

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

Case No. U-21973

In the matter of the Application of
DTE GAS COMPANY for authority
to increase its rates, amend its rate
schedules and rules governing the
distribution and supply of natural gas,
and for miscellaneous accounting authority

QUALIFICATIONS AND DIRECT TESTIMONY OF

NATHAN L. BLIZZARD

MICHIGAN PUBLIC SERVICE COMMISSION

March 13, 2026

**QUALIFICATIONS AND DIRECT TESTIMONY OF
NATHAN L. BLIZZARD
U-21973**

1 Q. Please state your name and business address.

2 A. My name is Nathan L. Blizzard. My business address is 7109 West Saginaw Hwy,
3 Lansing, Michigan 48917.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by the Michigan Public Service Commission (MPSC or Commission) as a
6 Departmental Analyst for the Rates and Tariff Section of the Regulated Energy Division.

7 Q. Please describe your educational background.

8 A. In 2020 I completed a Bachelor of Science degree with a major in Economics at Central
9 Michigan University. I then completed a Master of Arts Degree in Economics from
10 Central Michigan University, in 2021. In 2023, I completed a Master's Degree in Public
11 Administration at the Ohio State University.

12 Q. What are your current responsibilities at the MPSC?

13 A. As an analyst, I participate in rate and tariff amendment cases under the direct
14 supervision of the Rates and Tariff manager. I am also partially responsible for updating
15 the gas and electric bill comparison spreadsheets for the MPSC website, aiding with
16 updates and uploads to the MPSC website, and assisting the section with various other
17 tasks.

18 Q. Have you attended any seminars or other training courses relating to your current role?

19 A. Yes, in August 2024, I completed the Fundamental course at the Institute of Public
20 Utilities' Annual Regulatory Studies Program on Michigan State University's campus -
21 often called "Camp NARUC." In January 2026, I completed EUCI's course on Electric
22 Cost-of-Service – Essential Concepts for a Changing Industry, and EUCI's course on

**QUALIFICATIONS AND DIRECT TESTIMONY OF
NATHAN L. BLIZZARD
U-21973**

1 Electric Utility Pricing-Trends in Cost Recovery,

2 Q. Have you previously presented testimony or participated in utility cases before the
3 MPSC?

4 A. Yes, I have participated in the following cases:

<u>Case No.</u>	<u>Utility</u>	<u>Description</u>
5 U-21540	Michigan Gas Utilities Corporation	Rate Design
6 U-21903	Northern States Power Company	Rate Design

8

9

10 Q. What is the purpose of your testimony?

11 A. The purpose of my testimony is to present Staff's position on DTE Gas Company's (the
12 Company) proposed rate design, Staff's proposed rate design, tariff changes, as well as
13 the expense and revenue impacts of Staff's sales forecast.

14 Q. Are you sponsoring any exhibits in this proceeding?

15 A. Yes, I am sponsoring the following exhibits:

<u>Exhibit:</u>	<u>Schedule:</u>	<u>Description</u>
16 S-3	C-4	Staff Projected Cost of Gas Sold
17 S-6	F-2	Staff Summary of Present and Proposed Revenue 18 by Rate Schedule
19 S-6	F-3	Staff Present and Proposed Revenue Detail 20 Including Cost of Gas
21 S-6	F-4	Staff Comparison of Present and Proposed Monthly 22 Bills
23 S-6	F-6	Staff Derivation of Transportation Cost of Service 24 Rate
25 S-15		Company Response to MPSC Staff Audit Request 26 NLB-2
27 S-15.2	F-3	Staff's Proposed Alternative Rate Design
28		

**QUALIFICATIONS AND DIRECT TESTIMONY OF
NATHAN L. BLIZZARD
U-21973**

1 A. Per Page JES-42 of Company Witness J.E. Sparks’s Direct Testimony, the company is
2 proposing an enrollment number of 70,000 customers per month¹.

3 Q. How did the Company calculate the proposed enrollment number?

4 A. While no methodology is explicitly stated, the preceding question stated by the Company
5 cites the average credit dispersal number for the 2024 historic year. For this reason, Staff
6 finds it reasonable to assume that the Company is using the average for the 2024 historic
7 year as the projection for the 2027 test year.

8 Q. Did the Company provide any support for this projection methodology?

9 A. The Company did not explicitly provide any testimony supporting their projection.
10 Company Witness Sparks provided support for the Company’s 2024 RIA credit numbers,
11 however, Witness Sparks did not provide any supporting data for the Company’s 2027
12 test year projection².

13 Q. Does Staff agree with the Company’s projected RIA Credit enrollment?

14 A. No, it does not. Staff proposes a monthly RIA Credit enrollment number of 66,979. Staff
15 utilized a three-year historical average from the RIA credit enrollment numbers provided
16 in Attachment 5(9) of the Part III filing requirements. See the data summarized below:
17

Calendar Year	Average Monthly RIA Enrollment
2024	70,267
2023	59,512

¹ DTE Gas Direct Testimony.....JES – 42 line numbers 13-20 &JES – 43 line numbers 1-5

² DTE Gas Direct Testimony.....JES – 42 line numbers 13-20 &JES – 43 line numbers 1-5

**QUALIFICATIONS AND DIRECT TESTIMONY OF
NATHAN L. BLIZZARD
U-21973**

2022	71,157
Average	66,979

1

2 Q. Why does Staff recommend the Commission accept this projection as opposed to the
3 Company's?

4 A. The use of the 3-year historical projection was previously approved by the Commission
5 in Consumer's Energy Case No. U-21806³. Staff recommends maintaining this
6 methodology in the interim while awaiting a Commission decision on energy assistance
7 reform in MPSC Case No. U-20757 after Staff's September 10, 2025 Energy
8 Affordability Report in that docket recommended reforms to the residential income
9 assistance and low income assistance credits.

10 Q. What is the impact to present revenue as a result of Staff's change to the RIA Credit
11 customer count?

12 A. The total impact of Staff's proposed changes is an increase of \$525,654 to present
13 revenue.

14 **2. General Rate Design**

15

16 **Rate Design Process**

17 Q. How did Staff perform its rate design?

18 A. After receiving Staff witness Hubbell's sales forecast and customer count projection,
19 Staff updated the rate design inputs to reflect the updated forecasted volumes and

³ See *In re Consumers Energy Company Gas Rate Case*, MPSC Case No. U-21806, 2 Tr 277

**QUALIFICATIONS AND DIRECT TESTIMONY OF
NATHAN L. BLIZZARD
U-21973**

1 customer counts. Staff then utilized the cost-of-service study (COSS) outputs from Staff
2 witness Kevin S. Krause's proposed COSS and updated the Residential Income
3 Assistance Credit (RIA) customer counts on the Company's Exhibit No. A-16, Schedule
4 F3, p. 1. Staff then began the rate design process and made revenue target adjustments
5 between the transportation rate schedules and used those adjusted revenues to design
6 rates to recover Staff's proposed revenue target.

7 Q. How and why did Staff adjust revenue targets between the rate schedules?

8 A. Staff found that the initial revenue target generated by the COSS study did not produce
9 reasonable rate design across the schedules within the customer classes. Staff used the
10 COSS's outcome as a guide to begin its revenue target adjustments. When those did not
11 produce a reasonable rate design while considering the breakeven points, Staff adjusted
12 the revenue targets until a reasonable rate design was attainable. The results of Staff's
13 rate design can be found in Exhibit S-6 schedule F3.1.

14 Q. Why is it important to maintain economic breakeven points between rate schedules?

15 A. It is important to maintain the economic breakeven points because, to have the revenue
16 targets be reasonably attainable, customers should remain on the rate they are assumed to
17 be in, to the extent practicable. An effective breakeven point deters customers from
18 switching rate classes, since being on another rate schedule would be more expensive. If
19 these breakeven points were changed without cause, or without properly reflecting such a
20 change in the determinants, the Company's ability to collect its targeted revenue
21 requirement would be inappropriately impaired.

22 Q. How did Staff utilize the alternate cost of service study provided by the Company?

**QUALIFICATIONS AND DIRECT TESTIMONY OF
NATHAN L. BLIZZARD
U-21973**

1 A. Staff utilized the alternative cost of service as a guide to assist Staff in assessing how the
2 revenue responsibility should be shifted between the different transportation rate
3 schedules, when revenue adjustments must be made to maintain the current breakeven
4 points. Staff accomplished this by utilizing the proposed percentage share of the revenue
5 burden for each rate schedule in Staff's proposed cost of service study, and in Staff's
6 proposed alternative cost of service study. By doing this Staff effectively created a lower
7 bound limit and upper bound limit on what each rate schedule's percentage of the revenue
8 burden should theoretically be. This is due to the alternative cost of service study
9 recalculating allocators to exclude transmission volumes from certain allocations, rather
10 than the current method which excludes transportation rate schedule XXLT volumes from
11 these allocations. Furthermore, the alternative cost of service also separates the
12 distribution main costs into high-pressure and low-pressure, and assigns those costs only
13 to customers who receive distribution service from their respective distribution systems.

14 Q. Is this consistent with previous Commission Orders?

15 A. Yes. The Commission has previously agreed with the use of the alternative cost of service
16 in the previous two DTE Gas general rate cases, Case No. U-20940 and in Case No. U-
17 21291. The Commission ultimately agreed with Staff's use of what was originally Staff's
18 second alternative cost of service study in DTE Gas General Rate Case U-20940⁴. The
19 Commission agreed with the continued use of the alternative cost of service as it still
20 served a useful purpose as it reflects the fact that certain distribution costs are split

⁴ MPSC Case No. U-20940, 12/9/2021 Order, p. 210.

**QUALIFICATIONS AND DIRECT TESTIMONY OF
NATHAN L. BLIZZARD
U-21973**

1 between high-pressure, low-pressure, and transmission customers⁵.

2 Q. Why is it important to utilize the Alternative Cost of Service in this manner?

3 A. By utilizing the alternative cost of service in this manner, the adjustments made by Staff
4 better reflect the differences in cost between the current schedules and the mix of service
5 levels within each rate schedule, leading to a more reasonable distribution of the revenue
6 responsibility.

7 **Exelon**

8 Q. Does Staff agree with the Company's treatment of Exelon in this case?

9 A. Yes. The Company properly excluded the difference between revenues and costs from
10 rate design for other classes. This has the effect of ensuring that no other customers pay
11 for this difference consistent with the Commission's prior determinations, absent a
12 showing that was not made⁶.

13 **Rate Design Results**

14 Q. What are the proposed rates for the residential customer class, based on Staff's rate
15 design?

16 A. Staff's proposed rate design for the residential service classes can be found in Exhibit S-
17 6.0, Schedule F-3.1, pg.1. Under Staff's rate design, the customer charge for Rate A
18 would be \$15.40 dollars per month. The proposed customer charges for Rate 2A are
19 \$15.40 and \$55.00 for meter class 1 and meter class 2 respectively.

⁵ MPSC Case No. U-21291, 11/7/2024 Order, pp. 235-236

⁶ See *In the matter of the joint application of Michigan Consolidated Gas Company and Exelon Energy for approval of a special contract*, MPSC Case No. U-12825, 2 Tr 277

**QUALIFICATIONS AND DIRECT TESTIMONY OF
NATHAN L. BLIZZARD
U-21973**

1 Q. What is Staff's proposal for the general service (GS) customer class's customer and
2 distribution charges?

3 A. Staff's proposal for the general service customer class can be found in Exhibit S-6.0,
4 Schedule F-3, pg.2. Staff's proposed customer charges for the General Service Customer
5 Class are the result of maintaining breakevens.

6 Q. What is Staff's proposal for the School Service Rate S's customer and distribution
7 charges?

8 A. Staff's proposal for the School Service Rate can be found in Exhibit S-6.0, schedule F-3,
9 pg. 3.

10 Q. What is Staff's proposal for the transportation customer class's customer and distribution
11 charges?

12 A. Staff's proposal for the transportation customer class can be found in Exhibit S-6.0,
13 schedule F-3, pg. 4. These rates were designed to maintain the economic breakeven
14 points between the different rate schedules. Staff also considered the percentage share to
15 be collected from each of the transportation schedules based on Staff's Alternate cost of
16 service study conducted by Staff Witness Krause.

17 Q. What is Staff's position on the Company's proposed exclusion of rate schedule XXLT
18 from the breakeven analysis for the transportation customer class?

19 A. For Staff's primary rate design model, Staff utilized the Company's rate design model
20 with the Company's proposed exclusion of the XXLT rate schedule from the
21 transportation customer class breakeven analysis. Additionally, Staff is sponsoring an
22 alternate transportation class rate design that incorporates rate schedule XXLT into the

**QUALIFICATIONS AND DIRECT TESTIMONY OF
NATHAN L. BLIZZARD
U-21973**

1 breakeven analysis.

2 Q. Why is Staff proposing an alternative rate design?

3 A. Staff is proposing an alternative rate design to provide the Commission and other
4 interested parties with more information about the overall impact of excluding rate
5 schedule XXLT from the transportation class's breakeven analysis. Staff's proposed
6 alternative rate design accomplishes this by creating a rate design that incorporates rate
7 schedule XXLT into the transportation customer class's breakeven analysis.

8 Q. How did Staff develop its alternative rate design analysis?

9 A. Staff developed their alternative rate design analysis by utilizing the same methodology
10 pertaining to the use of the Staff Witness Krause's COSS and Alternative COSS,
11 however, instead of excluding the transportation rate schedule XXLT, Staff included the
12 transportation rate schedule XXLT in its breakeven analysis, in line with the breakeven
13 analysis approved in the previous case.

14 Q. What did Staff determine to be the breakeven usage rate between rate schedule XLT and
15 rate schedule XXLT?

16 A. Staff utilized a breakeven usage of 3,500,000 Mcf, as it was previously utilized by both
17 the Company and Staff in the previous DTE Gas General Rate Case U-21291.

18 Q. Are there any secondary impacts to the other customer classes by using Staff's alternative
19 rate design model?

20 A. No, due to the nature of the methodology behind Staff's proposed alternative rate design,
21 there are no secondary rate impacts to any other customer classes, as the revenue to be
22 collected from the transportation class is not changing. Therefore, the proposed use of

**QUALIFICATIONS AND DIRECT TESTIMONY OF
NATHAN L. BLIZZARD
U-21973**

1 either of Staff's rate design models is purely for the analysis of potential rate impacts to
2 the transportation customer class.

3 Q. What are the results of Staff's alternative rate design?

4 A. The results of Staff's alternative rate design can be seen in Exhibit S-15.2 schedule F3,
5 Page 4.

6 Q. Is Staff supporting the use of the alternative rate design?

7 A. No, in the instant case Staff is not supporting the use of the alternative rate design.

8 Q. Why is Staff not supporting the use of Staff's alternative rate design?

9 A. Staff is not supporting the use of its alternative rate design, due to the alternative rate
10 design not providing favorable rates for the transportation class as a whole, when
11 compared to Staff's primary rate design model. The alternative rate design model
12 proposes a higher overall increase in both the customer and distribution charges, and thus
13 the impact to the current rates for the transportation class are lessened by the use of the
14 primary rate design model.

15 Q. Does Staff have any additional comments about the Company's rate design?

16 A. Yes, in order to promote standardization across rate design models, and for improved
17 functionality and efficiency by interested parties, Staff proposes that in the Company's
18 next rate case, the Company design its rate design model to automatically maintain its
19 breakeven points for the transportation customer class. This approach is consistent with
20 rate design models utilized by other investor-owned gas utilities, like Consumers Energy,
21 as previously used in Case No. U-21806.

**QUALIFICATIONS AND DIRECT TESTIMONY OF
NATHAN L. BLIZZARD
U-21973**

1 **Tariff Issues**

2 Q. Does Staff propose any changes to the tariff sheets?

3 A. Staff supports updating tariff sheets to reflect changes in the final, approved rates by the
4 Commission.

5 **3. Summary**

6 Q. Please summarize your positions and recommendations in your direct testimony.

7 A. My positions and recommendations are as follows:

8 1. The Commission should approve Staff's proposed present revenue of \$1,082,365,000.

9 2. The Commission should approve Staff's proposed 3-year historical projection for the
10 Company's' RIA enrollment level as were previously approved by the Commission in
11 Consumer's Energy Case No. U-21806

12 3. The Commission should approve Staff's proposed primary rate design for all rate
13 schedules, reflecting Staff's proposed revenue requirement and COSS.

14 4. The Commission require the Company in its next rate case to update its rate design
15 model to automatically maintain breakeven points for the transportation class.

16 5. The Commission should approve tariff sheets reflecting the final rates designed for the
17 order in the instant case. Staff is not proposing any changes to the tariff sheets other than
18 updating rates with the final order.

19 Q. Does this conclude your testimony?

20 A. Yes, it does.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

Case No. U-21973

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

QUALIFICATIONS AND DIRECT TESTIMONY OF

JUSTIN J. HECHT

MICHIGAN PUBLIC SERVICE COMMISSION

March 13, 2026

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JUSTIN J. HECHT
U-21973**

1 Q. Please state your name and business address.

2 A. My name is Justin J. Hecht and my business address is 7109 West Saginaw Highway,
3 Lansing, MI 48917.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by the Michigan Public Service Commission (“MPSC” or “Commission”)
6 as an auditor in the Revenue Requirements section of the Regulated Energy Division.

7 Q. Please briefly describe your educational background and other professional
8 qualifications.

9 A. I earned a Bachelor of Business Administration Degree in Accounting from Northwood
10 University in 2014. In February 2023, I completed the National Association of
11 Regulatory Utility Commission (“NARUC”) Rate Case Basics course. In November
12 2023, I completed the Institute of Public Utilities (“IPU”) Advanced Regulatory
13 Accounting and Auditing course.

14 Q. Please describe your professional background.

15 A. I was previously employed at Andrews Hooper Pavlik, PLC as a staff accountant, from
16 November 2014 through September 2017, where I performed tax preparation and audits
17 of financial institutions. I was previously employed at Berthiaume & Company, CPAs as
18 an in-charge auditor, from October 2017 through January 2023, where I performed audits
19 of governmental and nonprofit entities. I began my employment with the MPSC in
20 February 2023 as an auditor in the Rate Base Unit of the Regulated Energy Division. My
21 current responsibilities include, but are not limited to, performing rate case audits using
22 the financial and operating records of regulated utilities, applicable laws, regulations, and

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JUSTIN J. HECHT
U-21973**

1 Commission policies to determine the necessity of rate relief.

2 Q. Briefly discuss your involvement with the MPSC cases.

3 A. I have performed audit work in the following cases:

<u>Case Number</u>	<u>Company</u>	<u>Case Type</u>
5 U-21366	MGU	Gas Rate Case
6 U-21297	DTE Electric Company	Electric Rate Case
7 U-21389	Consumers Energy Co.	Electric Rate Case
8 U-21412	I&M Power Company	Depreciation Rate Case
9 U-21461	I&M Power Company	Electric Rate Case
10 U-21384	DTE Gas Company	Depreciation Rate Case
11 U-21291	DTE Gas Company	Gas Rate Case
12 U-21540	MGU	Gas Rate Case
13 U-21565	NSPW	Electric Rate Case
14 U-21534	DTE Electric Company	Electric Rate Case
15 U-21513	UPPCO	Depreciation Rate Case
16 U-21806	Consumers Energy Co.	Gas Rate Case
17 U-21860	DTE Electric Company	Electric Rate Case
18 U-21903	NSP	Gas Rate Case

19 Q. Have you previously sponsored testimony before the Michigan Public Service
20 Commission?

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

<u>Case Number</u>	<u>Company</u>	<u>Case Type</u>
23 U-21297	DTE Electric Company	Electric Rate Case
24 U-21389	Consumers Energy Co.	Electric Rate Case
25 U-21461	I&M Power Company	Electric Rate Case
26 U-21291	DTE Gas Company	Gas Rate Case
27 U-21540	MGU	Gas Rate Case
28 U-21565	NSPW	Electric Rate Case
29 U-21534	DTE Electric Company	Electric Rate Case
30 U-21806	Consumers Energy Co.	Gas Rate Case
31 U-21860	DTE Electric Company	Electric Rate Case
32 U-21903	NSP	Gas Rate Case

33 Q. What is the purpose of your testimony?

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JUSTIN J. HECHT
U-21973**

1 A. The purpose of my testimony is to present the MPSC Staff’s (“Staff”) projected total rate
2 base for the 12-month period ending September 30, 2027, (“projected test year”) in the
3 instant DTE Gas Company (“DTE” or the “Company”) gas rate case. Additionally, I will
4 be supporting adjustments to the Company’s projected depreciation and amortization
5 expense and property tax expense, presented on Staff Exhibit S-3, Schedule C1.1,
6 sponsored by Staff witness Nichols.

7 Q. Are you sponsoring any exhibits in this proceeding?

8 A. Yes, I am sponsoring the following exhibits:

9	<u>Exhibit</u>	<u>Schedule</u>	<u>Title</u>
10	S-2	B1	Projected Rate Base for the Test Year Ending 9/30/27
11	S-2	B4	Projected Working Capital for the Test Year Ending 9/30/27
12	S-8		Company Response to MPSC Staff Audit Request JJH-3
13	S-8.1		Company Response to MPSC Staff Audit Request JJH-4
14	S-8.2		Company Response to MPSC Staff Audit Request JJH-6
15	S-8.3		Company Response to MPSC Staff Audit Request JJH-8

16 Q. Were these exhibits prepared by you or under your direction?

17 A. Yes.

18 **RATE BASE**

19 Q. What is the total rate base being presented by Staff in the instant case for the projected
20 test year?

21 A. Referring to Staff Exhibit S-2, Schedule B1, Line 13, Column (e), Staff presents a total
22 projected rate base of \$7,990,432,000. This is a decrease of \$43,192,000 from the

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JUSTIN J. HECHT
U-21973**

1 Company's \$8,033,624,000 projection presented on Exhibit A-12, Schedule B1, Line 13,
2 Column (d), in its initial filing. Below, my testimony will address the individual
3 components resulting in the \$43,192,000 reduction to the Company's filed projected total
4 rate base.

5 **Total Utility Plant**

6 Q. What is the total utility plant being presented by Staff for the projected test year?

7 A. Referring to Exhibit S-2, Schedule B1, Line 4, Column (e), Staff presents a projected
8 total utility plant of \$10,040,000,000. This is a decrease of \$35,060,000 from the
9 Company's \$10,075,060,000 projection presented on Exhibit A-12, Schedule B1, Line 4,
10 Column (d), in its initial filing.

11 Q. Please explain the \$35,060,000 decrease.

12 A. The \$35,060,000 decrease is the corresponding impact to plant in service resulting from
13 Staff adjustments to the Company's historic and projected capital expenditures. A
14 summary of those adjustments and the Staff witness supporting each is illustrated in
15 Figure 1 below.

FIGURE 1*
(\$000)

Staff Witness	Adjustment Description	Total	Test Year Impacts From Historic and Projected Capital Spend Adj				
		Cap Ex	Plant	Accum. Depr.	Net Rate Base	Depreciation	Property Tax
		Increase / (Decrease)	Increase / (Decrease)	Increase / (Decrease)	Increase / (Decrease)	Increase / (Decrease)	Increase / (Decrease)
Creisher	Routine Distribution Plant - New Market Attachments	(20,686)	(13,571)	1,249	(14,819)	(352)	(91)
Hansen	Routine Distribution Plant - Communications & Control - Meters	(3,620)	(2,264)	210	(2,473)	(59)	(14)
Creisher	IRM - Main Replacement	(16,926)	(13,329)	1,197	(14,526)	(346)	(122)
Rogers	IT - IFS Mobile Work Management (MWM) Enhancements	(1,125)	(563)	(56)	(506)	(113)	-
Rogers	IT - Projects with Level 3 cost estimates	(5,935)	(5,335)	(1,395)	(3,939)	(1,067)	(99)
	TOTAL	(48,292)	(35,060)	1,204	(36,264)	(1,937)	(325)

*Source - WP-JJH-1

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JUSTIN J. HECHT
U-21973**

1 **Depreciation Reserve**

2 Q. What is the depreciation reserve amount being presented by Staff for the projected test
3 year?

4 A. Referring to Exhibit S-2, Schedule B1, Line 5, Column (e), Staff presents a projected
5 depreciation reserve of \$2,915,111,000. This is an increase of \$1,204,000 from the
6 Company's \$2,913,907,000 projection presented on Exhibit A-12, Schedule B1, Line 5,
7 Column (d), in its initial filing.

8 Q. Please explain the \$1,204,000 increase.

9 A. The \$1,204,000 increase is the corresponding impact to the depreciation reserve resulting
10 from Staff adjustments to the Company's historic and projected capital expenditures
11 (refer to Figure 1 on page 4 of my testimony).

12 **Working Capital**

13 Q. What is the projected test year working capital being presented by Staff?

14 A. Referring to Staff Exhibit S-2, Schedule B4, Line 72, Column (d), Staff presents a
15 projected working capital of \$830,241,000. This is a decrease of \$6,928,000 from the
16 Company's \$837,168,000 projection presented on Exhibit A-12, B4, Line 72, Column (c),
17 in its initial filing.

18 Q. Please explain the \$6,928,000 decrease.

19 A. The \$6,928,000 decrease is a combination of three adjustments made by Staff and are as
20 follows. First, line 6, Cash and Special Deposits, was reduced by \$6,698,000. Second,
21 line 10, Other Accounts Receivable, was reduced by \$44,000. Lastly, line 47, I/C
22 Accounts Payable was increased by \$186,000. These adjustments are discussed further in

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JUSTIN J. HECHT
U-21973**

1 my testimony below.

2 Q. Please explain your adjustment to reduce line 6, Cash and Special Deposits, in the
3 amount of \$6,698,000.

4 A. Staff posits the 13-month average for Cash and Special Deposits is abnormally higher
5 than the historical norm due to timing differences in clearing temporary balances. Staff
6 Exhibit S-8 is a response from the Company acknowledging the 13-month average Cash
7 and Special Deposits balance of \$7,137,000 for period ending 12/31/24 includes
8 temporary balances at month-end in March 2024 and November 2024 due to month-end
9 timing differences and thus the temporary balances remained in cash on the balance
10 sheet. Subsequently, the temporary balances were cleared in April and December 2024,
11 respectively.

12 Q. Did Staff request the Company recalculate its 13-month average without the temporary
13 timing differences?

14 A. Yes. Staff Exhibit S-8.3 is a response from the Company providing a recalculated 13-
15 month average Cash and Special Deposits balance for the period ending 12/31/24 of
16 \$439,000. Considering the recalculated 13-month average balance of \$439,000 to be
17 more appropriate and comparable to the historical norm, I made an adjustment to reduce
18 the Cash and Special Deposits 13-month average by \$6,698,000.

19 Q. Please explain your adjustment to reduce line 10, Other Accounts Receivable, in the
20 amount of \$44,000.

21 A. Staff Exhibit S-8.1 is a response from the Company asserting that \$43,630 of the balance
22 within other accounts receivable should be considered non-utility. Therefore, I've made

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JUSTIN J. HECHT
U-21973**

1 an adjustment to reduce other accounts receivable by this amount.

2 Q. Please explain your adjustment to increase line 47, I/C Accounts Payable, in the amount
3 of \$186,000.

4 A. Staff Exhibit S-8.2, page 1, is a response from the Company agreeing that for ratemaking
5 purposes any netted receivable and payable balances from its trading partners included in
6 working capital should only be related to core utility services netted against core utility
7 services. Staff Exhibit S-8.2, page 2, is a response from the Company stating that if all
8 payables to affiliates are for core utility services, there should be an adjustment to
9 increase inter-company accounts payable in the amount of \$186,000. Therefore, I've
10 made an adjustment to increase inter-company accounts payable by this amount.

11 **DEPRECIATION AND AMORTIZATION EXPENSE ADJUSTMENTS**

12 Q. The Company provides a projected test year amount for depreciation and amortization
13 expense of \$250,438,000 on its Exhibit A-13, Schedule C1, in its initial filing, is that
14 correct?

15 A. Yes.

16 Q. What adjustments to the Company projected depreciation expense are you supporting?

17 A. I am supporting an adjustment on Exhibit S-3, Schedule C1.1, Line 34, Column (j),
18 sponsored by Staff witness Nichols, to decrease the Company's projected depreciation
19 expense by \$1,937,000 to \$248,501,000.

20 Q. Please explain the \$1,937,000 decrease.

21 A. The \$1,937,000 decrease is comprised of the corresponding impacts on depreciation and
22 amortization expense resulting from Staff adjustments to the Company's historic and

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JUSTIN J. HECHT
U-21973**

1 projected capital expenditures (refer to Figure 1 on page 4 of my testimony).

2 **PROPERTY TAX EXPENSE ADJUSTMENT**

3 Q. What adjustment to the Company’s test year projected property tax expense are you
4 supporting?

5 A. I am supporting an adjustment on Exhibit S-3, Schedule C-1, Line 34, Column (k)
6 sponsored by Staff witness Nichols, to decrease the Company’s test year projection by
7 \$325,000.

8 Q. Please explain the \$325,000 reduction.

9 A. The \$325,000 reduction is comprised of the corresponding impacts on property tax
10 expense resulting from the Staff’s adjustments to the Company’s historic and projected
11 capital expenditures (refer to Figure 1 on page 4 of my testimony).

12 **SUMMARY OF RECOMMENDATIONS**

13 Q. Please summarize your recommendations.

14 A. I recommend the ALJ and Commission approve the following based on Staff’s
15 adjustments: Staff’s projected rate base of \$7,990,432,000, Staff’s \$1,937,000 reduction
16 to depreciation and amortization expense, and Staff’s \$325,000 reduction to property tax
17 expense. Specifically, my rate base testimony supports a \$43,192,000 reduction to the
18 Company’s projected rate base, a reduction of total utility plant of \$35,060,000, an
19 increase to depreciation reserve of \$1,204,000, and a reduction of allowance for working
20 capital of \$6,928,000.

21 Q. Does this conclude your testimony?

22 A. Yes.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

Case No. U-21973

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

QUALIFICATIONS AND DIRECT TESTIMONY OF

KEVIN S. KRAUSE

MICHIGAN PUBLIC SERVICE COMMISSION

March 13, 2026

**QUALIFICATIONS AND DIRECT TESTIMONY OF
KEVIN S. KRAUSE
U-21973**

1 Q. Please state your name and business address.

2 A. My name is Kevin S. Krause, and my business address is 7109 W. Saginaw Highway,
3 Lansing, MI 48917.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by the Michigan Public Service Commission (Commission or MPSC) as a
6 Gas Cost of Service Specialist within the Regulated Energy Division, Rates and Tariff
7 Section.

8 Q. How long have you been employed by the MPSC and what are your duties?

9 A. I have been employed by the MPSC since February of 2009. I was assigned to the
10 Revenue Requirements Section to analyze and make recommendations regarding Rate
11 Base, Net Operating Income, and Depreciation issues in general rate cases and
12 depreciation rate cases. In August of 2012, I was transferred to the Renewable Energy
13 Section. In November of 2016, I was transferred to the Rates and Tariff Section.

14 Q. Please describe your educational background.

15 A. I graduated from the University of Michigan in 1990 with a Bachelor of Science degree
16 in Nuclear Engineering. I received a Masters of Nuclear Engineering from the same
17 school in 1991. I also received a Masters in Business Administration from Michigan
18 State University in 1999. I have taken classes as part of the Certified Public Accountant
19 preparation program at Lansing Community College. I also attended the Institute of
20 Public Utilities - Regulatory Studies Program at Michigan State University. In the fall of
21 2010, I completed the Depreciation Basics Training conducted by the Society of
22 Depreciation Professionals (SDP).

**QUALIFICATIONS AND DIRECT TESTIMONY OF
KEVIN S. KRAUSE
U-21973**

1 Q. Please describe your professional background.

2 A. From 1992 to 1997, I worked as a Nuclear Engineer for B & W Fuel Company in
3 Lynchburg, Virginia. My duties there included performing fuel cycle analysis and related
4 calculations. In 1998, I was a procurement intern with Public Service Electric and Gas
5 Company of Newark, New Jersey. From 2002 to 2010, I was an adjunct professor of
6 Mathematics at Lansing Community College.

7 Q. Have you previously presented testimony or helped develop the Commission Staff's
8 (Staff) position in cases before the MPSC?

9 A. Yes, I have filed or developed Staff's position in the following cases with area of
10 testimony specified:

11	<u>Case No.</u>	<u>Company</u>
12	U-15768	Detroit Edison Electric - AFUDC
13	U-15935	Alpena Power - Operations and Maintenance (O&M) Expense
14	U-15985	Michigan Consolidated Gas Case - Revenue Deficiency
15	U-15986	Consumers Energy Gas Case - Rate Base
16	U-16180	Indiana Michigan Electric Case - Rate Base
17	U-16166	Upper Peninsula Power Company – O&M Expense
18	U-16169	SEMCO Energy Gas Company – O&M Expense
19	U-16417	Upper Peninsula Power Company Electric Case - Revenue Deficiency
20	U-16475	Northern States Power Company Electric Case - Revenue Deficiency
21	U-16794	Consumers Energy Electric Case - Rate Base
22	U-16801	Indiana Michigan Electric Case - Rate Base
23	U-16855	Consumers Energy Gas Case - Rate Base
24	U-17026	Indiana Michigan Certificate of Necessity – Accounting
25	U-17303	Indiana Michigan Renewable Energy Plan
26	U-17321	Consumers Energy 2012 Renewable Reconciliation
27	U-17323	Indiana Michigan 2012 Renewable Reconciliation
28	U-17429	Consumers Energy Certificate of Necessity – Accounting
29	U-17631	Consumers Energy 2013 Renewable Reconciliation
30	U-17632	DTE Electric 2013 Renewable Reconciliation - Rebuttal
31	U-17633	Indiana Michigan 2013 Renewable Reconciliation
32	U-17767	DTE Electric Rate Case – Certain Nuclear Expenses

**QUALIFICATIONS AND DIRECT TESTIMONY OF
KEVIN S. KRAUSE
U-21973**

1	U-17803	Consumers Energy 2014 Renewable Reconciliation
2	U-18014	DTE Electric Rate Case – Renewable Expenses
3	U-18090	Consumers Energy – Avoided Cost
4	U-18091	DTE Electric – Avoided Cost
5	U-18322	Consumers Energy – Standby Rates – Rebuttal
6	U-18255	DTE Electric – Standby Rates – Rebuttal
7	U-18259	Presque Isle Gas – Cost of Service and Rate Design
8	U-18424	Consumers Energy Gas Rate Case – Other Gas Revenue
9	U-18999	DTE Gas Rate Case – Other Gas Revenue and Rate Design
10	U-20106	DTE Gas – Credit A
11	U-20115	SEMCO Energy Gas Company – Credit A
12	U-20182	SEMCO Energy Gas Company – Credit B
13	U-20134	Consumers Energy Rate Case – Standby and Electric Vehicle Rates
14	U-20162	DTE Electric Rate Case – DG tariff, Standby and Electric Vehicle Rates
15	U-20276	UPPCO Electric Rate Case – Rate Design
16	U-20479	SEMCO Gas Rate Case – Cost of Service
17	U-20359	Indiana Michigan Rate Case – Demand Charge pilot and DG tariff rebuttal
18	U-20561	DTE Electric – DG tariff rebuttal
19	U-20642	DTE Gas Rate Case – Cost of Service
20	U-20650	Consumers Energy Gas Rate Case – Cost of Service
21	U-20697	Consumers Energy Electric Rate Case - DG Tariff
22	U-20940	DTE Gas Rate Case – Cost of Service
23	U-20718	MGU Gas Rate Case – Cost of Service
24	U-21090	Consumers Energy Integrated Resource Plan
25	U-21148	Consumers Energy Gas Rate Case – Cost of Service
26	U-20836	DTE Electric – DG tariff and Electric Vehicles
27	U-21226	NSP Gas Rate Case – Cost of Service
28	U-21308	Consumers Energy Gas Rate Case – Cost of Service
29	U-21366	MGU Gas Rate Case – Cost of Service
30	U-21297	DTE Electric Rate Case – Electric Vehicles
31	U-21389	Consumers Energy Electric Rate Case – Electric Vehicles
32	U-21461	Indiana Michigan Electric Rate Case – DG tariff rebuttal
33	U-21374	Consumers Electric Voluntary Green Pricing Case - rebuttal
34	U-21490	Consumers Energy Gas Rate Case – Cost of Service
35	U-21291	DTE Gas Rate Case - Cost of Service
36	U-21534	DTE Electric – Community Solar, EV, and Microgrid rebuttal
37	U-21585	CE Electric – Community Solar, EV, and Microgrid rebuttal
38	U-21816	Consumers Electric Voluntary Green Pricing Case – rebuttal
39	U-21806	Consumers Gas Rate Case – Cost of Service
40	U-21860	DTE Electric Rate Case – EV rates
41	U-21870	Consumers Electric Rate Case – EV rates
42		

**QUALIFICATIONS AND DIRECT TESTIMONY OF
KEVIN S. KRAUSE
U-21973**

1 Q. What is the purpose of your testimony?

2 A. The purpose of my testimony is to provide Staff's presentation and recommendations
3 with regard to gas cost-of-service (COS) and the cost-of-service study (COSS), as well as
4 Staff's recommendation with regard to recalculation of the Investment Recovery
5 Mechanism (IRM).

6 Q. Are you filing any exhibits?

7 A. Yes. I am sponsoring the following exhibits:

<u>Exhibit</u>	<u>Schedule</u>	<u>Title</u>
S-6	F-1	Staff Cost-of-Service Summary for the Projected Test Year Ending 9/30/2027
S-6	F-1.1	Staff Test Year Gas Cost-of-Service Study
S-6	F-1.2	Staff Allocation Schedules for the Projected Test Year Ending 9/30/2027
S-16	F-1	Staff Test Year Gas Cost-of-Service Study" – High/Low Alternative
S-16	F-1.2	Staff Allocation Schedules for the Projected Test Year Ending 9/30/2027 – High/Low Alternative

18 Q. How did Staff perform its COSS?

19 A. Staff's COSS functionalizes, classifies, and allocates DTE Gas Company's (the
20 Company's) costs as projected by Staff to customer classes based on a set of schedules
21 developed for such a purpose. Staff's COSS begins with a review of the Company's filed
22 COSS provided by Company witness Habeeb Maroun. Input data was traced to original

**QUALIFICATIONS AND DIRECT TESTIMONY OF
KEVIN S. KRAUSE
U-21973**

1 exhibits, and calculations for the functionalization, classification, and allocation were
2 confirmed. Next, allocation schedule workpapers were verified in the same manner as
3 the COSS. The COSS was then updated with adjustments provided by other Staff to
4 capital expenditures, operations and maintenance (O&M) and other expenses, rate of
5 return, cost of gas, and present revenue. Finally, cost allocation and the calculation of
6 customer charges were performed as supported by Staff's positions in the case.

7 Q. How many cost-of-service-studies did Staff perform?

8 A. Two. One to match the Company's proposed COSS and one to match the high and low
9 pressure (alternative) COSS that was filed by the Company. The COSS which most
10 closely matches the Company filed COSS is in Staff Exhibit S-6, and the high/low
11 alternative COSS is presented in Staff Exhibit S-16.

12 Q. Please briefly describe the alternate COSS?

13 A. The alternate COSS allocates costs for transmission, high-, and low- pressure separately,
14 and splits the costs and allocation based on all three categories, making it more reflective
15 of the differing costs at each level of service.

16 Q. Does Staff have a recommendation regarding this COSS?

17 A. Staff recommends the Company be required to include the alternate high- and low-
18 pressure COSS, contained in Exhibit A-24, Schedule N1 and described by Staff, updated
19 for the Company's filing information, in future rate cases so that this method can
20 continue to be utilized, and parties can continue to explore the best way to modify rate
21 design to directly utilize this alternate COSS.

**QUALIFICATIONS AND DIRECT TESTIMONY OF
KEVIN S. KRAUSE
U-21973**

1 IRM Recalculation

2 Q. Is Staff presenting a recalculated Investment Recovery Mechanism (IRM) surcharge?

3 A. No. However, Staff recommends that the IRM surcharge be recalculated for the order to
4 reflect all final adjustments that might impact the IRM, such as the level of the
5 recommended cap, capital expenses, and the approved weighted cost of capital.

6 Q. Please summarize your recommendations.

7 A. Staff recommends the Commission adopt the following:

8 -Require the Company to continue filing the alternate COSS in future cases.

9 -Recalculate the IRM for the final order based on the decisions made in that order.

10 Q. Does this conclude your testimony?

11 A. Yes.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

Case No. U-21973

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

QUALIFICATIONS AND DIRECT TESTIMONY OF

JAMES E. LA PAN

MICHIGAN PUBLIC SERVICE COMMISSION

March 13, 2026

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JAMES E. LAPAN
U-21973**

1 Q. Please state your name and business address.

2 A. My name is James E. LaPan and my business address is 7109 West Saginaw Highway,
3 Lansing, MI.

4 Q. Who are you currently employed by and in what position?

5 A. My employer is the Michigan Public Service Commission (MPSC or Commission) and
6 my job title is Public Utility Engineer Specialist.

7 Q. What are your responsibilities in your current position?

8 A. My current responsibilities consist of assisting with Staff's analysis of natural gas and
9 electric utility depreciation rate case filings. This includes determining the remaining
10 book value of current assets, performing life and net salvage analysis, and reviewing the
11 terminal costs estimates associated with historic Manufactured Gas Plant (MGP) Facility
12 remediation, as presented in utility natural gas rate case filings. Furthermore, as
13 requested, I am involved in studies of all facilities in former and current natural gas and
14 electric utility plants. Such studies are conducted through on-site review and
15 examination via walk-throughs, along with interviews with Company subject matter
16 expert personnel of each facility as needed. Additional reviews of facility operations,
17 environmental compliance, asset retirement obligation, system and site integrity, and
18 plant demolition and decommissioning costs are also part of my duties. As requested, I
19 have provided technical presentations regarding specialized topics of interest; most
20 recently, this involved an internal Commission Staff training session where I presented an
21 explanation of the review criteria for MGP remediation activities and costs and how
22 compliance and prudence are determined.

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JAMES E. LA PAN
U-21973**

1 Q. Would you please describe your educational background and work experience?

2 A. I earned a Bachelor of Science in Biosystems Engineering from Michigan State
3 University (MSU) in August 2006. Prior to attending MSU, I was in the honors program
4 at Delta College. While attending Delta College, I was employed at Delphi Corporation
5 as an engineering apprentice from May 2000 through August 2002. During this
6 apprenticeship, I worked with engineering professionals to address technical issues,
7 including state and federal regulatory compliance issues related to onsite electric
8 generation, hazardous material handling, and wastewater treatment. I was directly
9 involved in the activities surrounding the decommissioning and demolition of Delphi's
10 Chassis Plant 2. I was also involved in the development of several programs and
11 operational procedures that dealt with the capture and reuse of spent materials, in
12 particular, waste sludge from Delphi's wastewater treatment facility. After transferring to
13 MSU, I was employed by the Statewide Planning Section of the Michigan Department of
14 Transportation (MDOT) in a student assistant position from June 2005 through June
15 2006. My duties included providing technical support for the implementation and
16 assignment of federal grant money under the Congestion Mitigation and Air Quality
17 Control (CMAQ) program for project proposals submitted. My assistance with the
18 development of modeling and forecasting programs was used to aid in the qualification,
19 quantification, and prioritization of those proposals.

20 Q. Have you attended any additional courses of study or any professional seminars?

21 A. Yes. I have regularly attended the annual meetings and attended the following classes
22 offered by the Society of Depreciation Professionals (SDP): "Depreciation Basic," "Life

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JAMES E. LA PAN
U-21973**

1 and Net Salvage Analysis,” “Analyzing the Life of Real-World Property,” and “Preparing
2 and Defending a Depreciation Study” in September 2012, September 2013, September
3 2014, and September 2015, respectively. I last participated in annual training at the
4 Society of Depreciation Professionals in 2017. While employed at the MPSC, I attended
5 the Electric Utility Consultants, Inc (EUCI) annual conference on “Plant Retirement and
6 Remediation: Mitigating Risk, Cost and Liability of Deactivated Assets” and the Institute
7 of Public Utilities (IPU) advanced regulatory studies program. I last participated in
8 annual training seminars in depreciation of regulated utilities provided by the National
9 Association of Regulatory Utility Commissioners (NARUC) in 2018. In August 2006, I
10 attended NARUC’s two-week training program for regulatory professionals held each
11 year on the campus of Michigan State University.

12 Q. Have you prepared testimony for any other proceedings?

13 A. Yes. I have prepared testimony for the following proceedings:

<u>Case Number</u>	<u>Company</u>	<u>Subject/Type</u>
15 U-15506	Consumers Energy Company	Rate Case
16 U-15702	SEMCO Energy Gas Company	GCR Plan Case
17 U-15985	Michigan Consolidated Gas Co.	Rate Case
18 U-15896	Consumers Energy Gas Company	Rate Case
19 U-16125	SEMCO Energy Gas Company	Capacity Involvement
20 U-16117	Detroit Edison	Depreciation Case
21 U-16418	Consumers Energy Company	Rate Case
22 U-16054	Consumers Energy Company	Depreciation Case
23 U-16055	Consumers Energy & Detroit Edison	Depreciation Case
24 U-16801	Indiana Michigan Power Company	Rate Case
25 U-16855	Consumers Energy Company	Rate Case
26 U-16938	Consumers Energy Company	Depreciation Case
27 U-16999	Michigan Consolidated Gas Company	Rate Case
28 U-16991	DTE Electric Company	Depreciation Case
29 U-17643	Consumers Energy Company	Rate Case
30 U-17882	Consumers Energy Company Gas	Rate Case

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JAMES E. LA PAN
U-21973**

1	U-18124	Consumers Energy Company Gas	Rate Case
2	U-18424	Consumers Energy Company Gas	Rate Case
3	U-18452	SEMCO Energy Gas Company	Depreciation Case
4	U-18467	UPPCo	Depreciation Case
5	U-20118	DTE Gas Company	Depreciation Case
6	U-20322	Consumers Energy Gas	Rate Case
7	U-20359	Indiana Michigan Power Company	Depreciation Case
8	U-20479	SEMCO Energy Gas Company Gas	Rate Case
9	U-20642	DTE Gas Company Gas	Rate Case
10	U-20650	Consumers Energy Gas	Rate Case
11	U-20940	DTE Gas Company	Rate Case
12	U-21148	Consumers Energy Gas	Rate Case
13	U-21308	Consumers Energy Gas	Rate Case
14	U-21384	DTE Gas Company	Depreciation Case
15	U-21490	Consumers Energy Gas	Rate Case
16	U-21806	Consumers Energy Gas	Rate Case

17
18

19 Q. What is the purpose of your testimony in this case?

20 A. The purpose of my testimony is to present Staff's findings and support its
21 recommendations regarding the reasonableness and prudence of the DTE Gas Company's
22 (Company) request for recovery of expenditures actually incurred for environmental
23 response activities at its former manufactured gas plant (MGP) sites for the period
24 September 2023 to July 2025.

25 Q. Are you supporting any exhibits in this case?

26 A. No, I am not.

27 MANUFACTURED GAS PLANT FINDINGS

28 Q. Please provide Staff's findings on the reasonableness and prudence of the environmental
29 response activities and associated costs incurred by the Company at its former MGP sites
30 for the period September 2023 to July 2025.

31 A. Staff has determined that the Company's environmental response activities, as well as the

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JAMES E. LA PAN
U-21973**

1 actual costs incurred associated with those activities, are reasonable and prudent.

2 Q. How did Staff determine that the environmental response activities and their associated
3 costs were reasonable and prudent?

4 A. Staff's determination was made from its analysis of the Company's historic activities in
5 addition to the activities throughout this time, on each site. This analysis includes a
6 review of current Part 201 criteria compared to current site conditions, as well as a review
7 of the invoiced costs, the Company's future site use, ownership, response activity goals,
8 and steps taken to minimize MGP remediation costs. Additionally, Staff's on-site review
9 of remedial activities and interviews with the Company's subject matter experts,
10 including annual remedial activities updates provided by the Company, and continued
11 conversations/communications with the Company's witness.

12 MANUFACTURED GAS PLANT – RECOMMENDATIONS

13 Q. What expenditures has the Company requested recovery of for its environmental
14 response activities in this current case?

15 A. As stated by Company witness Mitchell R. Dziekan, on page 16 of his direct testimony,
16 the Company is requesting approval and recovery of \$439,654, for expenses incurred
17 between September 2023 and July 2025.

18 Q. What is Staff's recommendation for the Commission regarding the Company's request
19 for approval and recovery of \$439,654?

20 A. Staff recommends the Commission approve recovery of \$439,654 as reasonably and
21 prudently incurred costs for the environmental response activities at the Company's
22 former MGP sites from September 2023 through July 2025.

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JAMES E. LA PAN
U-21973**

1 Q. Does this conclude your testimony at this time?

2 A. Yes.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

Case No. U-21973

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

QUALIFICATIONS AND DIRECT TESTIMONY OF

ROBERT F. NICHOLS II, CPA

MICHIGAN PUBLIC SERVICE COMMISSION

March 13, 2026

**QUALIFICATIONS AND DIRECT TESTIMONY OF
ROBERT F. NICHOLS II, CPA
U-21973**

1 Q. Please state your name and business address.

2 A. My name is Robert F. Nichols II, and my business address is 7109 West Saginaw
3 Highway, Lansing, MI 48917.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by the Michigan Public Service Commission (Commission or MPSC) as
6 the Manager of the Revenue Requirements Section of the Regulated Energy Division.

7 Q. How long have you been employed by the MPSC and what are your duties?

8 A. I have been employed by the MPSC since November of 2011. As Manager of the
9 Revenue Requirements Section, I am primarily responsible for the planning and direction
10 of electric and gas rate case audits and presentations, as well as cases involving
11 accounting standards and requests for accounting authority. From 2011 through March
12 2016, as an Auditor within the Revenue Requirements Section, my responsibilities
13 included auditing, analyzing, and making recommendations regarding utility revenues,
14 expenses, and rate base.

15 Q. Please describe your educational background.

16 A. I graduated from Davenport University, with highest honors, in 2009 with a Bachelor of
17 Business Administration degree in Accounting Information Management. I attended a
18 regulation and ratemaking conference hosted by the Michigan State University Institute
19 of Public Utilities (MSU IPU) in May of 2012. In August of 2012, I attended the
20 National Association of Regulatory Utility Commissioners (NARUC) annual two-week
21 Regulatory Studies Program held at MSU. Each August from 2013 through 2016 and in
22 2019, I attended the Annual Regulatory Studies program hosted by MSU IPU. I also

**QUALIFICATIONS AND DIRECT TESTIMONY OF
ROBERT F. NICHOLS II, CPA
U-21973**

1 attended a one-week Advanced Regulatory Studies Program in the fall of 2013, 2014, and
2 2016, hosted by MSU IPU.

3 Q. Please describe your professional background.

4 A. Prior to coming to the MPSC, from 2000 to 2011, I was employed by Genesee Cut Stone
5 & Marble Company. My duties there included sales, drafting, and estimating.

6 Q. Do you have any professional licenses?

7 A. Yes. I am a Certified Public Accountant, licensed by the State of Michigan.

8 Q. Have you prepared testimony or assisted in any other proceedings?

9 A. I have assisted or filed testimony in the following cases:

10	<u>Case No.</u>	<u>Company</u>	<u>Subject/Type</u>
11	U-16855	Consumers Energy Co. Gas	Rate Case
12	U-16969	SEMCO Energy Gas Company	Merger and Acquisition
13	U-16794	Consumers Energy Co. Electric	Rate Case
14	U-16999	Michigan Consolidated Gas Co.	Rate Case
15	U-16855	Consumers Energy Co. Gas	Self-Implementation Refund
16	U-17087	Consumers Energy Co. Electric	Rate Case
17	U-17197	Consumers Energy Co. Gas	Rate Case
18	U-17273	Michigan Gas Utilities Corp.	Rate Case
19	U-17274	Upper Peninsula Power Co.	Rate Case
20	U-17440	Consumers Energy Co. Electric	Self-Implementation Refund
21	U-17488	Northern States Power Co. Gas	Rate Case
22	U-16999	DTE Gas IRM	Reconciliation
23	U-17620	Consumers Energy Co.	OPEB Trust Funding
24	U-17643	Consumers Energy Co. Gas	Rate Case
25	U-17669	WPSC Electric	Rate Case
26	U-17735	Consumers Energy Co. Electric	Rate Case
27	U-17882	Consumers Energy Co. Gas	Rate Case
28	U-17999	DTE Gas Company	Rate Case
29	U-18014	DTE Electric Company	Rate Case
30	U-17990	Consumers Energy Co. Electric	Rate Case
31	U-18124	Consumers Energy Co. Gas	Rate Case
32	U-18322	Consumers Energy Co. Electric	Rate Case
33	U-18255	DTE Electric Company	Rate Case
34	U-18370	Indiana Michigan Power Co.	Rate Case

**QUALIFICATIONS AND DIRECT TESTIMONY OF
ROBERT F. NICHOLS II, CPA
U-21973**

1	U-18419	DTE Electric Company	Certificate of Necessity
2	U-18424	Consumers Energy Co. Gas	Rate Case
3	U-18999	DTE Gas Company	Rate Case
4	U-20111	Upper Peninsula Power Co.	TCJA Credit A Case
5	U-20268	Alpena Power Company	TCJA Credit B Case
6	U-20134	Consumers Energy Co. Electric	Rate Case
7	U-20287	Consumers Energy Co. Gas	TCJA Credit B Case
8	U-20165	Consumers Energy Co. Electric	Integrated Resource Plan
9	U-20162	DTE Electric Company	Rate Case
10	U-20276	Upper Peninsula Power Co.	Rate Case
11	U-20322	Consumers Energy Co. Gas	Rate Case
12	U-20350	Upper Peninsula Power Co.	Integrated Resource Plan
13	U-20479	SEMCO Energy Gas Co.	Rate Case
14	U-20359	Indiana Michigan Power Co.	Rate Case
15	U-20561	DTE Electric Company	Rate Case
16	U-20642	DTE Gas Company	Rate Case
17	U-20650	Consumers Energy Co. Gas	Rate Case
18	U-20697	Consumers Energy Co. Electric	Rate Case
19	U-20713	DTE Electric Company	Voluntary Green Pricing
20	U-21015	DTE Electric Company	Securitization Case
21	U-20940	DTE Gas Company	Rate Case
22	U-20963	Consumers Energy Co. Electric	Rate Case
23	U-21090	Consumers Energy Co. Electric	Integrated Resource Plan
24	U-21148	Consumers Energy Co. Gas	Rate Case
25	U-20836	DTE Electric Company	Rate Case
26	U-20993	Saginaw Bay Pipeline Co.	Rates for Transportation
27	U-21224	Consumers Energy Co. Electric	Rate Case
28	U-21286	Upper Peninsula Power Co.	Rate Case
29	U-21193	DTE Electric Company	Integrated Resource Plan
30	U-20827	DTE Electric Company	PSCR Reconciliation
31	U-21308	Consumers Energy Co. Gas	Rate Case
32	U-21297	DTE Electric Company	Rate Case
33	U-21389	Consumers Energy Co. Electric	Rate Case
34	U-21461	Indiana Michigan Power Co.	Rate Case
35	U-21525	DTM Michigan Lateral Co.	Rate Request
36	U-21490	Consumers Energy Co. Gas	Rate Case
37	U-21291	DTE Gas Company	Rate Case
38	U-21540	Michigan Gas Utilities Corp.	Rate Case
39	U-21555	Upper Peninsula Power Co.	Rate Case
40	U-21534	DTE Electric Company	Rate Case
41	U-21585	Consumers Energy Co. Electric	Rate Case
42	U-21258	Consumers Energy Co. Electric	PSCR Reconciliation
43	U-21806	Consumers Energy Co. Gas	Rate Case
44	U-21860	DTE Electric Company	Rate Case

**QUALIFICATIONS AND DIRECT TESTIMONY OF
ROBERT F. NICHOLS II, CPA
U-21973**

1 U-21870 Consumers Energy Co. Electric Rate Case
2
3
4

5 Q. What is the purpose of your testimony?

6 A. The purpose of my testimony is to present the MPSC Staff's (Staff) projected revenue
7 deficiency, projected operating income, incentive compensation adjustment, and
8 restricted stock adjustment for DTE Gas Company (DTE Gas or the Company).

9 Q. Are you sponsoring any exhibits?

10 A. Yes. I am sponsoring the following exhibits:

11 Exhibits:

12 S-1 Schedule A-1: Projected Revenue Deficiency (Sufficiency)

13 S-1 Schedule A-1.1: Revenue Deficiency Impact of IRM Asset Roll-in (2 pages)

14 S-3 Schedule C-1: Projected Net Operating Income

15 S-3 Schedule C-1.1: Development of Projected Net Operating
16 Income

17 S-3 Schedule C-15: Projected Tax Effect of Interest Allowed in
18 Ratemaking Formula

19 S-3 Schedule C-16: Projected Tax Effect of Interest
20 Synchronization Adjustment

21 **REVENUE DEFICIENCY:**

22 Q. Referring to Exhibit S-1, Schedule A-1, what is Staff's projected revenue deficiency?

23 A. Staff projects a revenue deficiency of \$77,978,000. This is a revenue requirement
24 decrease of \$84,685,000 from the Company's originally filed revenue deficiency of

**QUALIFICATIONS AND DIRECT TESTIMONY OF
ROBERT F. NICHOLS II, CPA
U-21973**

1 \$162,662,000. The main factors driving Staff's overall adjustment are Staff's lower rate
2 base, its higher net operating income, and its lower required rate of return. In addition to
3 my testimony, other Staff witnesses provide testimony and supporting exhibits regarding
4 the adjustments to the Company's revenue deficiency.

5 **REVENUE DEFICIENCY IMPACT OF IRM ASSET ROLL-IN:**

6 Q. Please describe Exhibit S-1 Schedule A1.1.

7 A. Exhibit S-1, Schedule A-1.1, shows the calculation of the Revenue Deficiency Impact of
8 IRM Asset Roll-in for the projected test year.

9 **NET OPERATING INCOME:**

10 Q. Referring to Exhibit S-3, Schedule C-1, what is Staff's projected net operating income?

11 A. Staff's projected net operating income is \$359,688,000. This is an increase of
12 \$38,842,000 from the Company's originally filed net operating income of \$320,846,000.
13 Details of Staff's adjustments to net operating income, including the Staff witness
14 sponsoring and explaining the adjustment, can be found on Exhibit S-3, Schedule C-1.1.

15 **INTERST SYNCHRONIZATION:**

16 Q. Please describe Exhibit S-3, Schedule C-15.

17 A. Exhibit S-3, Schedule C-15, shows the calculation of the tax effect of interest allowed in
18 the ratemaking formula for the projected test year.

19 Q. Please describe Exhibit S-3, Schedule C-16.

20 A. Exhibit S-3, Schedule C-16, shows the calculation of the tax effect of the interest
21 synchronization adjustment for the projected test year.

22 **EMPLOYEE INCENTIVE COMPENSATION PLAN (EICP):**

**QUALIFICATIONS AND DIRECT TESTIMONY OF
ROBERT F. NICHOLS II, CPA
U-21973**

1 Q. Please describe DTE Electric's EICP.

2 A. DTE's EICP is a component of the Company's variable pay programs to both executive
3 and non-represented employees. There are three programs included in EICP; 1) the
4 Annual Incentive Plan (AIP), which is a short-term program available to senior
5 management level personnel, 2) the Rewarding Employees Plan (REP), which is identical
6 to AIP except that the threshold performance percentage is different, and 3) the Long-
7 Term Incentive Plan (LTIP), which provides an incentive payout to certain individuals in
8 the form of DTE Energy common stock. These programs are related to financial and non-
9 financial performance objectives.

10 Q. What is the Company's projected expense for EICP?

11 A. The Company projected \$16,591,000 for the projected test year, with \$11,047,000 related
12 to the achievement of financial performance measures, and \$5,544,000 related to non-
13 financial operating objectives. (See DTE witness Fix testimony, page 37, table 2).

14 Q. Has the Commission provided a decision on EICP in previous rate cases?

15 A. Yes. Commission decisions to exclude incentive compensation related to financial
16 measures from the revenue requirement in preceding rate cases were founded on two
17 premises. First, the Commission found that incentive compensation plans that were tied
18 to Company earnings and cash flow were financial considerations that largely benefited
19 shareholders and should not be paid for by ratepayers. See MPSC Case No. U14347,
20 December 22, 2005 Opinion and Order, , p. 35. Second, the Commission has found that
21 long-term incentive compensation is tied closely to company earnings and cash flow that
22 benefits shareholders more than ratepayers. See MPSC Case No. U-17735, November 19,

**QUALIFICATIONS AND DIRECT TESTIMONY OF
ROBERT F. NICHOLS II, CPA
U-21973**

1 2015 Order, p. 78. In MPSC Case No. U-17767, December 11, 2015 Order, , pp. 76-77,
2 the Commission found there was insufficient evidence to conclude that the financial
3 measures for short term incentives (AIP and REP) showed significant benefit to
4 ratepayers. Most recently in MPSC Case No. U-20561, May 8, 2020 Order, , p. 19, the
5 Commission has disallowed any capitalized amounts of financially measured incentive
6 compensation to be included in rates. The following list includes recent cases in which
7 financially measured incentive compensation has been excluded from the revenue
8 requirement by the Commission:

- 9 -Case No U-17735, 11/19/2015 Order, Consumers Energy electric rate case
- 10 -Case No. U-18124, 7/31/17 Order, Consumers Energy gas rate case
- 11 -Case No. U-18322, 3/29/18 Order, Consumers Energy electric rate case
- 12 -Case No. U-18999, 9/13/18 Order, DTE Gas Company gas rate case
- 13 -Case No. U-20162, 5/2/19 Order, DTE Electric Company rate case
- 14 -Case No. U-20322, 9/26/19 Order, (Consumers Energy gas rate case
- 15 -Case No. U-20561, 5/8/20 Order, DTE electric rate case
- 16 -Case No. U-20697, 12/17/20 Order, Consumers Energy electric rate case
- 17 -Case No. U-20940, 12/9/21 Order ,DTE gas rate case
- 18 -Case No. U-21291, 2/27/2025 Order, DTE gas rate case
- 19 -Case No. U-21297, 12/1/23 Order, DTE electric rate case
- 20 -Case No U-21534, 4/10/2025 Order, DTE electric rate case
- 21 -Case No. U-21860, 2/19/2026 Order, DTE electric rate case

22 Q. What is Staff's understanding of the Commission's policy for EICP expenses?

23 A. The Commission has excluded the capitalized and O&M incentive compensation that is
24 based upon financial performance measures from the revenue requirement on the basis
25 that shareholders specifically benefit from financial performance measures such as return
26 on equity and cash flow, whereas ratepayers specifically benefit from measures related to
27 reliability and customer satisfaction.

28 Q. What is Staff's recommendation regarding the Company's request for inclusion of EICP

**QUALIFICATIONS AND DIRECT TESTIMONY OF
ROBERT F. NICHOLS II, CPA
U-21973**

1 expense in this case?

2 A. The EICP for \$11,047,000 related to the achievement of financial performance measures
3 should be disallowed.

4 **RESTRICTED STOCK**

5 Q. Please describe the Restricted Stock included in the revenue requirement.

6 A. DTE witness Fix, states, at page 36, that LTIP is awarded with Restricted Stock or
7 performance shares. Both awards are based on DTE Energy Company stock prices, which
8 is a financial measure used by the Company to determine the amount of the award.
9 Restricted Stock is considered a reward to employees for assisting the Company in
10 reaching its financial performance goals. The amount of compensation in the form of
11 Restricted Stock included in the revenue requirement is \$1,862,000. The Commission
12 has repeatedly disallowed inclusion of any portion of compensation related to financial
13 measures in the revenue requirement. In numerous recent orders, the Commission agreed
14 with the recommendation of the Administrative Law Judge (ALJ) that Staff correctly
15 analyzed the Restricted Stock as an expense that should be excluded. The orders include
16 MPSC Case No. U-20561, May 8, 2020 Order, , pp. 202-203; MSPC Case No. U-20836,
17 November 18, 2022 Order, pp. 302-303, and MPSC Case No. U-21297, December 1,
18 2023 Order, p. 232, pp. 233-235. There is no information in this case that should lead to a
19 different result.

20 Q. Please explain Staff's recommended disallowance for Restricted Stock.

21 A. Since the Commission has repeatedly disallowed any portion of compensation related to
22 financial measures to be included in the revenue requirement, Staff is recommending a

**QUALIFICATIONS AND DIRECT TESTIMONY OF
ROBERT F. NICHOLS II, CPA
U-21973**

1 disallowance of Restricted Stock in the amount of \$1,862,000.

2 **MODIFICATIONS TO THE INCENTIVE COMPENSATION MECHANISM:**

3 Q Is the Company recommending any modifications to the incentive compensation
4 mechanism?

5 A. Yes. The Company is recommending continuation of the incentive compensation
6 mechanism. Additionally, DTE witness Uzenski, at page 36, states that:

7 [t]he deferral should cover the total actual payout, including amounts above 100%
8 of the target. As described in more detail by Witness Fix, the incentive program
9 allows for a range of payouts from zero to 200% of target. The incentive plan is
10 designed to motivate employees to achieve results beyond the target, further
11 improving organizational performance and benefiting customers. Since the
12 Company must provide a refund to customers if results fall below the baseline, it
13 is reasonable to include the cost of achieving exceptional results.
14

15 Q. Does Staff agree with this proposed modification?

16 A. No. Staff recommends continuation of the mechanism but rejects the Company's
17 proposed modification. DTE witness Fix at page 18 states that "[i]ncentive compensation
18 programs are a standard component of total compensation among energy companies" and
19 at page 23 states, that "[a]s of December 31, 2024, DTE Gas conducted an analysis of
20 nearly all incumbent salaries, demonstrating that DTE's compensation practices are
21 competitive with market medians." If the Commission were to approve the Company
22 including in the incentive compensation deferral mechanism payouts at up to 175% of
23 target, this could result in the total compensation paid to employees being above market
24 median. If compensation goes above market median, this could result in unnecessary and
25 excessive rates for ratepayers. Therefore, the Commission was correct in setting the
26 maximum target level of 100% for the deferred incentive compensation mechanism

**QUALIFICATIONS AND DIRECT TESTIMONY OF
ROBERT F. NICHOLS II, CPA
U-21973**

1 amounts to be recovered in its December 9, 2021 Order, in DTE Gas' rate case, at MPSC
2 Case No. U-20940, page163. Staff recommends to the ALJ and the Commission that
3 incentive compensation included in the deferral mechanism maximum at 100% target
4 level is reasonable, but not greater than 100%.

5 **SUMMARY:**

6 Q. Please summarize Staff's recommendations.

7 A. Staff recommends the following:

- 8 • Projected revenue deficiency of \$77,978,000.
- 9 • Projected net operating income of \$359,688,000.
- 10 • Incentive compensation of \$11,047,000 related to the achievement of financial
11 performance measures should be disallowed.
- 12 • Restricted stock of \$1,862,000 related to financial performance measures should
13 be disallowed.
- 14 • Continuation of the incentive compensation mechanism is reasonable, but the
15 deferral should be capped at 100% of target.

16 Q. Does this conclude your testimony?

17 A. Yes.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

Case No. U-21973

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

QUALIFICATIONS AND DIRECT TESTIMONY OF
SHANNON RUECKERT
MICHIGAN PUBLIC SERVICE COMMISSION

March 13, 2026

**QUALIFICATIONS AND DIRECT TESTIMONY OF
SHANNON RUECKERT
U-21973**

1 Q. Please state your name and business address.

2 A. My name is Shannon Rueckert. My business address is 7109 W. Saginaw Hwy, Lansing,
3 MI 48917.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by the Michigan Public Service Commission (MPSC or Commission) as
6 an auditor in the Revenue Requirements section.

7 Q. How long have you been employed by the Commission?

8 A. I have been employed since February of 2018.

9 Q. What is your educational and professional background?

10 A. I previously served in the US Air Force as a Fuels Resource Controller, responsible for
11 controlling base wide fuels operations and accounting. My duties included daily close
12 out and reconciliation of all fuel transactions. After serving in the Air Force, I managed a
13 family business. While general manager of the business I performed all managerial
14 accounting functions. In 2015, I graduated from the University of Michigan with a
15 Bachelor of Business Administration and a concentration in accounting degree with High
16 Honors. I was previously employed at Andrew's Hooper Pavlik, PLC as a staff
17 accountant where I performed tax preparation and audits of municipalities, retirement
18 plans, and banks. In April of 2019, I completed the Master of Business Administration
19 program, with a concentration in accounting, at the University of Michigan. I have been
20 involved in rate case audits and performed audit work in the following cases:

<u>Case No.</u>	<u>Company / Type of Case</u>
21 U-20276	Upper Peninsula Power Company Electric Rate Case
22 U-20286	Consumers Energy Company's Tax Cuts and Jobs Act (TCJA) Credit B

**QUALIFICATIONS AND DIRECT TESTIMONY OF
SHANNON RUECKERT
U-21973**

1	U-20322	Consumers Energy Gas Rate Case
2	U-20359	Indiana Michigan Company Electric Rate Case
3	U-20642	DTE Gas Rate Case
4	U-20650	Consumers Energy Gas Rate Case
5	U-20697	Consumers Energy Electric Rate Case
6	U-20836	DTE Electric Rate Case
7	U-20940	DTE Gas Rate Case
8	U-20963	Consumers Energy Gas Rate Case
9	U-20995	UPPCo Transfer of Control Case
10	U-21045	Alpena Electric Company Rate Case
11	U-21097	NSP Electric Company Rate Case
12	U-21148	Consumers Energy Electric Rate Case
13	U-21194	Detroit Thermal Transfer of Control Case
14	U-20836	DTE Electric Rate Case
15	U-21224	Consumers Energy Electric Rate Case
16	U-21286	Upper Peninsula Power Company Electric Rate Case
17	U-21297	DTE Electric Rate Case
18	U-21308	Consumers Energy Gas Rate Case
19	U-21366	Michigan Gas Utilities Rate Case
20	U-21389	Consumers Energy Electric Rate Case
21	U-21461	Indiana Michigan Company Electric Rate Case
22	U-21490	Consumers Energy Gas Rate Case
23	U-21291	DTE Gas Rate Case
24	U-21540	Michigan Gas Utilities Rate Case
25	U-21555	Upper Peninsula Power Company Electric Rate Case
26	U-21534	DTE Electric Rate Case
27	U-21585	Consumers Energy Electric Rate Case
28	U-21806	Consumers Energy Gas Rate Case
29	U-21860	DTE Electric Rate Case
30	U-21870	Consumers Energy Electric Rate Case
31	U-21903	NSP Gas Company Rate Case

32
33 Q. What is the purpose of your testimony?

34 A. The purpose of my testimony is to present Staff's adjustment to Operations &
35 Maintenance (O&M) Inflation and Account 926, Employee Benefits, Expenses.

36 Q. Are you sponsoring exhibits?

37 A. Yes. I am sponsoring the following exhibits.

38	Exh.	Title
----	------	-------

**QUALIFICATIONS AND DIRECT TESTIMONY OF
SHANNON RUECKERT
U-21973**

1	S-14	Projected O&M Inflation and Account 926
2		Expenses for the Projected Test-Period Ending
3		September 30, 2027
4	S-14.1	Projected Operation and Maintenance Inflation
5		Summary for the Projected Test-Period Ending
6		September 30, 2027
7	S-14.2	Projected VEBA, Employee Savings Plan, Active
8		Healthcare, and Other Benefits Expenses for the
9		Projected Test-Period Ending September 30, 2027
10	S-14.3	VEBA, Employee Savings Plan, Active
11		Healthcare, and Other Benefits Average Annual
12		Growth Rates
13	S-14.4	Employee Benefits: Company Normalization
14		Adjustments

15 **O&M Inflation**

16 Q. Please describe the Company's inflationary increases to O&M for the projected test year.

17 A. The Company is projecting inflation driven O&M expense increases using composite
18 inflation rates of 3.0% in 2025 and 2.9% 2026 and 2027. 2027 is pro-rated for 9 months
19 ending September 30th. The composite inflation rates is a combination of the Company's
20 own labor rate increase blended with CPI-Urban rates shown on Exhibit A-13, Schedule
21 C12. See the Direct testimony of T.M. Uzenski, page 50. Application of these rates
22 results in a gross inflationary increase of \$27,452,000 to O&M expense in the projected

**QUALIFICATIONS AND DIRECT TESTIMONY OF
SHANNON RUECKERT
U-21973**

1 test year on Exhibit A-13, Schedule C5, columns (g) through (i), and \$118,000 imbedded
2 in Other Adjustments column (j), line 6.

3 Q. Does Staff support the Company's inflation projections applied to O&M expenses?

4 A. No. Staff does not agree with the Company's composite inflationary increase to O&M
5 expenses. The Company is largely in control of the rate of wage increases it gives to its
6 employees. This effectively creates a self-reinforcing cycle in which the Company
7 forecasts inflationary cost increases above the general rate of inflation and then uses
8 those recovered funds to provide equivalent increases to employees and contractors.

9 Combining its own labor rate to the CPI-Urban rate compounds labor cost increases that
10 are already imbedded in the general rate of inflation. The Commission recently rejected
11 use of the DTE Electric's blended rate. See MPSC Case No. U-21860, February 19, 2026
12 Order, p. 78.

13 Q. What is Staff's recommendation for projecting inflationary increases to O&M expense?

14 A. Staff recommends utilizing the inflation factors developed and supported by Staff witness
15 Ufolla of 2.61% for 2025, 2.58% for 2026, and 2.31% prorated to 1.73% for the 9 months
16 ending September 30th, 2027. See Staff Exhibit S-4 Schedule D3.1 and Exhibit S-14.1.

17 Staff recommends that the Commission continue to reject the Company's use of a blended
18 rate. And. Staff recommends that the Commission approve a total inflationary increase to
19 O&M expenses of \$24,443,000. This is a downward adjustment of \$3,126,000 from the
20 Company's projection of \$27,570,000 shown on Exhibit S-14.

21 Q. Were any O&M expenses excluded from this adjustment?

22 A. Yes. Exhibit S-14.1 notes two exclusions. First, with respect to the Distribution Exhibit

**QUALIFICATIONS AND DIRECT TESTIMONY OF
SHANNON RUECKERT
U-21973**

1 A-13, Schedule C5.3, S-14 excludes an adjustment to line 5 Mains & Services Expenses
2 for an alternative adjustment supported by Staff witness Martus, Second, Exhibit S-14.1
3 also excludes the entirety of Customer Service Exhibit A-13, Schedule C5.4, in favor of
4 an alternative adjustment supported by Staff witness Klocke.

5
6 **Voluntary Employees' Beneficiary Association (VEBA)**

7 Q. Does Staff support the Company's projected VEBA expense projection?

8 A. No. DTE purported an average annual increase in New Hire VEBA expense of 8.5%. See
9 the Direct Testimony of M. S. Cooper, page 13. This is over 3% higher than the
10 Company's actual average annual growth rate of 5.4% for total VEBA expense before
11 Capitalization shown on Staff Exhibit S-14.3. The Company is also attempting to
12 increase its historic test year basis by claiming the unrealized impacts of unfilled
13 positions, "lag hiring", due to unfilled positions at the end of 2024, net of savings
14 incurred by the Company's Voluntary Separation Incentive Program (VSIP). See the
15 Direct Testimony of M. S. Cooper, page 6.

16 Q. What method does Staff recommend for projecting VEBA expense?

17 A. Staff recommends the Commission reject the Company's exorbitant projection rate. And
18 approve the actual five-year average annual growth rate of 5.4% applied to the 2024 total
19 historic expense, which has been adjusted for True-Up normalization, and apply the 2024
20 percentage charged to O&M. See Staff Exhibit S-14.3. Staff also recommends that the
21 Commission reject the Company's unrealized VSIP and Lag Hiring adjustments to the
22 actual historic test year. They result in a net increase to the historic test year, are at the

**QUALIFICATIONS AND DIRECT TESTIMONY OF
SHANNON RUECKERT
U-21973**

1 Company's discretion, and should not be borne by the rate payer. This method produces a
2 VEBA O&M expense projection of \$2,934,000. This is a reduction of \$264,000 to the
3 Company's projection of \$3,198,000. See Staff Exhibit S-14.2.

4
5 **Employee Savings Plan Expense (ESP)**

6 Q. Does Staff support the Company's projected ESP expense projection?

7 A. No. Company witness Cooper does not explain the ESP expense projection in testimony. The
8 Company's projection is an extraordinary 29% increase over the actual historic expense
9 the company realized. The Company is attempting to increase its historic test year basis
10 from the actual expense it incurred by applying a "normalization" adjustment for "out of
11 period forfeitures" on Exhibit A-13, Schedule C5.9, pg. 2, note 6. Staff requested the
12 Company's calculation of its normalization adjustment, shown on Exhibit S-14.4, line 10.
13 The Company's increase to the actual historic test year is not "normalization". It simply
14 increases the historic test year by adding back the flat gas allocation of forfeitures the
15 Company incurred in 2024. The Company also increased its historic test year by the net
16 of VSIP and "Lag hiring" adjustments mentioned above.

17 Q. What method does Staff recommend for projecting ESP expense?

18 A. Staff recommends the Commission reject the Company's "normalization", VSIP, and Lag
19 Hiring adjustments that unreasonably increase the actual historic test year basis. And
20 approve the five-year average annual growth rate of 4.8% applied to the 2024 total
21 historic expense shown on Staff Exhibit S-14.2. This method results in a reasonable ESP
22 O&M expense projection of \$11,631,000. A reduction of \$1,635,000 to the Company's

**QUALIFICATIONS AND DIRECT TESTIMONY OF
SHANNON RUECKERT
U-21973**

1 projection of \$13,266,000. See Staff Exhibit S-14.2.

2
3 **Active Healthcare**

4 Q. Does Staff support the Company's projected Active Healthcare expense projection?

5 A. No. The Company unreasonably increased its actual historic test year basis with multiple
6 adjustments. First it added back prescription drug rebates it received in 2024. See the
7 Direct Testimony of M. S. Cooper page 14. It is Staff's position that rebates the Company
8 receives for O&M expenses should be to the benefit of the rate payer. And, not be used to
9 increase the historic test year basis above the actual expenses for projection purposes to
10 the benefit of its shareholders. The Company also added back accrued employee
11 payments in 2024 it claimed were excessive. The Company provided no evidence that
12 accrued employee payments were excessive in 2024 compared to previous years. Or that
13 it used normalization. The Company simply added an amount of employee payments
14 back to the historic test year it deemed "excessive" to increase the test year basis. See
15 Staff Exhibit S-14.4. The Company also increased its historic test year basis by the net of
16 VSIP and "Lag hiring" adjustments mentioned above. The Company then applied
17 inflation factors provided by Willis Towers Watson (WTW) of 6.50% in both 2025 and
18 2026 and 6.30% in 2027 for medical costs which are not reflective of the Company's
19 actual expense trend and excessively high. See the Direct Testimony of M. S. Cooper
20 page 16. To the contrary, Staff Exhibit S-14.3, line 12 shows the Company's total Active
21 Healthcare expense trend before capitalization has remained relatively flat for 4

**QUALIFICATIONS AND DIRECT TESTIMONY OF
SHANNON RUECKERT
U-21973**

1 consecutive years. And that it's 5-year average annual growth rate is only 1.1%. Much
2 lower than WTW's rates the Company chose to use.

3 Q. What method does Staff recommend for projecting Active Healthcare expense?

4 A. Staff recommends the Commission reject the Company's unreasonable increases to the
5 actual historic test year basis. And approve the five-year average annual growth rate of
6 1.1% applied to the unadjusted 2024 total historic expense shown on Staff Exhibit S-14.2.
7 This method results in a reasonable Active Healthcare O&M expense projection of
8 \$17,157,000. A reduction of \$3,602,000 to the Company's projection of \$20,759,000. See
9 Staff Exhibit S-14.2.

10
11 **Other Employee Benefits**

12 Q. Does Staff support the Company's projected Other Employee Benefits expense
13 projection?

14 A. No. The Company's Other Employee Benefits expense projection of \$6,596,000 is an
15 unreasonable 32% increase over its historic expense of \$4,991,000, which excludes the
16 Executive & Supplemental Retirement Plan in note 9 based on Commission's past
17 practice. See Exhibit A-13, Schedule C5.9, page 2. The Company's Other Benefits
18 expense has a 5-year average annual growth rate of negative 0.6% and it is much lower
19 than the amount approved in rates for 4 consecutive years. See Staff Exhibit S-14.3, lines
20 7 through 8 and 13. On page 22 Company witness Cooper testified that the tuition
21 reimbursement program and employee service awards, were temporarily suspended in
22 2023 due to the Company's financial challenges. However, the amount approved in rates

**QUALIFICATIONS AND DIRECT TESTIMONY OF
SHANNON RUECKERT
U-21973**

1 for 2024 of \$7,117,000 is \$2,126,000 higher than its historic 2024 expenses of
2 \$4,991,000 shown on Staff Exhibit S-14.3, lines 7 and 8. The Company also increased its
3 historic test year by the net of VSIP and “Lag hiring” adjustments mentioned above.

4 Q. What is Staff’s recommendation for Other Employee Benefits expense?

5 A. Staff recommends the Commission approve an Other Employee Benefits O&M expense
6 projection of \$5,838,000, which is a reduction of \$758,000 to the Company’s projection
7 of \$6,596,000. This projection includes the Company’s temporary items and
8 normalization adjustments in columns (c.) and (d.) of Exhibit A-13, Schedule C-5.9, page
9 2, to the historic test year and a disallowance of the Company’s VSIP and “Lag hiring”
10 adjustments to the historic test year, as they are at the Company’s discretion and should
11 not be borne by the rate payer. There is no annual increase applied to the historic basis.
12 See Staff Exhibit S-14.2, line 25. Staff reiterates that the 5-year average annual growth
13 rate is negative 0.6%, and that historic expenses have been much lower than the amount
14 approved in rates for 4 consecutive years. Returning the temporarily suspended employee
15 benefits provides a significant and sufficient increase to the historic test year expense.
16 See Staff Exhibit S-14.3, lines 7-8, and 13.

17
18 Q. Please summarize your recommendations.

19 First, Staff recommends an inflation increase of \$24,443,000 to O&M expense, a
20 decrease of \$3,126,000 from the Company’s request of \$27,570,000.

21 Second, Staff recommends a VEBA benefits expense projection of \$2,934,000 for the 12-
22 month period ending September 30, 2027, which is a decrease of \$264,000 from the

**QUALIFICATIONS AND DIRECT TESTIMONY OF
SHANNON RUECKERT
U-21973**

1 Company's request of \$3,198,000.

2 Third, Staff is recommending a total account ESP benefits expense of \$11,631,000 for the
3 12-month period ending September 30, 2027, which is a decrease of \$1,635,000 from the
4 Company's request of \$13,266,000

5 Fourth, Staff recommends an Active Healthcare expense projection of \$17,157,000 for
6 the 12-month period ending September 30, 2027, which is a decrease of \$3,602,000 from
7 the Company's request of \$20,759,000.

8 A. Lastly, Staff recommends an Other Employee Benefits expense projection of \$5,838,000
9 for the 12-month period ending September 30, 2027, which is a decrease of \$758,000
10 from the Company's request of \$6,596,000.

11 Q. Does this complete your testimony?

12 A. Yes.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

Case No. U-21973

In the matter of the Application of
DTE GAS COMPANY for authority
to increase its rates, amend its rate
schedules and rules governing the
distribution and supply of natural gas,
and for miscellaneous accounting authority.

QUALIFICATIONS AND DIRECT TESTIMONY OF

JOSEPH E. UFOLLA

MICHIGAN PUBLIC SERVICE COMMISSION

March 13, 2026

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 Q. Please state your name and business address.

2 A. My name is Joseph E. Ufolla and my business address is 7109 West Saginaw Highway,
3 Lansing, MI.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by the Michigan Public Service Commission (“MPSC” or “Commission”)
6 as a financial analyst in the Revenue Requirements Section of the Regulated Energy
7 Division.

8 Q. Please describe your educational and other professional qualifications.

9 A. I graduated from Oakland Community College in 2016 with an Associate Degree in
10 Business Administration. In 2018, I graduated from Cleary University with a Bachelor of
11 Business Administration Degree in Accounting and Finance. In October 2018, I attended
12 courses in Utility Credit Markets and Ratings and Utility Stock Valuation as part of the
13 Institute of Public Utilities Advanced Regulatory Studies Program at Michigan State
14 University. In August 2019 and September 2024, I attended the Institute of Public
15 Utilities Fundamental Studies Program at Michigan State University. In October 2019 I
16 attended the Essentials of Regulatory Finance conference at Georgetown University
17 hosted by S&P Global. In August 2024, I attended the Regulatory Training Initiative’s
18 Utility Credit Rating Agencies training course.

19 Q. Please describe your professional background with the MPSC.

20 A. I began my employment with the MPSC in August of 2018, as a financial analyst, in the
21 Revenue Requirements Section of the Regulated Energy Division. My primary
22 responsibilities include, but are not limited to, reviewing, analyzing, and making

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 recommendations regarding utility capital structure and development, debt and equity
2 costs, and business and credit risk analysis in rate case proceedings.

3 Q. Have you sponsored testimony in any MPSC cases prior to this case?

4 A. Yes, I have sponsored testimony in the following cases:

<u>Case Number</u>	<u>Company Name</u>	<u>Description</u>
U-20276	Upper Peninsula Power Company	Short-Term Debt/Inflation
U-20322	Consumers Energy Co. (Gas Div.)	Capital Structure
U-20479	SEMCO Energy Gas Company	Cost of Capital
U-20561	DTE Electric Company	Capital Structure
U-20642	DTE Gas Company	Cost of Capital
U-20940	DTE Gas Company	Cost of Capital
U-20836	DTE Electric Company	Cost of Capital
U-21297	DTE Electric Company	Cost of Capital
U-21461	Indiana Michigan Power Company	Cost of Capital
U-21291	DTE Gas Company	Cost of Capital
U-21555	Upper Peninsula Power Company	Cost of Capital
U-21534	DTE Electric Company	Cost of Capital
U-21860	DTE Electric Company	Cost of Capital

20 Q. What is the purpose of your testimony in this proceeding?

21 A. The purpose of my testimony is to provide recommendations on behalf of the Michigan
22 Public Service Commission Staff (“Staff”) regarding DTE Gas (“DTE,” or the
23 “Company”) capital structure balances and corresponding cost rates.

24 Q. Are you sponsoring any exhibits on behalf of Staff in this proceeding?

25 A. Yes, I am sponsoring the following exhibits:
26

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

	<u>Exhibit</u>	<u>Schedule</u>	<u>Title</u>
1			
2	S-4	D-1	Capital Structure and Overall Rate of Return
3	S-4	D-2	Forecasted Long-Term Debt Balance and Cost Rate
4	S-4	D-3	Forecasted Short-Term Debt Balance and Cost Rate
5	S-4	D-3.1	Inflation Forecast
6	S-4	D-4	Forecasted Preferred Stock Balance and Cost Rate
7	S-4	D-5	Forecasted Equity Balance and Cost Rate
8	S-9		Credit Opinions
9			

10 Q. Were these exhibits prepared by you or under your direction?

11 A. Yes.

12 Q. How is your testimony organized?

13 A. My testimony is split into four sections. The first covers Staff's recommendation on
14 capital structure balances, the second covers Staff's recommendation on capital structure
15 cost rates excluding equity, and the third covers Staff's recommendation on cost of equity
16 (or return on equity). The final section addresses Staff's inflation forecast.

17 **Capital Structure Balances**

18 Q. Please outline the recommended ratemaking capital structure balances of Staff and the
19 Company.

20 A. Chart 1 outlines the ratemaking capital structure recommendations by Staff and the
21 Company:

22

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 **Chart 1: Capital Structure Balances**

Component	Company (000)	Staff (000)
Long-Term Debt	\$3,230,058	\$3,279,326
Preferred Stock	0	0
Common Equity	3,328,595	3,279,326
Short-Term Debt	91,581	91,581
Deferred Income Tax	1,383,391	1,383,391
Job Development Investment Tax Credit	0	0
Total Capital Structure	<u>\$8,033,624</u>	<u>\$8,033,624</u>

2
3 Q. Please explain the differences in Capital Structure balances provided by Staff and the
4 Company?

5 A. The difference between the Company's and Staff's proposed capital structure balances is
6 a matter of what Staff believes to be a reasonable equity ratio for DTE Gas, in this case
7 50.00%; while DTE has proposed 50.75%.

8 Q. Why does Staff believe a 50.00% equity ratio is appropriate for use in the instant case?

9 A. There are several reasons that a 50.00% equity ratio is appropriate in this case, each of
10 which is detailed below. The primary thing to understand is that increasing the equity
11 ratio results in more burden on ratepayers; although that may be appropriate in some
12 scenarios, it is not appropriate at this time. The Company's credit metrics are strong, and
13 the Commission has previously espoused a clear preference for the Company to operate
14 at a balanced equity ratio.

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 Q. You mentioned that increasing the equity ratio results in more burden on the ratepayer,
2 can you explain?

3 A. Using Staff's recommended cost rates, the cost of equity is nearly three times the cost of
4 debt. To illustrate this, a long-term debt rate of 4.57% will cost ratepayers 4.57 cents
5 annually for each dollar of long-term debt in the Company's capital structure. Common
6 equity at a cost rate of 9.80%, however, will cost ratepayers 13.28¹ cents per dollar
7 annually, which is nearly three times the cost. Note that, unlike debt, a tax adjustment
8 must be made to the equity as the cost of equity is not tax deductible in the same way
9 interest payments are. The Pre-Tax Cost of Equity, which is the true cost to ratepayers,
10 can therefore be expressed by the following equation:

11
$$\text{Pre-Tax ROE} = \text{ROE} / (1 - \text{Income Tax Rate})$$

12 Thus, 13.28% is the Pre-Tax Cost of Equity at an Approved ROE of 9.80% as Staff is
13 recommending in this case. This illustrates why it is critical to have a proper equity ratio
14 to maintain reasonable costs to ratepayers.

15 Q. You said the Company has strong credit metrics, please explain further

16 A. Currently, the Company has the following credit ratings; A- from S&P, A3 from Moody's,
17 and BBB+ from Fitch, all with a stable outlook. These are well above the minimum
18 threshold for investment grade status and allow DTE Gas access to debt at fair rates. The
19 Company has maintained the necessary metrics prior to any rate relief as requested in this
20 case at its currently approved equity ratio of 50%.

¹ $13.279 = 9.80 \times 1.3550$
(1.3550 is the conversion factor found on Company Exhibit A-14 Schedule D-1)

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 Additionally, credit opinions include both an upside and downside case to identify
2 what factors may lead to a credit upgrade or downgrade; in the case of S&P, the primary
3 factor that could lead to an upgrade or downgrade is rating action of the parent company
4 (DTE Energy). Meanwhile, Fitch and Moody’s sight either adverse regulatory changes or
5 sustained credit metric deterioration as reasons for a downgrade.

6 To maintain its rating, S&P desires DTE Gas to stay above 11% Funds From
7 Operations (FFO) to Debt while they have an actual FFO to Debt of 17.7% for 2024, and
8 a projected 17-19% for 2025. To maintain its rating, Moody’s desires DTE Gas to
9 maintain above a Cash Flow From Operations (CFO) pre-WC to debt ratio above 16%
10 while the most recent figure shows 21.8% as of March 2025. To maintain its rating, Fitch
11 desires DTE Gas to maintain a FFO leverage ratio of below 5.0x with the 2023 figure at
12 4.0x, and 2024 figure at 4.7x. It bears repeating that without the instant case’s requested
13 rate relief, the Company is well within the credit metric standard given by each bureau.

14 The credit bureaus value transparency and predictability from regulators; as stated
15 by Moody’s as a factor that could lead to a rating upgrade: “A rating upgrade could be
16 considered if there are legislative or other actions that improve timeliness of cost
17 recovery, or if the regulatory environment in Michigan becomes even more formulaic and
18 transparent.”

19 The full credit opinions can be found in Staff Exhibit S-9.

20 Q. You said the Commission has previously espoused a preference for the Company to
21 operate at a balanced equity ratio. Please explain.

22 A. In the prior DTE Gas rate case, U-21291, the Commission stated the following:

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 Q. Please explain how you arrived at the figures shown in Chart 1.

2 A. In order to maintain the Company's total amount of permanent capital, and for the
3 reasons spelled out above, Staff multiplied the Company's total permanent capital of
4 \$6,558,652 by 50% and assigned the resulting figure to both Long-Term Debt and
5 Common Equity.

Capital Structure Cost Rates

7 Q. Please outline the recommended cost rates of Staff and the Company.

8 A. Chart 2 outlines the cost rates recommended by Staff and the Company:

Chart 2: Capital Structure Component Cost Rates

Component	Company	Staff
Long-Term Debt	4.65%	4.57%
Preferred Stock	N/A	N/A
Common Equity	10.25%	9.80%
Short-Term Debt	5.06%	4.06%
Deferred Income Tax	0.00%	0.00%

10

11 Q. Please explain the difference between the recommended Cost of Capital provided by
12 Staff and the Company.

13 A. The difference between the Company's and Staff's recommended Cost of Capital is due
14 to difference in Long-Term Debt rate, Short-Term Debt rate, and Cost of Equity. Staff's
15 adjustment to the Company's debt rates are outlined below, and Cost of (Return on)
16 Equity is discussed in the next section.

17

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 Q. Please explain the difference between the recommended Long-Term Debt Rates provided
2 by Staff and the Company.

3 A. The Company's debt issuances are comprised of a base projected interest rate and a
4 spread; the difference in the Long-Term Debt rate recommendations from the Company
5 and Staff are due to Staff updating the Company's exhibit with more recent base rates on
6 the bond issuance to be made in 2026 and 2027.

7 The Company projects an interest rate of 5.93% for the September 2026 issuance,
8 while Staff updates this projection to 5.58%. Staff utilizes a base projected 2026 treasury
9 rate of 4.53% from S&P Global and adds a 105-basis point spread to arrive at an interest
10 rate of 5.58%. The 105-basis point spread is provided by Witness Lepczyk on page 17 of
11 his initial testimony.

12 Similarly, the Company projects an interest rate of 5.98% for the September 2027
13 issuance, while Staff updates this projection to 5.44%. Staff utilizes a base projected 2027
14 treasury rate of 4.39% from S&P Global and adds the same aforementioned 105-basis
15 point spread to arrive at an interest rate of 5.44%.

16 Lastly, because the issuance set for September 1, 2027 would only effect 1 month
17 of the 12-month test year, Staff adjusted the weight of this issuance to 1/12.

18 These three adjustments revised the previously stated 4.65% estimate to 4.57% as
19 Staff's final figure. Staff's Long-Term debt figures can be found on Exhibit S-4 Schedule
20 D-2.

21

22

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 Q. Please explain the difference between the recommended Short-Term Debt Rates provided
2 by Staff and the Company.

3 A. The difference in the Short-Term Debt rate recommendations from the Company and
4 Staff is due to the projected Short-Term Overnight Financing Rate (SOFR) in the test
5 year. The Company uses a current short-term index rate of 4.15% and adds a 20-basis
6 point spread plus approximately 71-basis points in credit fees for a total cost of 5.06%.²
7 Staff simply updates the base rate of the Company's model. Staff uses a projected SOFR
8 of 3.15% from S&P Global, a weighted average of the 2026 and 2027 projections to align
9 with the test year. Applying the Company's 20-basis point spread and credit fees results
10 in a total cost rate of 4.06%. Staff's figures are based on projected rates that align with
11 the test year instead of the Company's use of current rates which do not align with the
12 test year. The details can be found on Exhibit S-4 Schedule D-3.

Return on Equity

14 Q. Please summarize Staff's Return on Equity (ROE) recommendation.

15 A. Staff recommends a return on equity of 9.80%, which is near the midpoint of Staff's
16 9.30% - 10.30% reasonable ROE range. To determine the fair ROE, since DTE Gas is not
17 a publicly traded company, a group of seven publicly traded gas utility companies forms
18 a comparable proxy group for Staff's analysis. The proxy group's data is used in both
19 Discounted Cash Flow (DCF) and Capital Asset Pricing Model (CAPM) analyses to
20 determine a reasonable cost of equity. Additionally, a Risk Premium model and a review
21 of gas ROE authorizations from other state jurisdictions from 2024-2025 were also

² Exhibit A-14 Schedule D3

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 utilized in this case. Staff’s 9.80% recommendation considers the Company’s currently
2 authorized 9.80% and requested 10.25% ROE in the instant case.

3 Q. In establishing a legal basis for Staff’s ROE analysis in this rate case, what considerations
4 does Staff take into account?

5 A. Traditionally, when considering a return on equity recommendation for a utility company,
6 Staff takes into consideration the landmark Supreme Court decisions in the *Hope* and
7 *Bluefield* cases. Those decisions described various methods such as the “Attraction of
8 Capital” and the “Returns Commensurate with Those on Investments in Enterprises of
9 Comparable Risks” that the Supreme Court found to be lawful and prudent. In *Bluefield*
10 *Water Works and Improvement Co. vs. Public Service Commission*, 262 U.S. 679, 692-
11 693 (1923), the Court stated:

12 “A public utility is entitled to such rates as will permit it to earn a return on the value of
13 the property which it employs for the convenience of the public equal to that generally
14 being made at the same time and in the same part of the country on investments in other
15 business undertakings which are attended by corresponding risks and uncertainties; but
16 has no constitutional right to profits such as are realized or anticipated in highly
17 profitable enterprises or speculative ventures.”

18 Furthermore, in *Federal Power Commission vs. Hope Natural Gas Company*, 320
19 U.S. 591, 603 (1944), the Court stated:

20 “From the investor or company point of view, it is important that there be enough revenue
21 not only for operating expenses but also for the capital costs of the business. These
22 include service on the debt and dividends on the stock. By that standard the return to the

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 equity owner should be commensurate with returns on investment in other enterprises
2 having corresponding risks. That return, moreover, should be sufficient to assure
3 confidence in the financial integrity of the enterprise, so as to maintain its credit and to
4 attract capital.”

5 The Supreme Court’s “end result” doctrine surmises that how a capital structure
6 and rate of return was determined was not so important as long as the end result was
7 appropriate and reasonable for the case at hand. No one methodology provides an exact
8 measure of a fair rate of return on equity, but some methods provide good estimates. The
9 Discounted Cash Flow method and the Capital Asset Pricing Model are the primary
10 models most utility financial analysts use in rate cases to determine a fair and reasonable
11 cost of equity for regulated utility companies. Staff employs those same methods in this
12 rate case along with a risk premium method and a comparison of recent gas ROE
13 determinations from other state jurisdictions.

14 Q. Please explain the development of the gas utility proxy group Staff used to aid in
15 determining its cost of equity recommendation for DTE.

16 A. Staff’s proxy group consists of six gas companies that meet five criteria. These criteria
17 are that the company must: 1) be listed as a Gas Utility by Value Line, 2) have a full
18 Value Line Report Available, 3) be currently paying dividends to shareholders, 4) not be
19 the target of a merger or acquisition, and 5) must have an investment grade credit rating.

20 Q. How does Staff’s proxy group compare to the Company’s proxy group?

21 A. Staff’s proxy group differs from the Company’s in selection process; nevertheless, the
22 results are identical. In this case, the two proxy groups contain the same six members.

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

Discounted Cash Flow (DCF) Analysis

1
2 Q. Please provide a brief explanation of the DCF and how it is used in Staff's ROE analysis.

3 A. The DCF method has been a widely used approach for estimating equity investors' return
4 demand since the 1960s. It was introduced after the 1929 stock market crash by
5 economist I. Fisher in 1930, and expanded upon by J.B. Williams in 1938. It was then
6 elaborated on by M.J. Gordon and E. Shapiro. The approach derives its basis by
7 surmising how investors evaluate stocks for potential investment. The formula assesses
8 that investors value securities by evaluating the present value of expected future cash
9 flows attributed to those securities. The model suggests that expected future cash flows
10 include dividends, the projected market value of the security at liquidation, and the
11 discount or capitalization rate investors apply to the future cash flows. The model
12 evaluates the current price of a stock with the assumption that the growth of the stock will
13 be constant throughout its life and that its growth will be less than the cost of its equity.

14 The Formula is:

15 $P = D / K - g$ where:
16 P = Price per share
17 D = Dividend per Share Expected
18 K = Cost of Equity
19 g = Expected Growth Rate

20 Rearranging the above formula into the basic DCF formula is the mathematical equation
21 that states that the cost of equity is equal to the security's dividend yield plus a projected
22 future growth rate of the stock. The basic DCF formula is:

23 $K = D / P + g$
24 ($D/P = \text{Dividend Yield}$)

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 Q. Please explain the computation of Staff's DCF estimate.

2 A. Staff's DCF analysis can be seen in detail on Exhibit S-4 Schedule D-5, pages 3-6. Staff
3 uses the annual dividend yields for the proxy group from Value Line. The dividend yield
4 is modified by the semi-annual compounding method based on the formula
5 $DCF = (D1 / P) * [1 + 0.5g] + g$. The semi-annual compounding model is the preferred
6 model to use when performing a DCF analysis on a group of comparison companies.³
7 This is also the preferred method used by the Federal Energy Regulatory Commission
8 (FERC).

9 For growth rates, Staff employs three well-known and widely used sources,
10 Seeking Alpha, Zacks, and Value Line. The average of these sources is used to determine
11 each individual proxy company's growth estimate. All available growth rate data is
12 utilized ranging from 4.50% to 12.31%.

13 Q. What DCF cost of equity did Staff arrive at?

14 A. Staff arrived at an average adjusted DCF cost of equity estimate of 10.92% and a median
15 of 10.26%. The calculations can be found in detail on Exhibit S-4 Schedule D5 page 5.

16 Q. Did you provide any other variation of the DCF in your analysis?

17 A. Yes. Because the results of Staff's typical single-step DCF were materially different from
18 the results of Staff's other models, Staff provided an additional two-step DCF that yields
19 results more in line with the other models in this case.

20 Q. Can you explain the two-step DCF model?

21 A. The two-step DCF model is a variation of the DCF which surmises that a company is

³ Parcell, D.C. (1997) The Cost of Capital – A Practitioner's Guide, 1997 Edition, Chapter 8, pages 10-13.

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 unlikely to grow at a constant rate in perpetuity. Instead, it uses the same analyst growth
2 rate as a single step DCF for short term growth with a 2/3 weighting, and Gross Domestic
3 Product (GDP) as a long-term growth for projection with a 1/3 weighting. This model is
4 widely used in rate cases in many jurisdictions including FERC.

5 Q. What are the results of your two-step DCF?

6 A. I utilized a 4.52% nominal GDP growth projection from S&P Global (that is a weighted
7 average of the 2026 and 2027 projections which aligns with the test year) at a 1/3
8 weighting, along with the same inputs of the single step DCF. This resulted in an average
9 ROE estimate of 9.93% and a median of 9.53%. The calculations can be found in detail
10 on Exhibit S-4 Schedule D5 page 6.

11 Q. Did DTE also provide a DCF cost of equity estimate?

12 A. Yes. The Company's cost of capital witness, Jennifer Nelson, sponsored a total of six
13 different DCF analyses with a resulting average ROE estimate ranging from 10.76%-
14 11.10%.

15 Q. Do you agree with the Company's DCF analysis and the ROE estimate that results from
16 it?

17 A. No. The Company uses multiple models that have different average prices over the last
18 30-, 90-, and 180-days respectively. Staff believes 30-days is simply too short a time
19 frame to prevent temporary fluctuations in stock price from skewing the results.
20 Likewise, the 180-day model is on the longer side. While preferable to the 30-day model,
21 the 180-day model is unnecessary. Staff prefers a 90-day span because it is sufficient
22 enough to mitigate the skewness that can occur in a shorter time period, but a longer

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 timeline is simply not necessary.

2 Therefore, Staff rejects the Company's 30- and 180-day models. As for the 90-day
3 models, though the Company's methodology is not disputed by Staff. The constant
4 growth 90-day model presented by the Company is largely in alignment with Staff's
5 single-step DCF. Still, as stated earlier, Staff found the results of its two-step DCF to be
6 more in line with the other models in Staff's analysis.

Capital Asset Pricing Model (CAPM) Analysis

8 Q. Please discuss Staff's CAPM method.

9 A. The CAPM model was derived from the study and analysis of economists Sharpe,

10 Lintner, and Treynor and in its simplified form is expressed by the following equation:

11 $E(R) = R_f + \beta * [E(R_m) - R_f]$ where:

12 $E(R)$ = Expected rate of return on a risky security

13 R_f = Risk free rate of return

14 $E(R_m)$ = Expected market rate of return

15 β = The systematic risk or beta of a security

16 In theory, the CAPM model differentiates between two types of risk: diversifiable and
17 non-diversifiable risk. The theory suggests that an investor's required return is based on
18 the investor's exposure to risk that is systemic in the market, i.e. non- diversifiable risk.
19 Risk that is unique to a particular security is called firm specific risk. One of CAPM's
20 primary assumptions is that investors are fully invested in the market, i.e. invested in a
21 portfolio of stocks, and thus eliminate (or substantially reduce) firm specific risk. Hence,
22 the model infers that investors risk exposure is primarily composed of market risk and
23 since this is risk that cannot be diversified away, it should be the basis for investor
24 compensation. The beta coefficient measures the volatility of a security's stock price as it

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 relates to changes or movements in the market.

2 Q. What equity risk premium estimate is used in Staff's CAPM method?

3 A. In evaluating the historical risk premium, Staff reviewed several sources including
4 Damodaran Online from NYU, the Kroll study entitled *Stocks, Bonds, Bills and Inflation:
5 The 2023 Classic Yearbook*, and the Federal Reserve Database (FRED). These data sets
6 provide historical values for market return indices used in the estimation of risk
7 premiums and common equity costs. Staff reviewed return data from 1928-2025. Using
8 the S&P 500 return from Damodaran Online for a return on stocks and a mixture of data
9 from Kroll and FRED for long-term government bond yields. The data results in an
10 average historical risk premium of 7.00% from 1928-2025.

11 Q. Why does Staff use these sources in this case?

12 A. In previous cases, the Kroll study cited above provided all the necessary data for
13 approximating a historical risk premium; however, this publication has now been
14 discontinued. The Damodaran Online data is the closest consistent approximation Staff
15 has access to for equity returns with a large data set (reaching back to 1928) but provides
16 no 30-year bond data. FRED data was the most reliable and consistent data available to
17 Staff for long-term (30-year) bond rates but does not date back more than a few years, so
18 Staff used the data from Kroll up to 2022 and used FRED for 2023 and onward.

19 Q. What risk-free rate is utilized by Staff for its CAPM analysis?

20 A. Because the U.S. government can print money and levy taxes, government securities are
21 commonly considered to be risk-free. The risk-free rate used in the CAPM analysis is the
22 yield associated with a long-term 30-year U.S. government Treasury bond. Staff reviewed

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 projections of 2026 and 2027 Treasury bond yields from S&P Global over a three-month
2 period; using a weighted average projection to align with the test year the figure is
3 4.425%.

4 Q. What measure of beta does Staff use in its CAPM analysis?

5 A. Staff uses beta values from Value Line. Value Line's beta measurement is widely
6 accepted in the industry and utilized by every Cost of Capital witness I am aware of. In
7 general terms, the total market has a beta of 1.00, stocks with a beta of less than 1.00 are
8 less volatile and have less inherent risk than the market as a whole, and stocks with a beta
9 of greater than 1.00 are more volatile and have more inherent risk than the overall
10 market. The Value Line beta is an adjusted forward-looking beta. Value Line's beta
11 methodology measures a 60-month average raw beta on a weekly basis and then applies a
12 Blume adjustment to that raw beta to account for the tendency of companies to converge
13 towards the market over time; this results in an adjusted beta (or Blume adjusted beta)
14 which is used by Staff.

15 Q. What cost of equity estimate does Staff arrive at when utilizing the CAPM analysis?

16 A. Utilizing a risk-free rate of 4.425%, a historical risk premium of 7.00%, and an average
17 beta of 0.77, Staff computes an average CAPM cost of equity of 9.79% and a median of
18 9.68%. Staff's analysis can be found on page 7 of Exhibit S-4 Schedule D5.

19 Q. Did the Company provide a CAPM cost of equity estimate?

20 A. Yes, DTE provides a variety of CAPM based models; 4 traditional CAPM and 4
21 Empirical CAPM (ECAPM) estimates are included with average results ranging from
22 9.87% and 12.30%.

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 Q. Does Staff agree with the Company's methodology for the CAPM models?

2 A. No, Staff disagrees with the use of several of the Company's inputs and methodologies.
3 The use of the current risk-free rate does not align with the test year, the ECAPM is
4 unnecessary due to the use of long-term interest rates and Blume Adjusted betas, and the
5 forward-looking value line models have results that are out of alignment with all other
6 models present by either Staff or the Company in this case.

7 Q. Please explain your critique of the current risk-free rate.

8 A. The use of a current risk-free rate is not necessary when the projected rate is available.
9 The Company uses both, but only the projected rate is congruent with the test year.

10 Q. Please explain your critique of the ECAPM.

11 A. Staff does not agree with the use of the ECAPM, especially in conjunction with the use of
12 a Value Line (or Bloomberg) adjusted beta instead of a raw beta. The Commission has
13 historically not relied on ECAPM analyses in rate cases and many other intervenors also
14 reject it. More compellingly, the inputs used in Staff's ratemaking CAPM analysis
15 already account for many of the shortcomings supposedly recognized by ECAPM and
16 thus render the ECAPM adjustment unnecessary.

17 The original development of the ECAPM used raw betas and short-term interest
18 rates, thus it found that the CAPM generally resulted in a steeper slope of the Security
19 Market Line than one would see empirically. The study's use of raw betas and short-term
20 interest rates is fundamentally different than the inputs used in Staff and the Company's
21 CAPM analyses.

22 Blume adjusted betas are another tool that results in the flattening of the Security

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 Market Line which have been used by both Staff and DTE in modeling. Additionally,
2 long-term risk-free rates are used in regulated CAPM estimates instead of short-term risk-
3 free rates that were used in the original ECAPM observations. Using a long-term risk-free
4 rate instead of short-term rate also results in a flatter slope of the Security Market Line,
5 with a higher intercept. Thus, Staff’s ratemaking CAPM analysis, with its use of long-
6 term risk-free rates and Blume adjusted betas, incorporates the desired effect of the
7 ECAPM adjustment.

8 Q. Please explain your critique of the forward-looking models.

9 A. The Company uses a projected market risk premium based on a DCF model of the
10 S&P500 utilizing Value Line projected returns. This is very similar to the model
11 prescribed by FERC however with some key differences. FERC requires the use of IBES
12 growth rates instead of solely Value Line⁴, and the use of a filter to remove any company
13 that does not pay dividends, has a negative growth projections, or has a growth projection
14 over 20%. Staff has previously used a projected CAPM method based on Value Line
15 projections of a wide market return in the past; however, Staff ceased using this model
16 because its results were out of alignment with other models and became unhelpful for
17 determining a reasonable ROE.

18 This case is a good example as the Company’s lowest projected CAPM yields
19 result is at 11.74% (with the highest reaching to 12.30%); meanwhile all the Company’s
20 other models yield average results that range from 9.87%-11.10% (though many of these
21 models are rebutted in this testimony), and Staff’s models have averages that range from

⁴ Though FERC allows Value Line growth rates as “supplemental data” in addition to IBES.

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 9.79%-10.92%. Thus, the projected CAPM is an outlier on the order of at least 64-basis
2 points and should not be relied upon for determining a fair and reasonable ROE in the
3 instant case.

Risk Premium Analysis

4
5 Q. Please outline Staff's risk premium analysis.

6 A. Staff provides two risk premium estimates. One that uses the difference between utility
7 equity and utility bond returns, and one that examines the difference between utility
8 equity and Treasury bond returns. Essentially this analysis looks at the historical risk
9 premium investors have received for choosing to invest in the equity of a utility company
10 as opposed to a less risky utility bond or Treasury bond.

11 Q. Please explain the derivation of the risk premium approach.

12 A. Staff reviews the Gas Utility Realized Market Return Average from 1954 through 2025,
13 compares it with the A-Rated Public Utility Bond Yield Average, or Treasury bond yield,
14 over the same period. Mergent Public Utility Manual & Bond Record provided complete
15 market return and bond yield data until 2002. Therefore, to obtain utility market data
16 from 2003 to 2025, Staff uses data from the Dow Jones Utilities index as shown on
17 Exhibit S-4, Schedule D-5, pages 9-11.

18 The average gas utility market return over the period was 10.95%, the average
19 return of an A-rated composite utility bond was 7.07%, and the average Treasury yield
20 was 5.64% over the same period. Subtracting these bond yields from the gas utility
21 market returns gives risk premiums of 3.88% and 5.31% respectively. Taking these risk
22 premiums and adding them to the projected yields of 5.76% for a utility bond and 4.42%

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 for a Treasury bond gives an estimate of 9.64% using the utility bond method and 9.74%
2 using the Treasury bond method.

3 Q. Did the Company also provide a Risk Premium analysis?

4 A. Yes. The Company provided two regression based risk premium analyses. One using the
5 “current” treasury yield resulting in an ROE estimate of 10.31%, and a second using
6 “projected” treasury yield resulting in an ROE estimate of 10.15%.

7 Q. Does Staff agree with the Company’s Risk Premium analyses?

8 A. No. Immediately, the “current” treasury model does not align with the test year and so it
9 should not be relied upon for rate setting in the test year. Staff also takes issue with the
10 “projected” model due to its use of authorized ROE figures as an input.

11 Q. Why does Staff take issue with the use of authorized ROE in the Risk Premium analysis?

12 A. There are two reasons Staff takes issue with using authorized ROE in the Risk Premium
13 model as opposed to actual market ROE as Staff uses. Firstly, the data set for authorized
14 ROE only goes back to 1980, meanwhile Staff’s data set for gas utility earned ROE goes
15 back to 1954. It is generally preferred to use the longest data set available as a larger data
16 set will include more economic cycles. The difference in size between Staff’s data set
17 versus the Company’s should not be ignored.

18 Additionally, the use of authorized ROE as an input to determine an appropriate
19 ROE is inherently circular. Assuming markets are efficient, the market derived ROE is
20 the most accurate measure of investor expectations.

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

ROE Recommendation Summary

Q. Does Staff review any other data in its ROE analysis?

A. Yes. Staff also reviews authorized rate of return decisions for gas utilities rendered by other state commissions across the country for 2024 and early 2025. The average authorized ROE decisions for 2024 was 9.72%, and the average in 2025 has been 9.73%.⁵

Q. Based on Staff’s analysis, what is Staff’s recommendation of the cost of common equity for DTE Gas in this rate case?

A. Chart 4 summarizes Staff’s cost of equity estimates and Staff’s recommendation for ROE range and ROE:

Chart 4: Staff’s ROE Analysis Summary

<u>Cost of Equity Model</u>	<u>ROE Estimate</u>	
	<u>Average</u>	<u>Median</u>
Discounted Cash Flow (Single Step)	10.92%	10.26%
Discounted Cash Flow (Two-Step)	9.93%	9.53%
Capital Asset Pricing Model	9.79%	9.68%
Risk Premium – Utility Bond	9.64%	
Risk Premium – Treasury Bond	9.74%	
Average Authorized ROE 2024	9.72%	
Average Authorized ROE 2025	9.73%	
Recommended Cost of Equity Range	9.30 – 10.30%	
ROE used in Overall Cost of Capital	9.80%	

⁵ S&P Global: RRA Regulatory Focus Major Rate Case Decisions (Exhibit S-4 Schedule D-5 Page 12)

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1 Based on the results of the multiple analyses done, along with other factors such as credit
2 metrics, Company requested 10.25% ROE, and currently approved 9.80% ROE, it is
3 Staff's judgement that a reasonable range for DTE Gas's cost of equity to fall within is
4 9.30% - 10.30%. Within that range, Staff recommends a value of 9.80%, which is the
5 midpoint of Staff's range, is a reasonable ROE for DTE and is appropriate for this rate
6 case.

7 Q. Please summarize Staff's overall rate of return recommendation.

8 A. Staff recommends an overall rate of return 5.91%. This recommendation is comprised of
9 a 9.80% return on equity ("ROE") and a common equity ratio of 50%. Staff's overall rate
10 of return is premised on the Company's capital structure forecast and then adjusted for
11 any known, anticipated, and/or reasonable changes in the test year ending September 30,
12 2027. In determining the ratemaking cost of capital, I relied on a mixture of balances and
13 cost rates provided by the Company and by Staff.

14 Additionally, Staff made adjustments to the Company's proposed Long- and
15 Short-Term Debt rates. The Long-Term Debt rate was adjusted to 4.57% and the Short-
16 Term Debt rate was adjusted to 4.06%.

Inflation

17
18 Q. Did the Company provide an inflation projection in this case?

19 A. Yes, as did Staff. Chart 5 outlines the inflation rates recommended by the Company and
20 Staff:

**QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSEPH E. UFOLLA
U-21793**

1

Chart 5: Inflation Projections

Year	Company (Exhibit A-13 Schedule C12, line 13)	Staff (Exhibit S-4 Schedule D-3.1)
2025	3.00%	2.61%
2026	2.90%	2.58%
2027	2.90%	2.31%

2

3 Q. How does Staff determine its inflation projections?

4 A. Staff uses the average of projections from S&P Global, The Federal Reserve, and the
5 Congressional Budget Office for future years. 2024 and prior years use actual historic
6 data where necessary.

7 Q. Does this conclude your testimony?

8 A. Yes.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

Case No. U-21973

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

EXHIBITS OF
REGULATED ENERGY DIVISION
MICHIGAN PUBLIC SERVICE COMMISSION

March 13, 2026

Michigan Public Service Commission
DTE Gas Company
Projected Rate Base
For the 13-Month Average Period Ending 9/30/2027
(\$000)

Case No.: U-21973
Exhibit: S-2
Schedule: B1
Witness: JJHecht

Line No.	(a) Description	(b) Source	(c) Applicant Projection	(d) Staff Adjustment	(e) Staff Projection
1	Plant in Service	Exh A-12, Sch B2, L6	9,538,931	(35,060)	9,503,871
2	Plant Held for Future Use	Exh A-12, Sch B2, L7	-	-	-
3	Construction Work in Progress	Exh A-12, Sch B2, L8	536,129	-	536,129
4	Total Utility Plant		10,075,060	(35,060)	10,040,000
5	Less: Depreciation Reserve	Exh A-12, Sch B3, L7	2,913,907	1,204	2,915,111
6	Net Utility Plant		7,161,153	(36,264)	7,124,889
7	Net Capital Lease Property	Exh A-12, Sch B4.1, L8	-	-	-
8	Gas Stored Underground - non current	Exh A-12, Sch B4.1, L10	35,303	-	35,303
9	Total Utility Property and Plant	Line 6 + Line 7 + Line 8	7,196,455	(14,356,647)	7,160,191
10	Less: Capital Lease Obligations	Exh A-12, Sch B4.1, L70	-	-	-
11	Net Plant	Line 9 + Line 10	7,196,455	(36,264)	7,160,191
12	Allowance for Working Capital	Exh A-12, Sch B4 , L72	837,168	(6,928)	830,241
13	Total Projected Rate Base	Line 11 + Line 12	8,033,624	(43,192)	7,990,432

Michigan Public Service Commission
DTE Gas Company
Projected Working Capital
For the 13-Month Average Period Ending 9/30/2027
(\$000)

Case No.: U-21973
Exhibit: S-2
Schedule: B4
Witness: JJHecht

Line No.	(a) Description	(b) Applicant Projection	(c) Staff Adjustment	(d) Staff Projection
1	ASSETS			
2	<u>Other Property and Investments</u>			
3	Investment in Blue Lake	12,231	-	12,231
4	Grantors Trust	34,250	-	34,250
5	<u>Current and Accrued Assets</u>			
6	Cash and Special Deposits	7,137	(6,698)	439
7	Temporary Cash Investments	-	-	-
8	Notes Receivable	-	-	-
9	Customer Accounts Receivable	176,065	-	176,065
10	Other Accounts Receivable	10,616	(44)	10,573
11	Less: Uncollectibles	(26,650)	-	(26,650)
12	I/C Notes Receivable	-	-	-
13	I/C Accounts Receivable	10,497	-	10,497
14	Materials and Supplies	38,023	-	38,023
15	Gas In Underground Storage	56,511	-	56,511
16	Prepayments	46,722	-	46,722
17	GCC Deferred Asset	32,392	-	32,392
18	Unbilled Revenue	91,800	-	91,800
19	Other Current Assets	2,685	-	2,685
20	Total Current Assets	<u>445,798</u>	<u>(6,742)</u>	<u>439,056</u>
21	<u>Deferred Debits</u>			
22	Unamortized Loss on Reacquired Debt	5,721	-	5,721
23	Vector Pipeline Lease	32,258	-	32,258
24	Prepaid Pensions	423,251	-	423,251
25	Prepaid OPEB	410,764	-	410,764
26	Renewable Natural Gas Purchases	-	-	-
27	Intangible Asset Carbon Offsets	-	-	-
28	Regulatory Assets - Minimum Pension Liability	1	-	1
29	Regulatory Assets - Environmental	8,822	-	8,822
30	Regulatory Assets - Pension	1,221	-	1,221
31	Regulatory Assets - TCARP	4,924	-	4,924
32	Regulatory Assets - TCARP Demand Charge	805	-	805
33	Regulatory Assets - Demand Response Pilot	552	-	552
34	Regulatory Assets - EWR Uncollectibles	227	-	227
35	Regulatory Assets - EWR	-	-	-
36	Regulatory Assets - Low Income Payment Stability Pilot	806	-	806
37	Regulatory Assets - Shared Asset Deferral Mechanism	10,095	-	10,095
38	Regulatory Assets - Incentive Tracker	4,009	-	4,009
39	Regulatory Asset - Low Income Energy Assistance	4,962	-	4,962
40	Regulatory Asset - Residential Income Assistance	687	-	687
41	Other Deferred Debits	5,629	-	5,629
42	Total Deferred Debits	<u>914,735</u>	<u>-</u>	<u>914,735</u>
43	Total Assets	<u>1,407,013</u>	<u>(6,742)</u>	<u>1,400,272</u>
44	LIABILITIES			
45	<u>Current/Accrued Liabilities</u>			
46	Accounts Payable	201,375	-	201,375
47	I/C Accounts Payable	22,123	186	22,309
48	Customer Deposits	10,704	-	10,704
49	Other Taxes Payable	1,117	-	1,117
50	Income Taxes Payable	(2,735)	-	(2,735)
51	Interest Payable	40,596	-	40,596
52	Inventory Equalization	31,570	-	31,570
53	Non-MGP Environmental Reserve - Current	236	-	236
54	Other Current Liabilities	28,313	-	28,313
55	Total Current Liabilities	<u>333,300</u>	<u>186</u>	<u>333,486</u>
56	<u>Deferred Credits and Reserves</u>			
57	Provision for Injuries and Damages	5,934	-	5,934
58	Non-MGP Environmental Reserve	380	-	380
59	MGP Environmental Insurance Recoveries	-	-	-
60	Regulatory Liability - FAS 158	-	-	-
61	Regulatory Liability - Negative Pension	37	-	37
62	Reg Liability - TCJA	1,640	-	1,640
63	Reg Liability-Other Post Empl Benefits (OPEB)	72,818	-	72,818
64	Reg Liability-Pension Capitalized	55,128	-	55,128
65	Reg Liability-OPEB Capitalized	98,861	-	98,861
66	Reg Liability-Incentive Compensation Tracker	-	-	-
67	Reg Liability - Residential Income Assistance	0	-	0
68	Open	-	-	-
69	Other Deferred Credits	1,747	-	1,747
70	Total Deferred Credits	<u>236,545</u>	<u>-</u>	<u>236,545</u>
71	Total Liabilities	<u>569,845</u>	<u>186</u>	<u>570,031</u>
72	Net Working Capital Requirement	<u>837,168</u>	<u>(6,928)</u>	<u>830,241</u>

MPSC Case No: U-21973

Requester: Staff

Question No.: JJH-3.1a-b

Respondent: T. M. Uzenski

Page: 1 of 1

Question: The 13-month average Cash and Special Deposits balance is \$7,137,000 for period ending 12/31/24 vs. \$314,000 for the 13-month period ending 12/31/22 from the last rate case. Please explain in detail why this increase occurred and if the balance is believed to be an accurate projection for projected test year ending 9/30/27, and if so, why.

a.) The balance ending March 31, 2024 is \$81,043,000. Please describe and explain the key drivers of this higher than usual cash balance and whether the factors that contributed to it are expected to recur during the projected test year or not.

b.) The balance ending November 30, 2024 is \$6,577,000. Please describe and explain the key drivers of this higher than usual cash balance and whether the factors that contributed to it are expected to recur during the projected test year or not.

Answer: The Company had cash on hand at month-end for March and November 2024. Typically, the Company would move the cash to investments or pay down short-term debt or inter-company payables prior to month-end, but due to month-end timing this amount remained in cash on the balance sheet. The temporary balances were cleared in April and December 2024, respectively. These timing issues occur periodically and could recur in the projected period.

Attachment: None.

MPSC Case No: U-21973

Requester: Staff

Question No.: JJH-4.1

Respondent: T. M. Uzenski

Page: 1 of 1

Question: Confirm the portion of the test year 13-mth average for line 10, Other Accounts Receivable, on Company Exhibit A-12, Schedule B4, that is related to the Company's Natural Account 100820 - "Accounts Receivable Other" (previously NonUtility/NonCore) and Natural Account 100835 - "Accounts Receivable SD Other (Non Core)".

Answer:

Natural Account	Description	13 mo. average
100820	Accounts Receivable NonUtility/NonCore	\$ 1,857,640
100835	Accounts Receivable SD Other (Non Core)	43,640
	Total 100820 and 100835	\$ 1,901,280

Please also refer to the Company's response to JJH-4.2 for a further breakdown of these accounts.

Attachment: None.

MPSC Case No: U-21973

Requester: Staff

Question No.: JJH-4.2

Respondent: T. M. Uzenski

Page: 1 of 1

Question: Does the Company agree that the accounts in question one above should be removed from the Company's test year working capital since the balances are the result of transactions not necessary for DTE Gas to provide core utility services to its ratepayers? If the Company does not agree, please provide an explanation and breakdown why.

Answer: Yes. Although these balances are not due from utility customers, a substantial portion relates to amounts due from others related to providing utility service.

The Company asserts that only \$43,630 of the balance within the accounts in question should be considered non-utility. As shown below, \$1,857,640 relates to utility service and should remain in working capital. Removing the \$43,630 from working capital has a negligible impact on the revenue requirement in this proceeding, and the Company included the total account balance consistent with prior rate cases.

Other Accounts Receivable - Accounts 100820 and 100835	
Medco rebates related to prescription drugs	53,914
Michigan Energy Assistance Program (MEAP)	856,652
Contributions for metering projects	14,789
Sales Tax Reclass	128,670
Gas property damage claims due from customers	793,632
Affordable Care Act - reinsurance fee reimbursement	9,983
Subtotal - Utility related	1,857,640
Non-utility related	43,640
Total 100820 and 100835	\$ 1,901,280

Attachment: None.

MPSC Case No: U-21973

Requester: Staff

Question No.: JJH-6.1

Respondent: T. M. Uzenski

Page: 1 of 1

Question: Does DTE Gas Company agree for rate making purposes that any netted receivable and payable balances from its trading partners (associated/related parties) included in working capital should only be related to core utility services netted against core utility services? If the Company disagrees, please provide why.

Answer: Yes.

Attachment: None

MPSC Case No: U-21973

Requester: Staff

Question No.: JJH-6.2

Respondent: T. M. Uzenski

Page: 1 of 1

Question: If the Company agrees for rate making purposes that any netted receivable and payable balances from its trading partners (associated/related parties) included in working capital should only be related to core utility services netted against core utility services, are there any adjustments to the Company's filed working capital balance that would result? If yes, please provide the adjustment amount and calculation of the amount.

Answer: Assuming all payables to affiliates are for core utility service, the adjustment would be an increase in inter-company accounts payable of \$186,000, representing the difference between the net payable reflected in the projected balance sheet and a projection based on a gross payable amount. Adjusting working capital for \$186,000 has a negligible impact on the revenue requirement in this proceeding, and the Company included the total balance consistent with prior rate cases.

Attachment: U-21973 JJH-6.2 Payables to Affiliates

MPSC Case No: U-21973

Requester: Staff

Question No.: JJH-8.1

Respondent: T. M. Uzenski

Page: 1 of 1

Question: Based on the Company's response to Question No. JJH-3.1a-b from Staff Audit Request JJH-3, please recalculate the 13-month average Cash and Special Deposits balance for period ending 12/31/24, removing the temporary balances that were cleared in April and December 2024 from the March and November respectively 2024 balances, respectively.

Answer: The recalculated 13-month average Cash and Special Deposits balance for the period ending 12/31/24, after removing the temporary balances from March and November, is \$439K.

Attachment: None

Michigan Public Service Commission
DTE Gas Company
Projected Revenue Deficiency (Sufficiency)
Projected 12 Month Period Ending September 30, 2027
(\$000)

Case No.: U-21973
 Exhibit: S-1
 Schedule: A1
 Witness: RFNichols

Line No.	(a) Description	(b) Source	(c) Applicant Projection	(d) Staff Adjustment	(e) Staff Projection
1	Rate Base	Exh. A-12, Sch. B1	\$ 8,033,624	\$ (43,192)	\$ 7,990,432
2	Projected Net Operating Income	Exh.A-13, Sch. C1	320,846	38,842	359,688
3	Overall Rate of Return	Line 2 ÷ Line 1	3.99%	0.51%	4.50%
4	Required Rate of Return	Exh. A-14, Sch. D1	6.18%	-0.26%	5.91%
5	Income Required	Line 1 x Line 4	\$ 496,132	\$ (23,669)	\$ 472,463
6	Income Deficiency / (Sufficiency)	Line 5 - Line 2	\$ 175,286	\$ (62,511)	\$ 112,775
7	Revenue Conversion Factor	Exh. A-13, Sch. C2	1.3547	0.0000	1.3547
8	Base Revenue Deficiency / (Sufficiency)	Line 6 x Line 7	\$ 237,460	\$ (84,685)	\$ 152,775
9	Impact due to IRM Roll-in to Rate Base	Ex. A-11, Sch. A1.1	\$ (74,798)	\$ -	\$ (74,798)
10	Net Revenue Deficiency / (Sufficiency)	Line 8 + Line 9	\$ 162,662	\$ (84,685)	\$ 77,978

Michigan Public Service Commission
DTE Gas Company
Infrastructure Recovery Mechanism
Revenue Deficiency Impact of IRM Asset Roll-in
(\$000)

Case No.: U-21973
Exhibit: S-1
Schedule: A1.1
Witness: RFNichols
Page: 1 of 2

Line No.	Description	Source	Year 1 2025	Year 2 2026	Year 3 2027	Total
1	Capital Investment					
2	Main Replacement	(1)	240,000	240,000		480,000
3	Meter Move-out	(1)	47,545	47,545		95,090
4	Pipeline Integrity	(1)	23,060	13,400		36,460
5	Cathodic Protection	(1)	0	0		0
6	Total Capital Investment	Sum of L2 thru L5	310,605	300,945	0	611,550
7						
8						
9	Net Rate Base					
10	Cumulative Capital Investment	Prior Yr plus L6	310,605	611,550	611,550	
11	Accumulated Depreciation	Prior Yr plus - L18	(3,298)	(13,088)	(26,073)	
12	Accum. Deferred Taxes	P2, L7	(2,188)	(8,454)	(16,178)	
13	Ending Net Rate Base	Sum of L10 thru L12	305,120	590,008	569,300	
14	Average Net Rate Base	L13 (PY+CY)/2	152,560	447,564	579,654	
15						
16	Total Cost of Service					
17	Return on Net Rate Base	L14 * 8.86% (2)	13,517	39,654	51,357	104,527
18	Depreciation (1/2 yr conv.)	(3)	3,298	9,790	12,985	26,073
19	Property Taxes	P2, L33	0	8,449	16,091	24,540
20	Total Cost of Service (COS) Requirement	Sum of L17 thru L19	16,814	57,893	80,432	155,140
21						
22	Months in Projected Test Year			3	9	
23						
24	IRM Roll-in for Revenue Deficiency			14,473	60,324	74,798

(1) IRM capital spend through 2026 as approved in U-21291 order

(2) Pre-tax rate of return from on permanent capital from U-21291 order

	Weighted Cost	Pre-tax Multiplier	Pre-tax Rate of Return
Long-Term Debt	2.22%	1.000	2.22%
Common Equity	4.90%	1.355	6.64%
Total	7.12%		8.86%

(3) Depreciation rates based on the ordered rates within 2023 DTE Gas Depreciation Case U-21384:

		Depr. Rate	Total Spend	Weighting
Main Renewal	Distribution Mains-Plastic	2.05%	480,000	78.49%
Meter Moveout	Distribution Meters	2.74%	95,090	15.55%
Pipeline Integrity	Transmission Mains	1.48%	36,460	5.96%
Cathodic Protection	Distribution Mains - Metallic	2.27%	-	0.00%
	Weighted Rate	2.12%	611,550	100.00%

Michigan Public Service Commission
DTE Gas Company
Infrastructure Recovery Mechanism
Revenue Deficiency Impact of IRM Asset Roll-in
(\$000)

Case No.: U-21973
Exhibit: S-1
Schedule: A1.1
Witness: RFNichols
Page: 2 of 2

Line No.	Description	Source	Year 1 2025	Year 2 2026	Year 3 2027
1	Deferred Tax Expense				
2	Tax Depreciation	Line 19	11,648	33,708	42,464
3	Book Depreciation	P1, L18	<u>3,298</u>	<u>9,790</u>	<u>12,985</u>
4	Timing Difference	Line 2 - Line 3	8,350	23,918	29,479
5	Deferred Tax Expense	Line 4 X 26.2%	<u>2,188</u>	<u>6,266</u>	<u>7,723</u>
6					
7	Accum. Deferred Tax Expense	Prior Yr plus L5	2,188	8,454	16,178
8					
9					
10					
11	Tax Depreciation		Year 1	Year 2	Year 3
12	MACRS Tax Depr Rate (20 Year)		3.750%	7.219%	6.677%
13					
14	Year 1 Additions	Cost x MACRS Tax Rate	11,648	22,423	20,739
15	Year 2 Additions	Cost x MACRS Tax Rate		11,285	21,725
16	Year 3 Additions	Cost x MACRS Tax Rate			0
17	Year 4 Additions	Cost x MACRS Tax Rate			
18	Year 5 Additions	Cost x MACRS Tax Rate	0	0	0
19	Total Tax Depreciation	Sum of L14 thru L18	<u>11,648</u>	<u>33,708</u>	<u>42,464</u>
20					
21					
22	Property Tax		Year 1	Year 2	Year 3
23	Factor	WP-SLW-1 (1)	93.000%	87.000%	81.000%
24					
25	Year 1 Taxable Value	Cost x Factor x 50%	144,431	135,113	125,795
26	Year 2 Taxable Value	Cost x Factor x 50%		139,939	130,911
27	Year 3 Taxable Value	Cost x Factor x 50%			0
28	Year 4 Taxable Value	Cost x Factor x 50%			
29	Year 5 Taxable Value	Cost x Factor x 50%	0	0	0
30	Total Taxable Value	Sum of L25 thru L29	<u>144,431</u>	<u>275,053</u>	<u>256,706</u>
31	Millage	Exh. A-13, Sch C7.1 (1)	58.5000	58.5000	58.5000
32	Property Tax Assessed	L30 x L31	\$ 8,449	\$ 16,091	\$ 15,017
33	Property Tax Expense (Year lag)			\$ 8,449	\$ 16,091

(1) As filed and approved in U-21291

Michigan Public Service Commission
DTE Gas Company
Projected Net Operating Income
Projected 12 Month Period Ending September 30, 2027
(\$000)

Case No.: U-21973
 Exhibit: S-3
 Schedule: C1
 Witness: RFNichols

Line No.	(a) Description	(b) Source	(c) Applicant Projection	(d) Staff Adjustment	(e) Staff Projection
<u>Operating Revenues</u>					
1	Distribution Revenues	Exh. A-13, Sch. C3	1,060,105	22,992	1,083,097
2	Third Party Transportation & Storage	Exh. A-13, Sch. C3	135,090	-	135,090
3	Other Operating Revenues	Exh. A-13, Sch. C3	149,830	-	149,830
4	Total Operating Revenues		<u>1,345,025</u>	<u>22,992</u>	<u>1,368,017</u>
<u>Operating Expenses</u>					
6	Cost of Gas Sold		-	18,436	18,436
7	Company Use & Lost Gas	Exh. A-15, Sch. E8	27,838	-	27,838
8	Operation & Maintenance	Exh. A-13, Sch. C5	543,793	(46,558)	497,235
9	Gas Uncollectibles	Exh. A-13, Sch. C5.4	23,540	-	23,540
10	Depreciation and Amortization	Exh. A-13, Sch. C6	250,438	(1,937)	248,501
11	Property Taxes	Exh. A-13, Sch. C7	132,466	(325)	132,140
12	Other General Taxes	Exh. A-13, Sch. C7	17,362	-	17,362
13	State and Local Income Taxes	Exh. A-13, Sch. C9	14,168	3,642	17,810
14	Federal Income Taxes	Exh. A-13, Sch. C8	25,677	10,893	36,570
15	Other Income/(Ded.)-Customer Deposit Interest		535	-	535
16	Total Operating Expenses		<u>1,035,817</u>	<u>(15,850)</u>	<u>1,019,967</u>
17	Net Operating Income		309,208	38,842	348,050
<u>Operating Income Adjustments</u>					
19	Allowance for Funds Used During Construction	Exh. A-13, Sch. C11	12,988	-	12,988
20	Loss on Reacquired Securities	Exh. A-13, Sch. C14	(1,350)	-	(1,350)
21	Total Operating Income Adjustments		<u>11,638</u>	<u>-</u>	<u>11,638</u>
22	Total Net Operating Income		<u>320,846</u>	<u>38,842</u>	<u>359,688</u>

Michigan Public Service Commission
DTE Gas Company
Development of Projected Net Operating Income
Projected 12 Month Period Ending September 30, 2027
(\$000)

Case No.: U-21973
Exhibit: S-3
Schedule: C1.1
Witness: RFNichols
Page: 1 of 1

Line No.	(a) Description (Witness)	Revenue				Expenses											NOI			
		(b) Distribution Revenue	(c) Transport Revenue	(d) Other Operating Revenue	(e) Total	(f) Cost of Gas Sold	(g) Company Use & Lost Gas	(h) O&M	(i) Gas Uncollectibles	(j) Depreciation & Amort.	(k) Property Taxes	(l) Other General Taxes	(m) State & Local Income Tax	(n) FIT	(o) Other - Cust. Dep Interest	(p) Total	(q) NOI	(r) AFUDC	(s) Reacquired Securities	(t) Adjusted NOI
1	Company Filed Operating Income	1,060,105	135,090	149,830	1,345,025	-	27,838	543,793	23,540	250,438	132,466	17,362	14,168	25,677	535	1,035,817	309,208	12,988	(1,350)	320,846
Adjustments																				
2	Sales Revenue (Braunschweig)	22,466			22,466							1,474	4,408		5,882	16,584			16,584	
3	Cost of Gas (Braunschweig)				-	18,436						(1,209)	(3,618)		13,609	(13,609)			(13,609)	
4	RIA Revenue (Braunschweig)	526			526							34	103		138	388			388	
5					-							-	-		-	-			-	
6	Advanced Leak Detection O&M (Martus)				-			(4,365)				286	856		(3,222)	3,222			3,222	
7					-							-	-		-	-			-	
8	IT O&M (Rogers)				-			(2,130)				140	418		(1,572)	1,572			1,572	
9	IFS Mobile Work Management (MWM) Enhancements (Rogers)				-			(113)				7	22		(84)	84			84	
10	IT Level 3 cost estimate O&M (Rogers)				-			(85)				6	17		(63)	63			63	
11	Shared Assets (Rogers)				-							-	-		-	-			-	
12					-							-	-		-	-			-	
13	Customer Service O&M 2025 (Klocke)				-			(1,396)				92	274		(1,030)	1,030			1,030	
14	Customer Service O&M 2026 (Klocke)				-			(1,390)				91	273		(1,026)	1,026			1,026	
15	Customer Service O&M, 9 months ending 9/30/2027 (Klocke)				-			(14,492)				951	2,844		(10,697)	10,697			10,697	
16	Customer Service O&M, Line 5 (FERC 903), Contact Center Operations ST Labor,				-			(393)				26	77		(290)	290			290	
17					-							-	-		-	-			-	
18					-							-	-		-	-			-	
19					-							-	-		-	-			-	
20					-							-	-		-	-			-	
21					-							-	-		-	-			-	
22	Incentive Compensation (Nichols)				-			(11,047)				725	2,168		(8,155)	8,155			8,155	
23	Restricted Stock (Nichols)				-			(1,862)				122	365		(1,374)	1,374			1,374	
24					-							-	-		-	-			-	
25	Inflation (Rueckert)				-			(3,126)				205	613		(2,308)	2,308			2,308	
26	(926) VEBA (Rueckert)				-			(264)				17	52		(195)	195			195	
27	(926) ESP (Rueckert)				-			(1,635)				107	321		(1,207)	1,207			1,207	
28	(926) Active Healthcare (Rueckert)				-			(3,602)				236	707		(2,659)	2,659			2,659	
29	(926) Other Employee Benefits (Rueckert)				-			(658)				43	129		(486)	486			486	
30					-							-	-		-	-			-	
31					-							-	-		-	-			-	
32					-							-	-		-	-			-	
33					-							-	-		-	-			-	
34	Impact of Cap Ex Adj on Prop. Tax & Depr. (Hecht)				-					(1,937)	(325)	148	444		(1,670)	1,670			1,670	
35					-							-	-		-	-			-	
36	Proforma Interest (Nichols)				-							140	419		559	(559)			(559)	
37	Interest Synchronization (Nichols)				-							-	-		-	-			-	
38	Total Adjustments	22,992	-	-	22,992	18,436	-	(46,558)	-	(1,937)	(325)	-	3,642	10,893	-	(15,850)	38,842	-	-	38,842
39	Staff NOI - Test Year	<u>1,083,097</u>	<u>135,090</u>	<u>149,830</u>	<u>1,368,017</u>	<u>18,436</u>	<u>27,838</u>	<u>497,235</u>	<u>23,540</u>	<u>248,501</u>	<u>132,140</u>	<u>17,362</u>	<u>17,810</u>	<u>36,570</u>	<u>535</u>	<u>1,019,967</u>	<u>348,050</u>	<u>12,988</u>	<u>(1,350)</u>	<u>359,688</u>

Michigan Public Service Commission
DTE Gas Company
Projected Tax Effect of Interest Allowed in Ratemaking Formula
Projected 12 Month Period Ending September 30, 2027
(\$000)

Case No.: U-21973
Exhibit: S-3
Schedule: C15
Witness: RFNichols

Line No.	(a) Description	(b) Projected 9/30/2027	(c) Source
1	Rate Base	\$ 7,990,432	Exh. S-2, Sch. B1
2	Weighted Cost of Debt (1)	<u>1.91%</u>	Exh. , Sch.
3	Interest Allowed in Ratemaking Formula	\$ 152,817	Line 1 x Line 2
4	Applicant Projection	<u>154,953</u>	WP-KMV-2
5	Increase / (Decrease) in Interest Deduction	\$ (2,136)	Line 3 - Line 4
6	Composite State and Local Income Tax Rate	<u>6.56%</u>	Exh. S-3, Sch. C2
7	Effect on State and Local Income Tax Expense	<u>\$ 140</u>	(Line 5 x Line 6) x -1
8	Effect on Federal Taxable Income	\$ 1,996	(Line 5 + Line 7) x -1
9	Federal Income Tax Rate	<u>21.00%</u>	Exh. S-3, Sch. C2
10	Effect on Federal Income Tax Expense	<u>\$ 419</u>	Line 8 x Line 9
11	Total Tax Effect on Net Operating Income	<u>\$ (559)</u>	(Line 7 + Line 10) x -1

(1) Includes Short and Long-Term Interest

Michigan Public Service Commission
DTE Gas Company
Projected Tax Effect of Interest Synchronization Adjustment
Projected 12 Month Period Ending September 30, 2027
(\$000)

Case No.: U-21973
Exhibit: S-3
Schedule: C16
Witness: RFNichols

Line No.	(a) Description	(c) Projected 9/30/2027	(d) Source
1	Rate Base	\$ 7,990,432	Exh. S-2, Sch. B1
2	JDITC Portion of Capital Structure	- %	Exh. , Sch.
3	Portion of Rate Base Funded by JDITC	\$ -	Line 1 x Line 2
4	Debt Cost Included in Return on JDITC	4.57%	Exh. , Sch.
5	Interest Amount	\$ -	Line 3 x Line 4
6	Composite Local and State Income Tax Rate	6.56%	Exh. S-3, Sch. C2
7	Effect on State Income and Local Tax	\$ -	(Line 5 x Line 6) x -1
8	Effect on Federal Taxable Income	\$ -	(Line 5 + Line 7) x -1
9	Federal Income Tax Rate	21.00%	Exh. S-3, Sch. C2
10	Effect on Federal Income Taxes	\$ -	Line 8 x Line 9
11	Synchronization Tax Adjustment to NOI	\$ -	(Line 7 + Line 10) x -1

MICHIGAN PUBLIC SERVICE COMMISSION
DTE Gas Company
Projected O&M Inflation and Account 926 Expenses
for the Projected Test-Period Ending September 30, 2027
(000's)

Case No: U-21973
Exhibit No: S-14
Page: 1 of 1
Witness: S.Rueckert
Date: 3/13/2026

	(a.)	(b.)	(c.)	(d.)	(e.)
Ln.	Description	Source	Company Projection	Adjustment	Staff Projection
1	Inflation	A-13 C5, S-14.1	\$ 27,570	\$ (3,126)	\$ 24,443
2	VEBA	A-13 C5.9, S-14.2	\$ 3,198	\$ (264)	\$ 2,934
3	Employee Savings Plan (ESP)	A-13 C5.9, S-14.2	\$ 13,266	\$ (1,635)	\$ 11,631
4	Total Active Healthcare	A-13 C5.9, S-14.2	\$ 20,759	\$ (3,602)	\$ 17,157
5	Other Employee Benefits	A-13 C5.9, S-14.2	\$ 6,596	\$ (758)	\$ 5,838

Michigan Public Service Commission
DTE Gas Company
Projected Operation and Maintenance Inflation Summary
for the Projected Test-Period Ending September 30, 2027
(\$000)

Case No: U-21973
Exhibit No: S-14.1
Page: 1 of 1
Witness: S.Rueckert
Date: 3/13/2026

Line No.	(a) Description	(b) Exhibit Source A-13	(c) Inflation Basis	(d)	(e)	(f)	(g)	(h)	(i)
				1/1/25 - 12/31/25 Inflation	1/1/26 - 12/31/26 Inflation	1/1/27 - 9/30/27 Inflation	Total Staff Projected Inflation	Total Company Projected Inflation	Inflation Adjustment
							sum (d) thru (f)	Ex. A-13, Sch. C5 sum col. (g) thru (i)	col. (g)- col. (h)
1	Natural Gas Storage	C5.1	10,747	281	285	196	761	891	(130)
2	Transmission	C5.2	54,100	1,413	1,432	984	3,830	4,486	(656)
3	Distribution *	C5.3	116,153	3,139	3,168	2,245	8,552	9,633	(1,081)
4	Customer Service *	C5.4	53,674	1,396	1,390	1,073	3,859	3,859	0
5	Marketing	C5.5	51,033	1,333	1,351	929	3,613	4,231	(618)
6	Administrative and General *	C5.6	52,481	1,371	1,390	955	3,829	4,470	(641)
7	Total Operation and Maintenance Inflation		338,188	8,932	9,016	6,381	24,443	27,570	(3,126)
8	Staff Inflation Rates			1/1/25 - 12/31/25	1/1/26 - 12/31/26	1/1/27 - 9/30/27			
9	Exhibit S-4 Schedule D-3.1			2.61%	2.58%	2.31%			
10	No. of Months in Period			12	12	9			
11	Pro-rated Inflation Rate			2.61%	2.58%	1.73%			

*Note

- 3 Distribution - adjustment excluded from C5.3 In. 5 Mains & Services Expenses
- 4 Customer Service - C5.4 excluded due to an alternative adjustment supported by Staff witness Klocke
- 6 Administrative and General - totals include inflation on Other Adjustments Intercompany Rents; Staff = \$114, Company = \$118

MICHIGAN PUBLIC SERVICE COMMISSION

DTE Gas Company

VEBA, Employee Savings Plan, Active Healthcare, and Other Benefits Expenses
for the Projected Test-Period Ending September 30, 2027
(\$000)

Case No: U-21973
Exhibit No: S-14.2
Page: 1 of 1
Witness: S.Rueckert
Date: 3/13/2026

Ln.	(a.) Description	(b.) Source	(c.) Historic 2024	(d.) Normalization Adjustments	(e.) 2025	(f.) 2026	(g.) January 01, 2027-September 30, 2027
1	VEBA	S-14.3 ln. 2, col. g	\$ 3,579	\$ 502	\$ 4,303	\$ 4,537	\$ 4,723
					(ln.1, col. c + col. d) * (1+ln. 2, col. e)	(ln. 1, col. e* (1+ln. 2, col. f))	(ln.1, col. f * (1+ln. 2, col. g))
2	Average Annual Growth Rate	S-14.3 ln. 10, col. h			5.45%	5.45%	4.08%
3	Percent Charged to O&M	S-14.3 ln.2, col. h					62.12%
4	Staff Projection	ln.1, col. g * (1+ln. 3, col. g)					\$ 2,934
5	Company Projection	A-13, C5.9, p.2					\$ 3,198
6	Staff Adjustment	ln. 4, col. g - ln. 5, col. g					\$ (264)
7	Employee Savings Plan (ESP)	S-14.3 ln. 3, col. g	\$ 16,979	\$	\$ 17,786	\$ 18,631	\$ 19,296
					(ln.7, col. c * (1+ln. 8, col. e))	(ln. 7, col. e * (1+ln. 8, col. f))	(ln. 7, col. f * (1+ln. 8, col. g))
8	Average Annual Growth Rate	S-14.3 ln. 11, col. h			4.75%	4.75%	3.56%
9	Percent Charged to O&M	S-14.3 ln.3, col. h					60%
10	Staff Projection	ln.7, col. g * (1+ln. 9, col. g)					\$ 11,631
11	Company Projection	A-13, C5.9					\$ 13,266
12	Staff Adjustment	ln.10, col. g - ln.11, col. g					\$ (1,635)
13	Total Active Healthcare	S-14.3 ln. 4, col. g	\$ 27,637	\$	\$ 27,954	\$ 28,275	\$ 28,519
					(ln. 13, col. c * (1+ln. 14, col. e))	(ln. 13, col. e * (1+ln. 14, col. f))	(ln. 13, col. f * (1+ln. 14, col. g))
14	Average Annual Growth Rate	S-14.3 ln. 12, col. h					1.15%
15	Percent Charged to O&M	S-14.3 ln.4, col. h					60%
16	Staff Projection	ln.13, col. g * (1+ln. 15, col. g)					\$ 17,157
17	Company Projection	A-13, C5.9					\$ 20,759
18	Staff Adjustment	ln. 16, col. g - ln. 17, col. g					\$ (3,602)
19	2024 Other Employee Benefits	A-13, C5.9					\$ 6,376
20	Temporary Items	A-13, C5.10					1,001
21	Normalization Adjustments	A-13, C5.11					(1,508)
22	VSIP Disallowance	A-13, C5.12					49
23	Lag Hiring Disallowance	A-13, C5.13					(80)
24	Projected Other Employee Benefits	Sum (ln.19 though 23)					\$ 5,838
25	Company Projection	A-13, C5.9					\$ 6,596
26	Staff Adjustment	ln. 24, col. g - ln. 25, col. g					\$ (758)

MICHIGAN PUBLIC SERVICE COMMISSION
DTE Gas Company
VEBA, Employee Savings Plan, and Other Benefits
Average Annual Growth Rates (AAGR)
(\$000)

Case No: U-21973
Exhibit No: S-14.3
Page: 1 of 1
Witness: S.Rueckert
Date: 3/13/2026

Line No.	(a) Description	(b) 2019	(c) 2020	(d) 2021	(e) 2022	(f) 2023	(g) 2024	(h) Percent Charged to O&M 2024
1	<u>Total Benefits before Capitalization</u>							
2	New Hire VEBA	\$ 2,825	\$ 3,160	\$ 3,830	\$ 3,823	\$ 3,368	\$ 3,579	62.1%
3	Employee Savings Plan	\$ 13,486	\$ 14,693	\$ 15,665	\$ 16,274	\$ 16,845	\$ 16,979	60.3%
4	Active Healthcare	\$ 26,201	\$ 28,525	\$ 28,143	\$ 28,475	\$ 27,991	\$ 27,637	60.2%
5	Other Employee Benefits	\$ 9,194	\$ 11,087	\$ 9,521	\$ 5,750	\$ 7,924	\$ 7,299	
6	<u>Benefits O&M Expense</u>							
7	Other Employee Benefits	\$ 6,979	\$ 8,769	\$ 6,870	\$ 3,658	\$ 5,652	\$ 4,991	
8	Other Employee Benefits in Rates		\$ 7,794	\$ 7,631	\$ 7,114	\$ 7,114	\$ 7,117	
9	<u>Annual Change</u>							<u>Five-Year Average Annual Growth Rate</u>
10	New Hire VEBA		11.8%	21.2%	(0.2)%	(11.9)%	6.3%	5.4%
11	Employee Savings Plan		9.0%	6.6%	3.9%	3.5%	0.8%	4.8%
12	Total Active Healthcare		8.9%	(1.3)%	1.2%	(1.7)%	(1.3)%	1.1%
13	Total Other Employee Benefits		20.6%	(14.1)%	(39.6)%	37.8%	(7.9)%	(0.6)%

Line No.	(a) Description	(b) Calculation	(c)	(d)
1	<u>5/ New Hire VEBA 2017-2023</u>			
2	True-ups			
3	2018	(246,784)		
4	2019	(125,421)		
5	2020	(206,309)		
6	2021	104,278		
7	2022	(457,398)		
5		(186,327)		
6	2024	(688,214)		
7	Excess True-up	501,888		
8	2024 % Expensed	62.1%		
9	Impact on DTE Gas O&M	311,672		
10	<u>6/ Employee Savings Plan</u>			
11	2024 Forfeitures	(1,718,802)		
12	Allocable to Gas - 2024	21.69%		
13				
14	DTE Gas Reduction	(372,805)		
15				
16	2024 % Expensed	60.28%		
17	Impact on DTE Gas O&M	(224,727)		
18	<u>7/ Employee Payments (27 pay periods)</u>			
19		29-Dec-24	Proportion	Impact on
20		Payments	Expensed	Expense
21	Medical	329,591	60.2%	198,384
22	Dental	15,917	60.2%	9,585
23	Vision	2,401	54.6%	1,311
24	Life Insurance	37,039	60.9%	22,548
25	Total	384,949		231,828

DTE Gas Company
Staff Overall Ratemaking Capital Structure
Recommended for Test Year Ending September 30, 2027

Case No: U-21973
Witness: J. E. Ufolla
Exhibit No: S-4
Schedule No: D-1
Date: 3/13/2026
Page: 1 of 1

Line	Description	Amount (\$000)	Permanent Ratio	Total Capital Ratio	Cost Rate	Weighted Cost	Conversion Factor	Pre-Tax Weighted Cost
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	Long-Term Debt	\$ 3,279,326	50.00%	40.82%	4.57%	1.87%	1.0000	1.87%
2	Preferred Stock	\$0	0.00%	0.00%	0.00%	0.00%	1.3550	0.00%
3	Common Equity	\$ 3,279,326	50.00%	40.82%	9.80%	4.00%	1.3550	5.42%
4	Total Permanent Capital	<u>\$6,558,652</u>	<u>100.00%</u>					
5	Short-Term Debt	\$91,581		1.14%	4.06%	0.05%	1.0000	0.05%
6	Deferred FIT	\$1,383,391		17.22%	0.00%	0.00%	1.0000	0.00%
7	ITC							
8	Def ITC - Long Term Debt	\$0		0.00%	4.57%	0.00%	1.0000	0.00%
9	Def ITC - Preferred Stock	\$0		0.00%	0.00%	0.00%	1.3550	0.00%
10	Def ITC - Common Equity	\$0		0.00%	9.80%	0.00%	1.3550	0.00%
11	Total ITC	<u>\$0</u>				<u>0.00%</u>		<u>0.00%</u>
12	Total Capitalization	<u><u>\$8,033,624</u></u>		<u>100.00%</u>		<u>5.91%</u>		<u>7.33%</u>

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	
Line No.	Issue Name	Original Issue Date	Stated Maturity	Interest Rate	Amount of Offering (\$)	Price to Public (%)	Expenses of Financing (%)	Net Proceeds to the Company (%)	Cost Based On Net Proceeds (%)	Amount Outstanding (\$)	Annual Cost (\$)
1	2003 Series A	2/20/2003	3/15/2033	5.70%	200,000,000	100%	0.949%	98.688%	5.792%	200,000,000	11,584,517
2	2008 Series F	6/26/2008	6/15/2028	6.78%	75,000,000	100%	0.695%	99.305%	6.844%	75,000,000	5,133,066
3	2012 Series D	12/12/2012	12/15/2042	3.92%	70,000,000	100%	0.782%	99.218%	3.965%	70,000,000	2,775,343
4	2013 Series E	12/12/2013	12/15/2028	3.94%	50,000,000	100%	0.614%	99.386%	3.995%	50,000,000	1,997,396
5	2014 Series F	12/16/2014	12/15/2044	4.35%	150,000,000	100%	0.580%	99.420%	4.385%	150,000,000	6,577,443
6	2015 Series D	8/27/2015	9/1/2045	4.21%	125,000,000	100%	0.576%	99.424%	4.244%	125,000,000	5,305,150
7	2016 Series G	12/15/2016	12/15/2046	4.07%	125,000,000	100%	0.602%	99.398%	4.105%	125,000,000	5,131,373
8	2017 Series C	9/20/2017	10/1/2029	3.08%	40,000,000	100%	0.685%	99.315%	3.149%	40,000,000	1,259,512
9	2017 Series D	9/20/2017	10/1/2047	3.75%	40,000,000	100%	0.685%	99.315%	3.788%	40,000,000	1,515,334
10	2018 Series B	8/23/2018	9/1/2028	3.81%	195,000,000	100%	0.558%	99.442%	3.878%	195,000,000	7,561,463
11	2018 Series C	8/23/2018	9/1/2048	4.14%	125,000,000	100%	0.558%	99.442%	4.173%	125,000,000	5,215,919
12	2019 Series D	10/3/2019	10/1/2029	2.95%	140,000,000	100%	0.563%	99.437%	3.016%	140,000,000	4,221,872
13	2019 Series E	10/3/2019	10/1/2049	3.72%	140,000,000	100%	0.563%	99.437%	3.751%	140,000,000	5,251,965
14	2020 Series E	8/26/2020	9/1/2030	2.35%	125,000,000	100%	0.587%	99.413%	2.416%	125,000,000	3,020,398
15	2020 Series B	8/26/2020	9/1/2050	3.20%	125,000,000	100%	0.587%	99.413%	3.231%	125,000,000	4,038,341
16	2021 Series C	11/16/2021	12/1/2031	2.07%	60,000,000	100%	0.630%	99.370%	2.140%	60,000,000	1,284,038
17	2021 Series D	11/16/2021	12/1/2051	2.85%	95,000,000	100%	0.630%	99.370%	2.881%	95,000,000	2,737,395
18	2022 Series C	9/29/2022	10/1/2032	4.76%	130,000,000	100%	0.586%	99.414%	4.835%	130,000,000	6,284,955
19	2022 Series D	9/29/2022	10/1/2052	5.05%	130,000,000	100%	0.586%	99.414%	5.088%	130,000,000	6,614,796
20	2023 Series E	10/5/2023	10/1/2030	5.57%	150,000,000	100%	0.601%	99.399%	5.675%	150,000,000	8,512,708
21	2023 Series F	10/5/2023	10/1/2035	5.73%	145,000,000	100%	0.599%	99.401%	5.800%	145,000,000	8,409,924
22	2024 Series F	10/22/2024	11/1/2034	4.87%	160,000,000	100%	0.580%	99.420%	4.944%	160,000,000	7,910,320
23	2024 Series G	10/22/2024	11/1/2054	5.43%	160,000,000	100%	0.580%	99.420%	5.469%	160,000,000	8,751,138
24	2025 Series E	9/23/2025	10/1/2031	4.71%	50,000,000	100%	0.700%	99.300%	4.845%	50,000,000	2,422,589
25	2025 Series F	9/23/2025	10/1/2037	5.36%	75,000,000	100%	0.700%	99.300%	5.440%	75,000,000	4,079,934
26	2025 Series G	9/23/2025	10/1/2055	5.96%	135,000,000	100%	0.700%	99.300%	6.010%	135,000,000	8,114,166
27	2026 Series A	9/1/2026	9/1/2056	5.58%	191,000,000	100%	0.700%	99.300%	5.629%	191,000,000	10,750,608
28	2027 Series A	9/1/2027	9/1/2057	5.44%	150,000,000	100%	0.700%	99.300%	5.488%	150,000,000	8,231,766
									4.572%	3,218,500,000	147,147,644

S&P Key Interest Rate Forecast Tables

Date	2026 Yield	2027 Yield
January 2026	4.529%	4.382%
December 2025	4.530%	4.382%
November 2025	4.544%	4.401%
Average	4.53%	4.39%

Case No: U-21973

Witness: J. E. Ufolla

Exhibit No: S-4

Schedule No: D-3

Date: 3/13/2026

Page: 1 of 1

DTE Gas Company

Cost of Short-Term Debt

Projected 12 Months Ending September 30, 2027

(a) <u>Line</u>	(b) <u>Description</u>	(c) <u>Average Short Term Debt Balance (\$000)</u>	(d) <u>Cost Rate</u>	(e) <u>Total Cost</u>
1	Base Rate (SOFR)	\$ 91,581	3.15%	\$ 2,883
2	Spread		0.20%	\$ 183
3	Credit Fees			<u>\$ 648</u>
4	Cost	<u>\$ 91,581</u>	<u>4.06%</u>	<u>\$ 3,714</u>

S&P Key Interest Rate Forecast Tables

Date	2026 SOFR	2027 SOFR
Jan-26	3.393%	3.07%
Dec-25	3.373%	3.07%
Nov-25	3.375%	3.07%
Average	3.380%	3.071%

20 basis point spread - Lepczyk Testimony p. 18

DTE Gas Company
 Staff's Inflation Rate Forecast
 For Test Year Ended September 30, 2027

(a) Line No.	(b) Source	(c) 2025	(d) 2026	(e) 2027	(f) Notes
1	S&P Global	2.70%	2.90%	2.50%	US Economic Outlook Tables (November 2025)
2	Federal Reserve*	2.90%	2.40%	2.10%	FOMC Projections (December 2025)
3	Congressional Budget Office	2.24%	2.44%	2.32%	The Budget and Economic Outlook (January 2025)
4	Average	2.61%	2.58%	2.31%	

Actual Inflation Rates

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	AVE.
2025	3.00%	2.82%	2.39%	2.31%	2.35%	2.67%	2.70%	2.92%	3.01%				2.69%
2024	3.09%	3.15%	3.48%	3.36%	3.27%	2.97%	2.89%	2.53%	2.44%	2.60%	2.75%	2.89%	2.95%
2023	6.41%	6.04%	4.98%	4.93%	4.05%	2.97%	3.18%	3.67%	3.70%	3.24%	3.14%	2.3.35%	4.12%
2022	7.48%	7.87%	8.54%	8.26%	8.58%	9.06%	8.52%	8.26%	8.20%	7.75%	7.11%	6.45%	8.01%
2021	1.40%	1.68%	2.62%	4.16%	1.99%	5.39%	5.37%	5.25%	5.39%	6.22%	6.81%	7.04%	4.70%
2020	2.49%	2.33%	1.54%	0.33%	0.12%	0.65%	0.99%	1.31%	1.37%	1.18%	1.17%	1.36%	1.24%
2019	1.55%	1.52%	1.86%	2.00%	1.79%	1.65%	1.81%	1.75%	1.71%	1.76%	2.05%	2.29%	1.81%
2018	2.07%	2.21%	2.36%	2.46%	2.80%	2.87%	2.95%	2.70%	2.28%	2.52%	2.18%	1.91%	2.44%
2017	2.50%	2.74%	2.38%	2.20%	1.87%	1.63%	1.73%	1.94%	2.23%	2.04%	2.20%	2.11%	2.13%
2016	1.37%	1.02%	0.85%	1.13%	1.02%	1.00%	0.83%	1.06%	1.46%	1.64%	1.69%	2.07%	1.26%
2015	-0.09%	-0.03%	-0.07%	-0.20%	-0.04%	0.12%	0.17%	0.20%	-0.04%	0.17%	0.50%	0.73%	0.12%
2014	1.58%	1.13%	1.51%	1.95%	2.13%	2.07%	1.99%	1.70%	1.66%	1.66%	1.32%	0.76%	1.62%
2013	1.59%	1.98%	1.47%	1.06%	1.36%	1.75%	1.96%	1.52%	1.18%	0.96%	1.24%	1.50%	1.47%
2012	2.93%	2.87%	2.65%	2.30%	1.70%	1.66%	1.41%	1.69%	1.99%	2.16%	1.76%	1.74%	2.07%
2011	1.63%	2.11%	2.68%	3.16%	3.57%	3.56%	3.63%	3.77%	3.87%	3.53%	3.39%	2.96%	3.16%
2010	2.63%	2.14%	2.31%	2.24%	2.02%	1.05%	1.24%	1.15%	1.14%	1.17%	1.14%	1.50%	1.64%
2009	0.03%	0.24%	-0.38%	-0.74%	-1.28%	-1.43%	-2.10%	-1.48%	-1.29%	-0.18%	1.84%	2.72%	-0.34%
2008	4.28%	4.03%	3.98%	3.94%	4.18%	5.02%	5.60%	5.37%	4.94%	3.66%	1.07%	0.09%	3.85%
2007	2.08%	2.42%	2.78%	2.57%	2.69%	2.69%	2.36%	1.97%	2.76%	3.54%	4.31%	4.08%	2.85%
2006	3.99%	3.60%	3.36%	3.55%	4.17%	4.32%	4.15%	3.82%	2.06%	1.31%	1.97%	2.54%	3.24%
2005	2.97%	3.01%	3.15%	3.51%	2.80%	2.53%	3.17%	3.64%	4.69%	4.35%	3.46%	3.42%	3.39%
2004	1.93%	1.69%	1.74%	2.29%	3.05%	3.27%	2.99%	2.65%	2.54%	3.19%	3.52%	3.26%	2.68%
2003	2.60%	2.98%	3.02%	2.22%	2.06%	2.11%	2.11%	2.16%	2.32%	2.04%	1.77%	1.88%	2.27%
2002	1.14%	1.14%	1.48%	1.64%	1.18%	1.07%	1.46%	1.80%	1.51%	2.03%	2.20%	2.38%	1.59%
2001	3.73%	3.53%	2.92%	3.27%	3.62%	3.25%	2.72%	2.72%	2.65%	2.13%	1.90%	1.55%	2.83%
2000	2.74%	3.22%	3.76%	3.07%	3.19%	3.73%	3.66%	3.41%	3.45%	3.45%	3.45%	3.39%	3.38%

Source: InflationData.com

*The Federal Reserve projects PCE inflation as opposed to CPI inflation, which is projected by the other two sources. The two measures are similar and both relied upon in the industry.

DTE Gas Company
Cost of Preferred Stock
Projected 12 Months Ending September 30, 2027

Case No: U-21973
Witness: J. E. Ufolla
Exhibit No: S-4
Schedule No: D-4
Date: 3/13/2026
Page: 1 of 1

(a)	(b)	(c)	(d)	(e)
<u>Line</u>	<u>Description</u>	<u>Amount</u> <u>Outstanding</u>	<u>Cost</u> <u>Rate</u>	<u>Total</u> <u>Cost</u>
1	Preferred Stock	-	0%	-

Case No: U-21973

Witness: J. E. Ufolla

Exhibit No: S-4

Schedule No: D-5

Date: 3/13/2026

Page: 1 of 13

DTE Gas Company
Cost of Common Equity
Projected 12 Months Ending September 30, 2027

(a)	(b)	(c)	(d)	(e)
		Amount	Cost	Total
<u>Line</u>	<u>Description</u>	<u>Outstanding (\$000)</u>	<u>Rate</u>	<u>Cost</u>
1	Common Equity	\$ 3,279,327	9.80%	\$ 321,374

Gas Proxy Group Corporate Statistics

(a) Line No.	(b) Company	(c) Ticker Symbol	(d) Moody's Issuer Rating	(e) S&P Issuer Rating	(f) Dividend Payout %	(g) Value Line Beta	(h) Holding Company Equity %
1	Atmos Energy Corp	ATO	A2	A-	47%	0.75	60.7%
2	New Jersey Resources Corp	NJR	A1	N/A	58%	0.75	43.3%
3	Nisource Inc	NI	Baa2	BBB+	61%	0.85	41.8%
4	Northwest Natural	NWN	Baa1	A-	84%	0.75	45.2%
5	ONE Gas Inc.	OGS	A3	A-	67%	0.75	56.5%
6	Southwest Gas	SWX	Baa1	BBB-	89%	0.75	44.6%
8	Average				68%	0.77	48.68%
9	DTE Gas Company		A3	A-			50.00%

Selection Criteria:

- Value Line Natural Gas Utility
- Has available Value Line Report
- Currently paying Dividend to Shareholders
- Must not be a target of a merger or acquisition
- Investment grade credit rating

Sources:

(f) (g) (h) Value Line Reports (November 2025)

Proxy Group
3-month Average Stock Price and Dividend Yield

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Line		Ticker	Closing	Closing	Closing	Average	Last	Annualized	Dividend
<u>No.</u>	<u>Company</u>	<u>Symbol</u>	<u>Stock Price</u>	<u>Stock Price</u>	<u>Stock Price</u>	<u>3-Month</u>	<u>Quarter</u>	<u>Dividend</u>	<u>Rate</u>
			<u>Oct-25</u>	<u>Nov-25</u>	<u>Dec-25</u>	<u>Price</u>	<u>Dividend</u>	<u>Rate</u>	<u>Yield</u>
1	Atmos Energy Corp	ATO	170.74	176.37	167.63	171.58	1.000	4.00	2.33%
2	New Jersey Resources Corp	NJR	43.84	47.58	46.12	45.85	0.475	1.90	4.14%
3	Nisource Inc	NI	42.11	44.13	41.76	42.67	0.280	1.12	2.63%
4	Northwest Natural	NWN	45.53	49.47	46.74	47.25	0.493	1.97	4.17%
5	ONE Gas Inc.	OGS	79.53	83.74	77.25	80.17	0.670	2.68	3.34%
6	Southwest Gas	SWX	78.89	83.05	80.02	80.65	0.620	2.48	3.07%
8	Average		76.77	80.72	76.59	78.03	0.590	2.36	3.28%

Source:
 Yahoo Finance

Projected Growth Rates (%)

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Line		Ticker	5-Year	5-Year	5-Year	Average
<u>No.</u>	<u>Company</u>	<u>Symbol</u>	<u>Seeking α</u>	<u>ValueLine</u>	<u>Zacks</u>	<u>Growth</u>
			<u>Earnings</u>	<u>Earnings</u>	<u>Earnings</u>	
1	Atmos Energy Corp	ATO	7.74%	8.50%	6.49%	7.58%
2	New Jersey Resources Corp	NJR	8.40%	6.50%	N/A	7.45%
3	Nisource Inc	NI	8.28%	8.00%	5.97%	7.42%
4	Northwest Natural	NWN	5.67%	6.50%	N/A	6.09%
5	ONE Gas Inc.	OGS	7.10%	4.50%	6.66%	6.09%
6	Southwest Gas	SWX	12.31%	10.00%	9.16%	10.49%
8	Average		8.25%	7.33%	7.07%	7.52%

Sources:

Zacks 1/26/26

Seeking Alpha 1/26/26

SWX Value Line growth rate is from August Report. No figure available from November report.

Discounted Cash flow Model (DCF) Single Step

(a) Line <u>No.</u>	(b) <u>Company</u>	(c) Ticker <u>Symbol</u>	(d) Dividend <u>Yield</u>	(e) Growth <u>Rate</u>	(f) Cost of Equity <u>DCF</u>	(g) Adjusted <u>DCF</u>
1	Atmos Energy Corp	ATO	2.33%	7.58%	9.91%	10.00%
2	New Jersey Resources Corp	NJR	4.14%	7.45%	11.59%	11.75%
3	Nisource Inc	NI	2.63%	7.42%	10.04%	10.14%
4	Northwest Natural	NWN	4.17%	6.09%	10.26%	10.39%
5	ONE Gas Inc.	OGS	3.34%	6.09%	9.43%	9.53%
6	Southwest Gas	SWX	3.07%	10.49%	13.56%	13.73%
13	Proxy Average					10.92%
14	Proxy Low Value					9.53%
15	Proxy High Value					13.73%
16	Proxy Median					10.26%

(d) Schedule D page 3

(e) Schedule D page 4

(f) Equals (e) +(d)

(g) Equals (e) + (d)[1 + 0.5 x (e)]

Discounted Cash flow Model (DCF) Two-Step

(a) Line No.	(b) Company	(c) Ticker Symbol	(d) Dividend Yield	(e) Analyst Growth Rate	(f) GDP Growth Rate	(g) Cost of Equity DCF	(h) Adjusted DCF
1	Atmos Energy Corp	ATO	2.33%	7.58%	4.52%	8.90%	8.99%
2	New Jersey Resources Corp	NJR	4.14%	7.45%	4.52%	10.63%	10.78%
3	Nisource Inc	NI	2.63%	7.42%	4.52%	9.09%	9.18%
4	Northwest Natural	NWN	4.17%	6.09%	4.52%	9.74%	9.87%
5	ONE Gas Inc.	OGS	3.34%	6.09%	4.52%	8.91%	9.01%
6	Southwest Gas	SWX	3.07%	10.49%	4.52%	11.60%	11.76%
13	Proxy Average						9.93%
14	Proxy Low Value						8.99%
15	Proxy High Value						11.76%
16	Proxy Median						9.53%

S&P Key Interest Rate Forecast Tables	Nominal GDP (\$B)			Nominal Growth	
	2025	2026	2027	2026	2027
Jan-26	30778.5	32380.73	33831.68	5.21%	4.48%
Dec-25	30695.7	32279.2	33642.2	5.16%	4.22%
Nov-25	30700.62	32306.14	33657.39	5.23%	4.18%
Average				5.20%	4.30%

(d) Schedule D page 3

(e) Schedule D page 4

(f) See Table

(g) Equals (e) x 0.66 + (f) x 0.33 + (d)

(h) Equals (e) x 0.66 + (f) x 0.33 + (d)[1 + 0.5 x (e)]

Capital Asset Pricing Model (CAPM)

(a) <u>Line</u>	(b) <u>Company</u>	(c) Ticker <u>Symbol</u>	(d) Value Line <u>Beta</u>	(e) Risk Free <u>Rate</u>	(f) 1928-2025 <u>Risk Premium</u>	(g) Historical <u>CAPM</u>
1	Atmos Energy Corp	ATO	0.75	4.425%	7.00%	9.68%
2	New Jersey Resources Corp	NJR	0.75	4.425%	7.00%	9.68%
3	Nisource Inc	NI	0.85	4.425%	7.00%	10.38%
4	Northwest Natural	NWN	0.75	4.425%	7.00%	9.68%
5	ONE Gas Inc.	OGS	0.75	4.425%	7.00%	9.68%
6	Southwest Gas	SWX	0.75	4.425%	7.00%	9.68%
13	Proxy Average		<u>0.77</u>			<u>9.79%</u>
14	Proxy Low Value		0.75			9.68%
15	Proxy High Value		0.85			10.38%
16	Proxy Median		0.75			9.68%

Historical Risk Premium

Year	S&P 500 Total Returns	Long Term Gov Bonds Income Returns	Difference	Year	S&P 500 Total Returns	Long Term Gov Bonds Income Returns	Difference
1928	43.81%	3.22%	40.59%	1980	31.74%	9.97%	21.77%
1929	-8.30%	3.47%	-11.77%	1981	-4.70%	11.55%	-16.25%
1930	-25.12%	3.32%	-28.44%	1982	20.42%	13.50%	6.92%
1931	-43.84%	3.33%	-47.17%	1983	22.34%	10.38%	11.96%
1932	-8.64%	3.69%	-12.33%	1984	6.15%	11.74%	-5.59%
1933	49.98%	3.12%	46.86%	1985	31.24%	11.25%	19.99%
1934	-1.19%	3.18%	-4.37%	1986	18.49%	8.98%	9.51%
1935	46.74%	2.81%	43.93%	1987	5.81%	7.92%	-2.11%
1936	31.94%	2.77%	29.17%	1988	16.54%	8.97%	7.57%
1937	-35.34%	2.66%	-38.00%	1989	31.48%	8.81%	22.67%
1938	29.28%	2.64%	26.64%	1990	-3.06%	8.19%	-11.25%
1939	-1.10%	2.40%	-3.50%	1991	30.23%	8.22%	22.01%
1940	-10.67%	2.23%	-12.90%	1992	7.49%	7.26%	0.23%
1941	-12.77%	1.94%	-14.71%	1993	9.97%	7.17%	2.80%
1942	19.17%	2.46%	16.71%	1994	1.33%	6.59%	-5.26%
1943	25.06%	2.44%	22.62%	1995	37.20%	7.60%	29.60%
1944	19.03%	2.46%	16.57%	1996	22.68%	6.18%	16.50%
1945	35.82%	2.34%	33.48%	1997	33.10%	6.64%	26.46%
1946	-8.43%	2.04%	-10.47%	1998	28.34%	5.83%	22.51%
1947	5.20%	2.13%	3.07%	1999	20.89%	5.57%	15.32%
1948	5.70%	2.40%	3.30%	2000	-9.03%	6.50%	-15.53%
1949	18.30%	2.25%	16.05%	2001	-11.85%	5.53%	-17.38%
1950	30.81%	2.12%	28.69%	2002	-21.97%	5.59%	-27.56%
1951	23.68%	2.38%	21.30%	2003	28.36%	4.80%	23.56%
1952	18.15%	2.66%	15.49%	2004	10.74%	5.02%	5.72%
1953	-1.21%	2.84%	-4.05%	2005	4.83%	4.69%	0.14%
1954	52.56%	2.79%	49.77%	2006	15.61%	4.68%	10.93%
1955	32.60%	2.75%	29.85%	2007	5.48%	4.86%	0.62%
1956	7.44%	2.99%	4.45%	2008	-36.55%	4.45%	-41.00%
1957	-10.46%	3.44%	-13.90%	2009	25.94%	3.47%	22.47%
1958	43.72%	3.27%	40.45%	2010	14.82%	4.25%	10.57%
1959	12.06%	4.01%	8.05%	2011	2.10%	3.82%	-1.72%
1960	0.34%	4.26%	-3.92%	2012	15.89%	1.47%	14.42%
1961	26.64%	3.83%	22.81%	2013	32.15%	2.90%	29.25%
1962	-8.81%	4.00%	-12.81%	2014	13.52%	3.41%	10.11%
1963	22.61%	3.89%	18.72%	2015	1.38%	2.47%	-1.09%
1964	16.42%	4.15%	12.27%	2016	11.77%	2.30%	9.47%
1965	12.40%	4.19%	8.21%	2017	21.61%	2.67%	18.94%
1966	-9.97%	4.49%	-14.46%	2018	-4.23%	2.82%	-7.05%
1967	23.80%	4.59%	19.21%	2019	31.21%	2.55%	28.66%
1968	10.81%	5.50%	5.31%	2020	18.02%	1.53%	16.49%
1969	-8.24%	5.95%	-14.19%	2021	28.47%	1.73%	26.74%
1970	3.56%	6.74%	-3.18%	2022	-18.04%	2.61%	-20.65%
1971	14.22%	6.32%	7.90%	2023	26.06%	4.09%	21.97%
1972	18.76%	5.87%	12.89%	2024	24.88%	4.41%	20.47%
1973	-14.31%	6.51%	-20.82%	2025	17.72%	4.78%	12.94%
1974	-25.90%	7.27%	-33.17%				
1975	37.00%	7.99%	29.01%	1928-2025	11.85%	4.85%	7.00%
1976	23.83%	7.89%	15.94%	Average			
1977	-6.98%	7.14%	-14.12%				
1978	6.51%	7.90%	-1.39%				
1979	18.52%	8.86%	9.66%				

Sources: S&P 500 Total Return - Damodaran Online (NYU) Stocks, bonds, and Bills
 Government Bond Returns 1928-2022 - Kroll SBI Yearbook 2023
 Government Bond Returns 2023 onward - Federal Reserve (FRED) Market Yield on U.S. Treasury Securities at 30-Year Constant Maturity

Dow Jones Utility Average

<u>Line</u>	<u>(a)</u> <u>Date</u>	<u>(b)</u> <u>Index value</u>	<u>(c)</u> <u>Price Return %</u>	<u>(d)</u> <u>TR Index Value</u>	<u>(e)</u> <u>TR % avg</u>
1	3-Jan-00	276.72		577.38	
2	29-Dec-00	412.16	48.95	890.95	54.31
3	31-Dec-01	293.94	(28.68)	656.90	(26.27)
4	31-Dec-02	215.18	(26.79)	503.29	(23.38)
5	31-Dec-03	266.90	24.04	651.22	29.39
6	31-Dec-04	334.95	25.50	848.16	30.24
7	30-Dec-05	405.11	20.95	1061.35	25.14
8	29-Dec-06	456.77	12.75	1237.84	16.63
9	31-Dec-07	532.69	16.62	1486.82	20.11
10	31-Dec-08	370.76	(30.40)	1072.94	(27.84)
11	31-Dec-09	398.01	7.35	1206.78	12.47
12	31-Dec-10	404.99	1.75	1284.76	6.46
13	30-Dec-11	464.88	14.79	1537.94	19.71
14	31-Dec-12	453.09	(2.54)	1563.18	1.64
15	31-Dec-13	490.57	8.27	1761.56	12.69
16	31-Dec-14	618.08	25.99	2301.45	30.65
17	31-Dec-15	577.82	(6.51)	2230.94	(3.06)
18	31-Dec-16	659.61	14.15	2636.44	18.18
19	31-Dec-17	723.37	9.67	2988.41	13.35
20	31-Dec-18	712.93	(1.44)	3047.76	1.99
21	31-Dec-19	879.17	23.32	3879.67	27.30
22	31-Dec-20	864.64	(1.65)	3939.83	1.55
22	31-Dec-21	980.78	13.43	4609.97	17.01
22	30-Dec-22	967.40	(1.36)	4686.93	1.67
23	31-Dec-23	881.67	(8.86)	4420.24	(5.69)
24	31-Dec-24	982.74	11.46	5090.69	15.17
25	31-Dec-25	1068.07	8.68	5700.4	11.98

Source

Column (b & d): data source from S&P Global with reference to the Dow Jones Utility Average Total Return
 Address is <https://www.spglobal.com/spdji/en/indices/equity/dow-jones-utility-average/#overview>

Historical Utility Equity and Bond Data

NATURAL GAS UTILITY					Bond Yields		
(a)	(b)	(c)	(d)		(e)	(f)	(g)
Market Price - Weighted Average - \$ Per Share (End of Dec)	Capital Gain/Loss % Growth (Loss) on Nat. Gas Stock	Dividend Yield on Nat. Gas Stock (End of Dec) (Mergent)	Total Return (Capital Gain +Dividend Yield)		Yields on A- Rated Public Utility Bonds (end of Dec)	30-year A- Rated Bond Yield	30-Year Treasury Yields (1954- 2025)
1954	26.47		4.72		3.11		2.79%
1955	28.1	6.16	4.91	11.07	3.35		2.75%
1956	28.23	0.46	5.24	5.70	3.91		2.99%
1957	25.78	(8.68)	5.78	(2.90)	4.36		3.44%
1958	38.71	50.16	4.06	54.22	4.49		3.27%
1959	39.59	2.27	4.19	6.46	4.96		4.01%
1960	48.21	21.77	3.82	25.59	4.65		4.26%
1961	64.96	34.74	2.99	37.73	4.65		3.83%
1962	59.73	(8.05)	3.38	(4.67)	4.44		4.00%
1963	64.62	8.19	3.32	11.51	4.46		3.89%
1964	68.24	5.60	3.37	8.97	4.54		4.15%
1965	64.31	(5.76)	3.86	(1.90)	4.83		4.19%
1966	53.5	(16.81)	4.88	(11.93)	5.67		4.49%
1967	50.49	(5.63)	5.43	(0.20)	6.67		4.59%
1968	53.8	6.56	5.22	11.78	6.87		5.50%
1969	43.88	(18.44)	6.68	(11.76)	8.59		5.95%
1970	52.33	19.26	5.75	25.01	8.48		6.74%
1971	47.86	(8.54)	6.41	(2.13)	7.90		6.32%
1972	53.54	11.87	5.83	17.70	7.48		5.87%
1973	43.43	(18.88)	7.55	(11.33)	8.24		6.51%
1974	29.71	(31.59)	11.24	(20.35)	10.27		7.27%
1975	38.29	28.88	9.09	37.97	10.11		7.99%
1976	51.8	35.28	7.14	42.42	8.62		7.89%
1977	50.88	(1.78)	7.72	5.94	8.64		7.14%
1978	45.97	(9.65)	9.09	(0.56)	9.70		7.90%
1979	53.5	16.38	8.3	24.68	11.79		8.86%
1980	56.61	5.81	8.27	14.08	14.63		9.97%
1981	53.5	(5.49)	9.57	4.08	16.29		11.55%
1982	50.62	(5.38)	10.65	5.27	14.43		13.50%
1983	55.79	10.21	9.95	20.16	13.52		10.38%
1984	69.7	24.93	8.44	33.37	13.11	12.50	11.74%
1985	76.58	9.87	8.12	17.99	10.97	11.24	11.25%
1986	90.89	18.69	6.28	24.97	9.12	9.31	8.98%
1987	77.25	(15.01)	7.79	(7.22)	10.98	9.65	7.92%
1988	86.76	12.31	7.22	19.53	10.06	9.82	8.97%
1989	117.05	34.91	5.63	40.54	9.44	9.40	8.81%
1990	108.86	(7.00)	6.28	(0.72)	9.73	9.65	8.19%
1991	124.32	14.20	5.62	19.82	8.88	9.26	8.22%
1992	138.79	11.64	5.14	16.78	8.43	8.57	7.26%
1993	154.06	11.00	4.74	15.74	7.34	7.52	7.17%
1994	126.96	(17.59)	5.86	(11.73)	8.76	8.22	6.59%
1995	155.94	22.83	4.85	27.68	7.23	7.78	7.60%
1996	166.64	6.86	4.75	11.61	7.59	7.58	6.18%
1997	191.04	14.64	4.2	18.84	7.16	7.44	6.64%
1998	177.24	(7.22)	4.59	(2.63)	6.91	6.75	5.83%
1999	166.84	(5.87)	4.93	(0.94)	8.14	7.31	5.57%
2000	200.68	20.28	4.1	24.38	7.84	7.95	6.50%
Dow Jones Utility Average (Total Return)							
2001				(26.27)	7.83	7.27	5.53%
2002				(23.38)	6.93	6.79	5.59%
2003				29.39	6.27	6.10	4.80%
2004				30.24	5.92	6.07	5.02%
2005				25.14	5.80	5.68	4.69%
2006				16.63	5.81	6.11	4.68%
2007				20.11	6.16	6.17	4.86%
2008				(27.84)	6.54	6.90	4.45%
2009				12.47	5.79	6.42	3.47%
2010				6.46	5.56	5.70	4.25%
2011				19.71	4.33	5.40	3.82%
2012				1.64	4.00	4.45	1.47%
2013			1,761.56	12.69	4.81	4.78	2.90%
2014			2,301.45	30.65	3.94	4.58	3.41%
2015			2,230.94	(3.06)	4.39	4.43	2.47%
2016			2,636.44	18.18	4.22	4.21	2.30%
2017			2,988.41	13.35	3.75	4.15	2.67%
2018			3,047.76	1.99	4.26	4.37	2.82%
2019			3,879.67	27.30	3.48	3.85	2.55%
2020			3,939.83	1.55	2.71	3.06	1.53%
2021			4,609.97	17.01	3.02	3.09	1.73%
2022			4,686.93	1.67	5.44	4.60	2.61%
2023			4,420.24	(5.69)	5.19	5.34	4.09%
2024			5,090.69	15.17		5.34	4.41%
2025			5,700.40	11.98		5.65	4.78%

1955 - 2025 Natural Gas Utility Return Average 10.95
 1955 - 2025 Average Yield on Public Utility Bonds 7.07
 1955 - 2025 Average Yield on Treasury Bonds 5.64

(a) - (d) 1955-2000 Natural gas distribution stocks data from Mergent Public Utility Manual and Bond Record
 (c) - (d) 2001-2024 Dow Jones Utility Average TR Index from S&P Global
 (e) Public Utility Bond Yields - Mergent Bond Record
 (f) Federal Reserve (FRED) 30-Year High Quality Market (HQM) Corporate Bond Par Yield
 (g) Page 8

Risk Premium Method

(a) <u>Line No.</u>	(b)	(c)
1	Gas Utility Realized Market Return Average (1954 - 2025) ⁽¹⁾	10.95%
2	Realized Utility Bond Yield Average (1954 - 2025) ⁽²⁾	7.07%
3	Treasury Bond Yield Average (1954 - 2025)	5.64%
4	Historical Spread Utility Equity-Bond [1] - [2]	<u>3.88%</u>
5	Historical Spread Utility Bond-Treasury Bond [1] - [3]	5.31%

Utility Bond Risk Premium

6	Aa Utility Bond Projection ^(a)	5.76%
7	Historical Cost of Equity Estimate [4] + [6]	<u><u>9.64%</u></u>

Treasury Bond Risk Premium

8	Treasury Bond Yield (Page 8)	4.42%
9	Historical Cost of Equity Estimate [5] + [8]	<u><u>9.74%</u></u>

Sources

(a) Key Interest Rates Forecast Tables

Date	2026 Yield	2027 Yield
Jan-26	5.65%	5.76%
Dec-25	5.65%	5.76%
Nov-25	5.76%	5.83%
Average	<u>5.69%</u>	<u>5.78%</u>

(1) Historical Market data from Mergent Public Utility Manual for 1932-2002, per Exhibit S-4, Schedule D5, pg 10
 - 2003-2025 data derived from the Dow Jones Utility Average TR Index per Exhibit S-4, Schedule D-5, page 9
 and shown at the bottom of Exhibit S-4, Schedule D-5, page 10

**Allowed Returns on Common Equity
Gas Utility Rate Case Decisions
State Commissions Across the United States
(2024 - 2025)**

<u>Time Period</u>	<u>ROE Allowed</u>	<u>Number of Rate Cases</u>
Q1 2025	9.73%	6
Q2 2025	9.71%	9
Q3 2025	9.74%	11
Q4 2025		
Full Year Average	<u>9.73%</u>	<u>26</u>
Q1 2024	9.78%	2
Q2 2024	9.84%	8
Q3 2024	9.71%	27
Q4 2024	9.61%	7
Full Year Average	<u>9.72%</u>	<u>44</u>

Source:

S&P Global Market Intelligence
Regulatory Research Associates
RRA Regulatory Focus
Major Rate Case Decisions

Summary of Cost of Equity Estimates

(a)	(b)	(c)	(d)
<u>Line No.</u>	<u>Methodology</u>		<u>Proxy Results</u>
1	DCF Single Step	Average	10.92%
2		Median	10.26%
3	DCF Two-Step	Average	9.93%
4		Median	9.53%
5	Historical CAPM	Average	9.79%
6		Median	9.68%
7	Utility Bond Risk Premium: Aa-Rated Bonds		9.64%
8	Treasury Bond Risk Premium		9.74%
9	Average Gas Utility Other State ROE Decision 2025:		9.73%
10	Average Gas Utility Other State ROE Decision 2024:		9.72%
11	ROE Range		9.30%-10.30%
12	ROE used in Overall Cost of Capital:		<u>9.80%</u>

Exclusively for the use of Daniel Neama at Fitch Group, Inc.. Downloaded: 17-Apr-2025

FitchRatings

DTE Gas Company

DTE Gas Company's (DTEG; BBB+/Stable) Long-Term Issuer Default Rating primarily reflects the utility's low-risk of its regulated natural gas distribution operations, constructive regulatory environment in Michigan and stable cash flows. Fitch Ratings expects relatively stable financial metrics for DTEG over 2025-2027 despite a significant capital expenditure program focused on pipe replacement, distribution and reliability investments.

Key Rating Drivers

Supportive Regulatory Environment: Fitch views the regulatory environment for natural gas utilities in Michigan as constructive. The regulatory framework allows full passthrough of fuel costs, forward-looking test years and timely resolution of rate proceedings. Furthermore, revenue decoupling and an infrastructure recovery mechanism (IRM) help DTE Gas reduce exposure to regulatory lag. DTE Gas' authorized ROE of 9.8% is slightly higher than the 2024 industry average of 9.72%.

DTE Gas GRC Order Balanced: Fitch believes the rate order issued in November 2024 is credit supportive although somewhat less than expected. The approved revenue requirement increase of \$113.8 million — 43% of requested (down from 48% in the prior rate case) — is based on a 9.8% ROE (10 bps lower) and 50% equity ratio (was 51%) on a rate base of \$6.9 billion. Favorably, the request reflects a continuation of its existing IRM program and surcharge through 2026. Fitch believes future GRC outcomes will remain credit supportive.

Capex Program: DTE Gas plans to spend \$4 billion — \$2.5 billion for base infrastructure and \$1.5 billion for gas main renewal, meter move-out and pipeline integrity programs — on capital investments in 2025-2029, which represents an 8% increase over the prior plan. The timely cost-recovery mechanism provided under the IRM covered approximately half of projects in 2024. Fitch projects DTEG will remain FCF negative and capex will be funded with internal cash flow, debt and equity.

Solid Financial Metrics: DTEG's projected credit measures are supportive of its current rating. Fitch calculates 2024 FFO leverage at 4.7x, approximately 70 bps weaker than 2023 and near its negative sensitivity threshold of 5.0x. Regulatory lag amid a large capital spend and warmer than normal weather was the primary driver. However, FFO leverage should strengthen following rate relief in November 2024 and is expected to remain within the sensitivity range over our forecast period, in the range of 4.5x to 4.8x through 2027.

Corporates
Natural Gas & Propane
United States

Ratings

Long-Term IDR	BBB+
Short-Term IDR	F2
Senior Secured Debt - Long-Term Rating	A
Senior Unsecured Debt - Short-Term Rating	F2

Outlook

Long-Term Foreign-Currency IDR	Stable
--------------------------------	--------

[Click here for the full list of ratings](#)

ESG and Climate

Highest ESG Relevance Scores	
Environmental	3
Social	3
Governance	3
2035 Climate Vulnerability Signal: 40	

Applicable Criteria

Corporate Rating Criteria (December 2024)
Parent and Subsidiary Linkage Rating Criteria (June 2023)
Sector Navigators – Addendum to the Corporate Rating Criteria (December 2024)
Corporate Hybrids Treatment and Notching Criteria (November 2020)
Corporate Recovery Ratings and Instrument Ratings Criteria (August 2024)

Related Research

Global Corporates Macro and Sector Forecasts – January 2025 (January 2025)
North American Utilities Outlook 2025 (December 2024)
North American Utilities, Power & Gas Dashboard: 4Q24 (January 2025)
North American Utilities Monitor: 2Q24 (August 2024)

Analysts

Daniel Neama
+1 212 908 0561
daniel.neama@fitchratings.com

Simar Jolly
+1 647 556 8268
simar.jolly@fitchratings.com

Exclusively for the use of Daniel Neama at Fitch Group, Inc.. Downloaded: 17-Apr-2025



Corporates
 Natural Gas & Propane
 United States

Financial Summary

(USD Mil.)	2021	2022	2023	2024
Gross revenue	1,532	1,894	1,726	1,783
EBITDA	511	633	679	656
CFO (Fitch-defined)	410	479	677	461
Capital intensity (capex/revenue) (%)	39.9	36.0	42.2	40.9
Debt	2,284	2,583	2,624	2,889
FFO leverage (x)	5.8	3.3	4.0	4.7
FFO interest coverage (x)	4.9	9.0	6.7	5.5
EBITDA leverage (x)	4.5	4.1	3.9	4.4

Source: Fitch Ratings, Fitch Solutions

Peer Analysis

DTEG's business risk profile compares well with local distribution peers Southwest Gas Corporation (SWG; BBB+/Stable) and Wisconsin Gas LLC (A-/Stable). All three risk profiles benefit from low-risk businesses, supportive regulatory environments and favorable recovery mechanisms. SWG benefits from regulatory diversity in three states and above-average customer growth. DTE Gas' financial profile is slightly weaker than that of peer Wisconsin Gas, but in line with SWG's.

Fitch forecasts DTE Gas' FFO leverage will remain in the range of 4.5x-4.8x through 2025-2027, similar to SWG with leverage projected to average 4.5x through 2025. Wisconsin Gas has a more favorable financial profile, with forecast leverage metrics expected to average 4.0x through 2028.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- An unexpected change in the regulatory environment that limits the utility's ability to recover cost of capital investments in a timely manner;
- Sustained FFO leverage greater than 5.0x.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Sustained FFO leverage at or below 4.0x.

Liquidity and Debt Structure

DTEG had \$291 million of available liquidity as of Dec. 31, 2024, consisting of cash and amounts available under its revolving credit facility and letter of credit facilities. DTEG's revolving credit facility expires in October 2029.

Liquidity is provided by a \$300 million revolving credit facility. DTEG was compliant with a consolidated debt/capitalization ratio of 49%, respectively, as defined under the credit agreement as of Dec. 31, 2024. Debt maturities remain manageable given the history of successful refinancing and Fitch expects DTEG to have continued access to the capital markets.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

Exclusively for the use of Daniel Neama at Fitch Group, Inc.. Downloaded: 17-Apr-2025



Corporates
 Natural Gas & Propane
 United States

Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's Corporate Rating Criteria. For more detailed, sector-specific information on how Fitch perceives climate-related transition risks, see Climate Vulnerability Signals for Non-Financial Corporate Sectors.

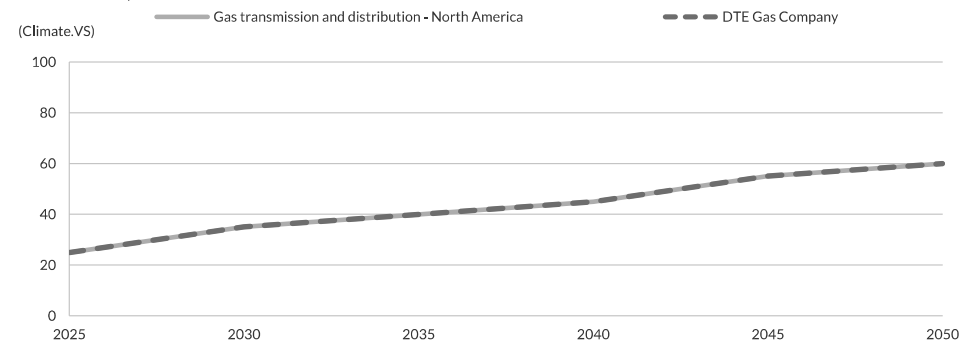
DTEG's Climate.VS is 40 out of 100 for 2035, which is moderate and consistent with the scores of other gas local distribution companies (LDCs) in the US. Fitch's estimated Climate.VS reflects growing opposition to methane and other greenhouse gas (GHG) emissions in recent years, driven by rising concerns about the effects of global climate change and evolving state and federal policies aimed at reducing GHG emissions.

Natural gas, which pollutes less than coal, is seen as a bridge fuel as the industry transitions to a net-zero future. However, the threats posed by building electrification, a potentially quicker-than-expected phaseout of gas usage in certain jurisdictions, and the implementation of regulatory mechanisms to facilitate cost recovery during the phaseout are key uncertainties from a credit perspective. Fitch anticipates that credit exposure for individual LDCs will vary, driven primarily by state regulatory and political responses to concerns about global climate change. Technological developments and utility strategies to reduce emissions will be key considerations that Fitch expects to drive credit quality through 2035.

DTEG aims to reduce GHG emissions by 65% by 2030, 80% by 2040 and achieve net zero by 2050. This will be accomplished by increasing energy efficiency, pursuing advanced technologies such as hydrogen and carbon capture and sequestration, and offering the CleanVision Natural Gas Balance program, which gives customers the option to use carbon offsets and renewable natural gas. For further information on how Fitch perceives climate-related risks in the Utilities sector, see Utilities – Long-Term Climate Vulnerability Signals Update.

Climate.VS Evolution

As of Dec. 31, 2024



Source: Fitch Ratings

Exclusively for the use of Daniel Neama at Fitch Group, Inc.. Downloaded: 17-Apr-2025



Corporates
 Natural Gas & Propane
 United States

Liquidity and Debt Maturities

Cash and Maturities Report

(USD Mil.)	December 31, 2023	December 31, 2024
Total cash and cash equivalents	—	—
Short-term investments	—	—
Less not readily available cash and cash equivalents	—	—
Fitch-defined readily available cash and cash equivalents	—	—
Availability under committed lines of credit	223	291
Total liquidity	223	291
LTM EBITDA after associates and minorities	679	656
LTM FCF	-242	-478

Source: Fitch Ratings, Fitch Solutions, DTE Gas Company

Scheduled Debt Maturities

(USD Mil.)	December 31, 2024
2025	94
2026	—
2027	40
2028	320
2029	180
Thereafter	2,255
Total	2,889

Source: Fitch Ratings, Fitch Solutions, DTE Gas Company

Key Assumptions

- A constructive regulatory environment in Michigan with ROEs for DTEG in line with currently approved returns;
- No significant equity issuances;
- Securitization debt is excluded from the FFO leverage calculations;
- A capital structure commensurate with regulatory structure.

Exclusively for the use of Daniel Neama at Fitch Group, Inc.. Downloaded: 17-Apr-2025

FitchRatings

Corporates
Natural Gas & Propane
United States

Financial Data

(USD Mil.)	2021	2022	2023	2024
Summary income statement				
Gross revenue	1,532	1,894	1,726	1,783
Revenue growth (%)	9.7	23.6	-8.9	3.3
EBITDA before income from associates	511	633	679	656
EBITDA margin (%)	33.4	33.4	39.3	36.8
EBITDA after associates and minorities	511	633	679	656
EBIT	337	444	472	438
EBIT margin (%)	22.0	23.4	27.3	24.6
Gross interest expense	-82	-92	-103	-119
Pretax income including associate income/loss	251	358	387	337
Summary balance sheet				
Readily available cash and equivalents	1	—	—	—
Debt	2,284	2,583	2,624	2,889
Net debt	2,283	2,583	2,624	2,889
Summary cash flow statement				
EBITDA	511	633	679	656
Cash interest paid	-80	-86	-97	-112
Cash tax	—	7	-33	-38
Dividends received less dividends paid to minorities (inflow/outflow)	—	—	—	—
Other items before FFO	-119	133	2	1
FFO	317	695	560	507
FFO margin (%)	20.7	36.7	32.4	28.4
Change in working capital	93	-216	117	-46
CFO (Fitch-defined)	410	479	677	461
Total non-operating/nonrecurring cash flow	—	—	—	—
Capex	-612	-681	-728	-729
Capital intensity (capex/revenue) (%)	39.9	36.0	42.2	40.9
Common dividends	-148	-164	-191	-210
FCF	-350	-366	-242	-478
FCF margin (%)	-22.8	-19.3	-14.0	-26.8
Net acquisitions and divestitures	—	—	—	—
Other investing and financing cash flow items	-2	-7	-13	-6
Net debt proceeds	206	297	39	263
Net equity proceeds	147	75	216	221
Total change in cash	1	-1	—	—
Calculations for forecast publication				
Capex, dividends, acquisitions and other items before FCF	-760	-845	-919	-939
FCF after acquisitions and divestitures	-350	-366	-242	-478
FCF margin after net acquisitions (%)	-22.8	-19.3	-14.0	-26.8
Gross Leverage ratios (x)				
FFO leverage	5.8	3.3	4.0	4.7
(CFO-capex)/debt	-8.8	-7.8	-1.9	-9.3
Net Leverage ratios (x)				
FFO net leverage	5.8	3.3	4.0	4.7
(CFO-capex)/net debt	-8.8	-7.8	-1.9	-9.3
Coverage ratios (x)				
FFO interest coverage	4.9	9.0	6.7	5.5
FFO fixed-charge coverage	4.9	9.0	6.7	5.5

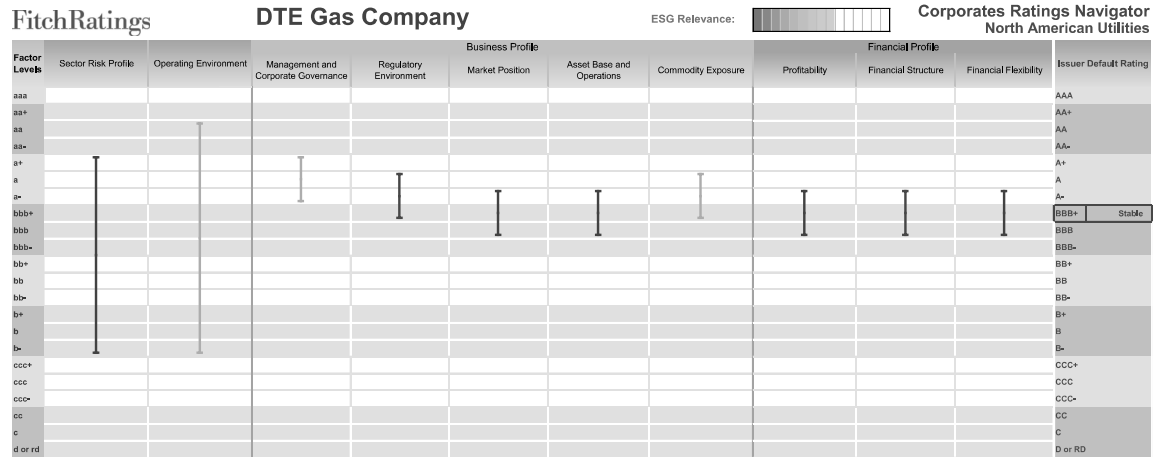
CFO - Cash flow from operations.
Source: Fitch Ratings, Fitch Solutions

Exclusively for the use of Daniel Neama at Fitch Group, Inc.. Downloaded: 17-Apr-2025



Corporates
 Natural Gas & Propane
 United States

Ratings Navigator



Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	<ul style="list-style-type: none"> ↑ Positive ↓ Negative ↕ Evolving □ Stable
<ul style="list-style-type: none"> Higher Importance Average Importance Lower Importance 	

Exclusively for the use of Daniel Neama at Fitch Group, Inc.. Downloaded: 17-Apr-2025



Corporates
 Natural Gas & Propane
 United States

FitchRatings

DTE Gas Company

Corporates Ratings Navigator
 North American Utilities

Operating Environment			Management and Corporate Governance				
aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.	aa-	Management Strategy	a	Coherent strategy and good track record in implementation.
aa	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial markets.	a+	Governance Structure	aa	No record of governance failing. Experienced board exercising effective check and balance to management. No ownership concentration.
b-	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.	a	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
ccc+				a-	Financial Transparency	a	High quality and timely financial reporting.
				bbb+			

Regulatory Environment			Market Position				
a+	Degree of Transparency and Predictability	a	Track record of transparent and predictable regulation.	a	Market Structure	a	Well-established market structure with complete transparency in price-setting mechanisms.
a	Timeliness of Cost Recovery	a	Minimal lag to recover capital and operating costs.	a-	Consumption Growth Trend	bbb	Customer and usage growth in line with industry averages.
a-	Trend in Authorized ROEs		Above-average authorized ROE.	bbb+	Customer Mix	a	Favorable customer mix.
bbb+	Mechanisms Available to Stabilize Cash Flows	bbb	Revenues partially insulated from variability in consumption.	bbb	Geographic Location	bbb	Beneficial location or reasonable locational diversity.
bbb	Mechanisms Supportive of Creditworthiness	bbb	Effective regulatory ring-fencing or minimum creditworthiness requirements.	bbb-	Supply Demand Dynamics	bbb	Moderately favorable outlook for prices/rates.

Asset Base and Operations			Commodity Exposure				
a	Diversity of Assets	bbb	Good quality and/or reasonable scale diversified assets.	a+	Ability to Pass Through Changes in Fuel	a	Complete pass-through of commodity costs.
a-	Operations Reliability and Cost Competitiveness	a	Track record of reliable, low-cost operations.	a	Underlying Supply Mix	bbb	Low variable costs and moderate flexibility of supply.
bbb+	Exposure to Environmental Regulations	bbb	Limited or manageable exposure to environmental regulations.	a-	Hedging Strategy	a	Highly captive supply and customer base.
bbb	Capital and Technological Intensity of Capex	bbb	Moderate reinvestment requirements in established technologies.	bbb+			
bbb-				bbb			

Profitability			Financial Structure				
a	Free Cash Flow	bbb	Structurally neutral to negative FCF across the investment cycle.	a	EBITDA Leverage	bb	4.75x
a-	Volatility of Profitability	a	Higher stability and predictability of profits relative to utility peers.	a-	FFO Leverage	bbb	5.0x
bbb+				bbb+			
bbb				bbb			
bbb-				bbb-			

Financial Flexibility			Credit-Relevant ESG Derivation			
a	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.	DTE Gas Company has 12 ESG potential rating drivers Emissions from operations Fuel use to generate energy and serve load Impact of waste from operations Plants' and networks' exposure to extreme weather Product affordability and access Quality and safety of products and services; data security Showing top 6 issues For further details on Credit-Relevant ESG scoring, see page 3.		
a-	Liquidity	bb	Liquidity ratio around 1.0x. Less smooth debt maturity or concentrated funding.			
bbb+	FFO Interest Coverage	a	5.5x			
bbb						
bbb-						

Overall ESG
5
4
3
2
1

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Exclusively for the use of Daniel Neama at Fitch Group, Inc.. Downloaded: 17-Apr-2025



Corporates
 Natural Gas & Propane
 United States

FitchRatings DTE Gas Company

Corporates Ratings Navigator
 North American Utilities

Credit-Relevant ESG Derivation

DTE Gas Company has 12 ESG potential rating drivers

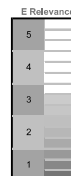
- ➔ DTE Gas Company has exposure to emissions regulatory risk but this has very low impact on the rating.
- ➔ DTE Gas Company has exposure to energy productivity risk but this has very low impact on the rating.
- ➔ DTE Gas Company has exposure to waste & impact management risk but this has very low impact on the rating.
- ➔ DTE Gas Company has exposure to extreme weather events but this has very low impact on the rating.
- ➔ DTE Gas Company has exposure to access/affordability risk but this has very low impact on the rating.
- ➔ DTE Gas Company has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

		ESG Relevance to Credit Rating	
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	3	Emissions from operations	Asset Base and Operations; Commodity Exposure; Regulation; Profitability
Energy Management	3	Fuel use to generate energy and serve load	Asset Base and Operations; Commodity Exposure; Profitability
Water & Wastewater Management	2	Water used by hydro plants or by other generation plants, also effluent management	Asset Base and Operations; Regulation; Profitability
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Regulation; Profitability
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Regulation; Profitability

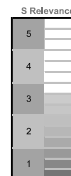


How to Read This Page

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant. The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance. The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact. Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

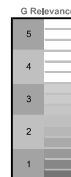
Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Asset Base and Operations; Regulation; Profitability; Financial Structure
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Regulation; Profitability
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Asset Base and Operations; Profitability
Employee Wellbeing	2	Worker safety and accident prevention	Profitability; Asset Base and Operations
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Profitability



Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance



CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "high" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Marginally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "low" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

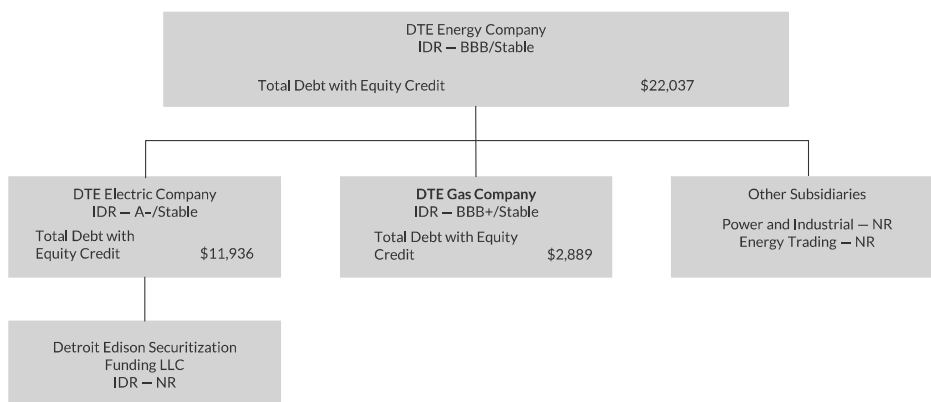
Exclusively for the use of Daniel Neama at Fitch Group, Inc.. Downloaded: 17-Apr-2025



Corporates
 Natural Gas & Propane
 United States

Simplified Group Structure Diagram

Organizational and Debt Structure – DTE Energy Company
 (USD Mil., as of December 31, 2024)



IDR – Issuer Default Rating, NR – Not rated.
 Source: Fitch Ratings, DTE Gas Company

Exclusively for the use of Daniel Neama at Fitch Group, Inc.. Downloaded: 17-Apr-2025



Corporates
 Natural Gas & Propane
 United States

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue (USD Mil.)	FFO (USD Mil.)	FFO interest coverage (x)	FFO leverage (x)	EBITDA leverage (x)
DTE Gas Company	BBB+	2024	1,783	507	5.5	4.7	4.4
	BBB+	2023	1,726	560	6.7	4.0	3.9
	BBB+	2022	1,894	695	9.0	3.3	4.1
Wisconsin Gas LLC	A-	2023	770	153	4.9	5.8	5.1
	A-	2022	917	169	9.0	5.7	4.9
	A-	2021	687	160	7.4	5.1	5.1
Southwest Gas Corporation	BBB+	2023	2,500	492	4.0	6.0	5.4
	A-	2022	1,935	435	4.8	6.6	6.1
	A-	2021	1,522	399	5.3	6.2	5.2

Source: Fitch Ratings, Fitch Solutions

Exclusively for the use of Daniel Neama at Fitch Group, Inc.. Downloaded: 17-Apr-2025

FitchRatings

Corporates
Natural Gas & Propane
United States

Fitch Adjusted Financials

(USD Mil., as of December 31, 2024)	Notes and formulas	Standardized values	Fair value and other debt adjustments	Lease treatment	Other adjustments	Adjusted values
Income statement summary						
Revenue		1,783	–	–	–	1,783
EBITDA	(a)	656	–	–	–	656
Depreciation and amortization		-218	–	–	–	-218
EBIT		438	–	–	–	438
Balance sheet summary						
Debt	(b)	2,877	12	–	–	2,889
Of which other off-balance-sheet debt		–	–	–	–	–
Lease-equivalent debt		–	–	–	–	–
Lease-adjusted debt		2,877	12	–	–	2,889
Readily available cash and equivalents	(c)	–	–	–	–	–
Not readily available cash and equivalents		–	–	–	–	–
Cash flow summary						
EBITDA	(a)	656	–	–	–	656
Dividends received from associates less dividends paid to minorities	(d)	–	–	–	–	–
Interest paid	(e)	-112	–	–	–	-112
Interest received	(f)	–	–	–	–	–
Preferred dividends paid	(g)	–	–	–	–	–
Cash tax paid		-38	–	–	–	-38
Other items before FFO		1	–	–	–	1
FFO	(h)	507	–	–	–	507
Change in working capital		-46	–	–	–	-46
CFO	(i)	461	–	–	–	461
Non-operating/nonrecurring cash flow		–	–	–	–	–
Capex	(j)	-729	–	–	–	-729
Common dividends paid		-210	–	–	–	-210
FCF		-478	–	–	–	-478
Gross leverage (x)						
FFO leverage	b/(h-e-f-g)	4.7	–	–	–	4.7
(CFO-capex)/debt (%)	(i+j)/b	-9.3	–	–	–	-9.3
Net leverage (x)						
FFO net leverage	(b-c)/(h-e-f-g)	4.7	–	–	–	4.7
(CFO-capex)/net debt (%)	(i+j)/(b-c)	-9.3	–	–	–	-9.3
Coverage (x)						
FFO interest coverage	(h-e-f-g)/(-e-g)	5.5	–	–	–	5.5

CFO - Cash flow from operations.
Notes: The standardized items presented above are based on Fitch's taxonomy for the given sector and region.
Reported items may not match the Fitch taxonomy, but they are captured into corresponding lines accordingly.
Debt includes other off-balance-sheet debt.
Source: Fitch Ratings, Fitch Solutions, DTE Gas Company

Exclusively for the use of Daniel Neama at Fitch Group, Inc.. Downloaded: 17-Apr-2025



Corporates
 Natural Gas & Propane
 United States

Parent Subsidiary Linkage Analysis

Key Risk Factors and Notching Approach

Parent	DTE Energy Company
Parent LT IDR	BBB
Subsidiary	DTE Gas Company
Subsidiary LT IDR	BBB+
Path	Stronger Subsidiary
Legal ring-fencing	Porous
Access and control	Porous
Notching matrix outcome	Consolidated+2
Override applied	No
Notching approach	—

LT IDR – Long-Term Issuer Default Rating.
 Source: Fitch Ratings

Stronger Subsidiary Notching Matrix

Access and control	Open	Porous	Insulated
With open ring-fencing	Consolidated	Consolidated+1	Consolidated+2 ^b
With porous ring-fencing	Consolidated+1	Consolidated+2 ^b	Consolidated+2 ^b
With insulated ring-fencing	^a	Standalone	Standalone

^aIt is unlikely that considerations for "insulated" legal ring-fencing would coexist with the conditions outlined under "open" for access and control. It is more likely that other factors relevant to legal ring-fencing or access and control, but not within this table, would move either one, or both, of the individual Linkage Factor Assessments (LFAs) to a "porous" level that would lead to a consolidated+1, consolidated+2 or standalone outcome.

^bNotching is capped at the subsidiary's Standalone Credit Profile.
 Source: Fitch Ratings

Exclusively for the use of Daniel Neama at Fitch Group, Inc.. Downloaded: 17-Apr-2025



Corporates
Natural Gas & Propane
United States

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

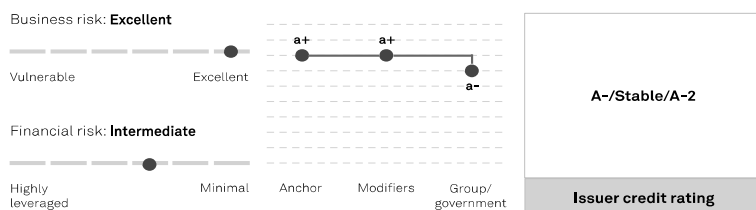
Copyright © 2025 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries, 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

DTE Gas Co.

October 2, 2025

This report does not constitute a rating action.

Ratings Score Snapshot



Primary Contact

Ruchi Agrawal
 Toronto
 14372252983
 ruchi.agrawal
 @spglobal.com

Secondary Contact

Obioma Ugboaja, CFA
 New York
 1-212-438-7406
 obie.ugboaja
 @spglobal.com

Research Contributor

Aditya Singh
 CRISIL Global Analytical Center,
 an S&P Global Ratings affiliate
 Gurgaon Haryana

Credit Highlights

Overview

Key strengths	Key risks
Fully regulated, low-risk natural gas distribution utility.	Elevated capital spending for infrastructure investments.
Primarily residential customer base provides cash flow stability.	Lack of geographic and regulatory diversity makes DTEG dependent on its regulator the Michigan Public Service Commission (MPSC) to sustain credit quality.
Constructive regulatory environment, including timely cost and investment recovery, supports credit metrics.	Continued negative discretionary cash flow indicates external funding needs.

DTE Gas Co.'s (DTEG's) previous rate case outcome was less than favorable. In November 2024, the Michigan Public Service Commission (MPSC) approved a \$113.8 million rate increase (revised upward to \$115.6 million in February 2025), which included the roll-in of about \$106 million of existing rider recovery into base rates, resulting in only about an \$8 million net increase to EBITDA. This was well below the \$266 million increase DTEG requested in January 2024. The approved settlement also reflected a slightly lower authorized return on equity of 9.8% versus 9.9% previously, along with several nonapproved cost items, including approximately \$88 million of operating expenses. Importantly, most of the nonapproved costs relate to proposed expenses,

DTE Gas Co.

giving the forward-looking rate making construct in Michigan. As a result, we expect DTEG will reduce its proposed expenditures accordingly, and maintain credit metrics consistent with its current rating, supported by its various cost recovery mechanisms embedded in Michigan's generally constructive regulatory framework. Overall, we expect funds from operations (FFO) to debt between 17% and 19% over the forecast period, consistent with its current financial risk profile assessment of intermediate.

We continue to assess DTEG's business risk profile as excellent. This reflects its very low-risk, regulated gas utility operations, very large customer base, and effective regulatory risk management. Somewhat offsetting these benefits is DTEG's limited geographic and regulatory diversity, given that it only operates in Michigan. However, we believe the utility's large, diverse base of 1.3 million customers and constructive regulation in Michigan mitigates this lack of diversity.

We continue to assess DTEG as an insulated subsidiary of DTE Energy Co. We rate DTEG one notch higher than our 'bbb+' group credit profile because of the strength of its stand-alone credit profile and our view of its financially separate status from the group in terms of its performance, funding arrangements, and operational independence.

Outlook

The stable rating outlook on DTEG reflects our base case assumption that it will generate sufficient cash flow to maintain appropriate financial measures for the current rating, including stand-alone FFO to debt of 17%-19% from 2025-2027. The outlook also reflects our expectation DTE Energy Co.'s management will remain focused on its core utility operations and maintain the company's current credit measures.

Downside scenario

We could lower our rating on DTEG over the next 24 months if we lower our rating on its parent, DTE Energy Co., or if DTEG's stand-alone financial measures weakens such that its FFO to debt remains consistently below 11%.

Upside scenario

We could upgrade DTEG over the next 24 months if we upgrade DTE Energy and the company maintains its current stand-alone financial measures.

Our Base-Case Scenario

Assumptions

- Effective management of regulatory risk and continued cost management enable the company's regulated operations to earn their allowed ROE;
- Revenue increases on customer- and volume-related growth, as well as expansion projects entering into service;
- Annual capital spending averaging about \$750 million for the next three years;
- DTEG continues to use supportive regulatory mechanisms;
- Annual dividend payments average about \$235 million for the next three years; and

DTE Gas Co.

- DTEG refinances all debt maturities.

Key metrics

DTE Gas Co.--Forecast summary

Period ending	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(MIL. \$)	2023a	2024a	2025e	2026f	2027f
Adjusted ratios					
Debt/EBITDA (x)	3.8	4.4	4-5	4-5	4-5
FFO/debt (%)	21.1	17.7	17-19	17-19	17-19
FFO cash interest coverage (x)	6.8	5.7	5-6	5-6	5-6

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. \$--U.S. dollar.

Company Description

DTEG is a public utility that transports and distributes natural gas to about 1.3 million customers in Michigan. The company operates as a subsidiary of [DTE Energy Co.](#)

Peer Comparison

DTE Gas Co.--Peer Comparisons

	DTE Gas Co.	Wisconsin Gas LLC	ONE Gas Inc.	Northwest Natural Gas Co.
Foreign currency issuer credit rating	A-/Stable/A-2	A/Stable/A-1	A-/Stable/A-2	A+/Stable/A-1
Local currency issuer credit rating	A-/Stable/A-2	A/Stable/A-1	A-/Stable/A-2	A+/Stable/A-1
Period	Annual	Annual	Annual	Annual
Period ending	2024-12-31	2024-12-31	2024-12-31	2024-12-31
Mil.	\$	\$	\$	\$
Revenue	1,783	680	2,040	1,100
EBITDA	683	228	673	341
Funds from operations (FFO)	532	297	550	239
Interest	130	46	140	69
Cash interest paid	113	39	144	63
Operating cash flow (OCF)	460	297	337	232
Capital expenditure	728	223	695	354
Free operating cash flow (FOCF)	(268)	74	(357)	(122)
Discretionary cash flow (DCF)	(478)	(6)	(508)	(196)
Cash and short-term investments	0	0	58	20
Gross available cash	0	0	58	20
Debt	3,009	1,055	2,844	1,635
Equity	2,991	1,257	3,105	1,324
EBITDA margin (%)	38.3	33.5	33.0	30.9
Return on capital (%)	8.1	6.0	6.9	6.9

DTE Gas Co.

DTE Gas Co.--Peer Comparisons

EBITDA interest coverage (x)	5.3	5.0	4.8	4.9
FFO cash interest coverage (x)	5.7	8.6	4.8	4.8
Debt/EBITDA (x)	4.4	4.6	4.2	4.8
FFO/debt (%)	17.7	28.1	19.3	14.6
OCF/debt (%)	15.3	28.2	11.9	14.2
FOCF/debt (%)	(8.9)	7.0	(12.6)	(7.4)
DCF/debt (%)	(15.9)	(0.6)	(17.9)	(12.0)

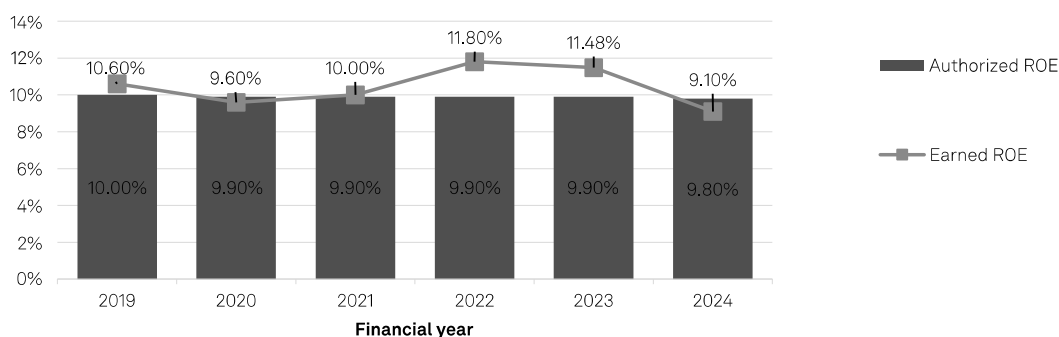
Business Risk

Our assessment of DTEG's business risk profile primarily reflects its very low-risk, regulated gas utility operations, very large customer base, and effective regulatory risk management. DTEG's utility operations provide indispensable services that are strategically important to economies, feature material barriers to entry, and essentially operate as a monopoly insulated from market challenges. The company benefits from the strength of the regulatory support in Michigan by managing its costs, filing forward-looking rate cases, and using various riders that enhance its cash flow predictability. DTEG also operates under a revenue decoupling mechanism that supports cash flow stability.

Somewhat offsetting these benefits is DTEG's limited geographic and regulatory diversity, given that it only operates in Michigan. However, we believe the utility's large, diverse base of 1.3 million customers and constructive regulation mitigate this. The predominance of residential and commercial customers limits its susceptibility to economic cyclicality, further supporting our expectation for stable cash flows. Overall, we assess DTEG in the upper half of its business risk profile category compared with peers.

DTE Gas Co.'s return on equity*

Authorized versus earned ROE



Source: S&P Global Ratings.

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

DTE Gas Co.

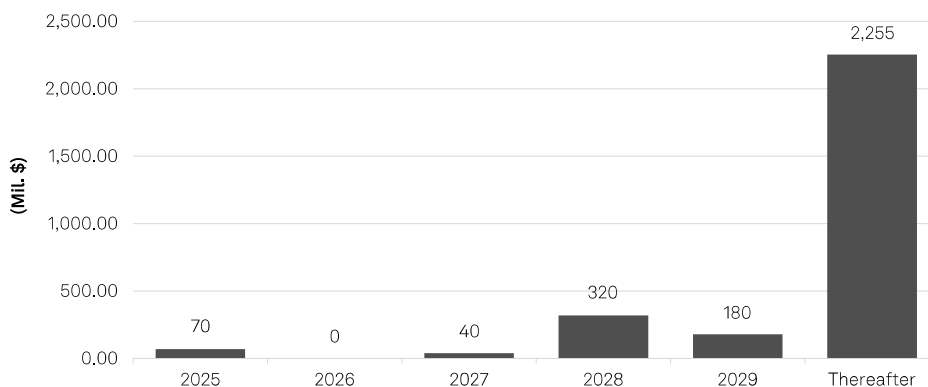
Financial Risk

We assess DTEG's financial risk profile using our low volatility table rather than the benchmark tables we use for typical corporate issuers. This is due to its low-risk, regulated utility business model and effective management of regulatory risk compared with its peers. Our assessment also reflects our stand-alone base case, which includes S&P Global Ratings-adjusted FFO to debt of about 17%-19% through our forecast period and a need for external funding due to consistently negative discretionary cash flow (after accounting for the utility's capital spending and dividend payments). Overall, our base case assumes DTEG will continue to effectively manage regulatory risk, with consistent and timely recovery of its capital expenditure and costs such that its financial risk profile does not materially deviate from our base-case expectations.

Debt maturities

DTE Gas Co.'s debt maturities

As of Dec. 31, 2024



Source: DTE Gas Co.'s annual report 2024.

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

DTE Gas Co.--Financial Summary

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024
Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
Display currency (mil.)	\$	\$	\$	\$	\$	\$
Revenues	1,462	1,396	1,532	1,894	1,726	1,783
EBITDA	478	494	531	654	699	683
Funds from operations (FFO)	401	416	452	575	568	532
Interest expense	88	90	90	102	114	130
Cash interest paid	75	77	79	86	98	113
Operating cash flow (OCF)	358	411	409	478	676	460

DTE Gas Co.

DTE Gas Co.--Financial Summary

Capital expenditure	523	567	611	680	727	728
Free operating cash flow (FOCF)	(165)	(156)	(202)	(202)	(51)	(268)
Discretionary cash flow (DCF)	(287)	(291)	(350)	(366)	(242)	(478)
Cash and short-term investments	1	0	1	0	0	0
Gross available cash	1	0	1	0	0	0
Debt	1,987	2,162	2,364	2,675	2,688	3,009
Common equity	1,852	2,023	2,235	2,402	2,721	2,991
Adjusted ratios						
EBITDA margin (%)	32.7	35.4	34.7	34.5	40.5	38.3
Return on capital (%)	8.7	7.7	7.7	9.5	9.5	8.1
EBITDA interest coverage (x)	5.4	5.5	5.9	6.4	6.1	5.3
FFO cash interest coverage (x)	6.3	6.4	6.7	7.7	6.8	5.7
Debt/EBITDA (x)	4.2	4.4	4.5	4.1	3.8	4.4
FFO/debt (%)	20.2	19.2	19.1	21.5	21.1	17.7
OCF/debt (%)	18.0	19.0	17.3	17.9	25.1	15.3
FOCF/debt (%)	(8.3)	(7.2)	(8.5)	(7.6)	(1.9)	(8.9)
DCF/debt (%)	(14.4)	(13.5)	(14.8)	(13.7)	(9.0)	(15.9)

Reconciliation Of DTE Gas Co. Reported Amounts With S&P Global Adjusted Amounts (Mil. \$)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2024									
Company reported amounts	2,877	2,991	1,783	662	438	118	683	461	210	729
Cash taxes paid	-	-	-	-	-	-	(38)	-	-	-
Cash interest paid	-	-	-	-	-	-	(112)	-	-	-
Capitalized interest	-	-	-	-	-	1	(1)	(1)	-	(1)
Share-based compensation expense	-	-	-	10	-	-	-	-	-	-
Asset-retirement obligations	156	-	-	11	11	11	-	-	-	-
Nonoperating income (expense)	-	-	-	-	15	-	-	-	-	-
Debt: other	(24)	-	-	-	-	-	-	-	-	-
Total adjustments	132	-	-	21	26	12	(151)	(1)	-	(1)
S&P Global Ratings adjusted	Debt	Equity	Revenue	EBITDA	EBIT	Interest expense	Funds from Operations	Operating cash flow	Dividends	Capital expenditure
	3,009	2,991	1,783	683	464	130	532	460	210	728

DTE Gas Co.

Liquidity

As of June 30, 2025, we assess DTEG's liquidity as adequate, with sources covering uses by 1.1x over the coming 12 months, and that its sources cover uses even if forecast consolidated EBITDA declines 10%. We believe the supportive regulatory framework provides a manageable level of cash flow stability for the company even in times of economic stress, supporting our use of slightly lower thresholds to assess liquidity.

In addition, DTEG can absorb high-impact, low-probability events. The company maintains about \$300 million in committed credit facilities through 2029, and we believe the company can lower its capital spending (averaging about \$750 million annually over the next three years), indicating a limited need for refinancing when stressed. Furthermore, our assessment reflects the company has prudent risk management and sound relationships with its banking group.

Overall, we believe the company can withstand adverse market circumstances over the next 12 months with sufficient liquidity to meet its obligations. The next major debt maturity for the company is in 2028.

Principal liquidity sources

- Minimal cash on balance sheet;
- Estimated cash FFO of about \$600 million; and
- Revolving credit facility availability of about \$300 million.

Principal liquidity uses

- Debt maturities of about \$70 million over the next 12 months;
- Assumed maintenance capital spending of about \$500 million; and
- Dividends of about \$230 million.

Environmental, Social, And Governance

ESG factors have no material influence on our credit rating analysis of DTEG.

Group Influence

We assess DTEG to be a core subsidiary of DTE Energy Co., which reflects our view that it benefits from a strong, long-term commitment from senior management, is integral to the group's strategy, and is highly unlikely to be sold. We view DTEG as insulated from its parent. This means we expect any significant credit stress at DTE Energy would not unduly impair the creditworthiness of the subsidiary.

We rate DTEG one notch higher than our 'bbb+' group credit profile because of the strength of its stand-alone credit profile and our view of how financially separate it is from the group in terms of its performance, funding arrangements, and operational independence. DTEG maintains its own records and funding arrangements and does not commingle funds, assets, or cash flows. In addition, because it is an independent regulated utility, we believe there is a strong economic incentive for its parent to preserve its credit strength. We do not expect that a default by either DTE Energy or another entity in the group would lead to a default at DTEG.

DTE Gas Co.

Issue Ratings--Subordination Risk Analysis

Analytical conclusions

We base our 'A-2' short-term rating on our long-term issuer credit rating on DTEG.

Issue Ratings--Recovery Analysis

Key analytical factors

DTEG's first-mortgage bonds benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue-level rating of 'A', which is one notch above the long-term issuer credit rating.

Rating Component Scores

Foreign currency issuer credit rating	A-/Stable/A-2
Local currency issuer credit rating	A-/Stable/A-2
Business risk	Excellent
Country risk	Very Low
Industry risk	Very Low
Competitive position	Strong
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	a+
Modifiers	
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	a+
Group Credit Profile	bbb+
Entity Status Within Group	Core (-2 notch from SACP)

Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7 2025
- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Feb. 10 2025
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10 2021

DTE Gas Co.

- [General Criteria: Group Rating Methodology](#), July 1 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28 2018
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7 2017
- [Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers](#), Dec. 7 2016
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16 2014
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19 2013
- [General Criteria: Methodology: Industry Risk](#), Nov. 19 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16 2011

Ratings Detail (as of October 01, 2025)*

DTE Gas Co.	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
<i>Local Currency</i>	A-2
Senior Secured	A

Issuer Credit Ratings History

27-Aug-2019	A-/Stable/A-2
21-Aug-2015	BBB+/Stable/A-2
19-Aug-2013	BBB+/Positive/A-2

Related Entities

DTE Electric Co.	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
<i>Local Currency</i>	A-2
Senior Secured	A
Senior Secured	A/A-2

DTE Energy Co.

Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
<i>Local Currency</i>	A-2
Junior Subordinated	BBB-
Senior Unsecured	BBB

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

DTE Gas Co.

Copyright © 2025 Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

MOODY'S RATINGS

Infrastructure and Project Finance

CREDIT OPINION

17 July 2025

Update

Send Your Feedback

RATINGS

DTE Gas Company

Domicile	Detroit, Michigan, United States
Long Term Rating	A3
Type	Senior Unsecured Bank Credit Facility - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Jairo Chung +1.212.553.5123
 VP-Sr Credit Officer
 jairo.chung@moodys.com

Gajendra Mandal +1.416.214.3861
 Lead Ratings Associate
 gajendra.mandal@moodys.com

Michael G. Haggarty +1.212.553.7172
 Associate Managing Director
 michael.haggarty@moodys.com

CLIENT SERVICES

Americas 1-212-553-1653
 Asia Pacific 852-3551-3077
 Japan 81-3-5408-4100
 EMEA 44-20-7772-5454

DTE Gas Company

Update to credit analysis

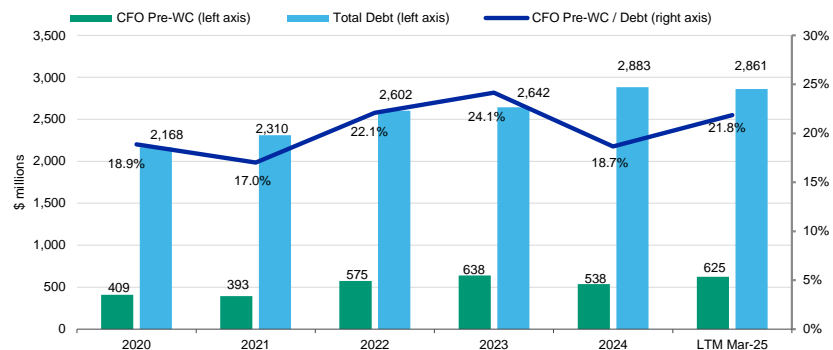
Summary

DTE Gas Company's (DTE Gas, A3 stable) credit profile incorporates its low business risk profile as a regulated natural gas local distribution company (LDC), and a credit supportive regulatory environment in Michigan.

We expect the company's cash flow from operations before changes in working capital (CFO pre-WC) to debt ratio to be maintained in the high-teens despite sustained higher capital expenditures. This metric for the last twelve month (LTM) period ending 31 March 2025 was higher, at 21.8%, due to an increase in the recovery of historical natural gas costs. Over the next 2-3 years, the company's debt is likely to increase in order to partially fund its capital expenditures and to maintain a 50% equity capital structure. However, we expect DTE Gas to also steadily increase its cash flow generation under the constructive Michigan regulatory framework, maintaining its financial profile.

Exhibit 1

Historical CFO pre-WC, Total Debt and CFO pre-WC to Debt



All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.

Source: Moody's Financial Metrics™

Credit strengths

- » Low risk business profile as a regulated gas LDC
- » Credit supportive regulatory environment in Michigan

Credit challenges

- » Sustained elevated capital investments
- » Maintaining continued regulatory support amid a robust capital investment program

Rating outlook

The stable outlook reflects our expectation that the Michigan legislative and regulatory environment will remain credit supportive, and enable DTE Gas to recover prudently incurred capital investments on a timely basis. Also, the stable outlook incorporates our expectation that DTE Gas will continue to produce consistent and predictable financial metrics.

Factors that could lead to upgrade

A rating upgrade could be considered if there are legislative or other actions that improve timeliness of cost recovery, or if the regulatory environment in Michigan becomes even more formulaic and transparent. Also, a rating upgrade could be possible if DTE Gas's financial metrics improve such that its CFO pre-WC to debt ratio is above 19% on a sustained basis.

Factors that could lead to downgrade

A downgrade could be considered if the DTE Gas's financial profile deteriorates such that its CFO pre-WC to debt ratio falls to 16% or below on a sustained basis. Also, if there is an adverse change in the Michigan regulatory environment or if the company experiences insufficient cost recovery or returns, a rating downgrade could be possible.

Key indicators

Exhibit 2

DTE Gas Company

	2020	2021	2022	2023	2024	LTM Mar-25
CFO Pre-W/C + Interest / Interest	6.1x	5.8x	7.2x	7.2x	5.5x	6.1x
CFO Pre-W/C / Debt	18.9%	17.0%	22.1%	24.1%	18.7%	21.8%
CFO Pre-W/C – Dividends / Debt	12.6%	10.6%	15.8%	16.9%	11.4%	14.4%
Debt / Capitalization	43.9%	43.5%	44.5%	42.3%	42.2%	40.8%

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
 Source: Moody's Financial Metrics™

Profile

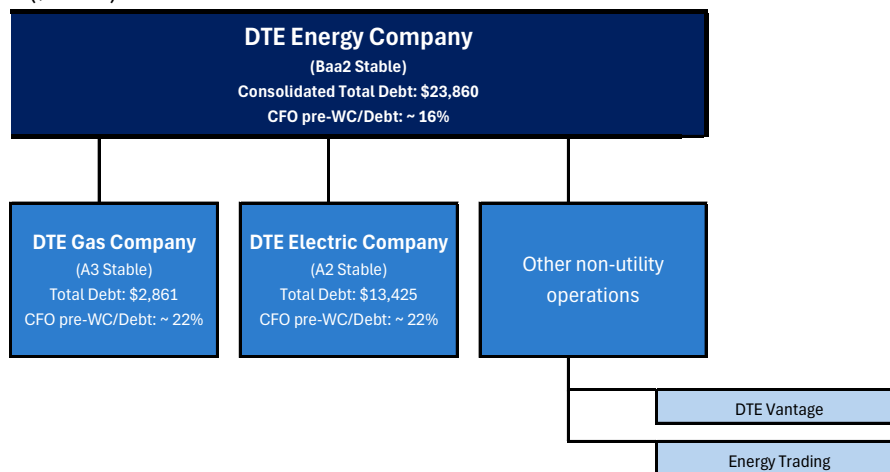
DTE Gas is a gas distribution utility subsidiary of DTE Energy Company (DTE, Baa2 stable) and is regulated by the Michigan Public Service Commission (MPSC). DTE Gas serves approximately 1.3 million residential, commercial and industrial customers throughout Michigan, with approximately \$6.9 billion in rate base (~23% of DTE's total state jurisdictional rate base).

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Exhibit 3

Organizational Chart

Total debt as adjusted (\$ millions)



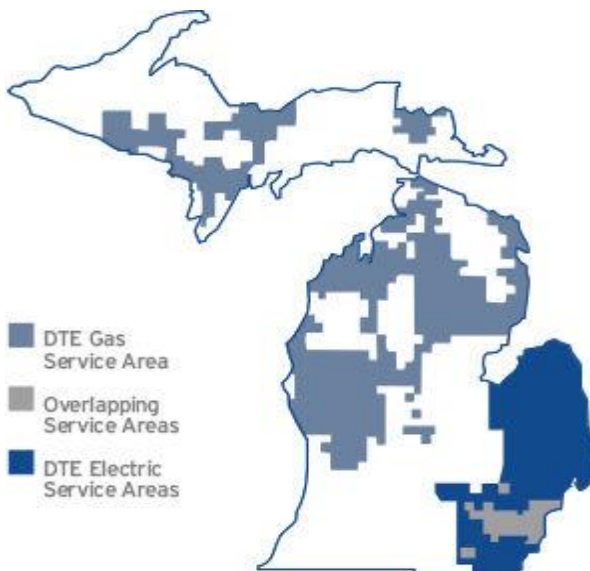
All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.

Total adjusted debt as of 31 March 2025.

Sources: Moody's Financial Metrics™ and Company filings

Exhibit 4

DTE Service Area Map



Source: Company filings

Detailed credit considerations

Credit supportive regulatory environment in Michigan

DTE Gas is regulated by the MPSC, which has a regulatory framework that we view as more credit supportive than most other states. As a result of 2008 and 2016 energy legislation in Michigan, the regulatory framework was streamlined, improving both the rate case process and the timeliness of cost recovery. In accordance with the 2016 legislation, utility rate cases are able to be filed on a forward

test year basis but must now be decided within ten months (reduced from twelve) of the date of filing. The offset to a faster rate process was the loss of the ability to self implement rates after six months.

Importance of maintaining continued regulatory support

DTE Gas benefits from several automatic adjustment mechanisms including a forward-looking gas cost recovery (GCR) mechanism and a revenue decoupling mechanism (RDM) intended to adjust for the impacts of customer conservation efforts. The MPSC also approved an infrastructure recovery mechanism (IRM) to allow recovery of the costs related to annual investments in main renewal, meter relocation, and pipeline integrity.

DTE Gas's latest general rate case concluded in February 2025 when the MPSC granted a request for rehearing of the rate case and authorized modest additional gas rate increase. The rate case was initially concluded in November 2024 when the MPSC authorized a \$114 million revenue increase, excluding new depreciation rates and OPEB impact, based on a 9.8% return on equity (ROE) and \$6.889 billion of forward rate base. This rate case was fully litigated and the final authorized increase was meaningfully lower than the company's initial request of \$265.5 million. While the rate increase was about half of the company's initial request, there were other aspects of the rate case outcome we viewed to be credit supportive. The MPSC approved the continuation of the IRM to recover a significant portion of the capital plan, a credit positive. The commission also approved the continuation of the RDM. Based on the current regulatory framework and our expectation that the regulatory environment in Michigan remains credit supportive, we estimate DTE Gas's CFO pre-WC to debt ratio to be in the 17% - 19% range over the next 2-3 years.

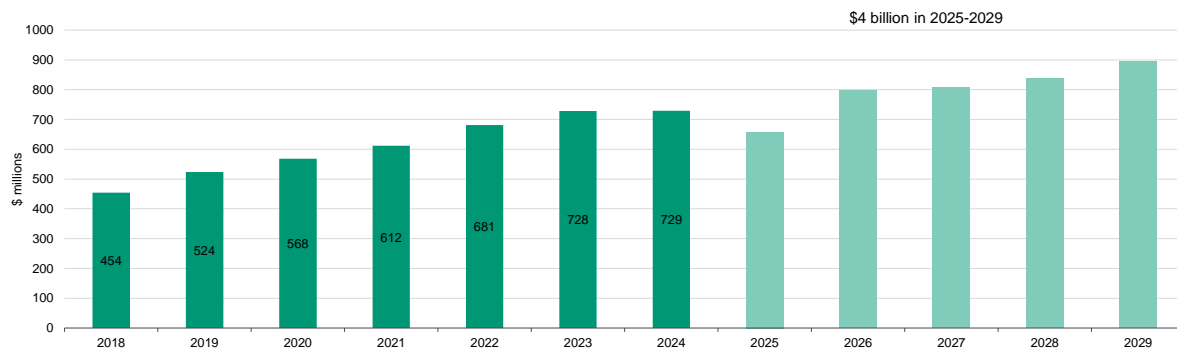
Maintaining a constructive relationship with the regulator and other stakeholders is becoming more important as the company continues to invest heavily and needs to manage the impact on the customers' bill. We note that either a deterioration of the allowed ROE or disallowance of cost recovery is likely to put negative pressure on the company's overall financial profile.

Elevated capital spending through 2029

DTE Gas's capital investment continues to be robust. The company increased its five-year investment plan through 2029 to \$4 billion from \$3.7 billion between 2024 and 2028. The increase was primarily related to the company's base infrastructure spending, which will enhance transmission, compression, distribution and storage of natural gas. These investments will remain high over the next five years as the utility focuses on its MPSC approved accelerated and expanded infrastructure renewal program for main replacement as well as some additional expenditures for its base infrastructure.

Exhibit 5

DTE Gas Historical and Pro Forma Capital Expenditures



Source: Company filings

Overall stable financial profile

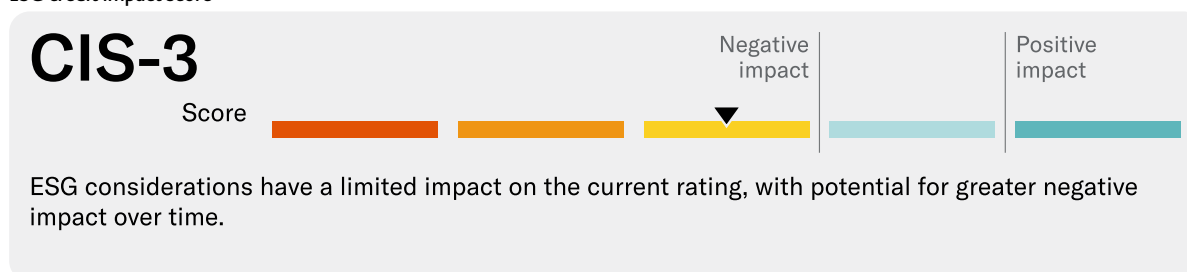
The overall credit profile of DTE Gas has improved since the delay in the recovery of the gas purchased cost pressured its CFO pre-WC to debt in 2021. Despite its robust capital expenditure over the next few years, we expect DTE Gas to maintain a relatively stable financial profile with CFO pre-WC to debt ranging at least 17% - 19%. The company continues to invest to replace its aging infrastructure, ensuring the reliability of its existing natural gas pipelines and improving its infrastructure to focus on opportunities for

decarbonization. Although its elevated investment program will increase its debt, the company should be able to generate consistently higher cash flow at the same time under the Michigan regulatory framework.

ESG considerations

DTE Gas Company's ESG credit impact score is CIS-3

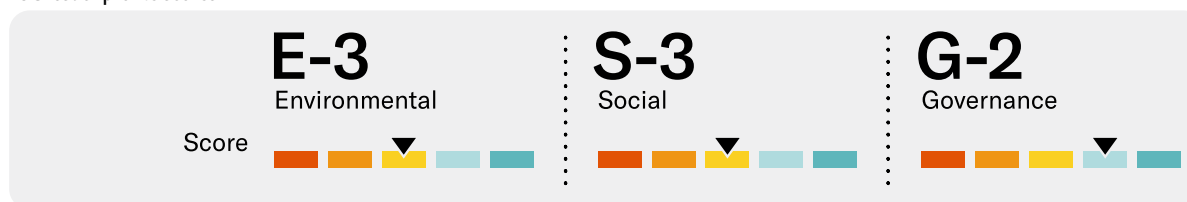
Exhibit 6
 ESG credit impact score



Source: Moody's Ratings

DTE Gas's **CIS-3** indicates that its ESG attributes are overall considered to have limited impact on the current credit rating, with greater potential for future negative impact over time. It incorporates risks associated with moderate carbon transition risk and some risks related to demographic and societal trends connected to utility operations.

Exhibit 7
 ESG issuer profile scores



Source: Moody's Ratings

Environmental

DTE Gas's **E-3** issuer profile score reflects its moderate carbon transition risk, including potential for methane leakage, although it does not have direct exposure to fossil-fueled generation as a natural gas local distribution company (LDC). It also incorporates moderately negative exposure to physical climate risks.

Social

DTE Gas's **S-3** issuer profile score is primarily related to the company's customer and regulatory relations as well as demographic and societal trends that could impact public concerns over affordability and utility's reputational risk. These pressures could turn into adverse political intervention or regulatory response.

Governance

DTE Gas's **G-2** issuer profile score reflects our view that its governance does not pose a particular risk.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

We expect DTE Gas' liquidity profile to be adequate over the next 12 months.

The company maintains a \$300 million credit facility expiring in October 2029 that is primarily used to backstop its \$300 million commercial paper program. The credit facility has no material adverse change clause for new borrowings, and contains one financial covenant that requires a maximum debt to capital ratio of 65%. As of 31 March 2025, the company was in compliance with the covenant with a reported ratio of 48%. Further supplementing DTE Gas' liquidity is the company's access to intercompany loans from its parent company, DTE.

The company's liquidity can be volatile due to the seasonal nature of gas demand and changes in gas prices. Its short-term borrowings tend to peak as it builds gas inventory before the winter high usage period. As of 31 March 2025, DTE Gas had no cash on its balance sheet and the full amount was available under its bank revolving credit facility.

For the last twelve months ending 31 March 2025, DTE Gas generated \$525 million of cash from operations, invested \$692 million in capital investments, and upstreamed \$212 million in dividend payments to its parent, resulting in negative free cash flow of approximately \$379 million. The company funded this negative free cash flow with incremental long-term debt. We anticipate that DTE Gas will continue to generate negative free cash flow balances given its robust capital investment plan. We expect that the negative free cash flow will continue to be funded via a combination of long and short term capital sources, including equity contributions from its parent. DTE Gas has received equity contributions from DTE every year, albeit in varying amounts. In 2023 and 2024, capital contributions from the parent were \$216 million and \$221 million, respectively. We expect parent equity contributions to continue over the next 2-3 years.

DTE Gas has \$70 million of first mortgage bonds expiring in December 2025.

Moody's Ratings

Infrastructure and Project Finance

Methodology and scorecard

As a natural gas local distribution company (LDC) that does not have generation, DTE Gas is scored under the low business risk financial metric grid in the Regulated Electric and Gas Utilities methodology. The two notch difference between the scorecard-indicated outcome in the LTM ending 31 March 2025 and the actual rating is due to higher historical credit metrics resulting from the recover of historical natural gas cost.

Exhibit 8

Methodology scorecard factors

DTE Gas Company

Regulated Electric and Gas Utilities Industry Scorecard	Current LTM Mar-25		Moody's 12-18 month forward view	
	Measure	Score	Measure	Score
Factor 1 : Regulatory Framework (25%)				
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	Aa	Aa	Aa	Aa
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Aa	Aa	Aa	Aa
b) Sufficiency of Rates and Returns	A	A	A	A
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	na	na	na	na
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	6.5x	Aa	5x - 5.5x	A
b) CFO pre-WC / Debt (3 Year Avg)	23.0%	A	17% - 19%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	15.5%	A	10% - 13%	Baa
d) Debt / Capitalization (3 Year Avg)	39.9%	Aa	42% - 44%	A
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		A1		A2
HoldCo Structural Subordination Notching		0		0
a) Scorecard-Indicated Outcome		A1		A2
b) Actual Rating Assigned				A3

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months. Moody's forecasts are Moody's opinion and do not represent the views of the issuer. Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Appendix

Exhibit 9

Peer comparison

DTE Gas Company

	DTE Gas Company A3 Stable			Northern Illinois Gas Company A2 Stable			Consumers Energy Company A3 Stable			Piedmont Natural Gas Company, Inc. A3 Stable			South Jersey Gas Company A3 Stable		
	FY Dec-23	FY Dec-24	LTM Mar-25	FY Dec-23	FY Dec-24	LTM Mar-25	FY Dec-23	FY Dec-24	LTM Mar-25	FY Dec-23	FY Dec-24	LTM Mar-25	FY Dec-21	FY Dec-22	FY Dec-23
(In \$ millions)															
Revenue	1,726	1,783	1,946	2,593	2,326	2,372	7,166	7,200	7,451	1,628	1,729	1,910	618	825	738
CFO Pre-WC	638	538	625	832	703	582	2,190	2,344	2,379	624	708	749	226	256	208
Total Debt	2,642	2,883	2,861	2,902	2,954	2,782	11,449	12,346	12,241	4,218	4,751	4,588	1,260	1,236	1,246
CFO Pre-WC + Interest / Interest	7.2x	5.5x	6.1x	10.5x	7.7x	6.5x	5.8x	5.5x	5.5x	4.8x	4.8x	5.0x	6.0x	6.5x	4.3x
CFO Pre-WC / Debt	24.1%	18.7%	21.8%	28.7%	23.8%	20.9%	19.1%	19.0%	19.4%	14.8%	14.9%	16.3%	17.9%	20.7%	16.7%
CFO Pre-WC – Dividends / Debt	16.9%	11.4%	14.4%	18.3%	23.8%	20.9%	13.0%	12.5%	12.9%	14.8%	12.6%	13.9%	17.9%	20.7%	14.7%
Debt / Capitalization	42.3%	42.2%	40.8%	43.1%	41.0%	38.6%	45.8%	46.0%	45.3%	45.8%	46.9%	44.8%	39.6%	36.6%	35.7%

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months. Source: Moody's Financial Metrics™

Moody's Ratings

Infrastructure and Project Finance

Exhibit 10

Moody's-adjusted cash flow reconciliation

DTE Gas Company

(in \$ millions)	2020	2021	2022	2023	2024	LTM Mar-25
FFO	397.0	416.0	528.0	543.0	552.0	627.0
+/- Other	12.0	(23.0)	47.0	95.0	(14.0)	(2.0)
CFO Pre-WC	409.0	393.0	575.0	638.0	538.0	625.0
+/- ΔWC	11.0	17.0	(96.0)	39.0	(77.0)	(100.0)
CFO	420.0	410.0	479.0	677.0	461.0	525.0
- Div	135.0	148.0	164.0	191.0	210.0	212.0
- Capex	568.0	612.0	681.0	728.0	729.0	692.0
FCF	(283.0)	(350.0)	(366.0)	(242.0)	(478.0)	(379.0)
(CFO Pre-W/C) / Debt	18.9%	17.0%	22.1%	24.1%	18.7%	21.8%
(CFO Pre-W/C - Dividends) / Debt	12.6%	10.6%	15.8%	16.9%	11.4%	14.4%
FFO / Debt	18.3%	18.0%	20.3%	20.6%	19.1%	21.9%
RCF / Debt	12.1%	11.6%	14.0%	13.3%	11.9%	14.5%
Revenue	1,396.0	1,532.0	1,894.0	1,726.0	1,783.0	1,946.0
Interest Expense	80.5	81.8	92.6	103.5	119.1	121.9
Net Income	197.6	222.5	275.9	279.4	248.6	302.2
Total Assets	6,366.0	6,692.0	7,279.0	7,660.0	8,394.0	8,679.0
Total Liabilities	4,293.5	4,457.0	4,877.0	4,939.0	5,403.0	5,538.0
Total Equity	2,072.5	2,235.0	2,402.0	2,721.0	2,991.0	3,141.0

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
 Source: Moody's Financial Metrics™

Moody's Ratings

Infrastructure and Project Finance

Ratings

Exhibit 11

Category	Moody's Rating
DTE GAS COMPANY	
Outlook	Stable
First Mortgage Bonds	A1
Senior Secured	A1
Sr Unsec Bank Credit Facility	A3
Commercial Paper	P-2
ULT PARENT: DTE ENERGY COMPANY	
Outlook	Stable
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Jr Subordinate	Baa3
Commercial Paper	P-2

Source: Moody's Ratings

© 2025 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and all MCO entities that issue ratings under the "Moody's Ratings" brand name ("Moody's Ratings"), also maintain policies and procedures to address the independence of Moody's Ratings' credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at r.moody's.com under the heading "Investor Relations — Corporate Governance — Charter and Governance Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V., I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., and Moody's Local PA Calificadora de Riesgo S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions and Net Zero Assessments (as defined in Moody's Ratings Rating Symbols and Definitions): Please note that neither a Second Party Opinion ("SPO") nor a Net Zero Assessment ("NZA") is a "credit rating". The issuance of SPOs and NZAs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs and NZAs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

Moody's Ratings

Infrastructure and Project Finance

REPORT NUMBER 1451155

Moody's Ratings

Infrastructure and Project Finance

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

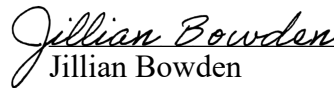
STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter, of the application of) DTE GAS COMPANY for authority to increase) its rates, amend its rate schedules and rules) governing the distribution and supply of natural) gas, and for miscellaneous accounting authority) <hr style="width: 100%; border: 0.5px solid black;"/>	Case No. U-21973
--	------------------

PROOF OF SERVICE

Jillian Bowden, being duly sworn, deposes and says that on March 13, 2026, A.D., she emailed a copy of the attached MPSC Testimony and Exhibits to the persons as shown on the attached list.



Jillian Bowden

Subscribed and sworn to before me
this 13th day of March 2026.

Michelle L. Conarton, Notary Public
State of Michigan, County of Ingham
Acting in the County of Eaton
My Commission Expires: 6-18-2026

DTE Gas Company:

Carlton Watson
Breanne Reitzel
John Janiszewski
Andrea Hayden
carlton.watson@dteenergy.com
breanne.reitzel@dteenergy.com
john.janiszewski@dteenergy.com
andrea.hayden@dteenergy.com
mpscfilings@dteenergy.com

MPSC Staff:

Adam Cozort
Anna Stirling
Heather Durian
Michael Orris
Lori Mayabb
cozortal@michigan.gov
stirlingal@michigan.gov
durianh@michigan.gov
orrism@michigan.gov
mayabbl@michigan.gov

AG:

Joel King
Lucas Wollenzien
kingj38@michigan.gov
wollenzienl@michigan.gov
ag-enra-spec-lit@michigan.gov
Sebastian Coppola
sebcoppola@corpolytics.com

ALJ:

Christopher Saunders
saundersc4@michigan.gov

City of Ann Arbor:

Valerie Jackson
vjackson@a2gov.org

UWUA, Local 223:

Richard Mack, Jr.
Jacob Porcarelli
richardmack@millercohen.com
jporcarelli@millercohen.com

ABATE:

Benjamin Holwerda
Michael Pattwell
Stephan Campbell
holwerda@clarkhill.com
mpattwell@clarkhill.com
scampbell@clarkhill.com
Jim Dauphinais
Nicholas Witaschek
jdauphinais@consultbai.com
nwitaschek@consultbai.com

MEC/CUB:

Christopher Bzdok
Holly Hillyer
Natasha Fowles
Sue Fruchey
Sean Clark
Rick Bunch
Matt Bandyk
Ellen Carlson
Maria Soledad DeLeon
Julielyn Gibbons
Asa Hopkins
Moksha Meghaney
Alice Napoleon
Sophie Schadler
Peter Schultz
Ram Veerapaneni
Graham Wooley
Douglas Jester
chris@tropospherelegal.com
holly@tropospherelegal.com
natasha@tropospherelegal.com
sue@tropospherelegal.com
sean@tropospherelegal.com
anapoleon@synapse-energy.com
sschadler@synapse-energy.com
jgibbons@5lakesenergy.com
rbunsh@5lakesenergy.com
plfox@varnumlaw.com
mbandyk@5lakesenergy.com
ecarlson@synapse-energy.com
sdeleon@synapse-energy.com
ahopkins@synapse-energy.com
mmenghaney@5lakesenergy.com
ram@5lakesenergy.com
gwooley@5lakesenergy.com
djester@5lakesenergy.com

RESA:

Jennifer Heston

jheston@potomaclaw.com

Soulardarity/UCC/We Want Green,

Too:

Amanda Urban

Mark Templeton

Alexander Miskho

Emma Young

Jacob Schuhardt

Lillian Bourne

David Elkins

Elijah Greisz

Davis Han

Heidi Peng

Veronica Tait

Jess Zellmer

templeton@uchicago.edu

aurbanlaw@gmail.com

amiskho@uchicago.edu

eyoung@uchicago.edu

delkins@uchicago.edu

jschuhardt@uchicago.edu

lillianbourne@uchicago.edu

egreisz@uchicago.edu

davishan@uchicago.edu

hopen@lawclinic.uchicago.edu

vtait@lawclinic.uchicago.edu

jzellmer@lawclinic.uchicago.edu

aclc_mpsc@lawclinic.uchicago.edu

Detroit Thermal:

Arthur LeVasseur

Troy Otto

levasseur@fischerfranklin.com

otto@fischerfranklin.com

Billerud Americas Corporation/Energy

Michigan:

Timothy Lundgren

Laura Chappelle

Justin Ooms

Pamela Fox

Timonthy Hicks

tlundgren@varnumlaw.com

lachappelle@varnumlaw.com

jooms@varnumlaw.com

plfox@varnumlaw.com

tim.hicks@billerud.com