. D-13.01)

(Continued from Sheet No. D-13.00)

RATE SCHEDULE NO. D1.7 (Contd.) **GEOTHERMAL TIME-OF-DAY RATE**

Full Service Customers (contd.):

Commercial Power Supply Charges:

Capacity Energy Charge (June through September):
1.590¢ per kWh for all On-peak kWh
1.452¢ per kWh for all Off-peak kWh

Capacity Energy Charge (October through May):
1.487¢ per kWh for all On-peak kWh
1.487¢ per kWh for all Off-peak kWh

Non-Capacity Energy Charge (June through September)
3.398¢ per kWh for all On-peak kWh
3.103¢ per kWh for all Off-peak kWh

Non-Capacity Energy Charge (October through May)
3.177¢ per kWh for all On-peak kWh
3.177¢ per kWh for all Off-peak kWh

On-Peak Hours: All kWh used between 1100 and 1900 hours Monday through Friday.
Off-Peak Hours: All other kWh used.

Commercial Delivery Charges:

Service Charge: 6.70¢ per day
Distribution Charge: ***6.670***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Residential Power Supply Charges for Retail Access Customers taking Utility Capacity Service from DTE:

Capacity Energy Charge (June through September):
5.140¢ per kWh for all On-peak kWh
1.703¢ per kWh for all Off-peak kWh

Capacity Energy Charge (October through May):
2.221¢ per kWh for all On-peak kWh
1.745¢ per kWh for all Off-peak kWh

On-Peak Hours: All kWh used between 1100 and 1900 hours Monday through Friday.
Off-Peak Hours: All other kWh used.

(Continued on Sheet No. D-13.02)

(Continued from Sheet No. D-13.01)

RATE SCHEDULE NO. D1.7 (Contd.) **GEOTHERMAL TIME-OF-DAY RATE**

Retail Access Service Customers (contd.):

Residential Delivery Charges:
Service Charge: 6.70¢ per day
Distribution Charge: ***9.726***¢ per kWh for all kWh

Commercial Power Supply Charges for Retail Access Customers taking Utility Capacity Service from DTE:
Capacity Energy Charge (June through September***):***
1.590¢ per kWh for all On-peak kWh
1.452¢ per kWh for all Off-peak kWh

Capacity Energy Charge (October through May):
1.487¢ per kWh for all On-peak kWh
1.487¢ per kWh for all Off-peak kWh

Commercial Delivery Charges:
Service Charge: 6.70¢ per day
Distribution Charge: ***6.670***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the commission. See Section C5.8.

(Continued from Sheet No. D-14.00)

RATE SCHEDULE NO. D1.8 (contd.) **RESIDENTIAL SERVICE RATE - DYNAMIC PEAK PRICING**
GENERAL SERVICE RATE – DYNAMIC PEAK PRICING

CHARGES:

Full Service Residential Customers:

Power Supply Charges:

Capacity Energy Charges:
6.398¢ per kWh for all On-Peak kWh
3.305¢ per kWh for all Mid-Peak kWh
1.705¢ per kWh for all Off-Peak kWh
$0.8420 per kWh for all kWh during Critical Peak Hours

Non-Capacity Energy Charge:
10.800¢ per kWh for all On-Peak kWh
5.579¢ per kWh for all Mid-Peak kWh
2.878¢ per kWh for all Off-Peak kWh
$0.10800 per kWh for all kWh during Critical Peak Hours

Delivery Charges:

Service Charge: $8.50 per month
Distribution Charge: ***9.726***¢ per kWh for all kWh

Full Service Secondary Commercial and Industrial Customers:

Power Supply Charges:

Capacity Energy Charges:
5.352¢ per kWh for all On-Peak kWh
2.876¢ per kWh for all Mid-Peak kWh
1.464¢ per kWh for all Off-Peak kWh
$***0.83565*** per kWh for all kWh during Critical Peak Hours

Non-Capacity Energy Charge:
11.435¢ per kWh for all On-Peak kWh
6.146¢ per kWh for all Mid-Peak kWh
3.128¢ per kWh for all Off-Peak kWh
$0.11435 per kWh for all kWh during Critical Peak Hours

Delivery Charges:

Service Charge: $11.25 per month
Distribution Charge: ***6.670***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

SCHEDULE OF HOLIDAYS: See Section C11

CONTRACT TERM: The customer shall contract to remain on this rate for at least 12 months terminable on three days' notice after the initial 12 months by either party.

LATE PAYMENT CHARGE: See Section C4.8.

(Continued on Sheet No. D-14.02)

(Continued from Sheet No. D-14.01)

RATE SCHEDULE NO. D1.8 (contd.) **RESIDENTIAL SERVICE RATE - DYNAMIC PEAK PRICING**
GENERAL SERVICE RATE – DYNAMIC PEAK PRICING

INCOME ASSISTANCE SERVICE PROVISION (RIA): When service is supplied to a Principal Residence Customer, where the household receives a Home Heating Credit (HHC) in the State of Michigan, a credit shall be applied during all billing months. For an income assistance customer to qualify for this credit, the Company shall require annual evidence of the HHC energy draft or warrant. The customer may also qualify for this credit upon confirmation by an authorized State or Federal agency verifying that the customer's total household income does not exceed 150% of the poverty level as published by the United States department of health and human services or if the customer receives any of the following: i) Assistance from a state emergency relief program; ii) Food stamps or iii) Medicaid. If a customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

The monthly credit for the residential Income Assistance Service Provision shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service and Retail Open Access customers.
Income Assistance Credit: $(8.50) per customer per month

LOW INCOME ASSISTANCE CREDIT PILOT*:* This credit is available to up to an annual average of 32,000 qualifying customers taking service under an applicable residential rate schedule. This credit shall not be taken in conjunction with a credit for the Income Assistance Service Provision (RIA) or the Senior Citizen Provision. In addition to the income verification methods listed above, a customer may qualify for the Low-Income Assistance Credit Pilot with proof of Enrollment in the Company's affordable payment plan as sanctioned under the Michigan Energy Assistance Program (MEAP) or having received one-time MEAP assistance in the past 12 months. If a customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

The monthly credit for the residential Low Income Assistance Credit shall be applied as follows:

Income Assistance Credit: $(50.00) per ***customer*** per month.

If a credit balance occurs, the credit shall apply to the customer's future utility Charges.

RESIDENTIAL SERVICE SENIOR CITIZEN PROVISION: When service is supplied to a Principal Residence Customer, who is 65 years of age or older and head of household, a credit shall be applied during all billing months. The monthly credit for the Residential Service Senior Citizen Provision shall be applied as follows:

Delivery Charges: The Senior Citizen Credit is $(4.25) per customer per month and is applicable to Full Service and Retail Open Access customers.

This credit shall not be taken in conjunction with a credit for the Income Assistance Service Provision (RIA) or the Special Low Income Assistance Credit (LIA).

RATE SCHEDULE NO. D1.9 **ELECTRIC VEHICLE RATE**

AVAILABILITY OF SERVICE: Available on an optional basis to residential and commercial customers desiring separately metered service for the sole purpose of charging licensed electric vehicles. Installations must conform to the Company's specifications. Service under this tariff is limited to 5,000 customers. Service on this rate is limited to electric vehicles that are SAE J1772 compliant, and all vehicles shall be registered and operable on public highways in the State of Michigan to qualify for this rate. Low-speed electric vehicles including golf carts are not eligible to take service under this rate even if licensed to operate on public streets. The customer may be required to provide proof of registration of the electric vehicle to qualify for the program.

HOURS OF SERVICE: 24 Hours

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three wire. In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, three-wire service may be taken.

CONTRACT TERM: Open order, terminable on three days' notice by either party. Where special services are required, the term will be as specified on the applicable contract rider.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

LATE PAYMENT CHARGE: See Section C4.8.

OPTION 1: TIME OF DAY PRICING

Full Service Customers:

Power Supply Charges:
Capacity Energy Charge:
6.455¢ per kWh for all On-peak kWh
1.615¢ per kWh for all Off-peak kWh Non-
Capacity Energy Charge:
10.904¢ per kWh for all On-peak kWh
2.725¢ per kWh for all Off-peak kWh
On-Peak Hours: All kWh used between 9 am and 11 pm Monday through Friday.
Off-Peak Hours: All other kWh used.

Delivery Charges:
Service Charge: $1.95 per month
Distribution Charge: ***9.726***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:
Power Supply Charges for Retail Access Customers taking Utility Capacity Service from DTE:
Capacity Energy Charge:
6.455¢ per kWh for all On-peak kWh
1.615¢ per kWh for all Off-peak kWh

(Continued on Sheet No. D-14.04)

(Continued from Sheet No. D-14.03)

RATE SCHEDULE NO. D1.9 (Contd.) **ELECTRIC VEHICLE RATE**

Retail Access Service Customer (Contd.):

On-Peak Hours: All kWh used between 9 am and 11 pm Monday through Friday.
Off-Peak Hours: All other kWh used.

Delivery Charges:

Service Charge: $1.95 per month
Distribution Charge: ***9.726***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8. Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See C8.5.

OPTION 2: MONTHLY FLAT FEE (Residential only)*:*

Closed to new customers as of May 31, 2019. Existing customers will be moved to a new rate by December 31, 2019.

SPECIAL TERMS AND CONDITIONS:

Service under this rate must be supplied through a separately metered circuit and approved electric vehicle charging equipment. Installations must conform with the Company's specifications.

The Company is exploring additional possible metering options to be offered at the Company's discretion. This includes but is not limited to, collecting data directly from charging stations and/or utilizing technology beyond the general service meter to measure EV usage.

RATE SCHEDULE NO. D1.11 **RESIDENTIAL SERVICE RATE – STANDARD TOU**

AVAILABILITY OF SERVICE: This rate will be available for service no later than May 31, 2023. Available to customers desiring service for all residential purposes though one meter to a single or double occupancy dwelling unit including farm dwellings. A dwelling unit consists of a kitchen, bathroom, and heating facilities connected on a permanent basis. Service to appurtenant buildings may be taken on the same meter.

This rate is not available for common areas of separately metered apartments and condominium complexes, nor to a separate meter which serves a garage, boat well or other non-dwelling applications.

HOURS OF SERVICE*:* 24 hours.

CURRENT, PHASE AND VOLTAGE*:* Alternating current, single-phase, nominally at 120/240 volts, three-wire. Where available, and the demand justifies, three-phase four-wire, Y connected service may be had at 208Y/120 volts nominally.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, three-wire service may be taken.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Capacity Energy Charge (June through September):
5.360 cents per kWh for all On-peak kWh
3.240 cents per kWh for all Off-peak kWh

Capacity Energy Charge (October through May):
3.839 cents per kWh for all On-peak kWh
3.240 cents per kWh for all Off-peak kWh

Non-Capacity Energy Charge (June through September):
9.047 cents per kWh for all On-peak kWh
5.469 cents per kWh for all Off-peak kWh

Non-Capacity Energy Charge (October through May):
6.480 cents per kWh for all On-peak kWh
5.469 cents per kWh for all Off-peak kWh

On-Peak Hours: All kWh used between 3:00PM and 7:00PM Monday through Friday.
Off-Peak Hours: All other kWh used.

Delivery Charges:

Service Charge: $8.50 per month
Distribution Charge: ***9.726¢*** per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

(Continued from Sheet No. D-14.05)

RATE SCHEDULE NO. D1.11 (Contd.) **RESIDENTIAL SERVICE RATE – STANDARD TOU**

Retail Access Service Customers:

Power Supply Charges for Retail Access Customers taking Utility Capacity service for DTE:

Capacity Energy Charge (June through September):
5.360 cents per kWh for all On-peak kWh
3.240 cents per kWh for all Off-peak kWh

Capacity Energy Charge (October through May):
3.839 cents per kWh for all On-peak kWh
3.240 cents per kWh for all Off-peak kWh

Delivery Charges:

Service Charge:	$8.50 per month
Distribution Charge:	***9.726¢*** per kWh for all kWh

Surcharges and Credits*:* As approved by the Commission. Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Sections C8.5 and C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

CONTRACT TERM: Open order, terminable on three days' notice by either party. Where special services are required, the term will be as specified in the applicable contract rider.

WATER HEATING SERVICE*:* Water heating service is available on an optional basis.

INTERRUPTIBLE SPACE CONDITIONING PROVISION*:* Rate D1.1 is available on an optional basis.

INCOME ASSISTANCE SERVICE PROVISION (RIA): When service is supplied to a Principal Residence Customer, where the household receives a Home Heating Credit (HHC) in the State of Michigan, a credit shall be applied during all billing months. For an income assistance customer to qualify for this credit, the Company shall require annual evidence of the HHC energy draft or warrant. The customer may also qualify for this credit upon confirmation by an authorized State or Federal agency verifying that the customer's total household income does not exceed 150% of the poverty level as published by the United States department of health and human services or if the customer receives any of the following: i) Assistance from a state emergency relief program; ii) Food stamps or iii) Medicaid. If a customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

(Continued on Sheet No. D-14.07)

(Continued from Sheet No. D-14.06)

RATE SCHEDULE NO. D1.11 (Contd.) **RESIDENTIAL SERVICE RATE – STANDARD TOU**

The monthly credit for the residential Income Assistance Service Provision shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service and Retail Open Access customers.
Income Assistance Credit: $(8.50) per customer per month

LOW INCOME ASSISTANCE CREDIT PILOT: This credit is available to up to an annual average of 32,000 qualifying customers taking service under an applicable residential rate schedule. This credit shall not be taken in conjunction with a credit for the Income Assistance Service Provision (RIA) or the Senior Citizen Provision. In addition to the income verification methods listed above, a customer may qualify for the Low-Income Assistance Credit Pilot with proof of Enrollment in the Company's affordable payment plan as sanctioned under the Michigan Energy Assistance Program (MEAP) or having received one-time MEAP assistance in the past 12 months. If a customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

The monthly credit for the residential Low Income Assistance Credit shall be applied as follows:

Income Assistance Credit: $(50.00) per ***customer*** per month.

If a credit balance occurs, the credit shall apply to the customer's future utility Charges.

RESIDENTIAL SERVICE SENIOR CITIZEN PROVISION: When service is supplied to a Principal Residence Customer, who is 65 years of age or older and head of household, a credit shall be applied during all billing months. The monthly credit for the Residential Service Senior Citizen Provision shall be applied as follows:

Delivery Charges: The Senior Citizen Credit is $(4.25) per customer per month and is applicable to Full Service and Retail Open Access customers.

This credit shall not be taken in conjunction with a credit for the Income Assistance Service Provision (RIA) or the Special Low Income Assistance Credit (LIA).

RATE SCHEDULE NO. D1.13 **RESIDENTIAL SERVICE RATE – OVERNIGHT SAVERS**

AVAILABILITY OF SERVICE*:* Available to customers desiring service for all residential purposes though one meter to a single or double occupancy dwelling unit including farm dwellings. A dwelling unit consists of a kitchen, bathroom, and heating facilities connected on a permanent basis. Service to appurtenant buildings may be taken on the same meter. This rate is not available for common areas of separately metered apartments and condominium complexes, nor to a separate meter which serves a garage, boat well or other non-dwelling applications. Service on this rate is limited to 10,000 customers. This rate will be effective no later than November 30, 2024.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire. Where available, and the demand justifies, three-phase four-wire, Y connected service may be had at 208Y/120 volts nominally.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, three-wire service may be taken.

RATE PER MONTH:

Full Service Customers:

June – September – all values in cents per kWh

	Power supply capacity Charge	**Power Supply Non Capacity Charge**	**Distribution Charge**
On peak	***5.949***	***10.042***	***19.568***
Off peak	***4.012***	***6.772***	***14.676***
Super Off-peak	***2.549***	***4.303***	***4.892***

October – May – all values in cents per kWh

	Power supply capacity Charge	**Power Supply Non Capacity Charge**	**Distribution Charge**
On peak	***3.45***	***5.824***	***9.784***
Off peak	***3.056***	***5.158***	***7.338***
Super Off-peak	***2.549***	***4.303***	***4.892***

On-Peak Hours: All kWh used between 3:00PM and 7:00PM Monday through Friday.
Super Off-peak: All kWh used between 1:00AM and 7:00AM
Off-Peak Hours: All other kWh used.

Delivery Charges:
Service Charge: $8.50 per month
Distribution Charge: see table above

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

(Continued on Sheet No. D-14.09)

Retail Access Service Customers:

Power Supply Charges for Retail Access Customers taking Utility Capacity service for DTE

June – September – all values in cents per kWh

	Power supply capacity Charge	**Distribution Charge**
On peak	***5.949***	***19.568***
Off peak	***4.012***	***14.676***
Super Off-peak	***2.549***	***4.892***

October – May – all values in cents per kWh

	Power supply capacity Charge	**Distribution Charge**
On peak	***3.45***	***9.784***
Off peak	***3.056***	***7.338***
Super Off-peak	***2.549***	***4.892***

On-Peak Hours: All kWh used between 3:00PM and 7:00PM Monday through Friday.
Super Off-peak: All kWh used between 1:00AM and 7:00AM
Off-Peak Hours: All other kWh used.

Delivery Charges:
Service Charge: $8.50 per month
Distribution Charge: see table above

Surcharges and Credits: As approved by the Commission. Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Sections C8.5 and C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

CONTRACT TERM: The customer shall contract to remain on this rate for at least 12 months terminable on three days' notice after the initial 12 months by either party, at which time the customer may take service on any other rate for which they are eligible.

WATER HEATING SERVICE: Water heating service is available on an optional basis.

INTERRUPTIBLE SPACE CONDITIONING PROVISION*:* Rate D1.1 is available on an optional basis.

(Continued on Sheet No. 14.10)

INCOME ASSISTANCE SERVICE PROVISION (RIA): When service is supplied to a Principal Residence Customer, where the household receives a Home Heating Credit (HHC) in the State of Michigan, a credit shall be applied during all billing months. For an income assistance customer to qualify for this credit, the Company shall require annual evidence of the HHC energy draft or warrant. The customer may also qualify for this credit upon confirmation by an authorized State or Federal agency verifying that the customer's total household income does not exceed 150% of the poverty level as published by the United States department of health and human services or if the customer receives any of the following: i) Assistance from a state emergency relief program; ii) Food stamps or iii) Medicaid. If a customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

The monthly credit for the residential Income Assistance Service Provision shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service and Retail Open Access customers.
Income Assistance Credit: $(8.50) per customer per month

LOW INCOME ASSISTANCE CREDIT PILOT: This credit is available to up to an annual average of 32,000 qualifying customers taking service under an applicable residential rate schedule. This credit shall not be taken in conjunction with a credit for the Income Assistance Service Provision (RIA) or the Senior Citizen Provision. In addition to the income verification methods listed above, a customer may qualify for the Low-Income Assistance Credit Pilot with proof of Enrollment in the Company's affordable payment plan as sanctioned under the Michigan Energy Assistance Program (MEAP) or having received one-time MEAP assistance in the past 12 months. If a customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

The monthly credit for the residential Low Income Assistance Credit shall be applied as follows:

Income Assistance Credit: $(50.00) per ***customer*** per month.

If a credit balance occurs, the credit shall apply to the customer's future utility Charges.

RESIDENTIAL SERVICE SENIOR CITIZEN PROVISION: When service is supplied to a Principal Residence Customer, who is 65 years of age or older and head of household, a credit shall be applied during all billing months. The monthly credit for the Residential Service Senior Citizen Provision shall be applied as follows:

Delivery Charges: The Senior Citizen Credit is $(4.25) per customer per month and is applicable to Full Service and Retail Open Access customers.

This credit shall not be taken in conjunction with a credit for the Income Assistance Service Provision (RIA) or the Special Low Income Assistance Credit (LIA).

RATE SCHEDULE NO. D2 **RESIDENTIAL SERVICE RATE - SPACE HEATING**

AVAILABILITY OF SERVICE: Available on an optional basis to customers desiring service for all residential purposes to a single or double occupancy dwelling unit including farm dwellings. All of the space heating must be total electric installed on a permanent basis and served through one meter. This rate also available to customers with add-on heat pumps and fossil fuel furnaces served on this rate prior to July 16, 1985. The design and method of installation and control of equipment as adopted to this service are subject to approval by the Company. This rate is also available to customers with electric heat assisted with a renewable heat source.

This rate is available only to dwellings being served on this rate prior to December 17, 2015.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire. Where available, and the demand justifies, three-phase four-wire, Y connected service may be had at 208Y/120 volts nominally. In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volt three-wire service may be taken.

RATE PER DAY:

Full Service Customers:

Power Supply Charges:

Capacity Energy Charges: (June through October):	***2.813***¢ per kWh for the first 17 kWh per day
	4.021¢ per kWh for over 17 kWh per day
Capacity Energy Charges: (November through May):	***1.658***¢ per kWh for the first 20 kWh per day
	0.648¢ per kWh for over 20 kWh per day
Non-Capacity energy Charge:	***5.298***¢ per kWh for all kWh

Delivery Charges:

Service Charge	$8.50 per month
Distribution Charge: (June through October):	***9.726***¢ per kWh for all kWh
Distribution Charge: (November through May):	***9.726***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8. Applies only to actual consumption and not to the minimum charge

Retail Access Service customers:

Power Supply Charges for Retail Access Customers taking Utility Capacity Service from DTE*:*

Capacity Energy Charges: (June through October):	***2.813***¢ per kWh for the first 17 kWh per day
	4.021¢ per kWh for over 17 kWh per day
Capacity Energy Charges: (November through May):	***1.658***¢ per kWh for the first 20 kWh per day
	0.648¢ per kWh for over 20 kWh per day

(Continued on Sheet No. D-16.00)

(Continued from Sheet No. D-15.00)

RATE SCHEDULE NO. D2 (Contd.) **RESIDENTIAL SERVICE RATE - SPACE HEATING**

Delivery Charges:

Service Charge	$8.50 per month
Distribution Charge: (June through October):	***9.726***¢ per kWh for all kWh
Distribution Charge: (November through May):	***9.726***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. Applies only to actual consumption and not to the minimum charge. Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5.

BILLING FREQUENCY: Based on a nominal 30-day month. See Section C4.5.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

CONTRACT TERM: Open order, terminable on three days' notice by either party. Where special services are required, the term will be as specified in the applicable contract rider.

WATER HEATING SERVICE: Water heating service is available on an optional basis. See Schedule Designation No. D5.

LATE PAYMENT CHARGE: See Section C4.8.

INTERRUPTIBLE SPACE-CONDITIONING PROVISION: Rate D1.1 is available on an optional basis.

INSULATION STANDARDS FOR ELECTRIC HEATING: See Section C4.9.

INCOME ASSISTANCE SERVICE PROVISION (RIA): When service is supplied to a Principal Residence Customer, where the household receives a Home Heating Credit (HHC) in the State of Michigan, a credit shall be applied during all billing months. For an income assistance customer to qualify for this credit, the Company shall require annual evidence of the HHC energy draft or warrant. The customer may also qualify for this credit upon confirmation by an authorized State or Federal agency verifying that the customer's total household income does not exceed 150% of the poverty level as published by the United States department of health and human services or if the customer receives any of the following: i) Assistance from a state emergency relief program; ii) Food stamps or iii) Medicaid. If a customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

The monthly credit for the residential Income Assistance Service Provision shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service and Retail Open Access customers.
Income Assistance Credit: $(8.50) per customer per month

(Continued on Sheet No. D-17.00)

(Continued from Sheet No. D-16.00)

RATE SCHEDULE NO. D2 (Contd.) **RESIDENTIAL SERVICE RATE - SPACE HEATING**

LOW INCOME ASSISTANCE CREDIT PILOT: This credit is available to up to an annual average of 32,000 qualifying customers taking service under an applicable residential rate schedule. This credit shall not be taken in conjunction with a credit for the Income Assistance Service Provision (RIA) or the Senior Citizen Provision. In addition to the income verification methods listed above, a customer may qualify for the Low-Income Assistance Credit Pilot with proof of Enrollment in the Company's affordable payment plan as sanctioned under the Michigan Energy Assistance Program (MEAP) or having received one-time MEAP assistance in the past 12 months. If a customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

The monthly credit for the residential Low Income Assistance Credit shall be applied as follows:

Income Assistance Credit: $(50.00) per ***customer*** per month.

If a credit balance occurs, the credit shall apply to the customer's future utility Charges.

***R*ESIDENTIAL SERVICE SENIOR CITIZEN PROVISION**: When service is supplied to a Principal Residence Customer, who is 65 years of age or older and head of household, a credit shall be applied during all billing months. The monthly credit for the Residential Service Senior Citizen Provision shall be applied as follows:

Delivery Charges: The Senior Citizen Credit is $(4.25) per customer per month and is applicable to Full Service and Retail Open Access customers.

This credit shall not be taken in conjunction with a credit for the Income Assistance Service Provision (RIA) or the Special Low Income Assistance Credit (LIA).

RATE SCHEDULE NO. D3 **GENERAL SERVICE RATE**

AVAILABILITY OF SERVICE: Available to customers desiring service for any purpose. This rate is not available for service in conjunction with the Large General Service Rate except when used exclusively to serve electric vehicle service equipment. When exclusively serving electric vehicle service equipment, this rate may also be taken in conjunction with Rate Schedules D6.2, D8, D11, or D12. At the Company's option, service may be available to loads in excess of 1000 kW for situations where significant modifications to service facilities are not required to serve the excess load. The 1000 kW discretionary demand restriction does not apply to service provided to Electric Vehicle Fast-Charging Stations until June 1, 2028 for existing stations and for two years after beginning service for new stations. Effective May 27, 1981, this rate is not available to customers desiring service through one meter for residential purposes to a single or double occupancy dwelling unit.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire; or three-phase four-wire, Y connected at 208Y/120 volts; or under certain conditions three-phase four-wire, Y connected at 480Y/277 volts.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, single-phase three-wire; or 208Y/120 volts, three-phase four-wire service may be taken.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Capacity Energy Charge: ***2.603***¢ per kWh for all kWh Non-
Capacity Energy Charge***:*** ***5.562***¢ per kWh for all kWh

Delivery Charges:

Service Charge: $11.25 per month
Distribution Charge: ***6.670***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Power Supply Charges for Retail Access Service Customers taking Utility Capacity Service from DTE:
Capacity Energy Charg***e:*** ***2.603***¢ per kWh for all kWh

Delivery Charges:

Service Charge: $11.25 per month
Distribution Charge: ***6.670***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

(Continued on Sheet No. D-19.00)

RATE SCHEDULE NO. D3.1 **UNMETERED GENERAL SERVICE RATE**

AVAILABILITY OF SERVICE: Available at the option of the Company to customers for loads that can be readily calculated and are impractical to meter.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire; or three-phase four-wire, Y connected at 208Y/120 volts; or under certain conditions three-phase four-wire, Y connected at 480Y/277 volts.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, three-wire; or 208Y/120 volts, three-phase four-wire service may be taken.

SERVICE CONNECTIONS: The customer is to furnish and maintain all necessary wiring and equipment, or reimburse the Company therefore. Connections are to be brought to the Company's underground or overhead lines by the customer as directed by the Company, and the final connections to the Company's line are to be made by the Company.

Conversion and/or relocation of existing facilities must be paid for by the customer, except when initiated by the Company. The detailed provisions and schedule of such charges will be quoted upon request.

RATE: Capacity charge of ***2.223¢*** and non-capacity charge of ***11.420¢*** both applied per month per kilowatthour of the total connected load in service for each customer. Loads operated cyclically will be prorated. This rate is based on 350 hours per month. Proration of cyclical loads will not apply when hours of operation are within 10% of base. Proration may either increase or decrease connected load.

The Company may, at its option, install meters and apply a standard metered rate schedule applicable to the service.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: $3.00 per month.

CONTRACT TERM: Open order on a month-to-month basis.

RATE SCHEDULE NO. D3.2 **SECONDARY EDUCATIONAL INSTITUTION RATE**

AVAILABILITY OF SERVICE: Available to Educational Institution (school, college, university) customer locations desiring service at secondary voltage. School shall mean buildings, facilities, playing fields, or property directly or indirectly used for school purposes for children in grades kindergarten through twelve, when provided by a public or nonpublic school. School does not include instruction provided in a private residence or proprietary trade, vocational training, or occupational school. "College" or "University" shall mean buildings owned by the same customer which are located on the same campus and which constitute an integral part of such college or university facilities.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire; or three-phase four-wire, Y connected at 208Y/120 volts; or under certain conditions three-phase four-wire, Y connected at 480Y/277 volts.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, single-phase three-wire; or 208Y/120 volts, three-phase four-wire service may be taken.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Capacity Energy Charge:	***2.403¢*** per kWh for all kWh Non-
Capacity Energy Charge*:*	***5.483¢*** per kWh for all kWh

Delivery Charges:

Service Charge:	$11.25 per month
Distribution Charge:	***6.670¢*** per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Power Supply Charges for Retail Access Service Customers taking Utility Capacity Service from DTE:

Capacity Energy Charge*:*	***2.403¢*** per kWh for all kWh

Delivery Charges:

Service Charge:	$11.25 per month
Distribution Charge:	***6.670¢*** per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the approved commission. See section C8.5.

LATE PAYMENT CHARGE: See Section C4.9.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

(Continued on Sheet No. D-20.02)

(Continued from Sheet No. D-21.00)

RATE SCHEDULE NO. D3.3 (Contd.) **INTERRUPTIBLE GENERAL SERVICE RATE**

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Capacity Energy Charge: ***2.175¢*** per kWh for all kWh Non-
Capacity Energy Charge*:* ***4.647¢*** per kWh for all kWh

Delivery Charges:

Service Charge: $11.25 per month
Distribution Charge: ***6.670¢*** per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Power Supply Charges for Retail Access Service Customers taking Utility Capacity Service from DTE*:*
Capacity Energy Charge: ***2.175¢*** per kWh for all kWh

Delivery Charges:

Service Charge: $11.25 per month
Distribution Charge: ***6.670¢*** per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the commission. See Section C8.5.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

PRODUCT PROTECTION PROVISION*:* (Full Service Customers Only): A customer on rate D3.3 may elect to contract for a minimum load during the period of interruption to protect his product or process. This minimum load called "product protection load" shall not exceed 50% of the total contracted interruptible load and shall be charged rates equal to the General Service Rate (D3) power supply charge.

CONTRACT TERM: The contract term is one year, extending thereafter from month-to-month until terminated by mutual consent or on twelve months written notice by either party, which may be given at any time after the end of the first year. However, where special services are required or where the investment to serve is out of proportion to the revenue derived there from, the contract term will be as specified in the applicable contract rider or Extension of Service Agreement.

RATE SCHEDULE NO. D3.5 **COMPANY OWNED EV CHARGING SERVICE PILOT**

AVAILABILITY OF SERVICE*:* Available on an optional basis to customers for use of Company-owned electric vehicle charging equipment. The service may be offered by the Company for charging infrastructure of any kilowatt (kW) capacity at the Company's discretion. Availability shall be subject to the technical compatibility of the customer's vehicle and the charging equipment. This rate is limited to 100 individual chargers. EV charging equipment will be sited at the Company's discretion.

HOURS OF SERVICE*:* 24 hours

CURRENT, PHASE AND VOLTAGE*:* Service on this rate will be delivered at varying current, phase, and voltage subject to the technical specifications of the customer's vehicle and the EV charging equipment.

RATES*:* This service is offered as a volumetric charge at the market price of energy, and a single fixed charge encompassing all power supply capacity charges, delivery charges, and surcharges. The volumetric charge is consistent across EV charging equipment capacity. There is a separate fixed charge based on EV charging equipment capacity.

The relevant volumetric charge and session fee will be available to the customer before they choose to take service under this rate.

Volumetric Charges:

Non-Capacity Energy Charge (on peak):	***7.743¢*** per kWh
Non-Capacity Energy Charge (off peak):	***6.892¢*** per kWh

Fixed Charges:

Session Fee (< 200 kW charger)	$21 per vehicle-session
Session Fee (≥ 200kW charger)	$66 per vehicle-session

Surcharges and Credits*:* As approved by the Commission. See Sections C8.5 and C9.8. Those surcharges reflected on a per meter basis in Sections C8.5 and C9.8 will be converted to a volumetric equivalent for this rate schedule using the following formula: ((meter/month rate)*12 months*count of installed chargers) / total projected sales.

METERING*:* Usage on this rate will be metered at the EV charging equipment

BILLING*:* An accepted form of payment is required to take service on this rate. Customers taking service on this rate will be billed at the time of service. The billing transaction may be managed by a third-party vendor on behalf of the Company.

LATE PAYMENT CHARGE*:* Payment is required at the point-of-sale

MINIMUM CHARGE*:* The Session Fee

CONTRACT TERM*:* Effective for the period of the charging session and governing the rates, metering, and billing of the service. There is no contractual relationship between the customer and Company beyond the charging session.

(Continued on Sheet D-23.01)

RATE SCHEDULE NO. D3.11 **GENERAL SERVICE TIME OF USE RATE**

AVAILABILITY OF SERVICE: Available to customers desiring service for any purpose. This rate is not available for service in conjunction with ***the General Service Rate or*** the Large General Service Rate except when used exclusively to serve electric vehicle service equipment. When exclusively serving electric vehicle service equipment, this rate may also be taken in conjunction with Rate Schedules D6.2, D8, D11, or D12. At the Company's option, service may be available to loads in excess of 1000 kW for situations where significant modifications to service facilities are not required to serve the excess load. The 1000 kW discretionary demand restriction does not apply to service provided to Electric Vehicle Fast-Charging Stations until June 1, 2028 for existing stations and for two years after beginning service for new stations. ***This rate is not available to customers desiring service through one meter for residential purposes to a single or double occupancy dwelling unit.*** This rate will become effective no later than June 1, 2025.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire; or three-phase four-wire, Y connected at 208Y/120 volts; or under certain conditions three-phase four-wire, Y connected at 480Y/277 volts.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, single-phase three-wire; or 208Y/120 volts, three-phase four-wire service may be taken.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Capacity Energy (June – September)	
Summer On Peak	***4.086¢*** per kWh for all kWh
Summer Off Peak	***2.496¢*** ~~per~~ kWh for all kWh
Capacity Energy (October – May)	
Non-Summer On Peak	***2.667¢*** per kWh for all kWh
Non-Summer Off Peak	***2.496¢*** per kWh for all kWh
Non-Capacity Energy (June – September)	
Summer On Peak	***8.730¢*** per kWh for all kWh
Summer Off Peak	***5.332¢*** ~~per~~ kWh for all kWh
Non-Capacity Energy (October – May)	
Non-Summer On Peak	***5.699¢*** per kWh for all kWh
Non-Summer Off Peak	***5.332¢*** per kWh for all kWh

On-Peak Hours: All kWh used between 1:00PM and 5:00PM Monday through Friday.
Off-Peak Hours: All other kWh used.

Delivery Charges:

Service Charge:	$11.25 per month
Distribution Charge:	***6.670¢*** per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Power Supply Charges for Retail Access Service Customers taking Utility Capacity Service from DTE:

(Continued on Sheet No. D-23.03)

(Continued from Sheet No. D-23.02)

RATE SCHEDULE NO. D3.11 (Contd.) **GENERAL SERVICE TIME OF USE RATE**

Capacity Energy (June – September)	
Summer On Peak	***4.086¢*** per kWh for all kWh
Summer Off Peak	***2.496¢*** ~~per k~~Wh for all kWh
Capacity Energy (October – May)	
Non-Summer On Peak	***2.667¢*** per kWh for all kWh Non-
Summer Off Peak	***2.496¢*** per kWh for all kWh

Delivery Charges:

Service Charge:	$11.25 per month
Distribution Charge:	***6.670¢*** per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5.

LATE PAYMENT CHARGE: See Section C4.8.

CONTRACT TERM: Upon enrollment customers are required to remain on rate for 12 months. After 12 months, open order, terminable on three days' written notice by either party.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

CONTRACT TERM: 12 months, terminable on three days' written notice by either party. Where special services are required, or where the investment to serve is out of proportion to the revenue derived therefrom, the term will be as specified in the applicable contract rider.

WATER HEATING SERVICE: Water heating service is available on an optional basis. See Schedule Designation No. D5.

INTERRUPTIBLE SPACE-CONDITIONING PROVISION: Rate D1.1 is available for commercial space-conditioning use. This provision is applicable to central air-conditioning and heat pump use. All other provisions of D3.11 shall apply.

RATE SCHEDULE NO. D4 **LARGE GENERAL SERVICE RATE**

AVAILABILITY OF SERVICE: Available to customers desiring service for any purpose, except that this rate is not available for service in conjunction with the General Service Rate.

Effective May 27, 1981, this rate is not available to customers desiring service through one meter for residential purposes to a single or double occupancy dwelling unit.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire; or three-phase four-wire, Y connected at 208Y/120 volts; or under certain conditions three-phase four-wire, Y connected at 480Y/277 volts.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, single-phase three-wire; or 208Y/120 volts, three-phase four-wire service may be taken.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Capacity Demand Charge:	$***9.18*** per kW applied to the Monthly Billing Demand
Non-Capacity Demand Charges:	***$7.48*** per kW applied to the Monthly Billing Demand
Non-Capacity Energy Charges:	***4.031¢*** per kWh for the first 200 kWh per kW of billing demand
	3.112¢ per kWh for the excess

Delivery Charges:

Service Charge:	$13.67 per month
Distribution Demand Charge:	$***27.10*** per kW applied to the Monthly Billing Demand

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Power Supply Charges for Retail Access Service Customers taking Utility Capacity Service from DTE:

Capacity Demand Charge:	$***9.18*** per kW applied to the Monthly Billing Demand

Delivery Charges:

Service Charge:	$13.67 per month
Distribution Demand Charge:	**$*27.10*** per kW applied to the Monthly Billing Demand

(Continued on Sheet No. D-25.00)

RATE SCHEDULE NO. D5 **WATER HEATING SERVICE RATE**

AVAILABILITY OF SERVICE: Available to customers using hot water for sanitary purposes (other uses subject to the approval of the Company) and taking service under Residential and General Service Rate Schedules. This rate is also available to customers with solar assisted hot water heaters. Company approved waste heat reclamation systems and heat pump water heaters when used in conjunction with an approved electric water heater are also acceptable for use.

Available to customers who desire controlled water heating service to all of the heating elements of electric water heaters, the design and method of installation of which are approved by the Company as adapted to this service, taken through a separately metered circuit to which no other load except water heating may be connected. Customers who take service on this tariff are not eligible to participate in another Demand Response program with an Aggregator of Retail Customer (ARC) in any MISO season.

HOURS OF SERVICE: 24 hours.

HOURS OF INTERRUPTION: Interruptions may be called for, but not limited to, system testing and evaluation, maintaining system integrity, economic reasons, or when available system generation is insufficient to meet anticipated system load. A System Integrity Interruption Order may be given by the Company when the failure to interrupt will contribute to the implementation of the rules for emergency electrical procedures under Section C3. The Company will limit interruptions to intervals of no longer than 4 hours in any 24-hour period.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 240 volts, three-wire, except that, in certain city districts, alternating current service at 208 volts, nominal, three-wire, or three-phase at the option of the Company.

RATE PER MONTH:

Full Service Customers:

Residential Power Supply Charges:
Capacity Energy Charge: ***1.824***¢ per kWh for all kWh
Non-Capacity Energy Charge: ***3.078***¢ per kWh for all kWh

Residential Delivery Charges:
Service Charge: $1.95 per month
Distribution Charge: ***9.726***¢ per kWh for all kWh

Commercial Power Supply Charges:
Capacity Energy Charge: ***1.533***¢ per kWh for all kWh Non-
Capacity Energy Charge: ***3.275***¢ per kWh for all kWh

Commercial Delivery Charges:
Service Charge: $1.95 per month
Distribution Charge: ***6.670***¢ per kWh for all kWh

(Continued on Sheet No. D-27.00)

(Continued from Sheet No. D-26.00)

RATE SCHEDULE NO. D5 (Contd.) **WATER HEATING SERVICE RATE**

Retail Access Service Customers:
Residential Power Supply Charges for Retail Access Service Customers taking Utility Capacity Service from DTE:

Capacity Energy Charge*:* ***1.824¢*** per kWh for all kWh

Residential Power Supply Charges for Retail Access Service Customers taking Utility Capacity Service from DTE (contd):

Residential Delivery Charges:
Service Charge: $1.95 per month
Distribution Charge: ***9.726¢*** per kWh for all kWh

Commercial Power Supply Charges for Retail Access Service Customers taking Utility Capacity Service from DTE*:*

Capacity Energy Charge*:* ***1.533¢*** per kWh for all kWh

Commercial Delivery Charges:
Service Charge: $1.95 per month
Distribution Charge: ***6.670¢*** per kWh for all kWh

SURCHARGES AND CREDITS: As approved by the Commission. Power Supply Charges are subject to Section C8.5. Delivery Charges are subject to Section C9.8. Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5.

CONTRACT TERM: Open order, terminable or three days' notice by either party. Where special services are required, the term will be as specified in the applicable contract rider.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

WATER HEATER REQUIREMENTS FOR WATER HEATER RATE APPLICATION:

Rate Option	Minimum Tank Capacity*	Maximum Total Connected Load**
Residential	30 gallons	5.5 kW
Rate Option	**Minimum Tank Capacity***	**Maximum Total Connected Load****
Commercial	2 gallons per kW of total connected load 40 gallon minimum	Controlled by minimum tank capacity requirements

*No limitation to number of tanks
**Single or multi-element

RATE SCHEDULE NO. D6.2 **PRIMARY EDUCATIONAL INSTITUTION RATE**

AVAILABILITY OF SERVICE: Available to Educational Institution (school, college, university) customer locations desiring service at primary, sub-transmission, or transmission voltage who contract for a specified capacity of not less than 50 kilowatts at a single location. School shall mean buildings, facilities, playing fields, or property directly or indirectly used for school purposes for children in grades kindergarten through twelve, when provided by a public or nonpublic school. School does not include instruction provided in a private residence or proprietary trade, vocational training, or occupational school. "College" or "University" shall mean buildings owned by the same customer which are located on the same campus and which constitute an integral part of such college or university facilities.

HOURS OF SERVICE: 24 hours, subject to interruption by agreement, or by advance notice.

CURRENT, PHASE AND VOLTAGE: Alternating current, three-phase, nominally at 4,800, 13,200, 24,000, 41,570 or 120,000 volts at the option of the Company.

CONTRACT CAPACITY: Customers shall contract for a specified capacity in kilowatts sufficient to meet normal maximum requirements but not less than 50 kilowatts. The Company undertakes to provide the necessary facilities for a supply of electric power from its primary distribution system at the contract capacity. Any single reading of the demand meter in any month that exceeds the contract capacity then in effect shall become the new contract capacity. The contract capacity for customers served at more than one voltage level shall be the sum of the contract capacities established for each voltage level.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Capacity

Demand Charge: ***$10.34*** per kW of on-peak billing demand

Voltage Level Discount:

$0.44 per kW at transmission level
$0.21 per kW at subtransmission level

Non-Capacity

Demand Charge: ***$3.99*** per kW of on-peak billing demand

Voltage Level Discount:

$0.17 per kW at transmission level
$0.08 per kW at subtransmission level

Energy Charges: ***4.535¢*** per kWh for all on-peak kWh
4.235¢ per kWh for all off-peak kWh

Voltage Level Discount:

0.170¢ per kWh at transmission level
0.076¢ per kWh at subtransmission level

(Continued on Sheet No. D-36.02)

(Continued from Sheet No. D-36.01)

RATE SCHEDULE NO. D6.2 (Contd.) **PRIMARY EDUCATIONAL INSTITUTION RATE**

Full Service Customers (Contd):

Delivery Charges:
Primary Service Charge: $70 per month
Subtransmission and Transmission Service Charge: $375 per month
Distribution Charges:
For primary service (less than 24 kV) ***$7.15*** per kW of maximum demand.
For service at subtransmission voltage (24 to 41.6 kV) ***$1.84*** per kW of maximum demand. For service at transmission voltage (120 kV and above) ***$0.98*** per kW of maximum demand.

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $0.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of 0.040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Section C9.8.

Retail Access Service Customers:
Capacity (Only applicable to Retail Access Service Customers receiving utility Capacity Service from DTE Electric)

Demand Charge*:* ***$10.34*** per kW of on-peak billing demand

Voltage Level Discount:
$0.44 per kW of on-peak billing demand at transmission level
$0.21 per kW of on-peak billing demand at subtransmission level

Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5.

Delivery Charges:
Primary Service Charge: $70 per month
Subtransmission and Transmission Service Charge: $375 per month
Distribution Charges:
For primary service (less than 24 kV) ***$7.15*** per kW of maximum demand.
For service at subtransmission voltage (24 to 41.6 kV) ***$1.84*** per kW of maximum demand. For service at transmission voltage (120 kV and above) ***$0.98*** per kW of maximum demand.

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $0.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of 0.040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

(Continued on Sheet No. D-36.03)

(Continued from Sheet No. D-40.00)

RATE SCHEDULE NO. D8 (Contd.) **INTERRUPTIBLE SUPPLY RATE**

NON-INTERRUPTION FEE: Customers who do not interrupt by the effective start time of a capacity deficiency order shall be billed at the cost of replacement energy plus 0.***728***¢ per kWh during the time of interruption plus the applicable voltage level charge, but not less than the normal D8 rate. Voltage level charges for service other than transmission voltage are:

0.140¢ per kWh at the distribution level.
0.077¢ per kWh at the subtransmission level.

SYSTEM INTEGRITY INTERRUPTION ORDER:

NOTICE OF SYSTEM INTEGRITY INTERRUPTION*:* The customer shall be provided:

1) Notice at least 1 hour in advance of probable interruption, whenever possible***;***
2) The time in which customer must fully reduce load; and
3) The estimated duration of the interruption.

The customer shall be provided notice of the actual end time for the system integrity order.

NON-INTERRUPTION PENALTY: A customer who does not fully comply with the timing and load reduction prescribed in the Notice of System Integrity Interruption shall be billed at the higher of (i) the rate of $50 per kW applied to the highest 60-minute integrated interruptible demand (kW) created during the interruption period or (ii) the actual damages incurred by the Company, including any MISO penalties in addition to the prescribed monthly rate. In addition, the interruptible contract capacity of a customer who does not fully comply with a System Integrity interruption order may be immediately reduced by the amount the customer failed to interrupt, unless the customer demonstrates that failure to interrupt was beyond its control.

(Continued on Sheet No. D-41.00)

(Continued from Sheet No. D-41.00)

RATE SCHEDULE NO. D8 (Contd.) **INTERRUPTIBLE SUPPLY RATE**

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:
Capacity

Demand Charge: ***$4.33*** per kW of on-peak billing demand
Voltage Level Discount***:***
$0.18 per kW of on-peak billing demand at transmission level
$0.09 per kW of on-peak billing demand at subtransmission level
Energy Charge: 0.562¢ per kWh

Voltage Level Discount:
0.022¢ per kWh at transmission level
0.010¢ per kWh at subtransmission level

Non-Capacity
Demand Charge***:*** ***$6.17*** per kW of on-peak billing demand
Voltage Level Discount***:***
$0.26 per kW of on-peak billing demand at transmission level
$0.13 per kW of on-peak billing demand at subtransmission level
Energy Charge: ***4.300¢*** per kWh for all on-peak kWh
3.300¢ per kWh for all off-peak kWh

Voltage Level Discount:
0.140¢ per kWh at transmission level
0.063¢ per kWh at subtransmission level

Delivery Charges:
Primary Service Charge: $70 per month
Subtransmission and Transmission Service Charge: $375 per month
Distribution Charges:
For primary service (less than 24 kV) ***$7.15*** per kW of maximum demand.
For service at subtransmission voltage (24 to 41.6 kV) ***$1.84*** per kW of maximum demand. For service at transmission voltage (120 kV and above) ***$0.98*** per kW of maximum demand.

(Continued on Sheet No. D-42.00)

(Continued from Sheet No. D-41.00)

RATE SCHEDULE NO. D8 (Contd.) **INTERRUPTIBLE SUPPLY RATE**

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $0.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of 0.040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service customers:

Capacity (only applicable to Retail Access Service Customers receiving Utility Capacity Service from DTE Electric)

Demand Charge: ***$4.33*** per kW of on-peak billing demand
Voltage Level Discount:
$0.18 per kW of on-peak billing demand at transmission level
$0.09 per kW of on-peak billing demand at subtransmission level

Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5.

Delivery Charges:

Primary Service Charge: $70 per month
Subtransmission and Transmission Service Charge: $375 per month
Distribution Charges:
For primary service (less than 24 kV) ***$7.15*** per kW of maximum demand.
For service at subtransmission voltage (24 to 41.6 kV) ***$1.84*** per kW of maximum demand. For service at transmission voltage (120 kV and above) ***$0.98*** per kW of maximum demand.

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of .040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Section C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

DEFINITION OF CUSTOMER VOLTAGE LEVEL: See Section C13.

MONTHLY ON-PEAK BILLING DEMAND: The monthly on-peak billing demand shall be the single highest 30-minute integrated reading of the demand meter during the on-peak hours of the billing period. In no event will

the monthly on-peak billing demand be less than 65% of the highest monthly on-peak metered billing demand during the billing months of June, July, August, September, and October of the preceding eleven billing months, nor less than 50 kilowatts.

(Continued on Sheet No. D-43.00)

RATE SCHEDULE NO. D9 **OUTDOOR PROTECTIVE LIGHTING**

AVAILABILITY OF SERVICE: Customers desiring controlled service for outdoor protective lighting. ***The customer must have an active electric service under a standard metered rate schedule. The lighting can be installed at the premise location that is associated with the metered account or may also be installed at any alternate location that has a designated physical address.***

HOURS OF SERVICE: Dusk to dawn service controlled by photo-sensitive devices which provide service every night and all night for approximately 4200 hours per year.

KIND OF SERVICE: Multiple lighting from overhead and underground lines. The Company will own, operate and maintain the lights. Burned out lights must be reported by the customer and the Company will undertake to replace the lights as soon as possible during regular working hours.

SPECIAL ORDER MATERIAL PROVISION: For decorative or ornamental special order material, there may be an additional per luminaire per month charge for procurement and material handling. Company and Customer to mutually agree upon charges.

RATES: As shown on Sheet No. D-45.00 and D-46.00.

SURCHARGES AND CREDITS: As approved by the Commission. Applicable surcharges and credits are listed in Sections C8.5 and C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

CONTRACT TERM: Contracts for overhead and underground service were taken for a minimum of five years. Conversion and/or relocation of existing lighting facilities must be paid for by the customer, except where initiated by the Company. The detailed provisions and schedule of such charges will be quoted upon request.

Effective February 7, 2020
Contracts for overhead and underground service were taken for a minimum of five years. Upon expiration of the initial term shall continue on a month-to-month basis until terminated by mutual written consent of the parties or by either party with thirty (30) days prior written notice to the other party. Any conversion, relocation and/or removal of existing street lighting facilities at the customer's request, including those removals necessitated by termination of service, must be paid for by the customer. If the financing alternative (term 4 under Special Terms and Conditions below) is selected by the customer, the remaining principal capital at time of termination will be included. The detailed provisions and schedule of charges, which may include the remaining value of the existing facilities, will be quoted upon request. The Company shall not withdraw service, and the customer shall not substitute another source of service in whole or in part, without twelve months' written notice to the other party.

SPECIAL TERMS AND CONDITIONS: Outdoor protective lighting is intended primarily for installations served from existing secondary facilities. All lights will be installed so as to overhang private property at locations satisfactory to the customer and the Company. However, exceptions can be made for floodlight installations to overhang public property where practical.

(Continued on Sheet No. D-45.00)

RATE SCHEDULE NO. D9 **OUTDOOR PROTECTIVE LIGHTING**

SPECIAL TERMS AND CONDITIONS (contd.):

The stated charges for underground service on Sheet No. D-46.00 cover the ordinary trenching for cable extensions under normal soil conditions in cleared areas.

(1) Special purpose facilities are considered to be line or cable extensions, transformers, and any additional poles without lights, excluding facilities provided under stated charges on Sheet No. D-45.00. Where special purpose facilities are required, a service charge of 18% per year on the investment in such facilities will be billed in installments as an addition to the regular rate for each light. In the event the customer discontinues service before the end of the contract term, the established rate as well as the service charge on special purpose facilities for the remaining portion of the contract term shall immediately become due and payable. This provision was closed to new installations as of January 22, 1994.
(2) For new installations after January 22, 1994, which require investment in excess of three times the annual revenue, this rate is available only to customers who make a contribution in aid of construction equal to the amount by which the investment exceeds three times the annual revenue at the prevailing rate at the time of installation.
(3) For new underground-fed installations of 5 lights or more after May 1, 2019, which require investment in excess of three times the annual revenue, the customer may elect to pay a post charge for each increment of $1,000 investment required above three times the annual revenue.
(4) As an alternative, where the required contribution exceeds $10,000, upon agreement of the customer and the Company, the customer will pay an additional annual charge of the Company's weighted average cost of capital (***7.00***%) times the contribution amount in lieu of the cash contribution.

DE-ENERGIZED LIGHTS: Customers may elect to have any or all luminaires served under this rate disconnected. The charge per luminaire per year, payable in equal monthly installments, shall be 60% of the regular yearly rates. A $35.00 charge per luminaire will be made at the time of de-energization and at the time of re-energization.

DUSK TO MIDNIGHT SERVICE: For service to parking lots from dusk to approximately twelve o'clock midnight E.S.T., a distribution discount of 1.060¢ per nominal lamp size wattage per month and a 50% reduction in the average monthly hours of use will be applied. One control per circuit or luminaire will be provided.

EXPERIMENTAL PROGRAMMABLE PHOTOCELL SERVICE: Customers may elect to place luminaires on photocells that are programmable to turn off lights at pre-determined times during the night. A distribution discount of 1.060¢ per nominal lamp size wattage per month and a 50% reduction in the average monthly hours of use will be applied.

MONTHLY RATES: Overhead Outdoor Protective Lighting with Existing Pole and Existing Secondary Facilities ***(***All-night service***)***.

Power Supply Charges:

Capacity Energy Charge:	0.00¢ per kWh for all kWh
Non-Capacity Energy Charge***:***	***4.73***¢ per kWh for all kWh

(Continued on Sheet No. D-45.01)

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Nominal Lamp Size	**Type of Service**	**Distribution Charge per Lamp per Month**	**System Wattage**	**Average Monthly Hours (4200/12)**	**Energy Charge**	**Average Energy Cost per Month (d*e*f/1000)**	**Average Monthly Cost**
100 W	Mercury Vapor	***$16.86***	120	350	***$0.0473***	***$1.99***	***$18.84***
175 W	Mercury Vapor	***$21.63***	210	350	***$0.0473***	***$3.48***	***$25.11***
250 W	Mercury Vapor	***$26.41***	300	350	***$0.0473***	***$4.97***	***$31.38***
400 W	Mercury Vapor	***$34.90***	450	350	***$0.0473***	***$7.45***	***$42.35***
1,000 W	Mercury Vapor	***$71.32***	1060	350	***$0.0473***	***$17.55***	***$88.87***
100 W	High Pressure Sodium	***$16.46***	135	350	***$0.0473***	***$2.23***	***$18.69***
150 W	High Pressure Sodium	***$19.72***	200	350	***$0.0473***	***$3.31***	***$23.03***
250 W	High Pressure Sodium	***$25.46***	305	350	***$0.0473***	***$5.05***	***$30.51***
400 W	High Pressure Sodium	***$31.49***	465	350	***$0.0473***	***$7.70***	***$39.19***
1,000 W	High Pressure Sodium	***$63.76***	1100	350	***$0.0473***	***$18.21***	***$81.97***
100 W	Metal Halide	***$17.36***	120	350	***$0.0473***	***$1.99***	***$19.34***
150 W	Metal Halide	***$20.53***	180	350	***$0.0473***	***$2.98***	***$23.51***
175 W	Metal Halide	***$22.12***	210	350	***$0.0473***	***$3.48***	***$25.59***
250 W	Metal Halide	***$26.88***	300	350	***$0.0473***	***$4.97***	***$31.84***
320 W	Metal Halide	***$31.32***	365	350	***$0.0473***	***$6.04***	***$37.36***
400 W	Metal Halide	***$36.40***	460	350	***$0.0473***	***$7.62***	***$44.02***
1,000 W	Metal Halide	***$74.49***	1050	350	***$0.0473***	***$17.38***	***$91.87***
10 - 19 W	LED	***$11.72***	15	350	***$0.0473***	***$0.25***	***$11.97***
20 - 29 W	LED	***$12.48***	25	350	***$0.0473***	***$0.41***	***$12.89***
30 - 39 W	LED	***$13.23***	35	350	***$0.0473***	***$0.58***	***$13.81***
40 - 49 W	LED	***$13.98***	45	350	***$0.0473***	***$0.74***	***$14.73***
50 - 59 W	LED	***$14.74***	55	350	***$0.0473***	***$0.91***	***$15.65***
60 - 69 W	LED	***$15.56***	65	350	***$0.0473***	***$1.08***	***$16.63***
70 - 79 W	LED	***$16.38***	75	350	***$0.0473***	***$1.24***	***$17.62***
80 - 89 W	LED	***$17.17***	85	350	***$0.0473***	***$1.41***	***$18.57***
90 - 99 W	LED	***$17.86***	95	350	***$0.0473***	***$1.57***	***$19.43***
100 - 109 W	LED	***$18.56***	105	350	***$0.0473***	***$1.74***	***$20.30***
110 - 119 W	LED	***$19.26***	115	350	***$0.0473***	***$1.90***	***$21.16***
120 - 129 W	LED	***$19.94***	125	350	***$0.0473***	***$2.07***	***$22.01***
130 - 139 W	LED	***$20.63***	135	350	***$0.0473***	***$2.23***	***$22.87***
140 - 149 W	LED	***$21.27***	145	350	***$0.0473***	***$2.40***	***$23.67***
150 - 159 W	LED	***$21.84***	155	350	***$0.0473***	***$2.57***	***$24.40***
160 - 169 W	LED	***$22.40***	165	350	***$0.0473***	***$2.73***	***$25.14***
170 - 179 W	LED	***$22.97***	175	350	***$0.0473***	***$2.90***	***$25.87***
180 - 189 W	LED	***$23.65***	185	350	***$0.0473***	***$3.06***	***$26.72***
190 - 199 W	LED	***$24.34***	195	350	***$0.0473***	***$3.23***	***$27.56***
200 - 209 W	LED	***$25.02***	205	350	***$0.0473***	***$3.39***	***$28.41***
210 - 219 W	LED	***$25.64***	215	350	***$0.0473***	***$3.56***	***$29.20***
220 - 229 W	LED	***$26.26***	225	350	***$0.0473***	***$3.72***	***$29.98***
230 - 239 W	LED	***$26.90***	235	350	***$0.0473***	***$3.89***	***$30.79***
240 - 249 W	LED	***$27.52***	245	350	***$0.0473***	***$4.06***	***$31.58***

(Continued on Sheet No. D-45.02)

(a) Nominal Lamp Size	(b) Type of Service	(c) Distribution Charge per Lamp per Month	(d) System Wattage	(e) Average Monthly Hours (4200/12)	(f) Energy Charge	(g) Average Energy Cost per Month (d*e*f/1000)	(h) Average Monthly Cost
250 - 259 W	LED	***$28.15***	255	350	***$0.0473***	***$4.22***	***$32.37***
260 - 269 W	LED	***$28.78***	265	350	***$0.0473***	***$4.39***	***$33.16***
270 - 279 W	LED	***$29.40***	275	350	***$0.0473***	***$4.55***	***$33.96***
280 - 289 W	LED	***$30.03***	285	350	***$0.0473***	***$4.72***	***$34.75***
290 - 299 W	LED	***$30.64***	295	350	***$0.0473***	***$4.88***	***$35.53***
300 - 309 W	LED	***$31.27***	305	350	***$0.0473***	***$5.05***	***$36.32***
310 - 319 W	LED	***$31.90***	315	350	***$0.0473***	***$5.21***	***$37.11***
320 - 329 W	LED	***$32.52***	325	350	***$0.0473***	***$5.38***	***$37.90***
330 - 339 W	LED	***$33.15***	335	350	***$0.0473***	***$5.55***	***$38.69***
340 - 349 W	LED	***$33.77***	345	350	***$0.0473***	***$5.71***	***$39.48***
350 - 359 W	LED	***$34.40***	355	350	***$0.0473***	***$5.88***	***$40.27***
360 - 369 W	LED	***$35.02***	365	350	***$0.0473***	***$6.04***	***$41.06***
370 - 379 W	LED	***$35.65***	375	350	***$0.0473***	***$6.21***	***$41.86***
380 - 389 W	LED	***$36.27***	385	350	***$0.0473***	***$6.37***	***$42.65***
390 - 399 W	LED	***$36.90***	395	350	***$0.0473***	***$6.54***	***$43.44***

For installations prior to January 22, 1994. New Pole and Single Span of Secondary Facilities. The above rate plus $24.48 per pole per year.

Effective January 22, 1994 installation requiring additional facilities shall pay a contribution in aid of construction in lieu of the service charge. Contribution is described in paragraph (2) above.

Multiple Lamps on a Single Pole. For each additional luminaire added to the same pole the charge will be at the existing pole rate.

The Energy Policy Act of 2005 states that no Mercury Vapor lamp ballasts may be manufactured or imported after January 1, 2008. As a result, effective January 1, 2008, new Mercury Vapor lamps will no longer be available. Customers with existing Mercury Vapor lamp ballasts will continue to receive service until those fixtures fail. At that time, the luminaire will be converted to LED.

Effective January 1st, 2025, new high-pressure sodium (HPS) fixtures will no longer be available. Customers with existing HPS fixtures will continue to receive service until those fixtures fail. At that time, the fixture will be converted to an LED luminaire.

MONTHLY RATES: Underground Outdoor Protective Lighting with Lamp Spacing up to 120 Feet (All-night service).

Power Supply Charges:
Capacity Energy Charge***:*** 0.00¢ per kWh for all kWh
Non-Capacity Energy Charge: ***4.73¢*** per kWh for all kWh

(Continued on Sheet No. D-46.00)

(Continued from Sheet No. D-45.02)

RATE SCHEDULE NO. D9 (Contd.) **OUTDOOR PROTECTIVE LIGHTING**

Luminaire Charges (Contd)**:**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Nominal Lamp Size	**Type of Service**	**Distribution Charge per Lamp per Month**	**System Wattage**	**Average Monthly Hours (4200/12)**	**Energy Charge**	**Average Energy Cost per Month (d*e*f/1000)**	**Average Monthly Cost**
100 W	Mercury Vapor	***$28.29***	120	350	***$0.0473***	***$1.99***	***$30.27***
175 W	Mercury Vapor	***$32.20***	210	350	***$0.0473***	***$3.48***	***$35.67***
250 W	Mercury Vapor	***$38.80***	300	350	***$0.0473***	***$4.97***	***$43.77***
400 W	Mercury Vapor	***$50.06***	450	350	***$0.0473***	***$7.45***	***$57.51***
1,000 W	Mercury Vapor	***$100.23***	1060	350	***$0.0473***	***$17.55***	***$117.77***
70 W	High Pressure Sodium	***$22.47***	95	350	***$0.0473***	***$1.57***	***$24.04***
100 W	High Pressure Sodium	***$24.69***	135	350	***$0.0473***	***$2.23***	***$26.93***
150 W	High Pressure Sodium	***$27.27***	200	350	***$0.0473***	***$3.31***	***$30.58***
250 W	High Pressure Sodium	***$32.42***	305	350	***$0.0473***	***$5.05***	***$37.47***
400 W	High Pressure Sodium	***$40.14***	465	350	***$0.0473***	***$7.70***	***$47.84***
1,000 W	High Pressure Sodium	***$71.04***	1100	350	***$0.0473***	***$18.21***	***$89.25***
100 W	Metal Halide	***$24.69***	120	350	***$0.0473***	***$1.99***	***$26.68***
150 W	Metal Halide	***$27.27***	180	350	***$0.0473***	***$2.98***	***$30.25***
175 W	Metal Halide	***$28.56***	210	350	***$0.0473***	***$3.48***	***$32.03***
250 W	Metal Halide	***$32.42***	300	350	***$0.0473***	***$4.97***	***$37.38***
400 W	Metal Halide	***$40.14***	460	350	***$0.0473***	***$7.62***	***$47.76***
1,000 W	Metal Halide	***$108.51***	1050	350	***$0.0473***	***$17.38***	***$125.89***
10 - 19 W	LED	***$23.23***	15	350	***$0.0473***	***$0.25***	***$23.48***
20 - 29 W	LED	***$23.63***	25	350	***$0.0473***	***$0.41***	***$24.04***
30 - 39 W	LED	***$24.03***	35	350	***$0.0473***	***$0.58***	***$24.61***
40 - 49 W	LED	***$24.43***	45	350	***$0.0473***	***$0.74***	***$25.18***
50 - 59 W	LED	***$24.84***	55	350	***$0.0473***	***$0.91***	***$25.75***
60 - 69 W	LED	***$25.24***	65	350	***$0.0473***	***$1.08***	***$26.32***
70 - 79 W	LED	***$25.61***	75	350	***$0.0473***	***$1.24***	***$26.85***
80 - 89 W	LED	***$26.00***	85	350	***$0.0473***	***$1.41***	***$27.41***
90 - 99 W	LED	***$26.38***	95	350	***$0.0473***	***$1.57***	***$27.95***
100 - 109 W	LED	***$26.74***	105	350	***$0.0473***	***$1.74***	***$28.48***
110 - 119 W	LED	***$27.13***	115	350	***$0.0473***	***$1.90***	***$29.03***
120 - 129 W	LED	***$27.49***	125	350	***$0.0473***	***$2.07***	***$29.56***
130 - 139 W	LED	***$27.85***	135	350	***$0.0473***	***$2.23***	***$30.09***
140 - 149 W	LED	***$28.51***	145	350	***$0.0473***	***$2.40***	***$30.91***
150 - 159 W	LED	***$29.17***	155	350	***$0.0473***	***$2.57***	***$31.73***
160 - 169 W	LED	***$29.83***	165	350	***$0.0473***	***$2.73***	***$32.56***
170 - 179 W	LED	***$30.48***	175	350	***$0.0473***	***$2.90***	***$33.38***
180 - 189 W	LED	***$31.14***	185	350	***$0.0473***	***$3.06***	***$34.20***
190 - 199 W	LED	***$31.80***	195	350	***$0.0473***	***$3.23***	***$35.02***
200 - 209 W	LED	***$32.45***	205	350	***$0.0473***	***$3.39***	***$35.85***
210 - 219 W	LED	***$33.34***	215	350	***$0.0473***	***$3.56***	***$36.90***
220 - 229 W	LED	***$34.22***	225	350	***$0.0473***	***$3.72***	***$37.95***
230 - 239 W	LED	***$35.11***	235	350	***$0.0473***	***$3.89***	***$39.00***
240 - 249 W	LED	***$35.91***	245	350	***$0.0473***	***$4.06***	***$39.97***
250 - 259 W	LED	***$36.71***	255	350	***$0.0473***	***$4.22***	***$40.94***
260 - 269 W	LED	***$37.52***	265	350	***$0.0473***	***$4.39***	***$41.90***

(Continued on Sheet No. D-46.01)

(Continued from Sheet No. D-46.00)

RATE SCHEDULE NO. D9 (Contd.) **OUTDOOR PROTECTIVE LIGHTING**

Luminaire Charges (Contd)**:**

(a) Nominal Lamp Size	(b) Type of Service	(c) Distribution Charge per Lamp per Month	(d) System Wattage	(e) Average Monthly Hours (4200/12)	(f) Energy Charge	(g) Average Energy Cost per Month (d*e*f/1000)	(h) Average Monthly Cost
270 - 279 W	LED	***$38.32***	275	350	***$0.0473***	***$4.55***	***$42.87***
280 - 289 W	LED	***$38.75***	285	350	***$0.0473***	***$4.72***	***$43.46***
290 - 299 W	LED	***$39.16***	295	350	***$0.0473***	***$4.88***	***$44.04***
300 - 309 W	LED	***$39.58***	305	350	***$0.0473***	***$5.05***	***$44.63***
310 - 319 W	LED	***$39.99***	315	350	***$0.0473***	***$5.21***	***$45.21***
320 - 329 W	LED	***$40.41***	325	350	***$0.0473***	***$5.38***	***$45.79***
330 - 339 W	LED	***$40.82***	335	350	***$0.0473***	***$5.55***	***$46.37***
340 - 349 W	LED	***$41.24***	345	350	***$0.0473***	***$5.71***	***$46.95***
350 - 359 W	LED	***$41.65***	355	350	***$0.0473***	***$5.88***	***$47.53***
360 - 369 W	LED	***$42.07***	365	350	***$0.0473***	***$6.04***	***$48.11***
370 - 379 W	LED	***$42.48***	375	350	***$0.0473***	***$6.21***	***$48.69***
380 - 389 W	LED	***$42.90***	385	350	***$0.0473***	***$6.37***	***$49.27***
390 - 399 W	LED	***$43.31***	395	350	***$0.0473***	***$6.54***	***$49.85***

Effective January 22, 1994 installation requiring additional facilities shall pay a contribution in aid of construction in lieu of the service charge. Contribution is described in paragraph (2) above.

Effective May 1, 2019, installations requiring additional facilities shall pay a post charge of $***6.83*** per increment of $1,000 of expense in lieu of contribution in aid of construction. Contribution is described in paragraph (3) above.

Long Span

- For lamp spacing over 120 feet up to 325 feet on the same side of street, add to rate per lamp per year ….....$24.48

Semi-Ornamental

- For Semi-Ornamental Systems which employ Ornamental Post Units served from overhead conductors, where such construction is practical, reduce rate per luminaire per year..... $21.48

Multiple Luminaires on a Single Pole

- For additional luminaires added to the same pole, a reduced rate per luminaire per year on the added luminaire.
  Ornamental $97.92
  Ornamental-Lamp spacing over 120 feet $122.40
  Semi-Ornamental $76.56

The Energy Policy Act of 2005 states that no Mercury Vapor lamp ballasts may be manufactured or imported after January 1, 2008. As a result, effective January 1, 2008, new Mercury Vapor lamps will no longer be available. Customers with existing Mercury Vapor lamp ballasts will continue to receive service until those luminaires fail. At that time, the luminaire will be converted to LED.

Effective January 1st, 2025, new high-pressure sodium (HPS) fixtures will no longer be available. Customers with existing HPS fixtures will continue to receive service until those fixtures fail. At that time, the fixture will be converted to an LED luminaire.

RATE SCHEDULE NO. D10 **ALL-ELECTRIC SCHOOL BUILDING SERVICE RATE**

AVAILABILITY OF SERVICE: Available to customers desiring service in school buildings served at primary voltage who contract for a specified installed capacity of not less than 50 kilowatts at a single location provided the space heating and water heating for all or a substantial portion of the premises is supplied by electric service and is installed on a permanent basis.

HOURS OF SERVICE: 24 hours, subject to interruption by agreement, or by advance notice.

CURRENT, PHASE AND VOLTAGE: Alternating current, three-phase, nominally at 4,800 or 13,200 volts at the option of the Company.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Capacity

Energy Charge (June through October):	***3.521***¢ per kWh for all kWh
Energy Charge (November through May):	***1.508***¢ per kWh for all kWh

Non-Capacity

Energy Charge (June through October):	***6.105***¢ per kWh for all kWh
Energy Charge (November through May):	***6.105***¢ per kWh for all kWh

Delivery Charges:

Service Charge:	$70 per month
Distribution Charge:	***2.149***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Capacity (Only applicable to Retail Access Service Customers receiving Utility Capacity Service from DTE Electric)

Energy Charge (June through October):	***3.521***¢ per kWh for all kWh
Energy Charge (November through May***):***	***1.508***¢ per kWh for all kWh

Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5.

Delivery Charges:

Service Charge:	$70 per month
Distribution Charge:	***2.149***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8.

(Continued on Sheet No. D-48.00)

RATE SCHEDULE NO. D11 **PRIMARY SUPPLY RATE**

AVAILABILITY OF SERVICE: Available to customers desiring service at primary, sub-transmission, or transmission voltage who contract for a specified capacity of not less than 50 kilowatts at a single location.

HOURS OF SERVICE: 24 hours, subject to interruption by agreement, or by advance notice.

CURRENT, PHASE AND VOLTAGE: Alternating current, three-phase, nominally at 4,800, 13,200, 24,000, 41,570 or 120,000 volts at the option of the Company.

CONTRACT CAPACITY: Customers shall contract for a specified capacity in kilowatts sufficient to meet normal maximum requirements but not less than 50 kilowatts. The Company undertakes to provide the necessary facilities for a supply of electric power from its primary distribution system at the contract capacity. Any single reading of the demand meter in any month that exceeds the contract capacity then in effect shall become the new contract capacity. The contract capacity for customers served at more than one voltage level shall be the sum of the contract capacities established for each voltage level.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Capacity

Demand Charge: $***9.23*** per kW of on-peak billing demand

Voltage Level Discount:

$***0.39*** per kW of on-peak billing demand at transmission level

$***0.19*** per kW of on-peak billing demand at subtransmission level

Non-Capacity

Demand Charge: $***7.86*** per kW of on-peak billing demand

Voltage Level Discount:

$***0.33*** per kW of on-peak billing demand at transmission level

$***0.16*** per kW of on-peak billing demand at subtransmission level

Energy Charge: ***4.300***¢ per kWh for all on-peak kWh

3.300¢ per kWh for all off-peak kWh

Voltage Level Discount:

0.140¢ per kWh at transmission level

0.063¢ per kWh at subtransmission level

Delivery Charges:

Primary Service Charge: $70 per month

Subtransmission and Transmission Service Charge: $375 per month

Distribution Charges:

For primary service (less than 24 kV) $***7.15*** per kW of maximum demand.

For service at subtransmission voltage (24 to 41.6 kV) $***1.84*** per kW of maximum demand. For service at transmission voltage (120 kV and above) $***0.98*** per kW of maximum demand.

(Continued on Sheet No. D-48.02)

(Continued from Sheet No. D-48.01)

RATE SCHEDULE NO. D11 (Contd.) **PRIMARY SUPPLY RATE**

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $0.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of 0.040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Capacity (Only applicable to Retail Access Service Customers receiving Utility Capacity Service from DTE Electric)

Demand Charge: $***9.23*** per kW of on-peak billing demand
Voltage Level Discount***:***
$***0.39*** per kW of on-peak billing demand at transmission level
$***0.19*** per kW of on-peak billing demand at subtransmission level

Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C5.8.

Delivery Charges:

Primary Service Charge: $70 per month
Subtra***n***smission and Transmission Service Charge: $375 per month

Distribution Charges:

For primary service (less than 24 kV) $***7.15*** per kW of maximum demand.
For service at subtransmission voltage (24 to 41.6 kV) $***1.84*** per kW of maximum demand. For service at transmission voltage (120 kV and above) $***0.98*** per kW of maximum demand.

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $0.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of 0.040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Section C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

DEFINITION OF CUSTOMER VOLTAGE LEVEL: See Section C13.

MONTHLY ON-PEAK BILLING DEMAND: The monthly on-peak billing demand shall be the single highest 30-minute integrated reading of the demand meter during the on-peak hours of the billing period. The monthly on- peak billing demand will not be less than 65% of the highest monthly on-peak metered billing demand during

(Continued on Sheet No. D-48.03)

RATE SCHEDULE NO. D12 **EXPERIMENTAL LARGE CUSTOMER LOW PEAK DEMAND SUPPLY RATE**

AVAILABILITY OF SERVICE: Available on an experimental basis to new full-service customers with a minimum metered contract capacity of 10,000 kW and with high on-peak demands set during the October through May billing months and on-peak demands of ten percent (10%) or less during the June through September billing months and taking service at sub-transmission, or transmission voltage at a single location. Total contracted capacity on this tariff is limited to 100 MW. Service under this tariff may not be combined with any other tariff, rider, or separately metered service except for Rider Nos. 17 or 19.

HOURS OF SERVICE: 24 hours, subject to interruption by agreement, or by advance notice.

CURRENT, PHASE AND VOLTAGE: Alternating current, three-phase, nominally at 24,000, 41,570 or 120,000 volts at the option of the Company.

CONTRACT CAPACITY: Customers shall contract for a specified capacity in kilowatts sufficient to meet normal maximum requirements but not less than 10,000 kilowatts. The Company undertakes to provide the necessary facilities for a supply of electric power from its primary distribution system at the contract capacity. Any single reading of the demand meter in any month that exceeds the contract capacity then in effect shall become the new contract capacity. The contract capacity for customers served at more than one voltage level shall be the sum of the contract capacities established for each voltage level.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Capacity (October through May)

Demand Charge: ***$***0.32 per kW of on-peak billing demand

Capacity (June through September)

Demand Charge: $***8.09*** per kW of on-peak billing demand

Capacity Voltage Level Discount:

$(0.005) per kW of on-peak billing demand at transmission level (October through May)

$(0.14) per kW of on-peak billing demand at transmission level (June through September)

Non-Capacity (October through May)

Demand Charge: $0.32-per kW of on-peak billing demand

Non-Capacity (June through September)

Demand Charge: $***41.63*** per kW of on-peak billing demand

Non-Capacity Voltage Level Discount:

$(0.005) per kW of on-peak billing demand at transmission level (October through May)

$(0.70) per kW of on-peak billing demand at transmission level (June through September)

(Continued on Sheet No. D-48.06)

(Continued from Sheet No. D-48.05)

RATE SCHEDULE NO. D12 (contd.)

EXPERIMENTAL LARGE CUSTOMER LOW PEAK DEMAND SUPPLY RATE

Energy Charge: ***4.159***¢ per kWh for all on-peak kWh
3.653¢ per kWh for all off-peak kWh

Energy Voltage Level Discount: (0.056)¢ per kWh at transmission level

Delivery Charges:

Subtransmission Service Charge: $375 per month
Transmission Service Charge: $375 per month

Distribution Charges:

For service at subtransmission voltage (24 to 41.6 kV) $***1.84*** per kW of maximum demand. For service at transmission voltage (120 kV and above) ***$0.98*** per kW of maximum demand.

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $0.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of 0.040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

DEFINITION OF CUSTOMER VOLTAGE LEVEL: See Section C13.

MONTHLY ON-PEAK BILLING DEMAND: The monthly on-peak billing demand shall be the single highest 30-minute integrated reading of the demand meter during the on-peak hours of the billing period, but not less than 50 kilowatts.

MAXIMUM DEMAND: The maximum demand shall be the highest 30-minute demand created during the previous 12 billing months, including the current month but not less than 50% of contract capacity. This clause is applicable to each voltage level served.

MINIMUM CHARGE: All applicable demand charges plus the service charge and any applicable per meter per month surcharges.

SCHEDULE OF ON-PEAK HOURS: See Section C11.

(Continued on Sheet No. D-48.07)

RATE SCHEDULE NO. D13 **XL HIGH LOAD FACTOR RATE**

AVAILABILITY OF SERVICE: Available to customers desiring service at primary, sub-transmission, or transmission voltage who contract for a specified capacity of not less than 50,000 kilowatts, which may be located at one or more sites within the Company's electric service territory. The customer's load must reflect the following characteristics:

1) The contract capacity under this schedule must be new and incremental. Existing ("baseline") usage will remain eligible for service under any other rate schedule or rider for which it qualifies. The required incremental contracted capacity must be in service within four years of initially taking service under this rate.

2) Service taken by the customer must be at a load factor of no less than 75% for the capacity contracted under this rate. The required incremental load factor must be demonstrated in the twelve months following achievement of the contracted capacity described in (1) and maintained for the duration of service on this rate.

3) Any customer site taking service under this rate shall require separately metered circuits for such service.

4) Any customer failing to meet the incremental contract capacity and load factor requirement will be removed from this rate and placed on an eligible rate of the customer's choosing.

5) The rate is not available to serve the load associated with data centers.

6) Service on the rate is limited to the Company's available capacity.

7) The rate is available at the discretion of the Company.

HOURS OF SERVICE: 24 hours, subject to interruption by agreement, or by advance notice.

CURRENT, PHASE AND VOLTAGE: Alternating current, three-phase, nominally at 4,800, 13,200, 24,000, 41,570 or 120,000 volts at the option of the Company.

CONTRACT CAPACITY: Customers shall contract for a specified capacity in megawatts sufficient to meet normal maximum requirements but not less than 50,000 kilowatts. The customer may not exceed the contract capacity by more than 5%. Demand in excess of 105% of contract capacity will be placed on Rate Schedule No. D11, or any other eligible rate at the election of the customer. At the Company's discretion, it may offer to increase contract capacity on this rate without effect on the term of the contract. The contract capacity for customers served at more than one voltage level at one site shall be the sum of the contract capacities established for each voltage level.

The contract capacity, however established, shall not be decreased during the term of the contract except by mutual consent, and in no event may a decrease in contract capacity result in less than the minimum required capacity or load factor.

RATES:

Power Supply Charges for all service voltages

Capacity	$15.14 / MWh
Non-Capacity	$***30.87*** / MWh
Transmission	$3.08 / MWh

(Continued on Sheet No. D-48.09)

(Continued from Sheet No. D-48.08)

RATE SCHEDULE NO. D13 (contd.) **XL HIGH LOAD FACTOR RATE**

RATES (contd.)**:**

Delivery Charge

Primary Service Charge	$70 per meter/month
Subtransmission and Transmission Service Charge	$375 per meter/month

Distribution Charges

For primary service (less than 24 kV)	$***10.88***/ MWh For
service at sub-transmission voltage (24 to 41.6 kV)	$***2.81***/ MWh For
service at transmission voltage (120 kV and above)	$***1.49***/ MWh

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $0.55 per MWh shall be applied to the contracted load on this rate. A credit of $0.40 per MWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Administration Charge

Administration	$0.15 / MWh

Surcharges and Credits: Customers are subject to surcharges as approved by the Commission. Customers taking service on this rate are not subject to the Power Supply Cost Recovery (PSCR) factor, the Nuclear Surcharge, or the Transitional Reconciliation Mechanism. Customers taking service on this rate will be subject to an adjustment to reconcile projected and actual power supply non-capacity and transmission costs.

Other: The power supply capacity charge shall remain fixed for the term of the contract

BASELINE USAGE: Baseline usage is the Customer's existing contracted capacity at the time of taking service on D13. The Company reserves the right to define baseline usage based on exceptional circumstances as appropriate. Baseline usage may be served on any eligible rate schedule or rider, and it may in the future take service under any eligible rate or rider. No capacity or energy defined as baseline is eligible for service under this rate schedule and no capacity or energy may be moved from a baseline usage circuit to a circuit served under this rate.

DEFINITION OF LOAD FACTOR: For the purposes of this rate schedule Load Factor is defined on an annual basis. It is calculated as:

(Total MWh of usage in year / (incremental contract capacity in MW*hours in year))

POWER FACTOR CLAUSE: The rates and charges under this tariff are based on the customer maintaining a power factor of not less than 85% lagging. Any power factor less than 70% will not be permitted and the customer will be required to install at his own expense such corrective equipment as may be necessary to improve power factor. A penalty will be applied to the total amount of the monthly billing for electric energy for power factor below 85% lagging in accordance with the table in Power Factor Determination, Section C12. The Power Factor Clause will be applied to metered quantities.

(Continued on Sheet No. D-48.10)

RATE SCHEDULE NO. D14 **PRIMARY TOU**

AVAILABILITY OF SERVICE: Available to customers desiring service at primary, sub-transmission, or transmission voltage who contract for a specified capacity of not less than 50 kilowatts at a single location. This rate will be effective no later than December 31, 2025. ***This rate is not available for service in conjunction with the Primary Supply Rate.***

HOURS OF SERVICE: 24 hours, subject to interruption by agreement, or by advance notice.

CURRENT, PHASE AND VOLTAGE: Alternating current, three-phase, nominally at 4,800, 13,200, 24,000, 41,570 or 120,000 volts at the option of the Company.

CONTRACT CAPACITY: Customers shall contract for a specified capacity in kilowatts sufficient to meet normal maximum requirements but not less than 50 kilowatts. The Company undertakes to provide the necessary facilities for a supply of electric power from its primary distribution system at the contract capacity. Any single reading of the demand meter in any month that exceeds the contract capacity then in effect shall become the new contract capacity. The contract capacity for customers served at more than one voltage level shall be the sum of the contract capacities established for each voltage level.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Capacity Energy (June – September)
Summer On Peak ***2.766¢*** per kWh for all kWh
Summer Off Peak ***1.650¢*** ~~per~~ kWh for all kWh
Capacity Energy (October – May)
Non-Summer On Peak ***1.836¢*** per kWh for all kWh Non-
Summer Off Peak ***1.650¢*** per kWh for all kWh

Capacity Voltage Level Discount:
0.068¢ per kWh at transmission level
0.031¢ per kWh at subtransmission level

Non-Capacity Energy (June – September)
Summer On Peak ***8.044¢*** per kWh for all kWh
Summer Off Peak ***4.800¢*** ~~per~~ kWh for all kWh Non-
Capacity Energy (October – May)
Non-Summer On Peak ***5.339¢*** per kWh for all kWh Non-
Summer Off Peak ***4.800¢*** per kWh for all kWh

Non-Capacity Voltage Level Discount:
0.198¢ per kWh at transmission level
0.089¢ per kWh at subtransmission level

Delivery Charges:

Primary Service Charge: $70 per month
Subtransmission and Transmission Service Charge: $375 per month

(Continued on Sheet No. D-48.12)

(Continued from Sheet No. D-48.11)

RATE SCHEDULE NO. D14 **PRIMARY TOU**

Distribution Charges:

For primary service (less than 24 kV) $***7.15*** per kW of maximum demand.
For service at subtransmission voltage (24 to 41.6 kV) $***1.84*** per kW of maximum demand. For service at transmission voltage (120 kV and above) $***0.98*** ~~per~~ kW of maximum demand.

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $0.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of 0.040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Capacity (Only applicable to Retail Access Service Customers receiving Utility Capacity Service from DTE Electric)

Capacity Energy	(June – September)
Summer On Peak	***2.766***¢ per kWh for all kWh
Summer Off Peak	***1.650***~~¢ per k~~Wh for all kWh
Capacity Energy	(October – May)
Non-Summer On Peak	***1.836***¢ per kWh for all kWh Non-
Summer Off Peak	***1.650***¢ per kWh for all kWh

Capacity Voltage Level Discount:
0.068¢ per kWh at transmission level
0.031¢ per kWh at subtransmission level

Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C5.8.

Delivery Charges:

Primary Service Charge: $70 per month
Subtrassmission and Transmission Service Charge: $375 per month

Distribution Charges:

For primary service (less than 24 kV) $***7.15*** per kW of maximum demand.
For service at subtransmission voltage (24 to 41.6 kV) $***1.84*** per kW of maximum demand. For service at transmission voltage (120 kV and above) $***0.98*** per kW of maximum demand.

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $0.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of 0.040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

(Continued on Sheet No. D-48.13)

(Continued from Sheet No. D-48.12)

RATE SCHEDULE NO. D14 **PRIMARY TOU**

Surcharges and Credits: As approved by the Commission. See Section C9.8.

LATE PAYMENT CHARGE*:* See Section C4.8.

DEFINITION OF CUSTOMER VOLTAGE LEVEL: See Section C13.

MAXIMUM DEMAND: The maximum demand shall be the highest 30-minute demand created during the previous 12 billing months, including the current month but not less than 50% of contract capacity. This clause is applicable to each voltage level served.

MINIMUM CHARGE: All applicable demand charges plus the service charge and any applicable per meter per month surcharges.

SCHEDULE OF *POWER SUPPLY* ON-PEAK HOURS*: On-Peak Hours: All kWh used between 1:00PM and 6:00PM Monday through Friday, excluding holidays. Off-Peak Hours: All other kWh used.*

POWER FACTOR CLAUSE:

Full Service Customers:

The rates and charges under this tariff are based on the customer maintaining a power factor of not less than 85% lagging. Any power factor less than 70% will not be permitted and the customer will be required to install at his own expense such corrective equipment as may be necessary to improve power factor. A penalty will be applied to the total amount of the monthly billing for electric energy for power factor below 85% lagging in accordance with the table in Power Factor Determination, Section C12. The Power Factor Clause shall not be applied to the on-peak billing demand ratchet nor to the minimum contract demand, but will be applied to metered quantities.

Retail Access Service Customers:

A power factor of less than 70% is not permitted and necessary corrective equipment must be installed by the Customer to correct to a minimum level of 70%. Power factor and excess Reactive Demand charges will be calculated at each Customer location at the time of the Location's single highest 30-minute integrated kW reading of the Interval Demand Meter during the on-peak hours of the billing period, which are those hours from 7 a.m. until 11 p.m. consistent with the ITC Open Access Transmission Tariff. Excess Reactive Demand is any Reactive Demand resulting from operations below 80% power factor. A monthly charge of $3.50/kVAR will be applied to excess Reactive Demand.

SPECIAL TERMS AND CONDITIONS: The contract capacity however established shall not be decreased during the term of the contract and subsequent renewal periods as long as service is required unless there is a specific reduction in connected load.

Customer-owned equipment must be operated so that voltage fluctuations on the primary distribution system of the Company shall not exceed permissible limits.

Customers will be permitted to transfer from this rate to a secondary commercial rate, provided they can meet the availability requirements, if the load characteristic changes sufficiently so that the customer would benefit by the change for the foreseeable future even though metering was continued at primary voltage. Frequent changes, however, from one rate to another for a period less than one full year will not be permitted in accordance with Section C4.4 - Choice of Rates.

(Continued on Sheet No. D-48.14)

RATE SCHEDULE NO. E1 **MUNICIPAL STREET LIGHTING RATE**

AVAILABILITY OF SERVICE: Available to governmental agencies desiring controlled nighttime service for street lighting, for public thoroughfares, public parking lots and other public areas. Mercury Vapor service listed hereunder is not available for new business, but will be continued for customers taking said service as of July 23, 1981.

Effective January 1st, 2025, new high-pressure sodium (HPS) fixtures will no longer be available. Customers with existing HPS fixtures will continue to receive service until those fixtures fail. At that time, the fixture will be converted to an LED luminaire.

HOURS OF SERVICE: Dusk to dawn service controlled by photo-sensitive devices, the street lights are burning all night for approximately 4200 hours per year.

KIND OF SERVICE: Municipal Street Lighting from overhead lines or underground circuits.
The Company presently has three (3) street lighting rate options available to municipalities. They are: Option (I) A Company owned system, Option (II) A municipally owned and Company maintained system (closed to new customers), Option (III) A municipally owned and maintained system.

OPTION I
The Company will clean, inspect, operate and maintain street lighting equipment. Non-functional lights must be reported by the customer and the Company will replace the lights as soon as possible during regular working hours.

SPECIAL ORDER MATERIAL PROVISION: For decorative or ornamental special order material, there may be an additional per luminaire per month charge for procurement and material handling. Company and Customer to mutually agree upon charges.

OPTION II
Where the street lighting system is owned by the municipality, but is maintained by the Company, the normal maintenance will consist of replacement of glassware and lamps. Major maintenance such as broken lamp posts, etc., must be paid for by the municipality. The street lighting system must be built to Company specifications.

This option has been closed to new customers effective January 14, 2009.

Existing Option II customers desiring a change to emerging lighting technology (including LEDs) will be required to convert either to Option I or Option III to accommodate this change in lighting source.

OPTION III
Where the municipality owns and maintains the system, the Company's function will be confined solely to the supply of electricity. Customers desiring service under Option III are free to determine the appropriate light source for their application including incumbent and emerging technologies (including LEDs). Customers must supply adequate documentation of the wattage of the light source that will be subject to the approval of the Company.

RATES: As shown on Sheet Nos. D-50.00, D-51.00 and D-52.00.

BILLING: Billing will be on a monthly basis using the annual rate divided by twelve and rounded to the nearest cent.

(Continued on Sheet No. D-50.00)

CONTRACT TERM: Minimum 5 year term. Upon expiration of the initial term shall continue on a month-to-month basis until terminated by mutual written consent of the parties or by either party with thirty (30) days prior written notice to the other party. Any conversion, relocation and/or removal of existing street lighting facilities at the customer's request, including those removals necessitated by termination of service, must be paid for by the customer. The detailed provisions and schedule of charges, which may include the remaining value of the existing facilities, will be quoted upon request. The Company shall not withdraw service, and the municipality shall not substitute another source of service in whole or in part, without twelve months' written notice to the other party.

Option I: Company Owned Street Lighting System

Where new installations require an investment in excess of an investment allowance, Option I is available only to customers who make a contribution in aid of construction equal to the amount by which the investment exceeds three times the annual revenue at the prevailing rate at the time of installation. (Effective January 1, 1991, the investment amount will be limited to direct cost. Effective January 1, 1992, the investment amount will include full cost.)

As an alternative, where the required contribution exceeds $10,000, upon agreement of the customer and the Company, the customer will pay an additional annual charge of the Company's weighted average cost of capital (***7.00%***) times the contribution amount in lieu of the cash contribution.

For new underground-fed installations of 5 lights or more after May 1, 2019, which require investment in excess of three times the annual revenue at the prevailing rate at the time of installation, the customer may elect to pay a post charge for each increment of $1,000 investment required above three times the annual revenue.

DE-ENERGIZED LIGHTS: Customers may elect to have any or all luminaires served under this rate disconnected. The charge per luminaire per year, payable in equal monthly installments, shall be 60% of the regular yearly rates. A *$35.00* charge per luminaire will be made at the time of de-energization and at the time of re-energization.

DUSK TO MIDNIGHT SERVICE: For service to parking lots from dusk to approximately twelve o'clock midnight E.S.T., a distribution discount of 1.060¢ per nominal lamp size wattage per month and a 50% reduction in the average monthly hours of use will be applied. One control per circuit or luminaire will be provided.

EXPERIMENTAL PROGRAMMABLE PHOTOCELL SERVICE: Customers may elect to place luminaires on photocells that are programmable to turn off lights at pre-determined times during the night. A distribution discount of 1.060¢ per nominal lamp size wattage per month and a 50% reduction in the average monthly hours on use will be applied.

MONTHLY RATES OPTION I: Overhead Municipal Street Lighting *(*All-night service*)*.

Power Supply Charges:
Capacity Energy Charge: 0.00¢ per kWh for all kWh
Non-Capacity Energy Charge***: 4.690¢*** per kWh for all kWh

(Continued on Sheet No. D-50.01)

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Nominal Lamp Size	**Type of Service**	**Distribution Charge per Lamp per Month**	**System Wattage**	**Average Monthly Hours (4200/12)**	**Energy Charge**	**Average Energy Cost per Month (d*e*f/1000)**	**Average Monthly Cost**
100 W	Mercury Vapor	*$31.12*	120	350	*$0.0450*	*$1.89*	*$33.01*
175 W	Mercury Vapor	*$38.70*	210	350	*$0.0450*	*$3.31*	*$42.01*
250 W	Mercury Vapor	*$46.31*	300	350	*$0.0450*	*$4.73*	*$51.03*
400 W	Mercury Vapor	*$61.53*	450	350	*$0.0450*	*$7.09*	*$68.62*
1,000 W	Mercury Vapor	*$131.25*	1060	350	*$0.0450*	*$16.70*	*$147.95*
70 W	High Pressure Sodium	*$23.18*	95	350	*$0.0450*	*$1.50*	*$24.68*
100 W	High Pressure Sodium	*$26.54*	135	350	*$0.0450*	*$2.13*	*$28.67*
150 W	High Pressure Sodium	*$32.41*	200	350	*$0.0450*	*$3.15*	*$35.56*
250 W	High Pressure Sodium	*$41.73*	305	350	*$0.0450*	*$4.80*	*$46.54*
360 W	High Pressure Sodium	*$48.92*	418	350	*$0.0450*	*$6.58*	*$55.51*
400 W	High Pressure Sodium	*$51.53*	465	350	*$0.0450*	*$7.33*	*$58.86*
1,000 W	High Pressure Sodium	*$90.74*	1100	350	*$0.0450*	*$17.33*	*$108.07*
70 W	Metal Halide	*$29.97*	85	350	*$0.0450*	*$1.34*	*$31.31*
100 W	Metal Halide	*$30.50*	120	350	*$0.0450*	*$1.89*	*$32.39*
150 W	Metal Halide	*$37.16*	180	350	*$0.0450*	*$2.84*	*$40.00*
175 W	Metal Halide	*$40.49*	210	350	*$0.0450*	*$3.31*	*$43.80*
250 W	Metal Halide	*$50.49*	300	350	*$0.0450*	*$4.73*	*$55.22*
320 W	Metal Halide	*$59.04*	365	350	*$0.0450*	*$5.75*	*$64.79*
400 W	Metal Halide	*$68.81*	460	350	*$0.0450*	*$7.25*	*$76.06*
1,000 W	Metal Halide	*$142.36*	1050	350	*$0.0450*	*$16.54*	*$158.90*
10 - 19 W	LED	*$14.05*	15	350	*$0.0450*	*$0.24*	*$14.29*
20 - 29 W	LED	*$15.14*	25	350	*$0.0450*	*$0.39*	*$15.53*
30 - 39 W	LED	*$16.22*	35	350	*$0.0450*	*$0.55*	*$16.77*
40 - 49 W	LED	*$17.30*	45	350	*$0.0450*	*$0.71*	*$18.01*
50 - 59 W	LED	*$18.52*	55	350	*$0.0450*	*$0.87*	*$19.39*
60 - 69 W	LED	*$19.75*	65	350	*$0.0450*	*$1.02*	*$20.77*
70 - 79 W	LED	*$21.03*	75	350	*$0.0450*	*$1.18*	*$22.22*
80 - 89 W	LED	*$22.46*	85	350	*$0.0450*	*$1.34*	*$23.80*
90 - 99 W	LED	*$23.88*	95	350	*$0.0450*	*$1.50*	*$25.38*
100 - 109 W	LED	*$25.31*	105	350	*$0.0450*	*$1.65*	*$26.96*
110 - 119 W	LED	*$26.73*	115	350	*$0.0450*	*$1.81*	*$28.54*
120 - 129 W	LED	*$27.85*	125	350	*$0.0450*	*$1.97*	*$29.82*
130 - 139 W	LED	*$28.96*	135	350	*$0.0450*	*$2.13*	*$31.09*
140 - 149 W	LED	*$30.14*	145	350	*$0.04501*	*$2.28*	*$32.42*
150 - 159 W	LED	*$31.31*	155	350	*$0.04501*	*$2.44*	*$33.76*
160 - 169 W	LED	*$32.49*	165	350	*$0.04501*	*$2.60*	*$35.09*

(Continued on Sheet No. D-50.02)

Luminaire Charges (Contd.):

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Nominal Lamp Size	Type of Service	Distribution Charge per Lamp per Month	System Wattage	Average Monthly Hours (4200/12)	Energy Charge	Average Energy Cost per Month (d*e*f/1000)	Average Monthly Cost
170 - 179 W	LED	***$33.67***	175	350	***$0.0450***	***$2.76***	***$36.42***
180 - 189 W	LED	***$34.84***	185	350	***$0.0450***	***$2.91***	***$37.76***
190 - 199 W	LED	***$36.02***	195	350	***$0.0450***	***$3.07***	***$39.09***
200 - 209 W	LED	***$37.19***	205	350	***$0.0450***	***$3.23***	***$40.42***
210 - 219 W	LED	***$38.45***	215	350	***$0.0450***	***$3.39***	***$41.84***
220 - 229 W	LED	***$39.71***	225	350	***$0.0450***	***$3.54***	***$43.25***
230 - 239 W	LED	***$40.96***	235	350	***$0.0450***	***$3.70***	***$44.67***
240 - 249 W	LED	***$42.23***	245	350	***$0.0450***	***$3.86***	***$46.09***
250 - 259 W	LED	***$43.51***	255	350	***$0.0450***	***$4.02***	***$47.52***
260 - 269 W	LED	***$44.77***	265	350	***$0.0450***	***$4.17***	***$48.94***
270 - 279 W	LED	***$46.03***	275	350	***$0.0450***	***$4.33***	***$50.36***
280 - 289 W	LED	***$47.29***	285	350	***$0.0450***	***$4.49***	***$51.78***
290 - 299 W	LED	***$48.54***	295	350	***$0.0450***	***$4.65***	***$53.18***
300 - 309 W	LED	***$49.73***	305	350	***$0.0450***	***$4.80***	***$54.54***
310 - 319 W	LED	***$50.92***	315	350	***$0.0450***	***$4.96***	***$55.89***
320 - 329 W	LED	***$52.12***	325	350	***$0.0450***	***$5.12***	***$57.24***
330 - 339 W	LED	***$53.31***	335	350	***$0.0450***	***$5.28***	***$58.59***
340 - 349 W	LED	***$54.51***	345	350	***$0.0450***	***$5.43***	***$59.94***
350 - 359 W	LED	***$55.70***	355	350	***$0.0450***	***$5.59***	***$61.29***
360 - 369 W	LED	***$56.89***	365	350	***$0.0450***	***$5.75***	***$62.64***
370 - 379 W	LED	***$58.09***	375	350	***$0.0450***	***$5.91***	***$64.00***
380 - 389 W	LED	***$59.28***	385	350	***$0.0450***	***$6.06***	***$65.35***
390 - 399 W	LED	***$60.48***	395	350	***$0.0450***	***$6.22***	***$66.70***

Multiple Lamps on a Single Pole

- For each additional luminaire added to the same pole, reduce rate per lamp per year on the added luminaire $12.24.

The Energy Policy Act of 2005 states that no Mercury Vapor lamp ballasts may be manufactured or imported after January 1, 2008. As a result, effective January 1, 2008, new Mercury Vapor lamps will no longer be available. Customers with existing Mercury Vapor lamp ballasts will continue to receive service until those luminaires fail. At that time, the luminaire will be converted to LED.

Effective January 1st, 2025, new high-pressure sodium (HPS) fixtures will no longer be available. Customers with existing HPS fixtures will continue to receive service until those fixtures fail. At that time, the fixture will be converted to an LED luminaire.

(Continued on Sheet No. D-51.00)

MONTHLY RATES OPTION I: Ornamental Underground Municipal Street Lighting for Lamp Spacing up to 120 Feet of Street *(*All-night service*)*.

Power Supply Charges:
Capacity Energy Charge*:* 0.00¢ per kWh for all kWh
Non-Capacity Energy Charge*: **4.50¢** per kWh for all kWh*

Luminaire Charges:

(a) Nominal Lamp Size	(b) Type of Service	(c) Distribution Charge per Lamp per Month	(d) System Wattage	(e) Average Monthly Hours (4200/12)	(f) Energy Charge	(g) Average Energy Cost per Month (d*e*f/1000)	(h) Average Monthly Cost
100 W	Mercury Vapor	*$33.36*	120	350	*$0.0450*	*$1.89*	*$35.25*
175 W	Mercury Vapor	*$40.00*	210	350	*$0.0450*	*$3.31*	*$43.31*
250 W	Mercury Vapor	*$48.88*	300	350	*$0.0450*	*$4.73*	*$53.61*
400 W	Mercury Vapor	*$62.97*	450	350	*$0.0450*	*$7.09*	*$70.06*
1,000 W	Mercury Vapor	*$130.98*	1060	350	*$0.0450*	*$16.70*	*$147.67*
70 W	High Pressure Sodium	*$25.56*	95	350	*$0.0450*	*$1.50*	*$27.06*
100 W	High Pressure Sodium	*$29.46*	135	350	*$0.0450*	*$2.13*	*$31.58*
150 W	High Pressure Sodium	*$33.82*	200	350	*$0.0450*	*$3.15*	*$36.97*
250 W	High Pressure Sodium	*$42.58*	305	350	*$0.0450*	*$4.80*	*$47.38*
360 W	High Pressure Sodium	*$51.95*	418	350	*$0.0450*	*$6.58*	*$58.54*
400 W	High Pressure Sodium	*$55.36*	465	350	*$0.0450*	*$7.33*	*$62.69*
1,000 W	High Pressure Sodium	*$94.57*	1100	350	*$0.0450*	*$17.33*	*$111.90*
70 W	Metal Halide	*$33.80*	85	350	*$0.0450*	*$1.34*	*$35.14*
100 W	Metal Halide	*$36.39*	120	350	*$0.0450*	*$1.89*	*$38.28*
150 W	Metal Halide	*$47.24*	180	350	*$0.0450*	*$2.84*	*$50.08*
175 W	Metal Halide	*$42.13*	210	350	*$0.0450*	*$3.31*	*$45.43*
250 W	Metal Halide	*$50.77*	300	350	*$0.0450*	*$4.73*	*$55.50*

(Continued on Sheet No. D-51.01)

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Nominal Lamp Size	Type of Service	Distribution Charge per Lamp per Month	System Wattage	Average Monthly Hours (4200/12)	Energy Charge	Average Energy Cost per Month (d*e*f/1000)	Average Monthly Cost
320 W	Metal Halide	$58.53	365	350	$0.0450	$5.75	$64.28
400 W	Metal Halide	$67.39	460	350	$0.0450	$7.25	$74.64
1,000 W	Metal Halide	$133.88	1050	350	$0.0450	$16.54	$150.42
10 - 19 W	LED	$19.51	15	350	$0.0450	$0.24	$19.74
20 - 29 W	LED	$20.50	25	350	$0.0450	$0.39	$20.89
30 - 39 W	LED	$21.49	35	350	$0.0450	$0.55	$22.04
40 - 49 W	LED	$22.49	45	350	$0.0450	$0.71	$23.20
50 - 59 W	LED	$23.53	55	350	$0.0450	$0.87	$24.39
60 - 69 W	LED	$24.62	65	350	$0.0450	$1.02	$25.65
70 - 79 W	LED	$25.72	75	350	$0.0450	$1.18	$26.90
80 - 89 W	LED	$26.82	85	350	$0.0450	$1.34	$28.15
90 - 99 W	LED	$27.91	95	350	$0.0450	$1.50	$29.41
100 - 109 W	LED	$29.01	105	350	$0.0450	$1.65	$30.67
110 - 119 W	LED	$30.11	115	350	$0.0450	$1.81	$31.92
120 - 129 W	LED	$31.04	125	350	$0.0450	$1.97	$33.01
130 - 139 W	LED	$31.97	135	350	$0.0450	$2.13	$34.10
140 - 149 W	LED	$32.94	145	350	$0.0450	$2.28	$35.22
150 - 159 W	LED	$33.90	155	350	$0.0450	$2.44	$36.34
160 - 169 W	LED	$34.86	165	350	$0.0450	$2.60	$37.46
170 - 179 W	LED	$35.82	175	350	$0.0450	$2.76	$38.58
180 - 189 W	LED	$36.79	185	350	$0.0450	$2.91	$39.70
190 - 199 W	LED	$37.75	195	350	$0.0450	$3.07	$40.82
200 - 209 W	LED	$38.71	205	350	$0.0450	$3.23	$41.94
210 - 219 W	LED	$39.72	215	350	$0.0450	$3.39	$43.11
220 - 229 W	LED	$40.73	225	350	$0.0450	$3.54	$44.28

(Continued on Sheet No. D-51.02)

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Nominal Lamp Size	Type of Service	Distribution Charge per Lamp per Month	System Wattage	Average Monthly Hours (4200/12)	Energy Charge	Average Energy Cost per Month (d*e*f/1000)	Average Monthly Cost
230 - 239 W	LED	*$41.74*	235	350	*$0.0450*	*$3.70*	*$45.45*
240 - 249 W	LED	*$42.75*	245	350	*$0.0450*	*$3.86*	*$46.61*
250 - 259 W	LED	*$43.78*	255	350	*$0.0450*	*$4.02*	*$47.79*
260 - 269 W	LED	*$44.79*	265	350	*$0.0450*	*$4.17*	*$48.96*
270 - 279 W	LED	*$45.80*	275	350	*$0.0450*	*$4.33*	*$50.13*
280 - 289 W	LED	*$46.81*	285	350	*$0.0450*	*$4.49*	*$51.30*
290 - 299 W	LED	*$47.81*	295	350	*$0.0450*	*$4.65*	*$52.46*
300 - 309 W	LED	*$48.81*	305	350	*$0.0450*	*$4.80*	*$53.61*
310 - 319 W	LED	*$49.81*	315	350	*$0.0450*	*$4.96*	*$54.77*
320 - 329 W	LED	*$50.81*	325	350	*$0.0450*	*$5.12*	*$55.93*
330 - 339 W	LED	*$51.81*	335	350	*$0.0450*	*$5.28*	*$57.09*
340 - 349 W	LED	*$52.81*	345	350	*$0.0450*	*$5.43*	*$58.25*
350 - 359 W	LED	*$53.81*	355	350	*$0.0450*	*$5.59*	*$59.41*
360 - 369 W	LED	*$54.81*	365	350	*$0.0450*	*$5.75*	*$60.56*
370 - 379 W	LED	*$55.81*	375	350	*$0.0450*	*$5.91*	*$61.72*
380 - 389 W	LED	*$56.82*	385	350	*$0.0450*	*$6.06*	*$62.88*
390 - 399 W	*LED*	*$57.82*	395	350	*$0.0450*	*$6.22*	*$64.04*

Long Span

- For lamp spacing over 120 feet up to 325 feet on the same side of street, add to rate per lamp per year..... $24.48

Semi-Ornamental

- For Semi-Ornamental Systems which employ Ornamental Post Units served from overhead conductors, where such construction is practical, reduce rate per luminaire per year $21.48

Post Charge

- For each increment of $1,000 of investment which exceeds three times the annual revenue at the prevailing rate at the time of installation, add to rate per year ***$86.04***

(Continued on Sheet No. D-52.00)

Multiple Luminaires on a Single Pole

- For additional luminaire*s* added to the same pole, a reduced rate per luminaire per year on the added luminaire*.*

Ornamental $97.92
Ornamental-Lamp spacing over 120 feet $122.40
Semi-Ornamental $76.56

OPTION II: Street Equipment Owned by Municipality

MONTHLY RATES OPTION II: Overhead and Underground Ornamental Municipality Owned Street Lighting *(*All-night service*)*.

Power Supply Charges:
Capacity Energy Charge: 0.00¢ per kWh for all kWh
Non-Capacity Energy Charge*: 4.69¢* per kWh for all kWh

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Nominal Lamp Size	**Type of Service**	**Distribution Charge per Lamp per Month**	**System Wattage**	**Average Monthly Hours (4200/12)**	**Energy Charge**	**Average Energy Cost per Month (d*e*f/1000)**	**Average Monthly Cost**
175 W	Mercury Vapor	***$11.03***	210	350	***$0.0469***	***$3.45***	***$14.48***
250 W	Mercury Vapor	***$15.76***	300	350	***$0.0469***	***$4.93***	***$20.68***
400 W	Mercury Vapor	***$25.21***	450	350	***$0.0469***	***$7.39***	***$32.60***
1,000 W	Mercury Vapor	***$63.02***	1060	350	***$0.0469***	***$17.40***	***$80.43***
70 W	High Pressure Sodium	***$7.59***	95	350	***$0.0469***	***$1.56***	***$9.15***
100 W	High Pressure Sodium	***$9.27***	135	350	***$0.0469***	***$2.22***	***$11.48***
250 W	High Pressure Sodium	***$17.63***	305	350	***$0.0469***	***$5.01***	***$22.64***
360 W	High Pressure Sodium	***$23.76***	418	350	***$0.0469***	***$6.86***	***$30.63***
400 W	High Pressure Sodium	***$25.99***	465	350	***$0.0469***	***$7.64***	***$33.63***
1,000 W	High Pressure Sodium	***$59.45***	1100	350	***$0.0469***	***$18.06***	***$77.51***

- The Energy Policy Act of 2005 states that no Mercury Vapor lamp ballasts may be manufactured or imported after January 1, 2008. As a result, effective January 1, 2008, new Mercury Vapor lamps will no longer be available. Customers with existing Mercury Vapor lamp ballasts will continue to receive service until those luminaires fail. At that time, customers will be given the option of switching to High Pressure Sodium, Metal Halide, LED or retiring the Luminaire.
- ***Effective January 1st, 2025, new high-pressure sodium (HPS) fixtures will no longer be available. Customers with existing HPS fixtures will continue to receive service until those fixtures fail. At that time, the fixture will be converted to an LED luminaire.***

(Continued on Sheet No. D-53.00)

- **DE-ENERGIZED LIGHTS:** Customers may elect to have any or all luminaires served under this rate disconnected. The charge per luminaire per year, payable in equal monthly installments, shall be 10% of the above yearly rates. A $35.00 charge per luminaire will be made at the time of de-energization and at the time of re-energization.
- **DUSK TO MIDNIGHT SERVICE:** For service to parking lots from dusk to approximately twelve o'clock midnight E.S.T., a discount of 1.060¢ per nominal watt per month will be applied. One control per circuit will be provided.

OPTION III: Municipally Owned and Maintained Street Lighting System (Unmetered)

HOURS OF SERVICE: For circuits controlled by automatic timing devices, one-half hour after sunset until one-half hour before sunrise. For circuits controlled by photo-sensitive devices, dusk to dawn for approximately 4,200 hours per year.

RATES: Where the municipality owns, operates, cleans and renews the lamps, and the Company's service is confined solely to the supply of electricity from dusk to dawn, the monthly charge of said service shall be a power supply capacity energy charge of 0.00¢ per kilowatthour, a power supply non-capacity charge of ***4.69¢*** per kilowatthour and a distribution charge of ***14.85¢*** per kilowatthour. If it is necessary for the Company to install facilities to provide service for the lamps, the customer will reimburse the Company for these costs. Contract Rider No. 2 charges will also apply.

OPTION III: Municipally Owned and Maintained Street Lighting System (Controlled/Metered)

AVAILABILITY OF SERVICE: Available to governmental agencies desiring controlled nighttime service for primary or secondary voltage energy-only street lighting service where the Company has existing distribution lines available for supplying energy for such service. Luminaires served under any of the Company's other street lighting rates shall not be intermixed with luminaires serviced under this street lighting rate. This rate is not available for resale purposes. Service is governed by the Company's Standard Rules and Regulations.

KIND OF SERVICE:

Secondary Voltage Service: Alternating current, 60 hertz, single-phase 120/240 nominal volt service for a minimum of ten luminaires located within a clearly defined area. Except for control equipment, the customer will furnish, install, own and maintain all equipment comprising the street lighting system up to the point of attachment with the Company's distribution system. The Company will connect the customer's equipment to the Company's lines and supply the energy for operation. All of the customer's equipment will be subject to the Company's review.

Primary Voltage Service: Alternating current, 60 hertz, single-phase or three-phase, primary voltage service for actual demands of not less than 100 kW at each point of delivery. The particular nature of the voltage shall be determined by the Company. The customer will furnish, install, own and maintain all equipment comprising the street lighting system, including control equipment, up to the point of attachment with the Company's distribution system. The Company will supply the energy for operation of the customer's street lighting system.

(Continued on Sheet No. D-54.00)

(Continued from Sheet No. D-53.00)

RATE SCHEDULE NO. E1 (Contd.) **MUNICIPAL STREET LIGHTING RATE**

Primary and Secondary Energy
Full Service Customers:

Power Supply Charge:
Capacity Dusk to Midnight: 7.825¢ per kWh
Capacity Energy Charge**:** ***1.791¢*** per kWh for all kWh
Non-Capacity Energy Charge***:*** ***3.832¢*** per kWh for all kWh

Delivery System Charge:
6.670¢ per kWh based on the capacity requirements in kilowatts of the equipment assuming 4,200 burning hours per year, adjusted by the ratio of the monthly kWh consumption to the total annual kWh consumption.

Retail Access Service Customers:

Power Supply Charges for Retail Access Service Customers taking Utility Capacity Service from DTE:

Capacity Energy Charge***:*** ***1.791¢*** per kWh for all kWh

Delivery System Charge:
6.670¢ per kWh based on the capacity requirements in kilowatts of the equipment assuming 4,200 burning hours per year, adjusted by the ratio of the monthly kWh consumption and the total annual kWh consumption.

At the Company's option, service may be metered and the metered kWh will be the basis for billing. Capacity requirements of lighting equipment shall be determined by the Company from manufacturer specifications, but the Company maintains the right to test such capacity requirements from time to time. In the event that Company tests show capacity requirements other than those indicated in manufacturer specifications, the capacity requirements indicated by Company tests will be used. The customer shall not change the capacity requirements of its equipment without first notifying the Company in writing.

BILLING: Billing will be on a monthly basis.

SURCHARGES AND CREDITS: As approved by the Commission. Power Supply Charges are subject to Section C8.5. Delivery Charges are subject to Section C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The contract minimum.

CONTRACT TERM: Contracts will be taken for a minimum of two years, extending thereafter from year to year until terminated by mutual consent or upon 12 months' written notice by either party.

RATE SCHEDULE NO. E2 **TRAFFIC AND SIGNAL LIGHTS**

AVAILABILITY OF SERVICE: Available to municipalities or other public authorities, hereinafter referred to as customer, operating lights for traffic regulation or signal lights on streets, highways, airports or water routes, as distinguished from street lighting. Customers desiring service under Rate Schedule No. E2 are free to determine the appropriate light source for their application including incumbent and emerging technologies (including LEDs). Customers must supply adequate documentation of the wattage of the light source that will be subject to the approval of the Company.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, at 120 volts two-wire.

SERVICE CONNECTIONS: The customer is to furnish and maintain all necessary wiring and equipment, including lamps and lamp replacements, or reimburse the Company therefore, except that the Company will furnish, install and maintain such span poles and messenger cable as may be needed to support the traffic or signal lights of the overhead type. Connections are to be brought to the Company's underground and overhead lighting mains by the customer as directed by the Company, and the final connection to the Company's main is to be made by the Company.

Conversion and/or relocation of existing facilities must be paid for by the customer, except when initiated by the Company. The detailed provisions and schedule of such charges will be quoted upon request.

RATES: Distribution charge of ***3.34¢***, capacity energy charge of ***1.46¢*** and non-capacity energy charge of ***5.05¢*** per month per kilowatthour of the total connected traffic light or signal light load in service for each customer.

Total connected wattage will be reckoned as of the fifteenth of the month. Lamps removed from service before the fifteenth or placed in service on or after the fifteenth will be omitted from the reckoning; conversely, lamps placed in service on or before the fifteenth of the month or removed from service after the fifteenth of the month will be reckoned for a full month. Lamps operated cyclically, on and off, will be reckoned at one-half wattage and billed for a full month. No such reduction of reckoned wattage will be allowed for lamps in service but turned off during certain hours of the day.

The Company may, at its option, install meters and apply a standard metered rate schedule applicable to the service.

SURCHARGES AND CREDITS: As approved by the Commission. See Sections C8.5 and C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: $3.00 per customer per month.

CONTRACT TERM: Open order on a month-to-month basis. However, the Company shall not withdraw service, and the customer shall not substitute another source of service in whole or in part, without twelve months' written notice to the other party.

STANDARD CONTRACT RIDER NO. 1.1 ALTERNATIVE ELECTRIC METAL MELTING

APPLICABLE TO:	General Service Rate ***General Service Time of Use Rate***	Schedule Designation D3 ***Schedule Designation D3.11***
	Large General Service Rate	Schedule Designation D4
	Interruptible Supply Rate	Schedule Designation D8
	Primary Supply Rate	Schedule Designation D11
	Primary TOU Rate	***Schedule Designation D14***

Customers operating electric furnaces for metal melting or for the reduction of metallic ores and/or electric use consumed in holding operations and taking their supply at any of the above rates and who provide special circuits so that the Company may install necessary meters, may take service under this interruptible service Rider subject to Section C4.4 - Choice of Rates. Customers who take service on this tariff are not eligible to participate in another Demand Response program with an Aggregator of Retail Customer (ARC) in any MISO season.

HOURS OF INTERRUPTION: All interruptible load served hereunder shall be subject to interruption by the Company in order to maintain system integrity. A System Integrity Interruption Order may be given by the Company when the failure to interrupt will contribute to the implementation of the rules for emergency electrical procedures under Section C3.

TESTING PROCEDURES: In accordance with participation in an interruptible tariff, the customer agrees to comply with Company requirements regarding testing procedures. Customer shall complete and sign an interruptible responsibility letter annually by April 1st. Failure to sign and submit the interruptible responsibility letter may result in removal from this interruptible tariff. The letter designates that the customer understands their responsibility to interrupt, has an interruption plan, and has the capability to interrupt the contracted load. In addition, the Company will conduct multiple simulations each year to verify the communication system is working properly.

NOTICE OF INTERRUPTION: The customer shall be provided, whenever possible***;*** 1) notice in advance (generally 1 hour) of probable interruption; 2) the time in which customer must fully reduce load, and; 3) the estimated duration of the interruption. The customer shall be provided notice of the actual end time for the system integrity order.

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NON-INTERRUPTION PENALTY: A customer who does not fully comply with the timing and load reduction prescribed in the Notice of Interruption shall be billed at the rate the higher of (i) the rate of $50 per kW applied to the highest 60-minute integrated interruptible demand (kW) created during the interruption period or (ii) the actual damages incurred by the Company, including any MISO penalties, in addition to the prescribed monthly rate. In addition, the interruptible contract capacity of a customer who does not fully comply with an interruption order may be immediately reduced by the amount the customer failed to interrupt, unless the customer demonstrates that failure to interrupt was beyond its control.

Electric energy from any facilities, other than the Company's, except for on-site generation installed prior to January 1, 1986, will be used to first reduce the sales on this rider. Standby service will not be billed at this rider, but must be taken under Riders No. 3, No. 5 or No. 6.

(Continued on Sheet No. D-58.00)

(Continued from Sheet No. D-57.00)

STANDARD CONTRACT RIDER NO. 1.1 (Contd.) **ALTERNATIVE ELECTRIC METAL MELTING**

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Capacity

Energy Charges:

For service at secondary voltage level (less than 4.8 kV)
1.900¢ per kWh for the first 100 hours use of maximum demand
0.719¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)
1.413¢ per kWh for the first 100 hours use of maximum demand
0.514¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV) ***1.378***¢ per kWh for the first 100 hours use of maximum demand ***0.479***¢ per kWh for the excess

For service at transmission voltage level (120 kV and above) ***1.168***¢ per kWh for the first 100 hours use of maximum demand ***0.388***¢ per kWh for the excess

Non-Capacity

Energy Charge***:*** ***4.902***¢ per kWh for all kWh

Delivery Charges:

Distribution Charges:

For service at secondary voltage level (less than 4.8 kV)
6.670¢ per kWh for the first 100 hours use of maximum demand
6.670¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)
2.191¢ per kWh for the first 100 hours use of maximum demand
2.191¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV) ***0.530***¢ per kWh for the first 100 hours use of maximum demand ***0.530***¢ per kWh for the excess

For service at transmission voltage level (120 kV and above) ***0.641***¢ per kWh for the first 100 hours use of maximum demand ***0.641***¢ per kWh for the excess

(Continued on Sheet No. D-59.00)

(Continued from Sheet No. D-58.00)

STANDARD CONTRACT RIDER NO. 1.1 (Contd.) **ALTERNATIVE ELECTRIC METAL MELTING**

Substation Credit: Available to customers where service at sub-transmission voltage (24 kV to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of 0.3¢/kWh will be applied to the energy use associated with the first 100 hours use of maximum demand.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8

Retail Access Service Customers:

Capacity (Only applicable to Retail access Service Customers receiving Utility Capacity Service from DTE Electric)

Energy Charges:
For service at secondary voltage level (less than 4.8 kV)
1.900¢ per kWh for the first 100 hours use of maximum demand
0.719¢ per kWh for the excess

For service a primary voltage level (4.8 kV to 13.2 kV)
1.413¢ per kWh for the first 100 hours use of maximum demand
0.514¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV) ***1.378***¢ per kWh for the first 100 hours use of maximum demand ***0.479***¢ per kWh for the excess

For service at transmission voltage level (120 kV and above) ***1.168***¢ per kWh for the first 100 hours use of maximum demand ***0.388***¢ per kWh for the excess

Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5.

Delivery Charges:

Distribution Charges:

For service at secondary voltage level (less than 4.8 kV)
6.670¢ per kWh for the first 100 hours use of maximum demand
6.670¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)
2.191¢ per kWh for the first 100 hours use of maximum demand
2.191¢ per kWh for the excess

(Continued from Sheet No. D-60.00)

(Continued from Sheet No. D-59.00)

STANDARD CONTRACT RIDER NO. 1.1 (Contd.) **ALTERNATIVE ELECTRIC METAL MELTING**

For service at subtransmission voltage level (24 kV to 41.6 kV)
0.530¢ per kWh for the first 100 hours use of maximum demand
0.530¢ per kWh for the excess

For service at transmission voltage level (120 kV and above) ***0.641***¢ per kWh for the first 100 hours use of maximum demand ***0.641***¢ per kWh for the excess

Substation Credit: Available to customers where service at sub-transmission voltage (24 kV to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of 0.3¢/kWh will be applied to the energy use associated with the first 100 hours use of maximum demand.

Surcharges and Credits: As approved by the Commission. See Section C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

MAXIMUM DEMAND: The maximum demand shall be the highest 30-minute integrated demand created during the current billing month. This clause is applicable to each voltage level served.

MINIMUM CHARGES: 1) A monthly minimum charge of $2.10 per kW of contract capacity shall be applied to that portion of the customer's load which is served under this rider. This minimum charge will be waived if the customer over the past 12 months (including the current bill), or from the start of the contract term if less than 12 months, has averaged $2.10 per kW per month in revenues. This minimum charge is in addition to the minimum charge under the above rates, plus; 2) any applicable per meter per month surcharges.

POWER FACTOR CLAUSE (Retail Access Service Customers Only): A power factor of less than 70% is not permitted and necessary corrective equipment must be installed by the Customer to correct to a minimum level of 70%. Power factor and excess Reactive Demand charges will be calculated at each Customer location at the time of the Location's single highest 30-minute integrated kW reading of the Interval Demand Meter during the on-peak hours of the billing period, which are those hours from 7 a.m. until 11 p.m. consistent with the ITC Open Access Transmission Tariff. Excess Reactive Demand is any Reactive Demand resulting from operations below 80% power factor. A monthly charge of $3.50/kVAR will be applied to excess Reactive Demand.

CONTRACT CAPACITY: Customers shall contract for a specified capacity in kilowatts sufficient to meet the normal maximum requirements of the load qualifying for service under this rider. Any single reading of the demand meter in any month that exceeds the contract capacity then in effect shall become the new contract capacity. The contract capacity for this rider shall not be included in the contract capacity established for the filed rate which is used in conjunction with this rider.

SPECIAL TERMS AND CONDITIONS: The customer is responsible for all new facilities and lines required for service under this rider. Said facilities and lines must meet all Company standards. The Company at its option may install and own said facilities under the provisions of Standard Contract Rider No. 2.

TERM: One year under written contract and month-to-month thereafter.

STANDARD CONTRACT RIDER NO. 1.2 **ELECTRIC PROCESS HEAT**

APPLICABLE TO:	General Service Rate	Schedule Designation D3
	General Service Time of Use Rate	***Schedule Designation D3.11***
	Large General Service Rate	Schedule Designation D4
	Interruptible Supply Rate	Schedule Designation D8
	Primary Supply Rate	Schedule Designation D11
	Primary TOU Rate	***Schedule Designation D14***

Customers using electric heat as an integral part of a manufacturing process, or electricity as an integral part of an anodizing, plating or coating process, and taking their supply at any of the above rates and who provide special circuits to accommodate separate metering may take service under this interruptible service Rider subject to Section C4.4 - Choice of Rates.

This Rider is available only to customers who add new load on or after May 1, 1986 to engage in the above described processes and to customers served on R1.1 prior to May 1, 1986 and engaged in the above described processes. Customers who take service on this tariff are not eligible to participate in another Demand Response program with an Aggregator of Retail Customer (ARC) in any MISO season.

HOURS OF INTERRUPTION: All interruptible load served hereunder shall be subject to interruption by the Company in order to maintain system integrity. A System Integrity Interruption Order may be given by the Company when the failure to interrupt will contribute to the implementation of the rules for emergency electrical procedures under Section C3.

TESTING PROCEDURES: In accordance with participation in an interruptible tariff, the customer agrees to comply with Company requirements regarding testing procedures. Customer shall complete and sign an interruptible responsibility letter annually by April 1st. Failure to sign and submit the interruptible responsibility letter may result in removal from this interruptible tariff. The letter designates that the customer understands their responsibility to interrupt, has an interruption plan, and has the capability to interrupt the contracted load. In addition, the Company will conduct multiple simulations each year to verify the communication system is working properly.

NOTICE OF INTERRUPTION: The customer shall be provided, whenever possible***;*** 1) notice in advance (generally 1 hour) of probable interruption; 2) the time in which customer must fully reduce load, and; 3) the estimated duration of the interruption. The customer shall be provided notice of the actual end time for the system integrity order.

NON-INTERRUPTION PENALTY: A customer who does not fully comply with the timing and load reduction prescribed in the Notice of Interruption shall be billed at the higher of (i) the rate of $50 per kW applied to the highest 60-minute integrated interruptible demand (kW) created during the interruption period or (ii) the actual damages incurred by the Company, including any MISO penalties, in addition to the prescribed monthly rate. In addition, the interruptible contract capacity of a customer who does not fully comply with an interruption order may be immediately reduced by the amount the customer failed to interrupt, unless the customer demonstrates that failure to interrupt was beyond its control.

Electric energy from any facilities, other than the Company's, except for on-site generation installed prior to January 1, 1986, will be used to first reduce the sales on this rider. Standby service will not be billed at this rider, but must be taken under Riders No. 3, No. 5 or No. 6.

(Continued on Sheet No. D-62.00)

(Continued from Sheet No. D-61.00)

STANDARD CONTRACT RIDER NO. 1.2 (Contd.) **ELECTRIC PROCESS HEAT**

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Capacity

Energy Charges:

For service at secondary voltage level (less than 4.8 kV)
1.900¢ per kWh for the first 100 hours use of maximum demand
0.719¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)
1.413¢ per kWh for the first 100 hours use of maximum demand
0.514¢ per kWh for the excess

For service at primary voltage level (24 kV to 41.6 kV)
1.378¢ per kWh for the first 100 hours use of maximum demand
0.479¢ per kWh for the excess

For service at transmission voltage level (120 kV and above)
1.168¢ per kWh for the first 100 hours use of maximum demand
0.388¢ per kWh for the excess

Non-Capacity

Energy Charge***:*** ***4.902***¢ per kWh for all kWh

Delivery Charges:

Distribution Charges:

For service at secondary voltage level (less than 4.8 kV)
6.670¢ per kWh for the first 100 hours use of maximum demand
6.670¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)
2.191¢ per kWh for the first 100 hours use of maximum demand
2.191¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV) ***0.530***¢ per kWh for the first 100 hours use of maximum demand ***0.530***¢ per kWh for the excess

For service at transmission voltage level (120 kV and above) ***0.641***¢ per kWh for the first 100 hours use of maximum demand ***0.641***¢ per kWh for the excess

(Continued on Sheet No. D-63.00)

(Continued from Sheet No. D-62.00)

STANDARD CONTRACT RIDER NO. 1.2 (Contd.) **ELECTRIC PROCESS HEAT**

Substation Credit: Available to customers where service at sub-transmission voltage (24 kV to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of 0.3¢/kWh will be applied to the energy use associated with the first 100 hours use of maximum demand.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Capacity (Only applicable to Retail Access Service Customers receiving Utility Capacity Service from DTE Electric)

Energy Charges:

For service at secondary voltage level (less than 4.8 kV)
1.900¢ per kWh for the first 100 hours use of maximum demand
0.719¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)
1.413¢ per kWh for the first 100 hours use of maximum demand
0.514¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV) ***1.378***¢ per kWh for the first 100 hours use of maximum demand ***0.479***¢ per kWh for the excess

For service at transmission voltage level (120 kV and above) ***1.168***¢ per kWh for the first 100 hours use of maximum demand ***0.388***¢ per kWh for the excess

Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5.

Delivery Charges:
Distribution Charges:

For service at secondary voltage level (less than 4.8 kV)
6.670¢ per kWh for the first 100 hours use of maximum demand
6.670¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)
2.191¢ per kWh for the first 100 hours use of maximum demand
2.191¢ per kWh for the excess

(Continued on Sheet No. D-64.00)

(Continued from Sheet No. D-63.00)

STANDARD CONTRACT RIDER NO. 1.2 (Contd.) **ELECTRIC PROCESS HEAT**

For service at subtransmission voltage level (24 kV to 41.6 kV) ***0.530***¢ per kWh for the first 100 hours use of maximum demand ***0.530***¢ per kWh for the excess

For service at transmission voltage level (120 kV and above) ***0.641***¢ per kWh for the first 100 hours use of maximum demand ***0.641***¢ per kWh for the excess

Substation Credit: Available to customers where service at sub-transmission voltage (24 kV to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of 0.3¢/kWh will be applied to the energy use associated with the first 100 hours use of maximum demand.

Surcharges and Credits: As approved by the Commission. See Section C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

MAXIMUM DEMANDS: The maximum demand shall be the highest 30-minute integrated demand created during the current billing month. This clause is applicable to each voltage level served.

MINIMUM CHARGES: 1) A monthly minimum charge of $2.10 per kW of contract capacity shall be applied to that portion of the customer's load which is served under this rider. This minimum charge will be waived if the customer over the past 12 months (including the current bill), or from the start of the contract term if less than 12 months, has averaged $2.10 per kW per month in revenues. This minimum charge is in addition to the minimum charge under the above rates, plus; 2) any applicable per meter per month surcharges.

POWER FACTOR CLAUSE (Retail Access Service Customers Only): A power factor of less than 70% is not permitted and necessary corrective equipment must be installed by the Customer to correct to a minimum level of 70%. Power factor and excess Reactive Demand charges will be calculated at each Customer location at the time of the Location's single highest 30-minute integrated kW reading of the Interval Demand Meter during the on-peak hours of the billing period, which are those hours from 7 a.m. until 11 p.m. consistent with the ITC Open Access Transmission Tariff. Excess Reactive Demand is any Reactive Demand resulting from operations below 80% power factor. A monthly charge of $3.50/kVAR will be applied to excess Reactive Demand.

CONTRACT CAPACITY: Customers shall contract for a specified capacity in kilowatts sufficient to meet the normal maximum requirements of the load qualifying for service under this rider. Any single reading of the demand meter in any month that exceeds the contract capacity then in effect shall become the new contract capacity. The contract capacity for this rider shall not be included in the contract capacity established for the filed rate which is used in conjunction with this rider.

SPECIAL TERMS AND CONDITIONS: The customer is responsible for all new facilities and lines required for service under this rider. Said facilities and lines must meet all Company standards. The Company at its option may install and own said facilities under the provisions of Standard Contract Rider No. 2.

TERM: One year under written contract and month-to-month thereafter.

(Continued from Sheet No. D-67.00)

STANDARD CONTRACT RIDER NO. 3 (Contd.) **PARALLEL OPERATION AND STANDBY SERVICE AND STATION POWER STANDBY SERVICE**

APPLICABLE TO:	General Service Rate	Schedule Designation D3
	General Service Time of Use Rate	***Schedule Designation D3.11***
	Secondary Educational Institution Rate	Schedule Designation D3.2
	Interruptible General Service Rate	Schedule Designation D3.3
	Large General Service Rate	Schedule Designation D4
	Primary Educational Institution Rate	Schedule Designation D6.2
	Interruptible Supply Rate	Schedule Designation D8
	Primary Supply Rate	Schedule Designation D11
	Primary TOU Rate	***Schedule Designation D14***

PARALLEL OPERATION: The customer must meet the interconnection requirements of the Company specified in "The Michigan Electric Utility Generator Interconnection Requirements" as approved by the Commission, and must enter into an Interconnection and Operating Agreement with the Company before parallel operation will be permitted. Operating in parallel with the Company's system without written approval by the Company of the interconnection and any subsequent changes to the interconnection will make the customer subject to disconnection.

INDEMNIFICATION AND INSURANCE: Except for the acts or omissions of the Company's employees or agents which occur on the Customer's side of the point of interconnection the customer shall indemnify, defend and hold the Company and its officers, agents and employees harmless from any liabilities, claims, losses, demands, costs, damages or damage which (i) occur on the Customer's side of the point of interconnection resulting from the installation, maintenance, possession or operation of the Facility, or (ii) occur on the Company's side of the point of interconnection up to the first point of the Company's General Facility Protection if at the time of the injury or damage, the Company is not providing electric energy to the customer and the injury or damage was caused by the customer's intentional defeat of the protective relays.

The Company shall indemnify, defend and hold the Customer and its officers, agents and employees harmless from any liabilities, claims, losses, demands, costs, damages or judgments, including reasonable attorneys' fees, arising out of all personal injuries or property damages which occur on the Company's side of the point of interconnection resulting from the installation, maintenance, possession or operation of the Company's General

Facilities; (i) except for the acts or omissions of the Customer's employees or agents which occur on the Company's side of the point of interconnection; and (ii)except for those injuries or damages for which the Customer is to indemnify the Company pursuant to the preceding paragraph.

The Customer taking service under this rider shall maintain and furnish current evidence of comprehensive general liability insurance in the amount of $2,500,000 per occurrence. This insurance can be a combination of primary and excess insurance. The Company shall be named as an additional insured under the customer's policy. The customer need not provide insurance if it can demonstrate that its Tangible Net Worth as defined by GAAP is $8,000,000 or more and provides an affidavit to that effect signed by an authorized agent of the Company.. If the customer fails to provide insurance or does not meet the requirements of the preceding sentence for waiver of insurance, then the Company will purchase insurance in the amount of $2,500,000 to protect the Company (but not the customer). The cost of such insurance will be paid by the customer. The customer's insurance, its waiver,

(Continued on Sheet No. D-69.00)

(Continued from Sheet No. D-70.00)

STANDARD CONTRACT RIDER NO. 3 (Contd.) **PARALLEL OPERATION AND STANDBY SERVICE AND STATION POWER STANDBY SERVICE**

DEFINITIONS (contd):

MAINTENANCE PERIODS (contd):

(e) If there is a substantial change in circumstances which make the agreed upon schedule impractical for either party, the other party upon request shall make reasonable efforts to adjust the schedule in a manner that is mutually agreeable.

WAIVERS AND LIMITS FOR GENERATION RESERVATION FEE AND DAILY DEMAND CHARGES:

For customers taking supplemental service on rate schedules D4, D11, ***D14,*** D6.2 or D8, the following waivers apply:

If the total of daily demand charges for the month is less than the monthly generation reservation fee, then the daily demand charges will be waived for that month.

If the total of daily demand charges for the month is greater than the monthly generation reservation fee, then the generation reservation fee will be waived for that month.

Waivers and limits for energy-only rates:

For customers taking supplemental service on energy-only rates for the entire billing cycle, schedules D3, ***D3.11*** or D3.3, the following applies.

If the total of daily demand charges for the month is less than the monthly generation reservation fee, then the daily demand charges will be waived for that month.

If the total of daily demand charges for the month is greater than the monthly generation reservation fee, then the daily demand charges will be waived for that month provided that the supplemental rate continues as an energy-only rate. If not, then the total of daily demand charges for the month will be charged and the generation reservation fee for the month will be waived.

RATES:

Power Supply Charges:

Capacity

Monthly Generation Reservation Fee:

$***0.33*** times the standby contract capacity in kW, per month.

The daily on-peak backup demand charge is $***0.92*** per kW per day during periods other than maintenance periods as defined below.

The daily on-peak backup demand charge is $***0.46*** per kW per day during maintenance periods as defined below.

(Continued from Sheet No. D-72.00)

(Continued from Sheet No. D-72.00)

STANDARD CONTRACT RIDER NO. 3 (Contd.) **PARALLEL OPERATION AND STANDBY SERVICE AND STATION POWER STANDBY SERVICE**

RATES (contd):

Energy Charge:

For customers served on supplemental rate schedules D4, D11, D14, D6.2 and D8, the energy charge will be 0.562¢ per kWh, plus the appropriate power supply credits, including but not limited to the voltage level credits of 0.010¢ per kWh for subtransmission and 0.022¢ per kWh for transmission. For customers served on supplemental rate schedules D3, ***D3.11,*** D3.2 and D3.3, the energy charge will be the applicable power supply energy charge specified in the customer's supplemental rate.

The energy as stated herein, is also subject to provisions of the PSCR clause and other Surcharges and Credits Applicable to Power Supply as approved by the Commission. See Section C8.5.

Non-Capacity

Monthly Generation Reservation Fee:

$***0.28*** times the standby contract capacity in kW, per month.

The daily on-peak backup demand charge is $***0.79*** per kW per day during periods other than maintenance periods as defined below.

The daily on-peak backup demand charge is $***0.39*** per kW per day during maintenance periods as defined below.

Energy Charge:

An energy charge for back-up and maintenance power will be charged based on standby contract capacity less the output toward internal load of the customer's generator, but not less than zero. For customers served on supplemental rate schedules D4, D11, ***D14*** D6.2 and D8, the energy charge will be ***4.300¢*** per kWh, plus appropriate power supply credits, including but not limited to an off-peak credit of 1.00¢ per kWh, and voltage level credits of ***0.063¢*** per kWh for subtransmission and ***0.140¢*** per kWh for transmission. For customers served on supplemental rate schedules D3, ***D3.11,*** D3.2 and D3.3, the energy charge will be the applicable power supply energy charge specified in the customer's supplemental rate.

The energy as stated herein, is also subject to provisions of the PSCR clause and other Surcharges and Credits Applicable to Power Supply as approved by the Commission. See Section C8.5.

Delivery Charges:

Service Charge:

$70 per customer per month for customers served at primary voltage.
$375 per customer per month for customers served above primary voltage.
$70 per customer per month for customers served at secondary voltages.

Distribution Charge:

Distribution charges will be as follows:

$***7.15*** per kW at primary voltage applied to the standby contract capacity
$***1.84*** per kW at subtransmission voltage applied to the standby contract capacity
$***0.98*** per kW at transmission voltage applied to the standby contract capacity

(Continued on Sheet No. D-73.00)

(Continued from Sheet No. D-72.00)

STANDARD CONTRACT RIDER NO. 3 (Contd.) **PARALLEL OPERATION AND STANDBY SERVICE AND STATION POWER STANDBY SERVICE**

RATES (contd):

Distribution Charge:

For service provided in conjunction with a secondary voltage base rate the Delivery Charge will be the greater of $***16.67*** per kW applied to standby contract capacity or ***6.670***¢/kWh applied to all standby energy delivered.

Substation Credit: Available to customers served at subtransmission voltage level (24 to 41.6 kW) or higher who provide the on-site substation including all necessary transforming, controlling, and protective equipment. A credit of $.30 per kW shall be applied to the distribution demand charge per kW of standby capacity. An additional credit of 0.040¢ per kWh of standby delivered will be given where the service is metered on the high voltage side of the transformer.

Surcharges and Credits Applicable to Delivery Service: As approved by the Commission. See Section C9.8.

ADJUSTMENT OF PRIOR RATCHETS: When a customer takes standby service under Rider No. 3, the setting or the increasing or decreasing of standby contract capacity will affect the existing ratchet levels on the supplemental rate as follows:

(a) An amount in kW equal to the initial standby contract capacity (or to the increase or decrease) will be subtracted from (or subtracted from or added to) the existing ratcheted maximum demand level for customers on supplemental rates D6.2 and D8 and D11.

(b) An amount in kW equal to 65% of the initial standby contract capacity (or of the increase or decrease) will be subtracted from (or subtracted from or added to) the existing ratcheted on-peak billing demand level for customers on supplemental rates D4, D6.2 and D8 and D11.

LATE PAYMENT CHARGE: See Section C4.8.

SCHEDULE OF ON-PEAK HOURS: See Section C11.

POWER FACTOR CLAUSE: The rates and charges under this tariff are based on the customer maintaining a power factor of not less than 85% lagging. Customers are responsible for correcting power factors less than 70% at their own expense. The size, type and location of any power factor correction equipment must be approved by the Company. Such approval will not be unreasonably withheld. A penalty will be applied to the total amount of the monthly billing for supplemental and standby service for power factor below 85% lagging in accordance with the table in Power Factor Determination, Section C12. The penalty will not be applied to the on-peak billing demand ratchet nor to the minimum contract demand of the supplemental rate, but will be applied to metered quantities.

(Continued on Sheet No. D-73.01)

(Continued from Sheet No. D-73.01)

STANDARD CONTRACT RIDER NO. 3 (Contd.) **PARALLEL OPERATION AND STANDBY SERVICE AND STATION POWER STANDBY SERVICE**

STATION POWER STANDBY SERVICE

SERVICE UNDER THIS PROVISION BECOMES EFFECTIVE APRIL 1, 2014

STATION POWER STANDBY SERVICE: Available to customers with generation facilities that are located within the Company's retail service territory and that are interconnected to ITC Transmission. The power supply requirements necessary to maintain and operate the generating facility that are normally served by the facility's on-site generation but which instead are provided by the facility's taking power through its transmission interconnection must be provided under the station Power Standby Service provisions of this rider.

APPLICABLE TO: General Service Rate _____ Schedule Designation D3
General Service Time of Use Rate ***Schedule Designation D3.11***

HOURS OF SERVICE: 24 hours, subject to interruption by agreement, or by advance notice.

CONTRACT CAPACITY: Customers shall initially contract for a specified capacity in kilowatts sufficient to meet expected maximum requirements. Any single reading of the demand meter or aggregation of demand meters recording inflow to the facility in any month that exceeds the contract capacity then in effect shall become the new contract capacity.

METERING REQUIREMENTS: All customers taking service under this rider must install the necessary equipment to permit metering. The Company will supply the metering equipment. Service to the customer under this Rider will be metered with demand-recording equipment. Any equipment installed by the customer necessary to accommodate the Company's metering equipment must be approved by the Company and must be compatible with the Company's Meter Data Acquisition System.

RATES:

Power Supply:

Non-Capacity

Station Power Energy Service will be priced on the basis of the real time MISO locational hourly marginal energy price for the Company-appropriate load node. In additional to the MISO locational hourly marginal energy price the following charges will also apply:

0.767¢/kWh for MISO network transmission costs and MISO energy market costs plus, An administrative charge of 0.000¢/kWh plus,
Surcharges and Credits Applicable to Power Supply, excluding PSCR, as approved by the Commission. See Section C8.5

Service Charge:

Primary Service Charge:	$70 per month
Subtransmission and Transmission Service Charge:	$375 per month

(Continued on Sheet No. D-73.03)

STANDARD CONTRACT RIDER NO. 7 **GREENHOUSE LIGHTING SERVICE**

APPLICABLE TO:	General Service Rate	Schedule Designation D3
	General Service Time of Use Rate	***Schedule Designation D3.11***
	Large General Service Rate	Schedule Designation D4

Available on an optional basis to customers desiring high intensity discharge lighting service for greenhouses or other environmentally controlled growing facilities as a daylight supplement. All lighting on this rider shall be separately metered. The customer will furnish, install, own, and maintain all equipment comprising the lighting system. No other device may be connected to this circuit except for controls, lighting and associated equipment.

HOURS OF SERVICE: Dusk to dawn service for circuits controlled by photo-sensitive or clock timing devices.

CURRENT, PHASE AND VOLTAGE: Alternating current, 60 hertz, single phase, nominally at 120/240 volts, three-wire; or three-phase, four-wire, Y connected at 208Y/120 volts; or under certain conditions three-phase, four-wire, Y connected at 480Y/277 volts.

RATE PER MONTH:

Full Service Customers:

Power Supply Charge:

Capacity Energy Charge:	***1.487***¢ per kWh for all kWh
Non-Capacity Energy Charge:	***3.177***¢ per kWh for all kWh

Delivery Charges:

Service Charge:	$1.95 per month
Distribution Charge:	***6.670***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Power Supply Charge for Retail Access Service Customers taking Utility Capacity Service for DTE:

Capacity Energy Charge:	***1.487***¢ per kWh for all kWh

Delivery Charges:

Service Charge:	$1.95 per month
Distribution Charge:	***6.670***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8.

(Continued on Sheet No. D-85.00)

STANDARD CONTRACT RIDER NO. 8 **COMMERCIAL SPACE HEATING**

APPLICABLE TO:	General Service Rate	Schedule Designation D3
	General Service Time of Use Rate	***Schedule Designation D3.11***
	Large General Service Rate	Schedule Designation D4

Available on an optional basis to customers desiring service for commercial space conditioning furnished through separately metered circuits to which no other device except electric space heating, water heating, air conditioning, or humidity control equipment may be connected and provided that all of the space heating must be either total electric or an electric heat pump supplemented by a fossil fuel furnace installed on a permanent basis. The customer must provide special circuits, the design and method of installation of which are approved by the Company as adapted to this service.

Electric space heating under the terms of this rider will be considered to include heating by light systems, provided the primary means of space heating at the time of maximum requirements will be furnished by the lighting system, with the balance furnished by supplementary electric heating equipment. After June 15, 1970, under the authority of the Commission in Case U-3189, service to facilities which heat by lighting is not available for premises not previously qualified for service hereunder.

RATE PER MONTH:

Full Service Customers:

Power Supply Charge:

Capacity Energy Charge: ***4.007***¢ per kWh for all kWh, except that during the billing months of November through May, usage in excess of 1,000 kWh per month shall be billed at ***1.328***¢ per kWh.

Non-Capacity Energy Charge: ***4.833***¢ per kWh

Delivery Charges:

Service Charge: $11.25 per month

Distribution Charge: ***6.670***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Power Supply Charge for Retail Access Service Customers taking Utility Capacity service from DTE*:*

Capacity Energy Charge: ***4.007***¢ per kWh for all kWh, except that during the billing months of November through May, usage in excess of 1,000 kWh per month shall be billed at ***1.328***¢ per kWh.

Delivery Charges:

Service Charge: $11.25 per month

Distribution Charge: ***6.670***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8.

(Continued on Sheet No. D-87.00)

(Continued from Sheet No. D-86.00)

STANDARD CONTRACT RIDER NO. 8 (Contd.) **COMMERCIAL SPACE HEATING**

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

CONTRACT TERM: This rate is made effective by a rider modifying the contract form prescribed for one of the applicable filed rates listed above. The contract term is co-extensive with the contract term of the applicable filed rate under which service is being taken.

INSULATION STANDARDS FOR ELECTRIC HEATING: See Section C4.9.

OPTIONAL PROVISION FOR CERTAIN COMMON AREA ACCOUNTS: Electric heating and common area usage of apartment or condominium accounts supplied through a single meter and billed under the terms of the Domestic Space Heating Rate D2 prior to September 28, 1978 may be billed under this provision without the necessity of separate metering if an initial block of kilowatthours is billed at the current General Service Rate D3. This initial block of kilowatthours will be calculated each November by averaging the usage during the previous billing months of June through October.

Full Service Customers:

Usage in excess of the initial block of kilowatthours per month shall be billed at a power supply capacity charge of ***4.007***¢ and a non-capacity charge of ***4.833***¢ per kilowatthour during the billing months of June through October, and a capacity charge of ***1.328***¢ and a non-capacity charge of ***4.833***¢ per kilowatthour during the billing months of November through May. A Distribution charge of ***6.670***¢ per kWh for all kWh shall also be applied. The only service charge to be billed to a customer utilizing this provision will be the D3 service charge.

Retail Access Service Customers:

Power Supply Charge for Retail Access Service Customers taking Utility Capacity Service from DTE:

For Retail Access customers taking capacity service from DTE, usage in excess of the initial block of kilowatthours per month shall be billed at a power supply capacity charge of ***4.007***¢ per kilowatthour during the billing months of June through October, and a power supply capacity charge of ***1.328***¢ per kilowatthour during the billing months of November through May.

For all retail access customers, usage in excess of the initial block of kilowatthours per month shall be billed a distribution charge of ***6.670***¢ per kWh for all kWh.

SUPPLEMENTAL SPACE HEATING PROVISION: This provision is available to customers taking service under the General Service Rate D3, ***General Service Time of Use D3.11*** or the Large General Service Rate D4 who purchase energy for a minimum of 10 kW of supplemental, permanently installed, electric space heating equipment. To qualify for this provision, a customer must certify in writing the amount of permanently installed space heating equipment, subject to inspection at the option of the Company, and have the said equipment on separately metered circuits to which no other device is connected. Section C4.9, Insulation Standards for Electric Heating, will not apply to this provision.

(Continued from Sheet No. D-90.00)

STANDARD CONTRACT RIDER NO. 10 (Contd.) **INTERRUPTIBLE SUPPLY RIDER**

CONTRACT CAPACITY: Customers shall contract for a specified capacity in kilowatts sufficient to meet the customers' maximum interruptible requirements, but not less than the minimum contract capacity amounts, specified above. Demand/Energy in excess of the contracted load level will be billed under the applicable Primary Supply Rate. The contract capacity shall not be decreased during the term of the contract and subsequent renewal periods as long as service is required unless there is a specific reduction in connected load. Capacity disconnected from service under this rider shall not be subsequently served under any other tariff during the term of this contract and subsequent renewal periods.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Non-Capacity**:**
The Energy charge will be the real time MISO locational hourly marginal energy price for the DTE Electric-appropriate load node. In addition to the MISO locational hourly marginal energy price the following charges will also apply:

0.767¢/kWh for MISO network transmission costs and MISO energy market costs plus, An administrative charge of 0.000¢/kWh plus,
A voltage level service adder of 1.56% for transmission, 3.73% for subtransmission and 5.50% for primary.

Delivery Charges:
Primary Service Charge: $70 per month
Subtransmission and Transmission Service Charge: $375 per month
Distribution Charges:
For primary service (less than 24kV) $***7.15*** per kW of maximum demand
For service at subtransmission voltage (24 to 41.6 kV) $***1.84*** per kW of maximum demand For service at transmission voltage (120 kV and above) $***0.98*** per kW of maximum demand.

Substation Credit: Available to customers where service at subtransmission voltage level or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of .040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8

(Continued on Sheet No. D-92.00)

(Continued from Sheet No. D-91.00)

STANDARD CONTRACT RIDER NO. 10 (Contd.) **INTERRUPTIBLE SUPPLY RIDER**

Retail Access Service Customers:

Delivery Charges:

Primary Service Charge: $70 per month
Subtransmission and Transmission Service Charge: $375 per month
Distribution Charges:
For primary service (less than 24kV) ***$7.15*** per kW of maximum demand
For service at subtransmission voltage (24 to 41.6 kV) $***1.84*** per kW of maximum demand For service at transmission voltage (120 kV and above) $***0.98*** per kW of maximum demand.

Substation Credit: Available to customers where service at subtransmission voltage level or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of .040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Section C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus the Maximum Demand Charge, plus all applicable energy charges plus any applicable per meter per month surcharge.

MAXIMUM DEMAND: The maximum demand shall be the highest 30-minute demand created during the previous 12 billing months, including the current month but not less than 50% of the contract capacity. This clause is applicable to each voltage level served.

POWER FACTOR CLAUSE: Shall be the Power Factor Clause as defined in the Primary Supply Rate (D11).

SPECIAL TERMS AND CONDITIONS: Customer-owned equipment must be operated so the voltage fluctuations on the primary distribution system of the Company shall not exceed permissible limits.

The customer will own and maintain the necessary equipment to separate the interruptible load from the firm power load. This equipment must meet the Company standards. The customer must also provide space for the separate metering of the interruptible load.

The interruptible load shall not be served from firm power circuits at any time. Violations of this provision will result in a charge of $50 per kilowatt per month applied to the interruptible load determined to have been served from firm power circuits.

(Continued on Sheet No. D-93.00)

(Continued from Sheet D-114.00)

STANDARD CONTRACT RIDER NO. 18 (contd.) **DISTRIBUTED GENERATION PROGRAM**

Rate Schedule	Outflow Credit $ per kWh			
Residential				
D1/D1.6 Residential	First 17 kWh per Day: *$0.08782*	Excess: *$0.10081*		
D1.1 Int. Air	Summer: *$0.07367*	Winter: *$0.05237*		
D1.2 Time-of-Day	Summer On-Peak: *$0.16203*	Summer Off-Peak: *$0.05456*	Winter On-Peak: *$0.13687*	Winter Off-Peak: *$0.05241*
D1.7 Time-of-Day	Summer On-Peak: *$0.13817*	Summer Off-Peak: *$0.04577*	Winter On-Peak: *$0.05970*	Winter Off-Peak: *$0.04691*
D1.8 Dynamic Peak Pricing	Critical Peak: $0.95000	On-Peak: *$0.17198*	Mid-Peak: *$0.08884*	Off-Peak: *$0.04583*
D1.9 Elec. Vehicle	On-Peak: *$0.17359*	Off-Peak: *$0.04340*		
D1.11 Stan. TOU	June-Sept On-Peak: *$0.14407*	June-Sept Off-Peak: *$0.08709*	Oct-May On-Peak: *$0.10319*	Oct-May Off-Peak: *$0.08709*
D1.13 Overnight Savers	***On-Peak:*** ***June-Sept:*** ***$0.15991*** ***Oct-Nov:*** ***$0.09274***	***Off-Peak:*** ***June-Sept:*** ***$0.10784*** ***Oct-Nov:*** ***$0.08214***	***Super Off-Peak:*** ***June-Sept: $0.06852 Oct-Nov: $0.06852***	
D2 Elec Space Heat	Summer First 17 kWh per Day: *$0.08111*	Summer Excess: *$0.09319*	Winter First 20 kWh per Day: *$0.06956*	Winter Excess: *$0.05946*
D5 Water Heat	All kWh: *$0.04902*			
Secondary				
D1.1 Int. Air	Summer: *$0.07475*	Winter: *$0.05965*		
D1.7 Time-of-Day	Summer On-Peak: *$0.04988*	Summer Off-Peak: *$0.04555*	Winter On-Peak: *$0.04664*	Winter Off-Peak: *$0.04664*
D1.8 Dynamic Peak Pricing	***Critical Peak:*** $0.95	***On-Peak:*** ***$0.16787***	***Mid-Peak:*** ***$0.09022***	***Off-Peak:*** ***$0.04592***
D1.9 Elec. Vehicle	On-Peak: *$0.17359*	Off-Peak: *$0.04340*		
D3 General Service	All kWh: *$0.08165*			
D3.2 Secondary Education	All kWh: *$0.07886*			
D3.3 Interruptible General Service	All kWh: *$0.06822*			
D3.11 TOU General Service	***June-Sept On-Peak:*** ***$0.12816***	***June-Sept Off-Peak:*** ***$0.07828***	***Oct-May On-Peak:*** ***$0.08366***	***Oct-May Off-Peak:*** ***$0.07828***
D4 Large General Service	Demand: $16.66	First 200 kWh per kW: *$0.04031*	Excess: *$0.03112*	
D5 Water Heat	All kWh: *$0.04808*			
E1.1 Eng. St. Ltg.	All kWh: *$0.05623*			

(Continued from Sheet D-115.00)

STANDARD CONTRACT RIDER NO. 18 (contd.) **DISTRIBUTED GENERATION PROGRAM**

Rate Schedule	Outflow Credit $ per kWh			
Primary				
D11 Primary Supply	Demand:	On-Peak:	Off-Peak:	
Primary	***$17.09*** per kW	***$0.04300***	***$0.03300***	
Subtransmission	***$16.74*** per kW	***$0.04237***	$***0.03237***	
Transmission	***$16.37*** per kW	$.***0.04160***	$***0.03160***	
D6.2 Primary Educational Institution	Demand:	On-Peak:	Off-Peak:	
Primary	***$14.33*** per kW	$***0.04535***	$***0.04235***	
Subtransmission	***$14.04*** per kW	$***0.04459***	$***0.04159***	
Transmission	***$13.72*** per kW	$***0.04365***	$***0.04065***	
D8 Interruptible Supply	Demand:	On-Peak	Off-Peak	
Primary	$***10.50*** per kW	$***0.04300***	$***0.03300***	
Subtransmission	***$10.28*** per kW	$***0.04237***	$***0.03237***	
Transmission	***$10.06*** per kW	$***0.04160***	$***0.03160***	
D10 All Electric School	Summer: ***$0.09626***	Winter: ***$0.07613***		
D13 XL	***All kWh:*** ***$0.04909***			
D14 TOU Primary	***June-Sept On-Peak:***	***June-Sept Off-Peak:***	***Oct-May On-Peak:***	***Oct-May Off-Peak:***
Primary	***$0.10810***	***$0.06450***	***$0.07175***	***$0.06450***
Subtransmission	***$0.10690***	***$0.06330***	***$0.07055***	***$0.06330***
Transmission	***$0.10544***	***$0.06184***	***$0.06909***	***$0.06184***

(1) Retail Open Access Customers

The Outflow Credit will be determined by the Retail Service Supplier. For customers taking capacity service from the Company, the capacity outflow credit shall be the appropriate capacity rate(s) from the customer's rate schedule.

APPLICATION FOR SERVICE

In order to participate in the Distributed Generation Program, a customer shall submit completed Interconnection and Distributed Generation Program Applications, including the application fee of $50 to the Company.

The Distributed Generation Program application fee is waived if the customer is transitioning from the Net Metering Program.

(Continued on Sheet No. D-116.01)

DTE Electric Company
Capacity Charge Revenue Requirement by Customer Class /
SRM Capacity Charge
(thousands of dollars)
FOR ORDER

		Total Electric
CAPACITY COSTS DETERMINATION		
Net Production Costs Rev. Req. (Exh A-16 Sch F1.1 Line 31)	$	3,129,065
Less Fuel (Exh A-16 Sch F1.1 Line 6)		(887,204)
Less MERC Rev Req (Exh A-16 Sch F1.5 Page 6 Line 9)		(865)
Less MISO Energy in PP (Exh A-13 Sch C4 Lines 21-22)		(30,758)
Less Other Energy in PP (WP A16 F1 Sch 11 Page 5 Col (c) line 8)		(274,073)
Less Variable O&M (Exh A-16 Sch F1.5 Page 5 Line 8)		(29,377)
Subtotal	$	1,906,787
Proj 2026 Energy Sales Rev Net of Fuel w Rec (Exh A-26 Sch P3 Line 25)		(916,578)
Capacity Revenue Requirement (Line 7 + Line 9)	$	990,209
SRM Capacity Charge Demand (DTE 2023 10-K, Page 8 / net gen capacity 11,959 MW + long-term contracts 560 MW)		12,519 MW
SRM Capacity Charge per MW-Year (Line 11 / Line 13 x 1,000)		79,096
SRM Capacity Charge per MW-Day (Line 15 / 365)		216.70

P R O O F O F S E R V I C E

STATE OF MICHIGAN)

Case No. U-21860

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on February 19, 2026 A.D. she electronically notified the attached list of this **Commission Order via e-mail transmission**, to the persons as shown on the attached service list (Listserv Distribution List).

Brianna Brown

Subscribed and sworn to before me
this 19th day of February 2026.

Angela P. Sanderson
Notary Public, Shiawassee County, Michigan
As acting in Eaton County
My Commission Expires: May 21, 2030

Service List for Case: U-21860

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