

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of )  
**MICHIGAN CONSOLIDATED GAS COMPANY** )  
for authority to increase its rates, amend its rate )  
schedules and rules governing the distribution and )  
supply of natural gas, and for miscellaneous )  
accounting authority. )  
\_\_\_\_\_ )

Case No. U-16999

At the June 6, 2014 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. John D. Quackenbush, Chairman  
Hon. Greg R. White, Commissioner  
Hon. Sally A. Talberg, Commissioner

**ORDER APPROVING SETTLEMENT AGREEMENT**

On February 21, 2014, DTE Gas Company (DTE Gas) filed an application, with supporting testimony and exhibits, requesting Commission review of the annual costs of the company's Main Renewal Program (MRP), Meter Move-out Program (MMO), and Pipeline Integrity program (PI), and confirmation that the Infrastructure Recovery Mechanism (IRM) surcharge that is projected to begin July 1, 2014, can be implemented without downward adjustment.

A prehearing conference was held on March 24, 2014, before Administrative Law Judge Mark D. Eyster. DTE Gas and the Commission Staff (Staff) participated in the proceedings. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agreed that during the 2013 calendar year, DTE Gas's planned main replacements, planned main retirements, and unplanned main replacements met or exceeded forecasts.

The parties agreed that DTE Gas's July 1, 2014 IRM surcharges should be reduced by \$0.06 per customer per month, for all surcharges below \$500 per month, from the previously approved surcharges, and the residential surcharge should be set at \$0.88 per customer per month. The parties also agreed that the Commission should approve a revised Tariff D-2.01 reflecting the new surcharges as shown in Attachment 2 to the settlement agreement.

The parties agreed that DTE Gas will not include fleet depreciation expense in future IRM review filings because fleet purchases specific to the MMO, MRP, and PI programs are included in the total program expenditures, and DTE Gas will include in the annual program spending used to compute the annual IRM surcharge, only MMO, MRP and PI expenditures transacted in the respective calendar year under review.

Finally, the parties agreed that DTE Gas will discuss with the Staff periodically, and as becomes necessary, all changes made in previously communicated planned spending for the MMO, MRP, and PI programs.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. DTE Gas Company is authorized to implement the surcharges set forth in the tariff sheets attached to the settlement agreement for bills rendered on and after July 1, 2014.

C. Within 30 days, DTE Gas Company shall file tariff sheets substantially similar to those attached to the settlement agreement.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, under MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION



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John D. Quackenbush, Chairman



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Greg R. White, Commissioner



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Sally A. Talberg, Commissioner

By its action of June 6, 2014.



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Mary Jo Kunkle, Executive Secretary

**STATE OF MICHIGAN**  
**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

In the matter of the application of )	
<b>MICHIGAN CONSOLIDATED GAS COMPANY</b> )	
for authority to increase its rates, amend its rate )	Case No. U-16999
schedules and rules governing the distribution )	(Paperless e-file)
and supply of natural gas, and for miscellaneous )	
<u>accounting authority</u> )	

**SETTLEMENT AGREEMENT**

On April 16, 2013, pursuant to the Michigan Public Service Commission’s (“MPSC” or “Commission”) Order in Case No. U-16999, DTE Gas Company (f/k/a Michigan Consolidated Gas Company (“MichCon”) (“DTE Gas” or “Company”))<sup>1</sup> filed its application requesting Commission review of the annual costs of the Company’s Main Renewal Program (“MRP”), Meter Move-out Program (“MMO”), and Pipeline Integrity program (“PI”), and confirmation that the Infrastructure Recovery Mechanism (“IRM”) surcharge that is projected to begin July 1, 2014 can be implemented without downward adjustment

After publication of notice, a prehearing was conducted on March 24, 2014 before Administrative Law Judge Mark D. Eyster at which the Michigan Public Service Commission Staff (“Staff”) and DTE Gas (collectively the “Parties”) participated and a consensus case schedule was set. Subsequent to the March 24, 2014 pre-hearing Staff conducted an audit of the Company’s 2013 annual costs associated with the MRP, MMO, and PI programs. After Staff’s audit was completed and the results were shared with the Company, Staff and DTE Gas entered into settlement negotiations.

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<sup>1</sup> Because the subject matter of this application spans a timeframe during which Michigan Consolidated Gas Company changed its legal name to DTE Gas Company, this settlement agreement will use both names according to the applicable timeframe.

As a result of the negotiations between Staff and DTE Gas, and pursuant to Section 78 of the Administrative Procedures Act of 1969 (“APA”), as amended, MCL 24.278, and Rule 333; 2000 AC, R 460.17333 of Rules of Practice and Procedure before the MPSC, the undersigned parties have resolved through settlement discussions all issues regarding the IRM surcharge matters before the Commission in this case. For purposes of settlement of the IRM surcharge matters before the Commission in Case No. U-16999, the undersigned Parties agree as follows:

1. Attachment 1 depicts the actual feet of main replaced or retired compared to the DTE Gas’s forecasted planned replacement in 2013 for the infrastructure replacement main program, the unplanned main replacement program, the main retirement program, and the public improvement program.

2. DTE Gas’s July 1, 2014 IRM surcharges should be reduced by \$0.06 per customer per month, for all surcharges below \$500 per month, from the previously approved surcharges. The residential surcharge should be set at \$0.88 per customer per month. Upon Commission approval of this settlement agreement, DTE Gas will file a revised Tariff D-2.01 reflecting the new surcharges as shown in Attachment 2 to this settlement agreement.

3. DTE Gas will not include fleet depreciation expense in future IRM Review filings because fleet purchases specific to the MMO, MRP, and PI programs are included in total program spend.

4. DTE Gas will include in the annual program spending used to compute the annual IRM surcharge, only MMO, MRP and PI expenditures transacted in the respective calendar year under review.

5. Prospectively, DTE Gas will discuss with Staff periodically, and as becomes necessary, all changes made in previously communicated planned spending for the MMO, MRP, and PI programs.

6. This settlement is entered into for the sole and express purpose of reaching a compromise among the Parties. All offers of settlement and discussions relating to this settlement are, and shall be considered, privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, neither the Parties to this Settlement Agreement nor the Commission shall make any reference to, or use, this Settlement Agreement or the order approving it, as a reason, authority, rationale, or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided, however, such references may be made to enforce or implement the provisions of this Settlement Agreement and the order approving it.

7. This Settlement Agreement is based on the facts and circumstances of this case and is intended as the final disposition of all IRM surcharge issues currently before the Commission in Case No. U-16999. So long as the Commission approves this Settlement Agreement without any modification, the parties agree not to appeal, challenge, or otherwise contest the Commission order approving this Settlement Agreement. Except as otherwise set forth herein, the Parties agree and understand that this Settlement Agreement does not limit any party's right to take new and/or different positions on similar issues in other administrative proceedings, or related appeals.

8. This Settlement is not severable. Each provision of the Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. Failure to comply with any provision of this Settlement Agreement constitutes failure to comply with the entire Settlement

Agreement. If the Commission rejects or modifies this Settlement Agreement or any provision of the Settlement Agreement, this Settlement Agreement shall be deemed to be withdrawn, shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall be without prejudice to the pre-negotiation positions of the parties.

9. The Parties agree that approval of this Settlement Agreement by the Commission would be reasonable and in the public interest.

10. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969 (MCL 24.281), as it applies to the issues resolved in this Settlement Agreement, if the Commission approves this Settlement Agreement without modification.

WHEREFORE, the undersigned Parties respectfully request that the Commission approve this Settlement Agreement on an expeditious basis and make it effective in accordance with its terms by final order.

**MICHIGAN PUBLIC SERVICE  
COMMISSION STAFF**

By: Anne M. Uitvlugt  
Anne M. Uitvlugt (P71641)  
Bryan A. Brandenburg (P77216)  
Assistant Attorneys General  
Public Service Division  
6520 Mercantile Way Suite 1  
Lansing, Michigan 48911

Dated: \_\_\_\_\_, 2014

**DTE GAS COMPANY**

By: Richard P. Middleton  
Richard P. Middleton (P41278)  
Its Attorney  
One Energy Plaza, WCB 688  
Detroit, Michigan 48226

Dated: May 12, 2014

DTE Gas Company

Units Updated 12/31/2013

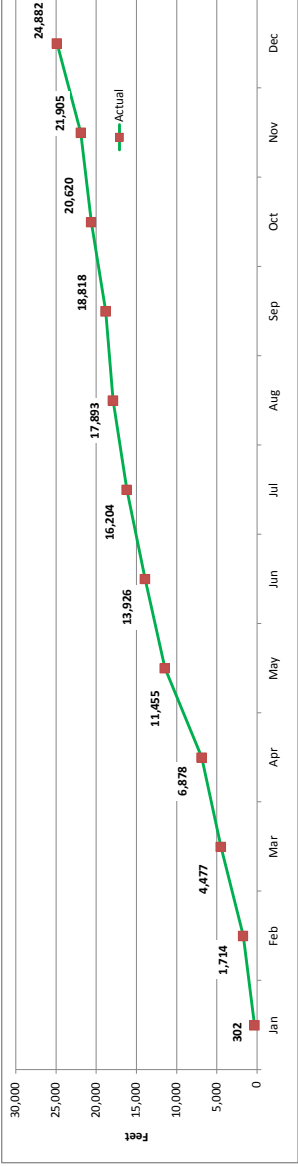
Planned Main Replacement (ft)



Planned Main Replacement (ft)

Retirement			
Plan	Actual	Variance	
Jan	0	4,431	4,431
Feb	9,446	16,394	6,948
Mar	24,339	20,933	(3,406)
Apr	48,907	37,052	(11,855)
May	75,164	56,037	(19,127)
Jun	98,980	67,919	(31,061)
Jul	134,714	132,740	(1,974)
Aug	188,808	162,680	(26,128)
Sep	213,392	188,464	(24,928)
Oct	234,314	238,912	4,598
Nov	255,740	272,942	17,202
Dec	269,280	311,925	42,645

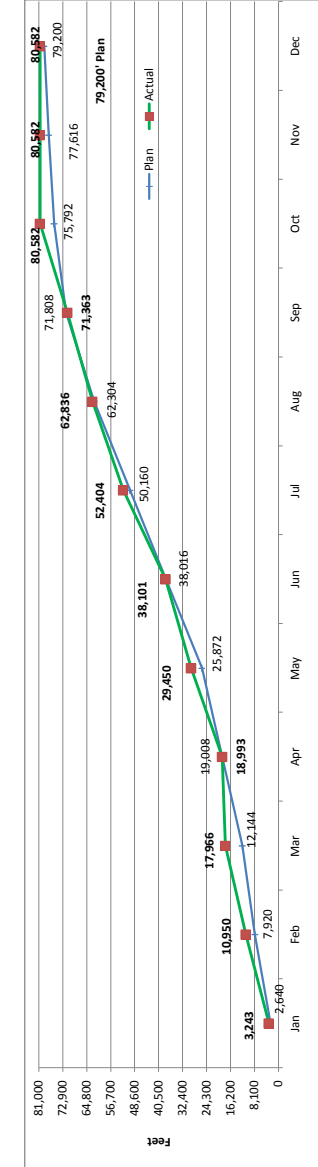
Unplanned Main Replacement (ft)



Unplanned Main Replacement (ft)

Retirement			
Plan	Actual	Variance	
Jan	-	302	302
Feb	-	1,714	1,714
Mar	-	4,477	4,477
Apr	-	6,878	6,878
May	-	11,455	11,455
Jun	-	13,926	13,926
Jul	-	16,204	16,204
Aug	-	17,893	17,893
Sep	-	18,818	18,818
Oct	-	20,620	20,620
Nov	-	21,905	21,905
Dec	-	24,882	24,882

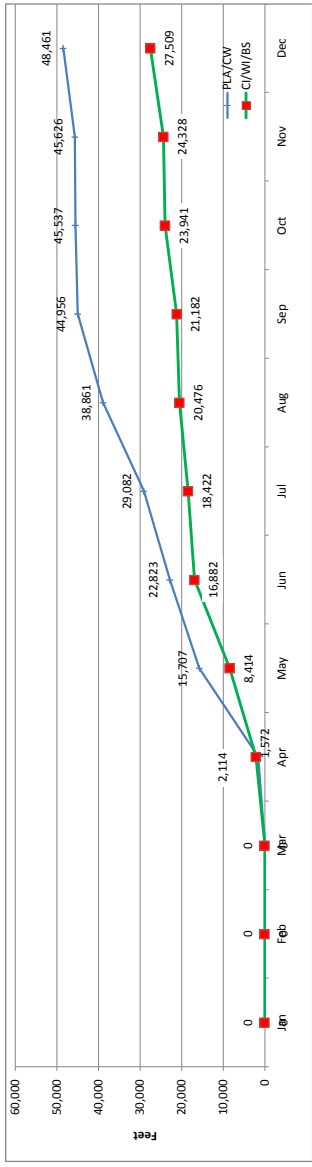
Planned Main Retirement (ft)



Planned Main Retirement (ft)

Month	Plan	Actual	Variance
Jan	2,640	3,243	603
Feb	7,920	10,950	3,030
Mar	12,144	17,966	5,822
Apr	19,008	18,993	(15)
May	25,872	29,450	3,578
Jun	38,016	38,101	85
Jul	50,160	52,404	2,244
Aug	62,304	62,836	532
Sep	71,808	71,363	(445)
Oct	75,792	80,582	4,790
Nov	77,616	80,582	2,966
Dec	79,200	80,582	1,382

Public Improvement (ft)



Public Improvement (ft)

Month	PLA/CW	C/NI/BS	TOTAL
Jan	0	0	0
Feb	0	0	0
Mar	0	0	0
Apr	1,572	2,114	3,686
May	15,707	8,414	24,121
Jun	22,823	16,882	39,705
Jul	29,082	18,422	47,504
Aug	38,861	20,476	59,337
Sep	44,537	21,182	66,138
Oct	45,537	23,941	69,478
Nov	45,626	24,328	69,954
Dec	48,461	27,509	75,970

TOTAL FEET	493,359
TOTAL MILES	93.4



## **ATTACHMENT 2**

## D2. SURCHARGES AND INFRASTRUCTURE RECOVERY MECHANISM

### D2.1 Surcharges

	Rate Schedule No.	IRM Surcharge \$/Mth /Meter
A	Residential	<b>\$0.88</b>
AS	Low-Income Senior Citizen	<b>\$0.88</b>
2A	Multifamily Dwelling Class I	<b>\$3.79</b>
2A	Multifamily Dwelling Class II	<b>\$3.79</b>
GS-1	Non-Residential General Service	<b>\$2.59</b>
GS-2	Large Volume	
	<100,000 Mcf	<b>\$2.59</b>
	>100,000 Mcf	<b>\$2.59</b>
S	School	<b>\$28.88</b>
ST	Small Volume Transportation	<b>\$116.52</b>
LT	Large Volume Transportation	<b>\$500.00</b>
XLT	Extra Large Volume Transportation	\$500.00
XXLT	Double Extra Large Volume Transportation	\$500.00
	EUT Exploratory Program	

In addition to the above surcharges, Rate Schedules A, AS, 2A, GS-1, GS-2, and S are subject to Rule C7, Gas Cost Recovery, and may be subject to Rule C8, Customer Attachment Program.

The Infrastructure Recovery Mechanism (IRM) Surcharge is effective beginning with bills rendered May 1, 2013, and will change on a bills rendered basis thereafter each July 1, based on the tables on Sheet No. D-2.01. ***The surcharge was most recently updated in July, 2014.***

**This is only the proposed incremental language for the IRM surcharge to be implemented in 2014. This language would be added to the current Sheet D-2 in effect at the time the surcharge was approved. Because other surcharge(s) currently in effect may change between the time this sheet is proposed and its approval, only the language and rates at issue in this case are included. DTE Gas proposes this incremental language tariff to avoid confusion at the time of final tariff issuance.**

**D2. SURCHARGES AND INFRASTRUCTURE RECOVERY MECHANISM (Contd.)**

**D2.2 Infrastructure Recovery Mechanism (IRM)**

The IRM, approved in Case No. U-16999, is implemented on a bills rendered basis. The IRM is effective beginning with bills rendered May 1, 2013, and will change on a bills rendered basis thereafter each July 1 based on the tables on Sheet No. D-2.01. The IRM is subject to an annual reconciliation of spend process and rates below \$500 per month may change based on the outcome of this process. Once implemented, the rate will be applied on the same basis as the monthly Customer Charge. The IRM will not expire until a final rate order superseding the IRM is issued in a general rate proceeding, however the rate may be lowered as a result of the annual reconciliation.

**IRM for Sales Rate Schedule Customers:**

	<b>\$ per Month</b>						
	<b><i>A</i></b>	<b><i>AS</i></b>	<b><i>2A I</i></b>	<b><i>2A II</i></b>	<b><i>GS-1</i></b>	<b><i>GS-2</i></b>	<b><i>S</i></b>
2013-2014	\$0.23	\$0.23	\$0.98	\$0.98	\$0.67	\$0.67	\$7.41
2014-2015	<b>\$0.88</b>	<b>\$0.88</b>	<b>\$3.79</b>	<b>\$3.79</b>	<b>\$2.59</b>	<b>\$2.59</b>	<b>\$28.88</b>
2015-2016	<b>\$1.54</b>	<b>\$1.54</b>	<b>\$6.42</b>	<b>\$6.42</b>	<b>\$4.40</b>	<b>\$4.40</b>	<b>\$48.38</b>
2016-2017	<b>\$2.17</b>	<b>\$2.17</b>	<b>\$8.94</b>	<b>\$8.94</b>	<b>\$6.14</b>	<b>\$6.14</b>	<b>\$67.10</b>
2017-beyond	<b>\$2.78</b>	<b>\$2.78</b>	<b>\$11.36</b>	<b>\$11.36</b>	<b>\$7.82</b>	<b>\$7.82</b>	<b>\$85.09</b>

**IRM for Transportation Rate Schedule Customers:**

	<b>\$ per Month</b>			
	<b><i>ST</i></b>	<b><i>LT</i></b>	<b><i>XLT</i></b>	<b><i>XXLT</i></b>
2013-2014	\$29.86	\$145.40	\$500.00	\$500.00
2014-2015	<b>\$116.52</b>	\$500.00	\$500.00	\$500.00
2015-2016	<b>\$194.99</b>	\$500.00	\$500.00	\$500.00
2016-2017	<b>\$270.30</b>	\$500.00	\$500.00	\$500.00
2017-beyond	<b>\$342.70</b>	\$500.00	\$500.00	\$500.00

Issued \_\_\_\_\_  
D. M. Stanczak  
Vice President  
Regulatory Affairs  
Detroit, Michigan

Effective for service rendered on  
and after July 1, 2014  
  
Issued under authority of the  
Michigan Public Service Commission  
dated \_\_\_\_\_ in Case No. U-16999

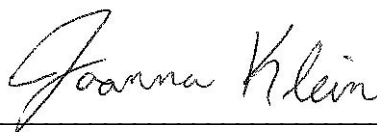
# PROOF OF SERVICE

STATE OF MICHIGAN )

Case No. U-16999

County of Ingham )

Joanna Klein being duly sworn, deposes and says that on June 6, 2014 A.D. she served a copy of the attached Commission order by first class mail, postage prepaid, or by inter-departmental mail, to the persons as shown on the attached service list.



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Joanna Klein

Subscribed and sworn to before me  
This 6<sup>th</sup> day of June 2014

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Gloria Pearl Jones  
Notary Public, Ingham County, MI  
My Commission Expires June 5, 2016  
Acting in Eaton County

Service List U-16999

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