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MPSC approves \$30.5M rate increase for DTE Electric Co.

The Michigan Public Service Commission today authorized DTE Electric Co. to implement a \$30,557,000 rate increase effective Nov. 25 ([Case No. U-20836](#)).

DTE Electric in January filed an application seeking a \$388 million rate increase, to recover increased investments in its generation and distribution systems to improve safe and reliable electric service to its 2.3 million customers in southeast Michigan. With today's approval of the lower amount, a typical residential customer who uses 500 kilowatt hours of electricity per month will see an increase of 71 cents, or 0.78%, on their monthly bill.

Today's order authorizes a jurisdictional rate base of \$20,406,679,000, a rate of return on common equity of 9.9% and an overall rate of return of 5.42%. The Commission adopted a 50/50 debt to equity capital structure, a long-term debt cost rate of 3.69%, and a short-term debt cost rate of 1.74%.

The largest amount of the reduction in the approved rate came from disputed projections used in the utility's sales forecast based on changing patterns of residential electricity as Michigan moved beyond early restrictions in place during the COVID-19 pandemic. The Commission found that, despite DTE Electric's previous projections of declining electric use among its residential customers, residential electric sales surged in 2020 and increased again in 2021, even as many Michiganders returned to working from their places of employment and resumed pre-COVID activities.

A number of pilot projects were approved for full or partial recovery in rates, including a non-wires alternative project to effectively integrate distributed energy resources into the grid, a lithium-ion battery to replace a diesel-fueled peaker plant, a pay-as-you-save financing model for electric transit buses, make-ready rebates for electric vehicle chargers, and residential rebates for installation of electric vehicle chargers. The Commission also disallowed a number of pilot projects proposed by DTE Electric and intervenors in the case. The Commission strongly encouraged DTE Electric to consider submitting its pilot project proposals outside of the general rate case process, where feasible and appropriate, and include a request for deferred accounting treatment.

The Commission said taking pilots outside of the rate case process would allow more opportunities for stakeholder input outside of a contested case and result in the utility proposing pilots for approval whose details have been better fleshed out. In that vein, the Commission directed DTE Electric to prepare and submit, with its next rate case, a full scale, well-developed, permanent Charging Forward electric vehicle program proposal that includes a cost-benefit analysis.

Addressing matters of grid reliability, the Commission directed DTE Electric to work with MPSC Staff and various stakeholders to conduct one or more technical conferences in the first quarter of 2023 to explore the benefits and costs of hardening the company's 4.8 kV distribution system, which is found in Detroit, some of its older suburbs and in areas of the Thumb, versus conversion or other alternative options.

The Commission adopted a five-year average to project storm restoration expenses and approved an operations and maintenance increase of \$14,777,000 for storm restoration. The Commission also determined DTE Electric has sufficiently offset its operations and maintenance expense by its tree-trim surge savings cost estimate. The Commission approved the company's \$103.9 million base operations and maintenance expense for tree trimming in addition to funding of \$67 million in 2023 and \$52.7 million in 2024 for additional "surge" funding meant to speed up tree trimming to improve reliability and reduce outages.

The Commission also directed DTE Electric to include, in its future rate cases and distribution plans, overlay maps, charts, graphs and other visual and data displays to help better inform and understand the holistic impacts of infrastructure investments on customer communities.

A new year-round default time of use residential rate was also approved, better aligning cost of electric service during on-peak times and off-peak times.

In addition, the Commission directed DTE Electric to present evidence in its next rate case related to inflation adjustments needed for emergent replacements — investments required to perform repairs and replacements of overhead and underground power equipment damaged during severe weather. The Commission directed the utility to work with MPSC Staff on a format for the disclosures that Staff wants to see regarding emergent replacements and strategic capital, while considering DTE Electric's record keeping limitations. Today's order directs DTE Electric to revisit the customer connections, relocations and other programs, and the strategic capital spending programs currently used and reassign, where necessary, spending that aligns with the purpose of emergent replacements.

In other areas, the Commission:

- Directed DTE Electric to file, within 90 days in a new case docket as a contested proceeding, options available to customers with distributed generation systems

should the company decide to cap participation in its current distributed generation program.

- Directed the utility to file within 120 days in Case No. U-20757 a report detailing the company's current approach to enrolling customers in its Low-Income Assistance program and include current enrollment data from 2021 and 2022 to date. Following the submission of that report, the Commission directed the MPSC's Energy Affordability and Accessibility Collaborative (EAAC) to initiate a stakeholder discussion of enrollment in the Low-Income Assistance program and submit a report and recommendations to the Commission.
- Directed DTE Electric to supplement, within 90 days, its voluntary green pricing application in [Case No. U-21172](#) with a straw proposal of a Rider 17 community solar project.
- Directed the EAAC to work to define equity and related terms and establish metrics for energy infrastructure.

Intervenors in the case were the Michigan Department of Attorney General; Energy Michigan; Michigan Energy Innovation Business Council; Institute for Energy Innovation; ChargePoint Inc.; Bloom Energy Corp.; Michigan Environmental Council; Natural Resources Defense Council; Sierra Club; Citizens Utility Board of Michigan; Michigan Cable Telecommunications Association; Association of Businesses Advocating Tariff Equity; Kroger Co.; Gerdau MacSteel Inc.; Local 223, Utility Workers Union of America, AFL-CIO; Environmental Law and Policy Center of the Midwest; Ecology Center; Vote Solar; Michigan Municipal Association for Utility Issues; City of Ann Arbor; Walmart Inc.; Great Lakes Renewable Energy Association; Residential Customer Group; Soulardarity; We Want Green, Too; Zeco Systems Inc.; and EVgo Services LLC. DTE Electric and MPSC Staff also participated in the proceeding.

DTE Electric's most recent previous rate increase was in May 2020, when the MPSC approved a \$188 million increase after the utility had requested approval for a \$351 increase ([Case No. U-20561](#)).

To look up cases from today's meeting, access the [MPSC's E-Dockets filing system](#). Watch recordings of the MPSC's meetings on the [MPSC's YouTube channel](#).

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