STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of **DTE ELECTRIC COMPANY** for authority to increase its rates, amend its rate schedules and rules governing the distribution and supply of electric energy, and for miscellaneous accounting authority.	)	Case No. U-18014

At the January 31, 2017 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER

I. HISTORY OF PROCEEDINGS

On February 1, 2016, DTE Electric Company (DTE Electric) filed an application requesting authority to increase its retail rates for the generation and distribution of electricity by $344 million, effective as soon as possible in 2016. DTE Electric requested other forms of regulatory relief including miscellaneous accounting authority. The company is currently providing service pursuant to rates established by the December 11, 2015, January 19, 2016, and February 23, 2016, orders issued in Case No. U-17767.

According to DTE Electric, the rate increase sought in this proceeding is based on the company's projections for relevant items of investment, expenses, and revenues for a test year covering the 12-month period from August 1, 2016, to July 31, 2017. More specifically, DTE

Electric explained that the rate increase is needed to recover capital costs associated with the addition of plant to its generation and electric distribution system; capital structure cost changes; the operation and maintenance (O&M) of the company's electric distribution system and generation plants; environmental compliance; and costs associated with inflation. DTE Electric also reserved the right to self-implement a rate increase as permitted under MCL 460.6a(1).

DTE Electric averred that the company's on-going Continuous Improvement efforts have allowed the company to reduce the impact of increasing routine operating costs without reducing the quality of service to customers. Thus, DTE Electric states that its O&M costs over the last five years have increased at a much slower rate than the rate of inflation. Nevertheless, DTE Electric maintained that its requested rate relief is necessary to allow the utility to continue to provide safe and reliable electric service to its customers. DTE Electric also asserted that, absent a rate increase at this time, the company would be unable to recover its costs or earn a reasonable return on its investments.

DTE Electric explained that the starting point for determining its revenue deficiency was the data from the year ended December 31, 2014. According to the company, this historical data was then normalized and adjusted for known and measurable changes to arrive at the company's August 1, 2016, to July 31, 2017, projected test year.

In its application, DTE Electric proposed a return on equity (ROE) of 10.50% with an overall rate of return of 5.71% after-tax, which equates to 8.23% pre-tax. The utility explained that it was relying upon a permanent capital structure of approximately 50% equity and 50% long-term debt. DTE Electric's projected rate base for the test year, in its initial filing was $14.5 billion.

DTE Electric stated that it is proposing an expansion of its demand response (DR) and interruptible air conditioning (IAC) programs, and it is seeking recovery of certain costs associated with its variable compensation programs and recovery of all expenditures, including an appropriate return, associated with a combined operating license (COL) for a new nuclear generating facility.

DTE Electric also requested specific accounting authority, including the continuation of a deferral mechanism for other post-employment benefits (OPEB) that affects the expense projections, and the authority to use account 926, Employee Pensions and Benefits for the cost of the company's supplemental retirement plan (SRP) consistent with its request to include the related expense in the revenue requirement. DTE Electric also requested capitalization of certain DR equipment, amortization of an anticipated regulatory asset for obsolete inventory, regulatory asset treatment for certain tree trimming expenditures, recovery of the capital investment for the relocation of certain electric facilities, a provisional revenue decoupling mechanism (RDM) program to be implemented in the event that the Legislature enacts enabling legislation, and recovery of expenditures related to additional renewable generation.

With respect to cost of service (COS), DTE Electric proposed that its production cost allocation should be based on a 100% demand 4 coincident peak (CP) allocation (4CP 100-0-0). With regard to rate design issues, DTE Electric proposed modifications to the Retail Access Service Rider EC2 tariff along with several changes to the company's Outdoor Lighting tariff. Finally, DTE Electric proposed an expansion to its demand-side management program and IAC program.

On March 3, 2016, Administrative Law Judge Sharon L. Feldman (ALJ) conducted a prehearing conference. Petitions to intervene filed by the Michigan Environmental Council (MEC), the Natural Resources Defense Council (NRDC), and the Sierra Club (together, MEC/NRDC/SC), The Kroger Company (Kroger), Detroit Public Schools (DPS), the Association of Businesses Advocating Tariff Equity (ABATE), Energy Michigan, Local 223 of the Utility Workers Union of America, AFL-CIO, the Municipal Street Lighting Coalition, Wal-Mart Stores East, LP, and Sam's East, Inc. (together, Wal-Mart), the Michigan Cable Telecommunications Association, the Michigan Department of the Attorney General (Attorney General), and the DTE Residential Customer Group (RCG) were granted by the ALJ.[1] The Commission Staff (Staff) also participated. Thereafter, the ALJ established a schedule for the remainder of the proceeding, and on July 12, 2016, she entered a protective order pursuant to the agreement of all parties.

On July 1, 2016, DTE Electric filed testimony and exhibits addressing the company's plan to self-implement a revenue increase of $245 million effective August 1, 2016. At the July 11, 2016 hearing on self-implementation, testimony was bound into the record without cross-examination. Absent action by the Commission, on August 1, 2016, DTE Electric self-implemented a rate increase designed to produce additional annual retail electric revenues of $245 million above levels established by the December 11, 2015, January 19, 2016, and February 23, 2016 orders in Case No. U-17767, on an equal percentage basis across all rate classes.

Evidentiary hearings were held from August 10 through August 16, 2016, where 46 witnesses appeared for cross-examination or had their testimony bound into the record by agreement of the parties. Timely initial and reply briefs were filed.

The ALJ issued a Proposal for Decision (PFD) on November 21, 2016. Exceptions to the PFD were filed by the RCG, the Staff, DTE Electric, the Attorney General, ABATE, MEC/NRDC/SC, and DPS on December 8, 2016. Replies to the exceptions were filed by ABATE, Energy Michigan, the Attorney General, the Staff, DTE Electric, MEC/NRDC/SC, and the RCG on

[1] The Environmental Law and Policy Center filed a late petition to intervene, which the ALJ granted, and which was subsequently withdrawn.

December 22, 2016. The record consists of 2,030 pages of transcript and 178 exhibits received into evidence.

II. LEGAL STANDARDS

In its initial brief, DTE Electric provided an overview of what the company views as the appropriate standard of proof to be applied in this proceeding:

> [T]he applicable standard of proof for purposes of determining whether the Company's proposals or recommendations are reasonable and prudent is the 'substantial evidence' standard, which is a lighter standard than even the 'preponderance of the evidence' standard, which itself is a lighter standard than the 'beyond a reasonable doubt standard that is only applicable to criminal proceedings. For the reasons discussed below, DTE Electric's proposals and recommendations in this case more than satisfy the "substantial evidence" standard as demonstrated by the record.

DTE Electric's initial brief, pp. 11-12 (citations omitted). The Attorney General took issue with this formulation observing:

> DTE's claim that it only needs to provide a scintilla of evidence to support its rate increase request is inaccurate. (DTE Initial Brief, pp 11-12.) Although the standard of review on appeal for a Commission decision is competent, material, and substantial evidence on the whole record, that is not the burden of proof standard for DTE in order to support its $345 million rate increase request. Interestingly, DTE argues for a scintilla of evidence for its own proposals but appears to argue for a higher burden of proof for intervenors that challenge DTE's proposals. (DTE Initial Brief, pp 11-12.) It is, however, entirely appropriate for an intervenor to argue that DTE has not presented sufficient evidence to support its burden of proof for a project as wells [sic] as for the Commission to find that DTE has not presented sufficient proofs for some project or proposal.

Attorney General's reply brief, p. 2, citing the June 7, 2012 order in Case No. U-16794, p. 13.

The ALJ addressed this issue, finding that the Attorney General's analysis was correct and that DTE Electric had confused the burden of proof in an administrative proceeding with the standard of review for an appellate court:

> [T]he Commission must apply what has been labeled the "preponderance" standard. If the Commission does this, then reviewing courts will not substitute their

judgment for the Commission's judgment, but will defer to the Commission's findings of fact if those findings are supported by "substantial evidence." The judicial review for "substantial evidence" is a called a deferential standard of review because the reviewing court does not itself weigh conflicting evidence, and has explained that a finding of fact by the Commission will be upheld if it is supported by any competent evidence that is "more than a scintilla".

* * *

It is understandable that persons or parties not familiar with the basic principles of administrative law would find this distinction confusing. But because it is fundamental to an appreciation of the different roles of the Commission and reviewing courts, and because DTE has advanced this same argument in other proceedings, this PFD recommends that the Commission take the time and effort to clarify this important distinction. There is no legal presumption that findings of fact should be made in the utility's favor if there is conflicting evidence. If the Commission were to accept DTE's invitation to rule in the utility's favor whenever substantial evidence supports the utility's position, the Commission would not be performing the legally-required weighing and sifting of evidence and would be committing legal error.

PFD, pp. 43; 44-45

In its exceptions, DTE Electric took issue with the ALJ's analysis, contending that the PFD "is generally accurate in the abstract, but then the PFD misconstrues DTE Electric's position[.]" DTE Electric's exceptions, p. 2. DTE Electric explains:

DTE Electric instead takes exception to the PFD's implicit presumption that the Company's requests for relief should be denied unless the Company overcomes some initial, unstated (and unlawful) hurdle of evidentiary weight. Instead, if DTE Electric supports its positions with substantial evidence, and there is no contrary evidence, then there is nothing for the Commission to weigh, and a decision by the Commission based on DTE Electric's evidence would satisfy the applicable standard of appellate review.

Id. (citations omitted). According to DTE Electric, the PFD exhibits a "pattern . . . of attempting to increase DTE Electric's evidentiary burden, and improperly recommending that DTE Electric's recovery should be denied or reduced because DTE Electric allegedly did not carry that inflated burden." *Id.*, pp. 2-3. DTE Electric specifically alleges that the PFD "suggests, for the first time, *and in the absence of contrary evidence or argument by a party*, that DTE Electric's evidentiary presentation is somehow insufficient based on questions or concerns that were not raised by the parties to the proceeding." *Id.*, p. 3 (emphasis in the original). DTE Electric adds that it has overall concerns that there are recommendations in the PFD to adopt what it deems "other parties' conclusory suggestions (*e.g.*, recommendations to default to any other suggestion on an issue, no matter how ill conceived, due to DTE Electric allegedly not carrying some heightened evidentiary burden)." *Id.*, p. 3.

In their replies to exceptions, both the Staff and the Attorney General explain that DTE Electric is mistaken. According to the Staff:

> [I]t is incorrect to say that if the Company supports its position with substantial evidence, and no contrary evidence is submitted, then the Commission's hands are tied and it must approve the Company's request. Quasi-legislative decision-making is not so rigid, and the Commission may elevate its own regulatory judgement above that of any expert witness, so long as the Commission does not exceed its statutory authority or abuse its discretion. *In re Rovas Compl*, 482 Mich [90] at 100-101.
>
> Second, the Company misunderstands the ALJ's analysis. The ALJ is not imposing a higher burden. Rather, the ALJ is making a determination of: (a) whether the record contains substantial evidence to support a position sufficiently to allow the Commission to make a determination, and (b) whether the ALJ is persuaded that the Company's position is correct. Just because no other party challenges something the Company requests, does not mean that the ALJ may not ask her own questions, or raise her misgivings about a particular request. Not only may the ALJ do so, but the ALJ should do so, in every case.

Staff's replies to exceptions, p. 3. Similarly, the Attorney General asserts:

> DTE argues that if it presents substantial evidence on the record to support an issue and there is no contrary evidence then the issue will survive on appellate review. . . . There are a number of problems with this argument. First, DTE bears the burden of proving that its rate increase request is prudent and reasonable – irrespective of what any other intervenor files in this case. As noted above, the MPSC may disbelieve even uncontradicted evidence. Second, DTE again conflates appellate review with the standard of evidence on which the Commission may rule. If DTE presents substantial evidence on an issue, that alone does not require the Commission to rule in DTE's favor. DTE must still demonstrate that the issue is reasonable and prudent and the trier of fact can disbelieve or not find credible the evidence put forward by DTE even without contrary evidence. Once the

> Commission determines that DTE presented substantial evidence on an issue and it is reasonable and prudent, then on appeal the substantial evidence test (competent, material, and substantial evidence) applies on the factual issue.

Attorney General's replies to exceptions, pp. 2-3.

The Commission finds that the ALJ's analysis is correct and that DTE Electric's misconceptions about the burden of proof and standards of review were thoroughly addressed by the PFD and the Staff's and Attorney General's replies to exceptions. Contrary to the claim in DTE Electric's exceptions, the ALJ accurately quoted and did not in any way "misconstrue" the company's statement that "[T]he applicable standard of proof for purposes of determining whether the Company's proposals or recommendations are reasonable and prudent is the 'substantial evidence' standard[.]" As was pointed out by the ALJ, the Attorney General, and the Staff, this is patently wrong. The fact that the company has presented "substantial evidence" (*i.e.*, "more than a mere scintilla") on a particular proposal does not make the reasonableness and prudence of that proposal a forgone conclusion, as DTE Electric would have it, whether or not any other parties weigh in.

In a related concern, DTE Electric repeatedly asserts that the ALJ's rejection of the company's position on certain costs violates MCL 460.6a(1), which provides that "A utility may use projected costs and revenues for a future consecutive 12-month period in developing its requested rates and charges." According to DTE Electric, any failure to approve costs projected by the company not only violates Section 6a(1) but also invades the company's constitutionally protected right against takings. The Commission has rejected this argument in the past:

> The Commission rejects [the] assertion that simply because an amount is projected, it must therefore be granted lest the Commission violate the utility's statutory right to rely on projections. In the statute providing for the use of a projected test year, nothing eliminated the requirement that all rate increases must be shown to be just and reasonable. MCL 460.6a(1); see, also, MCL 460.6, 460.54, and 460.551 *et seq*. The same statutory section that allows for use of projected costs also requires that

> the "utility shall place in evidence facts relied upon to support the utility's petition or application to increase its rates." MCL 460.6a(1). The ALJ observed that her recommendations do not preclude the company from seeking environmental capital expenditures in its next rate case that were also sought in this rate case. That is not a holding, or a suggestion. Whether Consumers chooses to do so is entirely in the utility's discretion. Whenever it chooses to do so, however, if the utility realistically expects inclusion of the total projected costs, it must supply the Commission with enough evidence to support a finding that the costs are just and reasonable – in the absence of thorough, detailed, and meaningful evidence, the Commission's hands are tied.

June 12, 2012 order in Case No. U-16794, p. 13.

Moreover, in the case where the company seeks approval for a projected cost, the company must not only provide sufficient evidence to demonstrate to the Commission that both the specific project and its cost are reasonable and prudent, but it must also show by a preponderance of the evidence that the cost will in fact be incurred before the end of the test period.

III. TEST YEAR

In developing its rates for this proceeding, DTE Electric relied on a projected test year from August 1, 2016, to July 31, 2017, claiming that, in determining test year amounts, it began with the 2014 historical year, adjusted for known and measurable changes. No party objected to the test year. The ALJ recommended that the Commission adopt the proposed test year, and the Commission agrees.

IV. RATE BASE

A utility's rate base consists of the capital invested in used and useful utility plant, plus the utility's working capital requirements, less accumulated depreciation. In its application, DTE Electric projected a total electric rate base of $14.482 billion, adjusted to $14.452 billion in the company's initial brief, and adjusted again to $14.445 billion in its reply brief. The Staff calculated a rate base of $14,281,642,000 on a total company basis, and the Attorney General advocated a rate base amount of $14.106 billion. After making adjustments, discussed in more detail below, the ALJ recommended a total rate base of $14,245,747,000.

A. Net Plant

DTE Electric initially projected a net plant amount of $13.176 billion, which it revised to $13.174 billion in its initial brief, and $13.166 billion in its reply brief. The Staff calculated a net plant amount of $13.117 billion based on adjustments to remove contingency and renewable energy project amounts, and reduce DR, distribution system, and shared information technology (IT) capital expenditures. The Attorney General supported the disallowance of contingency as well as expenditures associated with planning for a certificate of need (CON) for new generation. The Attorney General further proposed reductions to capital expenditures associated with routine projects; certain DR, IT, and corporate staff group expenditures; and specific distribution and nuclear capital expenditures. MEC/NRDC/SC agreed with the Attorney General that CON costs should be disallowed, and they proposed a disallowance associated with the continued operation of River Rouge Unit 3. These issues are discussed *ad seriatum*.

1. Contingency Amounts

DTE Electric proposed to include contingency amounts of $7.6 million for production capital expenditures; $333,000 for fuel supply; $4.480 million for nuclear projects; $4.891 million for distribution; and $800,000 for corporate staff group.[2] The company argued that contingency expenses are routinely required for project completion, and contingency is included in project planning to account for unforeseen events. Thus, according to DTE Electric, contingency amounts are appropriately considered part of the company's projection of test year spending.

[2] These contingency amounts total $18.1 million.

The Staff and the Attorney General opposed the inclusion of various contingency sums. The Staff argued that contingencies are unknown and undefined and, as such, the Commission cannot evaluate these expenses for reasonableness and prudence. The Attorney General similarly argued that it would be unjust and unreasonable to require ratepayers to provide a return on capital expenditures that may not be incurred but that are nevertheless added to rate base. Both the Staff and the Attorney General pointed out that the Commission came to the same conclusion in the company's previous rate case, and it affirmed this determination in Case No. U-17735.

The ALJ agreed with the Staff's and the Attorney General's analysis of this issue, noting that the Commission has previously found that contingency costs are not appropriate to include in rates, even if these costs are routinely included in project planning. The ALJ found that DTE Electric did not provide any basis for reversing the Commission's previous decisions and that the company's contention that contingency costs are "real" costs was belied by its claim that any contingency funds not required for a specific project would be redirected to other projects. She emphasized that if contingency amounts are reasonably and prudently incurred, they will be recoverable in a future rate case.

DTE Electric takes exception, reiterating that contingency is not simply extra funding that may or may not be spent; it is in fact part of the total budget for each project. According to DTE Electric, reducing contingency funds will not reduce project costs but may result in a reduction to the project scope, or in the elimination of other projects, due to the reduced funding amounts. DTE Electric further contends that the disallowance of contingency amounts may run afoul of the projected test year provisions of MCL 460.6a. DTE Electric repeats that "All budgeted funds including contingency will be invested in projects that benefit customers." DTE Electric's exceptions, p. 9.

DTE Electric also points to the Court of Appeals' decision in *In re Application of Indiana Michigan Power Co for a Certificate of Necessity*, 307 Mich App 272, 291-93; 859 NW2d 253 (2014), *vacated in part* 498 Mich 881 (2015), which, the company argues, demonstrates that contingency costs are not categorically excluded from rates. DTE Electric maintains that in *Indiana Michigan*, both the Court and the Commission found that some degree of contingency is warranted provided that there is record support for the amount of contingency. In this case, DTE Electric argues that it provided that support, "Thus, only a narrow question remains–essentially how much proof does DTE Electric need to recover its costs now instead of later. DTE Electric . . . maintains that it has carried its burden for cost recovery in this case." DTE Electric's exceptions, p. 10.

In their replies to exceptions, the Staff and the Attorney General urge the Commission to affirm the PFD. The Attorney General argues that *Indiana Michigan* is inapposite because it concerns the statutory scheme for a CON and not general ratemaking. The Staff observes that DTE Electric raised the same argument concerning *Indiana Michigan* in its most recent gas case, Case No. U-17999, and the Commission rejected that argument.

The Commission finds that DTE Electric's exception should be rejected. Because Michigan utilities are permitted to rely on fully projected test year costs and revenues, which already introduces a measure of uncertainty in the rate setting process, the Commission finds that it is far too speculative to add contingency amounts on top of that. Thus, as the Commission has determined in three prior cases, it is unjust and unreasonable to allow a utility to earn a return of and on costs that are of an indeterminate amount or that in fact may never be incurred. Further, as has been pointed out repeatedly, including contingency amounts in rate base may dampen the company's incentive to control costs.

The Commission repeats, “By definition, contingency amounts are amounts set aside for cost items whose occurrence is uncertain. . . . [Thus, the] inclusion of such items in rate base is not sound ratemaking practice.” November 19, 2015 order in Case No. U-17735. And:

> [W]hile contingency planning is an acceptable budgetary strategy, it is not appropriate for ratemaking. . . . As the Staff correctly notes, contingency budgeting is speculative, and shifts all of the risk associated with that item onto ratepayers, allowing for a return of and on an investment that may never be made.

December 11, 2015 order in Case No. U-17767, p. 19. Most recently, in the December 9, 2016 order in Case No. U-17999 (December 9 order), p. 6, the Commission held, “As the ALJ correctly points out, any return allowed on these proposed amounts will remain with the utility whether or not the contingency requiring the expenditure ever actually occurs, and whether or not the expenditure is made.” Accordingly, the Commission finds that $18.1 million in contingency costs should be removed from the company’s projected rate base. And, as it instructed in the December 9 order, p. 6, the Commission also directs DTE Electric in its next rate case filing to provide detail regarding the scope of work; a description of, and any supporting studies related to, the need for the project; cost estimates (including, at a minimum, a breakdown of the material, labor, contractor, engineering, and contingency costs); and a project timeline for all proposed capital projects.

2. Non-nuclear Generation

DTE Electric projected capital expenditures for non-nuclear production plant, including expenditures associated with hydroelectric and steam generation, of approximately $1.2 billion in the test year. After dispensing with contingency, as discussed above, the remaining contested issues in this plant category are addressed below.

a. River Rouge Unit 3 Capital Expense

DTE Electric explained that it anticipates the closure of certain coal-fired generating units in the near term, while other units are expected to run for a longer time. DTE Electric therefore created a two-tiered structure for maintenance and capital investment. DTE Electric stated that tier two units, including River Rouge, have uncertain retirement dates, and their continued operation depends significantly on costs associated with new environmental requirements. As such, DTE Electric averred that although it is making some investment in the tier two units, it has minimized long-term investments.

MEC/NRDC/SC argued that due to the unplanned retirement of River Rouge Unit 2, which occurred shortly after this case was filed, the economics of continuing to operate River Rouge Unit 3 until 2020 are no longer favorable. MEC/NRDC/SC pointed to flaws and incorrect assumptions in DTE Electric's net present value rate of return (NPVRR) analyses that, if corrected, would likely demonstrate that continued operation of River Rouge Unit 3 would be uneconomical for ratepayers. Accordingly, MEC/NRDC/SC recommended that all capital investment and major maintenance expenses for River Rouge Unit 3 be disallowed and only O&M expense necessary to retire the unit should be included in rates.

In response, DTE Electric claimed that it was not investing extensively in River Rouge Unit 3 and that in any event, the unit cannot be closed down without the approval of the Mid-Continent Independent System Operator, Inc. (MISO).

The ALJ agreed with MEC/NRDC/SC that DTE Electric did not provide sufficient evidence to support continued investment in River Rouge Unit 3. She observed that the company failed to update its economic analysis once the determination was made to close River Rouge Unit 2; thus, there was no basis to conclude that additional funding of River Rouge Unit 3 was reasonable and prudent. The ALJ pointed out that any capital investment in River Rouge Unit 3 can be recovered in a subsequent rate case, provided that DTE Electric demonstrates that the investment was reasonable and prudent.

DTE Electric takes exception, arguing that MEC/NRDC/SC based their recommendation on a misunderstanding of the company's discovery responses and testimony; thus, the PFD incorrectly adopted MEC/NRDC/SC's proposed disallowance. DTE Electric further contends that MEC/NRDC/SC's claim that continued operation of River Rouge Unit 3 would be uneconomical was speculative because it was offered with no economic analysis or support. DTE Electric repeats that even if it were true that continued operation of Unit 3 would not be cost-effective, the company cannot simply shut the unit down absent MISO approval.

DTE Electric also points to *In re Application of Detroit Edison Company to Increase Rates*, unpublished opinion per curiam of the Court of Appeals, issued July 30, 2013 (Docket Nos. 308130, 308154, and 308156), pp. 7-8, where the Court rejected MEC/NRDC/SC's claim that DTE Electric failed to carry its burden of proof to show that certain of the company's coal units should not be shut down. According to DTE Electric, the circumstances here are analogous, thus: (1) the company should not have to anticipate, in its initial filing, every issue that might be raised by an intervenor; and (2) the company's burden of proof should not be shifted in the face of such issues.

In response, MEC/NRDC/SC point out that DTE Electric decided to permanently retire River Rouge Unit 2 only one month after the company filed its application in this case, yet, as the ALJ pointed out, the company did not update its case to reflect the changes in costs resulting from the closure of the unit. MEC/NRDC/SC contend that although the company's analyses showed a modest net benefit to continued operation of River Rouge Units 2 and 3, and a benefit to shutting down Unit 2 instead of repairing it, the company failed to update its analysis to demonstrate the economic benefit of continued operation of Unit 3 alone. Thus, according to MEC/NRDC/SC, the ALJ correctly found that DTE Electric failed to support the reasonableness and prudence of test year capital expenditures on River Rouge Unit 3.

MEC/NRDC/SC further argue that DTE Electric's reliance on *In re Detroit Edison* is misplaced. According to them, in this case DTE Electric is the party proposing a substantial change to its business operations, rather than an intervenor, as was the circumstance in *In re Detroit Edison*. In addition,

> [U]nlike in the present case, in *In re Detroit Edison Co*., the Court found that DTE "provided extensive testimony on the proposed spending on its facilities." The question in *In re Detroit Edison Co*. was, given the "extensive" initial showing that DTE had made, what burden the intervenors had to rebut that showing and demonstrate that such spending was uneconomic. In the present case, however, as the ALJ correctly found, DTE never made any initial showing in support of continued spending on Unit 3 after Unit 2 retired, much less an "extensive" one.

MEC/NRDC/SC's replies to exceptions, p. 9.

Finally, MEC/NRDC/SC contend that even if *In re Detroit Edison* were applicable, substantial, material, and competent evidence was provided in support of the ALJ's determination, reiterating:

> Using DTE's own data regarding plant costs and market capacity and energy prices, Mr. Sansoucy evaluated the economics of continuing to operate Unit 3 after the retirement of Unit 2. He concluded that such continued operation would most likely be unfavorable to customers because: (1) common plant costs can no longer be shared with Unit 2; (2) market capacity prices were 18% below those used in DTE's July and August 2015 NPVRR analyses, which showed the River Rouge plant to be economically marginal at best; and (3) DTE's own forecasted market energy prices were 9% to 12% below the forecast used in the July and August 2015 analyses. While DTE dismisses this analysis in its brief on exceptions as nothing more than "compound speculation," the Company notably failed to even attempt to rebut Mr. Sansoucy's analysis, and declined to cross-examine him at hearing.

MEC/NRDC/SC's replies to exceptions, p. 10 (footnotes omitted).

The Commission agrees with the ALJ's analysis and recommendations, and rejects DTE Electric's exception. As was noted in the PFD, despite the fact that DTE Electric decided to permanently shut down River Rouge Unit 2, some months before the record in this proceeding opened, let alone closed, the company nevertheless failed to update its case to show the reduction in costs associated with Unit 2's retirement. Moreover, because many of the costs for Units 2 and 3 are shared, it was incumbent on DTE Electric to update its NPVRR to reflect the additional costs assigned to River Rouge Unit 3 along with updating other assumptions in the analysis.

The Commission also rejects DTE Electric's contention that it cannot simply shut Unit 3 down without MISO's permission. As MEC/NRDC/SC points out,

> The MISO discussion is a red herring, for several reasons. . . . That a utility analysis of the economics of a generating unit is a predicate to, rather than an end run around, the MISO approval process is shown by the fact that, as explained by Mr. Warren, the MISO process does not consider the economics to customers of the unit's continued operation versus retirement. Instead, MISO retirement approval considers potential impacts on grid reliability, including evaluation of mitigation measures. In other words, the MISO process pre-supposes that the utility has already undertaken an economic analysis of continued operation versus retirement of a generating unit. The MISO process does not prevent the utility from undertaking that analysis, nor dictate when to undertake that analysis.

MEC/NRDC/SC's replies to exceptions, p. 11. Further, the Commission agrees with MEC/NRDC/SC that the circumstances in *In re Detroit Edison* are inapplicable here, most importantly because it was the company, and not an intervenor, who proposed the operational change and then failed to support the reasonableness of continued expenditures in light of that change. Finally, as the ALJ pointed out, all reasonable and prudent capital expenditures for River Rouge Unit 3 are, of course, recoverable in a future rate case.

b. Routine Capital Expense

DTE Electric proposed $192.5 million in "routine" capital expenditures for its generating units. The Attorney General recommended disallowing $12.1 million on grounds that the amount the company projected was significantly higher than in the past, pointing out that from 2013 through 2015, the average amount required for routine capital expenditures was $180 million. DTE Electric provided rebuttal explaining that this expense varies considerably from year to year, and that the increased test period expense amount was significantly related to planned outages at Monroe Units 3 and 4.

The ALJ found that the Attorney General failed to address the company's rebuttal and that DTE Electric had sufficiently supported the additional spending. She determined that the Attorney General did not take into account, or even address, the cost of the outages in 2015 and 2016.

The Attorney General takes exception again arguing that from 2012 to 2015, DTE Electric's routine capital expenditures have ranged from $175.8 million to $183.1 million. Thus, according to him, the company's proposed $192.5 million for the test period is a significant outlier. The Attorney General disputes the ALJ's finding that DTE Electric's rebuttal was sufficient, noting that the company did not rebut the Attorney General's argument that the average amount for routine capital expenditures was $180.4 million or that expenses associated with 44 of the routine projects were only estimates.

The Commission finds the PFD well-reasoned and adopts the ALJ's recommendation on this issue. As the ALJ found, the Attorney General failed to take into account the significant costs of major outages at Monroe in both 2015 and 2016. The ALJ observed:

> Mr. Warren testified that DTE's routine maintenance expenses vary from year to year, and for 2016 DTE's projected expenses include a major periodic outage for the Monroe plant in both 2015 and 2016, with a cost estimate for the 2015 outage for Unit 3 of $50.2 million and a cost estimate for the 2016 outage for Unit 4 of $71.7 million. He testified that this difference alone exceeds the average $12.1 million difference Mr. Coppola observed between 2016 projected expenditures and the 2013 through 2015 expense levels.

PFD, p. 65.

c. Certificate of Need for New Generation

DTE Electric included $13.2 million[3] for engineering, permitting, and site evaluation for a potential new gas fired generating plant. The Staff did not oppose this cost and testified that including this cost in construction work in progress (CWIP) with an allowance for funds used during construction (AFUDC) offset would not affect current rates.

The Attorney General and MEC/NRDC/SC opposed the request. The Attorney General argued that recovery of these costs is premature because the company has not yet decided to build a plant. MEC/NRDC/SC contended that these planning costs should be deferred until DTE Electric files a CON. MEC/NRDC/SC argued that planning and permitting costs are the type of cost that the CON is designed to cover, and, based on discovery, DTE Electric is still in the study phase of deciding on new generation and is unlikely to be spending significant amounts during the test year. MEC/NRDC/SC also pointed to testimony by DTE Electric in the company's most recent power supply cost recovery (PSCR) case that indicates that DTE Electric will either build a new nuclear plant or a new gas plant, but not both.

In response, DTE Electric asserted that these planning expenditures are prerequisites for filing a CON and should therefore be included in rates. DTE Electric further argued that the small outlay the company proposes now will allow it to determine the most reasonable and economical generation investment for its customers. DTE Electric added that the Commission is not bound by the "used and useful" test for allowing a return of and on planning expenses, thus the preliminary costs for the new construction should be included in current rates.

The ALJ found that DTE Electric provided little support for the reasonableness and prudence of this proposed expenditure in either its filing or in its responses to discovery and audit requests.

[3] This amount appears to include approximately $700,000 in contingency.

She pointed to Exhibits MEC-13 and S-13 as illustrative of the scant material provided in response to specific requests for information. The ALJ further noted that DTE Electric failed to address MEC/NRDC/SC's concerns about the inconsistency between requesting a return on the Fermi III COL and its request for study costs for a CON for new gas generation, given that the company has indicated that it will build one or the other but not both. She also found that DTE Electric did not address whether the CON expense would be accounted for in CWIP with an AFUDC offset, as the Staff testified, or whether it would be included in rate base, with no offset, as the company argued it should be. Finally, the ALJ noted that the courts have not addressed the issue of cost recovery in base rates for costs that are eligible for a CON where no CON has been requested. Accordingly, the ALJ recommended that the planning costs proposed by DTE Electric for new generation should be rejected on grounds that the company failed to support these costs.

DTE Electric takes exception arguing that the proposed CON expenditures are reasonable and appropriate in light of the potential $1 billion cost of a new gas generating unit. The company reiterates that the $13.2 million expenditure is to determine the size, location, and cost of a new gas-fired plant and this information must be obtained before filing a CON. DTE Electric therefore urges the Commission to reverse the ALJ and allow these planning costs to be included in rate base.

In response, MEC/NRDC/SC and the Attorney General maintain that the ALJ's decision was correct, and that DTE Electric failed to support its request. They reiterate that the company did not address the discrepancies that the ALJ cited, and MEC/NRDC/SC add that the planning costs DTE Electric proposes are the types of costs intended to be included in a CON, and therefore these costs should not be included in a rate case.

The Commission finds the PFD well-reasoned and adopts the ALJ's recommendation to exclude CON costs at this time. As the ALJ pointed out, DTE Electric provided limited information in support of these costs in its initial filing, and its responses to requests for more specific information did little to further illuminate what these funds are for and what current ratepayers are expected to cover. As such, the Commission is unable to make a determination regarding the reasonableness and prudence of these costs. Moreover, in its exceptions, after quoting the ALJ's finding that the company failed to clarify whether or not CON costs would be included in current rates, DTE Electric still failed to answer this fundamental question. In addition, DTE Electric did not respond to MEC/NRDC/SC's concerns that the company was asking for cost recovery for both a CON and a COL despite the company's indication that it will build either a gas plant or a nuclear plant but not both. Accordingly, DTE Electric's request for $13.1 million for planning costs for new generation is rejected.

3. Demand Side Management Expenditures

DTE Electric proposed capital expenditures for DR totaling $33.2 million for the test year. This amount includes $2.5 million for customer distributed generation (DG); $12.1 million for IAC, $15.8 million for the DTE Insight energy management application and associated equipment (i.e., energy bridges[4]), and $2.8 million for programmable communicating thermostats (PCTs). Under these programs, DTE Electric proposed to install 50,000 energy bridges by the end of the test year and 10,000 PCTs each year for the next five years.

The Staff recommended an adjustment of $2.5 million for customer DG and a $5.7 million adjustment for energy bridges and PCTs. The Staff contended that the company received $2.5

[4] DTE Electric explained that "Energy Bridge devices collect energy consumption data by connecting wirelessly to the automated meter and storing highly granular interval data to which customers can gain access through their smart phone." 3 Tr 217.

million for a customer DG pilot in its last rate case; however, the pilot has not commenced and is unlikely to occur in the test year. In addition, the Staff proposed limiting the number of energy bridges to 16,000, which, when added to the 35,000 energy bridges that the company already owns, equals 51,000, 10,000 more than the number of households that the Staff claims have downloaded the DTE Insight application. The Staff also recommended limiting the number of PCTs to 10,000 until the company demonstrates that it has successfully enrolled this number of customers and is effectively utilizing the program. The Staff noted that although DTE Electric has an incentive to purchase DR equipment, it has little incentive to use the equipment once installed.

The Attorney General agreed with the Staff's disallowance for customer DG and recommended reducing the funding for the PCT and DTE Insight programs by half, raising concerns about supplying PCTs and energy bridges for free to a small subset of customers. The Attorney General further claimed that these technologies would not be effective in reducing energy consumption in the long run due to the need for significant customer behavioral changes. The Attorney General also had concerns about the commercial development of the DTE Insight program, contending that ratepayers paid $13.1 million for the program, which is now being marketed by a DTE Electric affiliate through a joint venture. The Attorney General recommended that DTE Electric be required to transfer any profits from the joint venture to DTE Electric, proportional to its investment.

MEC/NRDC/SC generally supported the company's proposal but noted that thermostats that are merely programmable may not result in as significant energy savings as more advanced technologies. MEC/NRDC/SC asserted that DTE Electric's own studies have shown that learning and "set it and forget it" thermostats show a much higher reduction in energy use, both on-peak and overall. Thus, MEC/NRDC/SC recommended that the PCT program be approved with the caveat that the company be required to use a more advanced technology.

In response, DTE Electric pointed out that the Staff had confused the DTE Electric mobile application with the DTE Insight program, noting that by April 2016, 82,000 households had downloaded the Insight application and were therefore eligible for an energy bridge. DTE Electric objected to the Staff's claim that the company was motivated to invest in DR but had little incentive to use DR once the investment was made. DTE Electric points out that a well-functioning DR program reduces customer demand and avoids the need to make investments in peak load serving generation.

The ALJ found the Staff's analysis persuasive. First, she agreed that $2.5 million for the customer DG program should be excluded, noting that DTE Electric did not provide rebuttal on this issue. She also agreed with the Staff on limiting the number of PCTs and energy bridges. The ALJ found it reasonable to require DTE Energy to provide a report on customer adoption of the PCT technology, the success of the program, and whether it is appropriate that customers continue to receive the thermostats for free. She agreed with the Staff that DTE Electric's incentive to undertake DR programs is "at best . . . mixed[.]" PFD, p. 123. The ALJ added that limiting funding for PCTs will provide an opportunity to evaluate the specific thermostat technology used in the PCT program in response to the concerns of MEC/NRDC/SC. The ALJ further noted that the Commission will have additional opportunities to evaluate DR efforts as part of the U-17936 docket.

Similarly, she found that the Staff's recommendation on the number of energy bridges was proper even if there was some confusion on the number of households eligible for the energy bridge. The ALJ determined that the Staff and the Attorney General raised legitimate concerns about supplying the energy bridges at no cost, especially when it was undisputed that many of the energy bridges were never installed. She therefore recommended that no additional funding be allocated until DTE Electric provides an analysis of the program, including the results of the studies described in Exhibit S-10.4 to determine whether paying customers to install the energy bridges would actually promote their use.

With respect to the development of the DTE Insight application, the ALJ found that the record was unclear regarding DTE Electric commitments to the joint venture; thus she found no basis for granting the Attorney General's requested relief. However, the ALJ recommended "the Commission should make clear to DTE that it should have no expectation of receiving ratepayer funding for any payments to the joint venture without an additional showing that it did not breach any duty to the ratepayers or violate the code of conduct." PFD, p. 130.

DTE takes exception, arguing that the ALJ's recommendation to limit the number of PCTs and energy bridges was erroneous. DTE Electric disagrees with the ALJ's reasoning that the company is not necessarily incentivized to use DR resources, noting that DR qualifies as a load modifying resource in MISO. As such, DTE Electric receives a credit for capacity and could be penalized for failing to provide DR when called upon. The company also objected to the ALJ's finding that additional investment in DR should await the company's annual report in Case No. U-17936. According to DTE Electric, "there is a trade-off between additional information and lost opportunities due to the passage of time." DTE Electric's exceptions, p. 32.

DTE Electric agrees with the PFD, that the Attorney General's requested relief concerning the commercialization of the DTE Insight application should be rejected, but the company nevertheless objects to the ALJ's "dicta" concerning the Code of Conduct. DTE Electric reiterates that it is a licensee of the application at no cost, and the joint venture was not funded with ratepayer funds.

MEC/NRDC/SC also objects to the limitations on the PCT program, as well as the ALJ's failure to address its recommendation to require the company to deploy more advanced thermostats. MEC/NRDC/SC reiterates that more advanced thermostat technologies provide far greater energy savings than basic programmable thermostats and argues that program evaluation and changes can be undertaken at the same time that the PCTs are deployed.

In response, the Staff points out that while it fully supports the company's DR efforts, it is nevertheless reasonable to limit up-front funding of DR devices until the company demonstrates that it is committed to effectively utilizing its DR programs. With respect to the energy bridges, the Staff points out that, even assuming that there are 82,000 households that are eligible for an energy bridge, it is unrealistic to presume that 100% of these households will request an energy bridge. The Staff notes that this is particularly true in light of the fact that 30% of the energy bridges that have been sent out are not installed.

The Commission finds the PFD well-reasoned and adopts its findings and conclusions on this issue. As yet, DTE Electric's marketing of its DR programs is not well established or tested, and the Commission expects to learn much more from the reporting required in Case No. U-17936. If DTE Electric demonstrates that its DR programs are successful in the initial phases, additional DR expenditures will be recoverable in a subsequent rate case.

The Commission emphasizes its agreement with the Attorney General's concerns about giving away PCTs and energy bridges and notes that it has been widely shown, not only in the context of energy waste reduction, that customers are much less likely to value or use devices in which they have made no investment. This issue is clearly present in this case because the evidence is undisputed that a significant number of the energy bridges, a $100 device, are never installed. Thus, the Commission directs the company to provide a more complete analysis of cost recovery, including requiring participating customers to pay some amount for energy bridges and PCTs, as well as other other best practices, in its next rate case. In terms of overall cost recovery for the DR program, DTE Electric shall, in its next rate case or energy optimization reconciliation, whichever is filed first, provide a clear accounting of the extent to which, if any, PCT or other DR costs are recovered as part of the company's energy optimization program.

In addition, the Commission agrees with MEC/NRDC/SC that the record reflects that more advanced thermostat technologies tend to result in greater energy savings for customers. However, it is not entirely clear from the testimony in this case the capabilities of the PCTs that DTE Electric is installing. Issues concerning the selection of specific technologies should be addressed as part of the ongoing demand response proceedings in Case No. U-17936, and as part of the demand response and energy waste reduction potential studies required under Section 6t of 2016 PA 341 (Act 341). MCL 460.6t.

Finally, with respect to the joint venture marketing the DTE Insight application, the Commission agrees with the ALJ that there is no basis on this record to grant the relief that the Attorney General requested. The Commission further agrees that DTE Electric shall comply with all provisions of the current and any future Code of Conduct required under Act 341.

4. Corporate Staff Group

DTE Electric explained that its Corporate Staff Group (CSG) is "a shared-services organization in which corporate staff functions are centralized and consolidated, resulting in efficiencies, cost savings, and enhanced governance and internal controls. The organizations within the CSG provide a variety of Administrative and General . . . type services on an enterprise-wide basis (4 T 823)." DTE Electric's initial brief, p. 69. The Staff and the Attorney General took issue with proposed expenditures in several CSG cost categories.

a. Shared Information Technology

Using a three-year average of shared IT capital expenditures, the Staff recommended a $3.1 million reduction to the company's proposed amount. According to the Staff, past spending on IT has been variable; thus, using a multi-year average is the most reasonable method for determining the test year amount. DTE Electric responded that the Staff's normalization method was inappropriate because it included unusually low spending amounts in 2014 and 2015. According to DTE Electric, capital constraints and higher priority projects in those years led to reduced investment in IT. Nevertheless, DTE Electric averred that it is committed to a five-year plan to upgrade its aging IT infrastructure. In response, the Staff pointed out that IT spending was variable in 2012 and 2013 as well.

The ALJ found that the Staff's adjustment was appropriate in light of DTE Electric's historical spending on this category. She noted that the Staff's proposal reasonably balanced DTE Electric's interest in pre-funding projected expenditures with the ratepayers' interest in not providing a return of and on an expenditure that may not be made.

DTE Electric takes exception, arguing that the Staff's three-year average used years when spending on shared IT was unusually low. DTE Electric reiterates its intention to begin investing in IT in 2016. DTE Electric adds that while it may be the case that rate case projections include investments that are not made, ratepayer funding will nevertheless be spent on other projects and programs that benefit ratepayers.

In response, the Staff repeats that DTE Electric's spending on IT has varied considerably from 2012 through 2016, and the ALJ correctly found that using a multi-year average to establish this projection was most reasonable.

The Commission finds that the Staff's position was well-supported and therefore adopts the PFD on this issue. The record reflects that DTE Electric's spending on shared IT has shown significant variation year over year. *See,* Exhibits S-10.5 and S-10.6. If the company is indeed committed to improvement of its IT systems, and it spends more on shared IT in the test year than the amount approved here, it may recover all reasonable and prudent expenditures in a future rate case.

a. Landlord Tool

The Attorney General objected to DTE Electric's proposed $3.1 million investment in a landlord utilities management portal, or "landlord tool" that will provide landlords specific access to DTE Electric's Customer 360 portal. According to DTE Electric, landlords will be able to access this tool to manage multiple rental property accounts and keep abreast of service status at each property.

The Attorney General contended that landlords are only a small fraction of DTE Electric's customers and that all ratepayers should not have to cover millions of dollars in costs for benefits that only accrue to a small subset of customers. DTE Electric responded that it provides service to over 60,000 landlords who own or manage over 560,000 sites and that the landlord tool has the potential to make communications with landlords more efficient, thereby reducing future costs by up to $1 million due to more limited call volumes.

Although the ALJ appeared to find that the landlord tool presents overall value, she nevertheless determined that the record supported a finding that the program would not be available in the test year. The ALJ pointed to testimony by DTE Electric that indicated that Customer 360 would not be implemented until sometime in 2017, and that the company anticipates spending an additional $800,000 after the test year on the landlord tool. And although DTE Electric anticipates greater efficiencies for landlords, and cost savings due to reduced call volumes, the company did not include these savings in this case. The ALJ further recommended that given the increased convenience for landlords, the company should evaluate the imposition of a small charge on users of the tool.

DTE Electric takes exception, again citing its right to rely on a fully-projected test year, noting that while there may be some costs for the landlord tool outside the test year, those costs are not included here.

The Commission finds the PFD well-reasoned and adopts its recommendation on this issue. As the Commission discussed above, not only must the company demonstrate the reasonableness and prudence of the proposed project and its proposed cost, it must also demonstrate that it is more likely than not that the item is appropriately included in rate base during the test year. In this case, the ALJ correctly found that although Customer 360 is supposed to "go live" in 2017, almost a quarter of the spending on the landlord tool will not occur until after the test year ends, indicating that this program is not likely to be implemented until after July 2017. In addition, although the company posits there will be some savings from the landlord tool, those savings were not included in this case. The Commission therefore agrees that capital expenditures for the landlord tool should be deferred until the project is up and running. Further, the Commission agrees that DTE Electric should provide some estimate of cost savings associated with this project, as well as an analysis of whether the company should charge some nominal user fee for the landlord tool.

c. Reliability Information Technology and Enterprise Software

The Attorney General removed $9.1 million for reliability information technology and $3.3 million for Enterprise software in 2017, noting that the company's presentation appeared to use the same 2016 forecast amounts, adjusted mathematically for the seven months in the 2017 part of the test period. According to the Attorney General, this was not a reasonable method for projecting these costs, and it indicates that DTE Electric has no specific plans for these funds.

In rebuttal, DTE Electric stated that its rate case filing was based on recurring needs for IT funding and that the company began reviewing 2017 expenditures in mid-2016. DTE Electric also presented a list of approved projects and amounts.

The ALJ found:

> Regarding the reliability and Enterprise software projections, this PFD finds Mr. Coppola's testimony persuasive that DTE did not support its 2017 projections in its filing, and agrees that DTE cannot simply reserve capital expense dollars in its rate case filing as a placeholder and months later develop a plan as to how to spend those dollars. Any additional capital spending beyond the 2016 capital expense projections, which have not been challenged, can be reviewed for reasonableness and prudence in DTE's next rate case.

PFD, p. 111.

DTE Electric takes exception arguing that its rebuttal supported its initial filing and was consistent with its initial request. DTE Electric further avers that it fully intends to spend the allocated funds. In response, the Attorney General argued that the ALJ's finding was supported by the record and should be affirmed.

The Commission finds the PFD well-reasoned and adopts its findings and recommendations on this issue. The Commission agrees with the ALJ that including "placeholder" amounts in the company's initial filing, and then attempting to justify these amounts later is unreasonable. The Commission has repeatedly cautioned DTE Electric and other utilities:

> As the Commission discussed in its November 2, 2009 order in Case No. U-15645, p. 8, Section 6a(1) of Act 286, MCL 460.6a(1), provides that a utility "may use projected costs and revenues for a future consecutive 12-month period" to develop its requested rates and charges. The Commission added that the Staff and intervenors should direct their focus "upon the strengths and weaknesses of the evidentiary presentations of the parties regarding specific expense and revenue

> projections." In a case where a utility decides to base its filing on a fully projected test year, the utility bears the burden to substantiate its projections. Given the time constraints under Act 286, all evidence (or sources of evidence) in support of the company's projections should be included in the company's initial filing. If the Staff or intervenors find insufficient support for some of the utility's projections they may endeavor to validate the company's projection through discovery and audit requests. If the utility cannot or will not provide sufficient support for a particular revenue or expense item (particularly for an item that substantially deviates from the historical data) the Staff, intervenors, or the Commission may choose an alternative method for determining the projection.

January 11, 2010 order in Case No. U-15768, pp. 9-10. *See also*, September 8, 2016 order in Case No. U-17895, p. 4.[5]

In addition, the Commission has frequently discussed the proper use of rebuttal. For example, in the March 8, 2012 order in Case No. U-16034-R, pp. 9-10, the Commission determined:

> Evidence which could have been offered in a party's main case may be rejected if offered as rebuttal evidence, and this decision is within the discretion of the referee. October 30, 1984 order in Case No. U-7660, p. 3. It is true that the Commission may exercise broad latitude in considering evidence that might be rejected in a courtroom. However, that does not mean that, in cases whose outcome will affect customers' bills, the parties may divide their proofs in such a way as to prevent the opposition from being able to adequately review and respond to important evidence. The rule against improper rebuttal "is generally aimed at preventing the unfair ordering of proofs." [*People v] Vasher*, 449 Mich [494] at 505. WEPCo makes no argument that it only came upon this evidence late in the proceeding, nor does it give any reason why this evidence could not have been presented in its case-in-chief. The Commission has previously rejected a similar claim, stating "Claiming that these issues could not have been addressed in its direct testimony because the Staff had not, at that time, taken a position on the utility's proposal, ABATE asserts that the stricken testimony constitutes proper rebuttal and should be considered by the Commission in deciding this case. The Commission finds that ABATE's assertion should be rejected. . . . Because he had adequate opportunity to address the utility's proposal in the context of his direct testimony . . ., his rebuttal testimony on this issue represents nothing more than an attempted second bite of the apple." October 24, 2000 order in Case No. U-12505, p. 50.

In this instance, the company failed to adequately support its spending on this item in its initial filing, and appears to have used rebuttal to bolster its request once it had determined how it

[5] The Commission is in the process of developing updated filing requirements in Case No. U-18238.

planned to spend these amounts. Accordingly, the Commission finds that, per the ALJ's recommendation, $12.4 million for reliability and enterprise software should be removed from DTE Electric's rate base projection.

d. Corporate Facilities and Service Center Renovation and Optimization

DTE Electric included amounts for corporate facilities and service center renovation in its projection. Specifically, DTE Electric testified that it included $7 million for a gym and clinic at its corporate offices, $11.6 million for renovation of several of its service centers, and $16.7 million for service center optimization.

The Attorney General recommended that these amounts be removed. He argued that although a gym and a clinic might be agreeable amenities for DTE Electric employees, these facilities are not used for the provision of utility service, and there is no reason for ratepayers to cover their costs. Regarding service center renovations, the Attorney General pointed out that for the 2017 part of the test year, DTE Electric projected the same amount for each of the six projects, again indicating that the company had no specific plans for these funds and the amounts had simply been "thrown in" to the rate case. 6 Tr 833. As for the service center optimization projects, the Attorney General again contended that the amounts the company proposed were unsupported.

In rebuttal, DTE Electric explained that the gym and clinic were constructed to support the company's commitment to health, well-being, and employee productivity. According to DTE Electric, the clinic provides important services for pre-employment physicals and to address workplace illness and injuries onsite. The gym promotes physical activity and may serve to improve employee health and reduce absenteeism due to injury or illness. DTE Electric also provided a more detailed breakdown of the costs for service center renovations in 2017, noting that the locations of the renovations and total costs were close to the company's position in its original filing. With respect to the service center optimization project, DTE Electric pointed to Exhibit AG-26, where the company provided specific details about the service centers that would be affected by the project along with particular cost itemizations.

The ALJ found that the company supported the reasonableness and prudence of the gym and clinic, citing the company's testimony that these projects would serve to reduce workplace absences due to injuries and illness or the need to seek medical attention away from work. She further noted that, "unlike mere projections, the gym and clinic have already been completed." PFD, p. 113. With respect to the facilities renovation, the ALJ found that DTE Electric provided an updated plan in Exhibit A-30, which demonstrated that the same facilities' work addressed in 2016 would continue in 2017. The ALJ concluded that "DTE's explanation that these projections were part of a specific ongoing project that began in 2012 explains what would otherwise appear to be merely a placeholder as discussed above. On this basis, it is reasonable to include the projected 2017 expenditures in rate base." PFD, p. 114. She noted that with respect to the service center optimization program, the Attorney General failed to address the company's rebuttal and that DTE Electric supported its intention to undertake this program, although its initial cost estimates were not precise.

The Attorney General takes exception, reiterating his argument that although the gym and clinic might be nice employee perquisites, they are not appropriate for inclusion in rates. Regarding the service center renovations and optimization projects, the Attorney General insists that the company did not provide sufficient support in its initial case to demonstrate the reasonableness of these expenditures or that the sums for 2017 were not merely placeholders. DTE Electric responds, citing the company's testimony on these issues and repeating the arguments contained in its briefing.

The Commission agrees with the ALJ that the gym and clinic are reasonable investments that may increase the productivity of the company's workforce by improving employee health and reducing absenteeism by making medical facilities available onsite. While the Commission finds it a closer call as to whether DTE Electric adequately supported the facilities renovation amounts in its initial filing, the Commission nevertheless agrees with the ALJ that because this is an ongoing project, concerns that the funds may not be used as indicated are less significant. The Commission also agrees that the company supported its planned investments in service center optimization.

e. Federal Park Place

DTE Electric included $3.9 million in expenditures for costs associated with Federal Park Place, a site adjacent to the company's headquarters, which the company claims it uses for utility equipment storage. Citing the Commission's decision to disallow the costs to acquire and renovate Federal Park Place in the company's previous rate case, the Attorney General proposed to again disallow the expense. According to the Attorney General, although its intentions with respect to the use of the property appear to have changed, it is difficult to believe that DTE Electric could not acquire or lease property to store utility equipment at a much lower cost.

Noting that DTE Electric did not address this issue in rebuttal or in its briefing, the ALJ recommended that the Attorney General's disallowance be adopted.

DTE Electric takes exception, stating that the company, "continues to support its position that this asset is includable in utility plant." DTE Electric's exceptions, p. 31.

The Commission finds that by failing to address this issue after the Attorney General raised a specific concern, DTE Electric appears to have abandoned it until it filed exceptions. The Commission therefore adopts the PFD.

5. Distribution Capital Expenditures

DTE Electric projected $542.5 million and $586.3 million in distribution capital expenditures for 2016 and 2017. Both the Staff and the Attorney General proposed adjustments to these amounts, albeit taking different approaches to arriving at their respective recommendations. MEC/NRDC/SC did not propose any specific adjustments but raised concerns with respect to the company's efforts to increase distribution system efficiency. These issues are discussed in detail below.

a. Staff Adjustment and MEC/NRDC/SC Recommendation

DTE Electric proposed capital expenditures of $542.5 million for 2016 and $586.3 million for 2017, representing an 18% increase over 2014 spending for 2016, and an 8% increase over 2016 for the first seven months of 2017. The company asserted that it requires significantly more funding to replace aging and deteriorating equipment and improve reliability.

The Staff recommended $504.5 million for 2016, and $554.9 million for 2017 for distribution capital expense. According to the Staff, this represents a 10% increase above DTE Electric's actual 2015 spending and an additional 10% increase over the 2016 amount for 2017. The Staff contends that the company's request is unreasonable, especially because the company's reliability, in the bottom quartile by most measures since 2011, has not improved despite increased spending over the past several years. The Staff further noted that notwithstanding its efforts to replace old equipment, the company has not shown a decrease in O&M expense, as would be expected. And the Staff pointed out that DTE Electric's current spending on distribution is slightly below average for similar utilities in the Midwest; thus, granting the company's requested increase would raise the company's funding far above other similarly-situated utilities. The Staff also proposed a one-way distribution and O&M tracker. DTE Electric responded that, contrary to the Staff's claim, its actual spending on distribution reliability was more than the amount projected in its previous rate cases. DTE Electric therefore contends there is no need for a tracker, and certainly not one that would penalize the company for spending more than the approved amount. DTE Electric pointed out that the Staff admits that the company is currently spending less than peer utilities, thus, the Staff's case demonstrates that DTE Electric requires more funds.

The ALJ found that DTE Electric failed to support the level of capital expenditures that it forecasted, noting that the company presented no benefit cost analysis of any of its proposed projects. The ALJ stated, "DTE does not project any specific improvements in distribution system reliability tied to its expenditures or tie collection of ratepayer funds to any likely actual outcomes. Instead, DTE uses a few examples to illustrate how reliability may be improved." PFD, p. 84. The ALJ pointed out that while DTE Electric provided some examples of purported reliability improvements, the company's presentation was insufficient to demonstrate that it was the programs themselves, and not other factors, that led to the improvements. She further observed that DTE Electric's testimony and exhibits demonstrate that no matter how much is authorized for reliability improvement, reliability funds are first allocated to new business, load growth, and reactive equipment failure replacement.

The ALJ further explained that DTE Electric provided little detail about how it derived its capital expense, specifically noting:

> Only Mr. Coppola's Exhibit AG-17 sheds any light on the reliability costs DTE is projecting. Mr. Coppola's Exhibit AG-17, page 1, contains the first page of Mr. Whitman's workpaper with some expense detail. A review of this page shows that however much confidence DTE may have in these programs, it is not proposing a significant increase in spending on them in 2016 or 2017. This page lists elements of the "System Strengthening and Reliability" costs in lines 8 through 15 of Schedule B6.3. The first 35 lines appear to provide detail for the "Reliability" line item, but "System Resiliency" is a single line item with projected expenses of $53.5 million in 2015, $39.3 million in 2016, and $22.8 million for the first seven months

> of 2017, and "Repetitive Outage Pocket Program" is also a single line item with projected expenses of $16.7 million in 2015, $16.1 million in 2016, and $10.6 million for the first seven months of 2017. No other supporting detail is provided for these apparently key programs.

PFD, p. 87. The ALJ further observed that the programs that appeared to be focused on the replacement of aging infrastructure also generally demonstrated decreased funding year over year. In summary, the ALJ found that DTE Electric failed to show the reasonableness and prudence of its proposed distribution capital expenditures, and she observed that the company's testimony and exhibits showed "over $50 million per year in undetailed, lump sum spending for 2015, 2016, and 2017." She reasoned, "In contrast, Staff's analysis is pegged to the average spending levels of other large utilities, and appears rationally related to determining an adequate expense allowance for this category of expenses." PFD, p. 88.

The ALJ recommended that the Commission either adopt the Staff's general adjustment or the Attorney General's specific adjustments for contingency and facilities' relocation, discussed below, noting that the revenue impact was approximately the same. In the event that the Commission adopts the Attorney General's recommendations, she advised that the Commission implement a "one-way tracker only for the 'reliability' expenditure portion of DTE's capital expense projection, as set forth in lines 2 through 34 of Exhibit AG-17, page 1." PFD, p. 104.

She also recommended that the Commission initiate a proceeding to investigate how DTE Electric might improve its distribution system reliability. According to the ALJ:

> This investigation could consider: the costs and benefits of DTE's distribution system maintenance programs; whether DTE has an effective capital investment strategy; what metrics other than overall system performance metrics should be considered, and what other analytical tools may be useful to evaluate DTE's distribution system capital investments; and the identification of ratemaking mechanisms or other regulatory responses that would ensure that funds allocated for reliability improvements are actual [sic] spent on those improvements. Consistent with the discussion in subsection c above, this inquiry could also be broadened to consider the contributions [advanced metering infrastructure] AMI

> meters can make to system reliability and efficiency, as discussed above, although the Commission's order in Case No. U-17735 appears to prefer a less formal context for that review.

PFD, pp. 104-105.

DTE Electric takes exception to the ALJ's findings on this issue, arguing that because it has been spending in excess of its projections for the past several years, any form of tracker is unnecessary. If the Commission does determine that a tracker is necessary, DTE Electric argues that it is only equitable that the tracker be symmetrical. DTE Electric also objects to the initiation of a proceeding to investigate the company's distribution reliability, noting that the Commission has long recognized that vegetation is the primary cause of outages and that the company is committed to spending all of the funds allocated for tree trimming on that endeavor. Accordingly DTE Electric urges the Commission to reject the ALJ's recommendations.

In reply, the Staff points out that although DTE Electric rebutted the Staff's initial claim that the company was not spending up to its approved level on distribution, the Staff nevertheless demonstrated that DTE Electric's proposed distribution capital expenditures are simply too high, especially when compared to similarly-situated utilities. The Staff points out that the company proposes an amount that is significantly above inflation, and DTE Electric's spending in the past several years has not led to an improvement in reliability.

MEC/NRDC/SC supported the ALJ's findings generally, but takes exception to her failure to explicitly require that contributions by AMI to distribution reliability be included in any investigation. In its testimony and briefing in this case, MEC/NRDC/SC argued that despite significant increases in spending, DTE Electric is not projecting any improvements in its distribution system efficiency as measured by line losses. MEC/NRDC/SC raised a particular concern about the fact that DTE Electric did not appear to contemplate the small but nevertheless cost-effective efficiencies to be gained through optimizing its near fully-deployed AMI. Accordingly, MEC/NRDC/SC recommended that the Commission require DTE Electric "to evaluate and report on energy savings measures available through a system loss mitigation program and AMI-facilitated distribution system improvements." MEC/NRDC/SC's initial brief, p. 29.

DTE Electric disagreed with these proposals because their implementation would require additional capital and the company contended that it is already undertaking measures to minimize system losses as part of its normal engineering processes.

While the Commission declines to adopt the Staff's general disallowance, the record in this case indicates: (1) DTE Electric is in fact spending in excess of the amounts allocated for distribution; and (2) despite this investment, there is little or no improvement in the company's reliability metrics. *See*, 3 Tr 287-288. And although the company insists that it intends to address company-wide reliability issues proactively, as the ALJ pointed out, the reliability programs that the company chose to highlight are also ones where spending is not projected to increase or may decrease. PFD, p. 87, discussing Exhibit AG-17.

The Commission agrees with DTE Electric's goals to proactively engage in increasing system resiliency and replace aging equipment but observes a disconnect in how funds are allocated and presented for cost recovery purposes. As measured by dollars spent, DTE Electric's actual investment priorities are new business, load growth, and reactive equipment replacement in response to outages. As was highlighted in the PFD, pp. 102-103:

> A key concern raised by DTE's evidentiary presentation in this case is that DTE finds it acceptable to displace spending on reliability projects for which it received ratepayer funding with spending for new business and load growth as well emergency repair. Also, a review of Mr. Whitman's Schedule R2 of Exhibit A-28 shows that although DTE's 2015 actual distribution capital spending was $10 million more in 2015 than it projected in Case No. U-17767, the spending for the

> "system strengthening and reliability" line items were $30 million below the rate case projection while "new business" spending was $30 million more than projected. Mr. Whitman's schedule M8 of Exhibit A-21 also shows DTE's view that its ratepayer funding for distribution operations is fungible, essentially stating that DTE will spend all distribution operations capital amounts included in rates in this case on load growth and new business before spending it on reliability programs.

The Commission observes that DTE Electric's evidentiary presentation included a high-level overview of distribution capital drivers and needs with examples and anecdotes about the age and condition of certain system components (*e.g.*, breakers), infrastructure costs by category (new business, emergency repairs, major equipment, etc.), and summary results of localized pilots. 3 Tr 355. While not a holistic and detailed presentation of near- and longer-term distribution system conditions and upgrade needs, this evidence provides the Commission a glimpse into the potential need for significant investments in the coming years just to avoid further decline in system performance and to keep in check the associated spending on reactive repairs and O&M expense of managing aging infrastructure. As DTE Electric pointed out, as its system continues to age, the cost to simply maintain the status quo are projected to go up and there is increased potential for equipment failure that could affect reliability and the safety of employees and the public at large. DTE Electric's initial brief, pp. 45-46.

The Commission supports the authorization of necessary investments to ensure the utility's distribution system is safe, reliable, and resilient. But in order to properly evaluate these investments, and provide a greater level of regulatory certainty, the Commission finds that the rate case process would benefit from the company providing a more comprehensive, forward-looking capital investment and operations plan.

Accordingly, the Commission directs DTE Electric to develop and submit a five-year distribution investment and maintenance plan. The plan should comprise: (1) a detailed description, with supporting data, on distribution system conditions, including age of equipment, useful life, ratings, loadings, and other characteristics; (2) system goals and related reliability metrics; (3) local system load forecasts; (4) maintenance and upgrade plans for projects and project categories including drivers, timing, cost estimates, work scope, prioritization and sequencing with other upgrades, analysis of alternatives (including AMI and other emerging technologies), and an explanation of how they will address goals and metrics; and (5) benefit/cost analyses considering both capital and O&M costs and benefits.

A plan of this nature would increase visibility into the system needs and facilitate review by the Staff, other parties, and the Commission outside the contested rate case process. The Commission does not expect to formally "approve" the plan, but sees value in having a more thorough understanding of anticipated needs, priorities, and spending. The Commission therefore directs the Staff to work with the company to address clarifying questions on the plan framework and to develop an appropriate timeline for submittal and review. The Commission further directs DTE Electric to submit a draft plan to the Staff by July 1, 2017, and meet with the Staff to complete a final five-year distribution investment and maintenance plan to be submitted by December 31, 2017.

Given the additional information that the Commission anticipates will be provided through the distribution plan and related review, the Commission finds that it would be premature to adopt the ALJ's recommendations to implement a tracker or open a proceeding to investigate the potential for improving DTE Electric's distribution system.

b. Gordie Howe International Bridge

The Attorney General recommended disallowance of $41.8 million in distribution capital expenditures for facilities relocation for the Gordie Howe International Bridge (GHIB). The

Attorney General pointed to a discovery response wherein DTE Electric indicated that it believed that a private entity would own the bridge and ultimately bear the cost of relocating the facilities. The Attorney General therefore argued that it was unreasonable to expect ratepayers to fund these uncertain costs. In response, DTE Electric argued that it had received notification from the State of Michigan that the facilities were required to be moved and that it was therefore unreasonable to deny cost recovery for this work.

The ALJ agreed with the Attorney General that the disallowance was appropriate, finding that DTE Electric had not established the scope or timing of the work. The ALJ further observed that DTE Electric failed to provide any explanation of how it intended to protect ratepayer interests in light of the company's admission that it believes ratepayers should not be responsible for the relocation costs. As is the case with contingency spending, the ALJ noted that any reasonable and prudent costs associated with facilities relocation for the GHIB can be recovered in a future rate case.

DTE Electric takes exception, reiterating that it has received the requisite notice from the State of Michigan and arguing that, in accordance with this notice, it is obligated to move these facilities and is legally entitled to recover the cost in rates. DTE Electric argues that, "the PFD does not explain how the Commission could lawfully rule as it suggests, and its premise that DTE Electric might somehow obtain some unspecified recovery from some other source is entirely speculative and beyond the scope of this case." DTE Electric's exceptions, p. 23.

The Commission finds the PFD well-reasoned and adopts its findings and conclusions on this issue. DTE Electric appears to believe it should have it both ways: collect the relocation costs from the bridge owners (perhaps), but just in case, collect the costs of facilities relocation from ratepayers at the same time. Like contingency costs, these costs are not appropriately included in rates at this time because of the high degree of uncertainty as to the amount or whether they will be incurred at all. Contrary to DTE Electric's claim, the Commission's determination is not based on speculation, but rather the company's own discovery response, in which DTE Electric stated that "the company believes that the [Windsor-Detroit Bridge Authority] WDBA should pay for the majority of relocations of DTE Electric facilities required to accommodate construction of the bridge[.]" *See*, Exhibit AG-16. The Commission further notes that it disallowed a similar expenditure, on much the same grounds, in the company's most recent gas rate case, Case No. U-17999, December 9 order p. 16, where the Commission found:

> DTE Gas apparently believes that the WDBA should pay for the cost of these relocations. Despite filing rebuttal testimony halfway through 2016, DTE Gas made no rebuttal to the Attorney General's testimony in opposition to the GHIB expense nor used rebuttal to provide any information as to whether activity, other than attending the charrette, had commenced. The utility will have the opportunity to seek recovery of any reasonable and prudent expenditures in a future rate case, at which time it may provide detailed proof that work has proceeded beyond the planning stage and expense has been incurred coincident with the actual relocation of distribution mains and other related work; and can better explain why the burden of these expenditures lies with ratepayers and has not been included in any other WDBA project costs.

Given the limited record concerning the legal responsibility for the costs of facilities relocation and recognizing the need to maintain an incentive for DTE Electric to protect ratepayer interests, the Commission finds that these costs should not be included in rate base at this time. And the Commission echoes the ALJ's observation that all reasonable and prudent costs associated with the relocation of these facilities will be recoverable in a future rate case.

c. Interstate 75 Construction

DTE Electric proposed to recover $13.4 million in costs associated with the relocation of facilities along Interstate 75 (I-75) to accommodate new construction. The Attorney General opposed inclusion of this amount explaining that, in response to discovery, DTE Electric could provide no details with respect to the timing or cost of the work proposed for the test year. The Attorney General contended that because the costs associated with the I-75 work are so uncertain, it would be unreasonable to include these expenditures in current rates. In rebuttal, DTE Electric repeated that it had received the typical notification from the State of Michigan that 23 road crossings would be affected by the widening of I-75 and bridge reconstruction. The company stated that it needs to comply with the notice in a timely fashion and that it does not generally share detailed workplans in rate case proceedings. DTE Electric also took issue with what it described as one State department (i.e., the Attorney General) criticizing another State department for the inadequacies of the notice provided.

The ALJ quoted cross-examination of DTE Electric's witness in which the witness admitted that beyond notification and a list of affected road crossings, the company has yet to receive any information regarding when the I-75 work is expected to begin, further indicating that the company generally receives specific plans eight to ten months before construction starts. 3 Tr 392-394. The ALJ agreed with the Attorney General that DTE Electric failed to support either the amount or the need for these funds during the test year. Contrary to the company's claim that the Attorney General was attempting to "penalize" the company for insufficient notice from the State, she determined that the Attorney General's position "recognize[ed] the reality that DTE does not know exactly when it will perform the work and has not presented a reliable cost estimate for that work." PFD, pp. 95-96.

DTE Electric takes exception, again arguing that it has received notification from the State of Michigan and is thus obligated to complete the work, adding that any delay could result in increased costs. DTE Electric reiterates that it has a statutory right to use a projected test year and the failure to allow the company to recover its costs violates Section 6a(1), and may invade certain constitutionally protected rights. DTE Electric further objects to what it deems a violation of due process because of the alleged unfairness of "an agency of the State [*e.g.*, the Attorney General] . . . criticiz[ing] DTE Electric for not knowing with specificity how the Company will respond to a vague, but clearly extensive, State-directed road construction project." DTE Electric's exceptions, p. 25.

The Commission finds the PFD well-reasoned and adopts its findings and conclusions. As the ALJ pointed out, DTE Electric is not caught in the middle of conflicting positions taken by the state and the Attorney General, the issue is simply that the scope, timing, and costs of the work are too uncertain based on the evidence in this record. And, as the Commission discussed previously, although the company may rely on a projected test year in developing its costs and revenues, pursuant to MCL 460.6a(1), this does not absolve the company of the requirement that it support these projections, including whether costs will be incurred during the test period, by a preponderance of the evidence. Once again, DTE Electric may recover its reasonably and prudently incurred expenses for the I-75 work in a future rate case.

d. Supervisory Control and Data Acquisition Expansion

DTE Electric proposed expenditures of $6.6 million for 2016 and $3.9 million for 2017 to expand its supervisory control and data acquisition (SCADA) system to additional circuits. The Attorney General recommended disallowing the entire $10.5 million amount on grounds that the company failed to provide a benefit cost analysis to justify the spending. DTE Electric responded that the expansion was necessary to provide fault indication and circuit load data for planning future maintenance activities and upgrades. DTE Electric further noted that approximately 60% of its facilities are currently monitored by SCADA devices, compared to 100% for peer utilities.

The ALJ agreed with DTE Electric that the proposed SCADA expansion was reasonable and necessary, noting that the Attorney General did not take issue with the cost of the expansion or the company's claim that 100% SCADA implementation was an industry norm. There were no exceptions filed. The Commission finds the PFD well-reasoned and adopts its findings and conclusions on this issue.

4. Fermi II Capital Expenditures

The Attorney General took issue with certain expenses associated with refueling outage maintenance at Fermi II and recommended a disallowance of $24.7 million. According to him, a discovery response from DTE Electric indicated that costs associated with turbine refurbishment and undervessel replacement were scheduled for the 2018 refueling outage, and not the 2017 outage, thus falling outside the test year. In rebuttal, the company stated that the discovery response was erroneous and that the maintenance work was in fact scheduled for the 2017 outage.

The ALJ found that by correcting its discovery response, DTE Electric had adequately addressed the Attorney General's concerns. There were no exceptions filed. The Commission therefore adopts the PFD on this issue.

B. Construction Work in Progress

As it has in several prior cases, Wal-Mart objected to the inclusion of CWIP in rate base. According to Wal-Mart, this practice unfairly requires ratepayers to cover the costs of resources that are not used and useful in the provision of utility service. Moreover, Wal-Mart posited that by including CWIP in rate base, customers, rather than shareholders, are required to assume the risk for utility investments for projects that may never benefit ratepayers.

In response, DTE Electric pointed out that it is a long-standing practice to include CWIP in rate base and that this practice was first required by the May 10, 1976 order in Case No. U-4771.

DTE Electric noted that CWIP that is not related to environmental projects is offset by AFUDC, thus, the revenue requirement for non-environmental CWIP is effectively zero.

The ALJ observed that Wal-Mart raised the same issue in DTE Electric's last rate case, and Wal-Mart's position was rejected. The ALJ added that DTE Electric made clear that all non-environmental CWIP is offset by AFUDC, thereby eliminating any rate impact on current customers. And, although DTE Electric provided testimony on the advantages of including CWIP in rate base without an AFUDC offset, the company did not actually propose any changes to the current practice. Nevertheless, the ALJ found:

> Walmart's apparent confusion on this issue is understandable. It is difficult to determine on this record what DTE has included in its CWIP balances, making it difficult to ascertain how certain expenses are being treated for ratemaking purposes. This concern is also discussed below in connection with certain rate case projections. DTE argues that it is required to include CWIP in its rate case filing, but this PFD recommends that the Commission require DTE to provide additional detail regarding its historical CWIP balances and CWIP projections. The information provided on this record states only totals and lacks meaningful information as to what projects are driving the differences in CWIP and AFUDC amounts from the historic to the projected test year.

PFD, pp. 54-55.

There were no exceptions filed. The Commission finds the PFD well-reasoned and adopts its findings and conclusions with respect to the continued inclusion of CWIP in rate base, with an AFUDC offset for non-environmental projects. The Commission also agrees with the ALJ's recommendation that DTE Electric provide significantly more detail on its historical and projected CWIP balances and offsetting AFUDC amounts in its next rate case filing.

C. Depreciation

The Commission has made adjustments to depreciation reserve and depreciation expense consistent with the adjustments to rate base discussed above.

D. Working Capital

DTE Electric's projected working capital requirement in its initial filing was $1.3 billion. This amount was later adjusted to remove a $26.3 million regulatory asset for 2014 and 2015 tree trimming. The company also agreed to the Staff's adjustment for obsolete inventory. The Attorney General adjusted the company's historical interest on debt amount from $56.2 million to $65.1 million. The ALJ noted that DTE Electric did not rebut this adjustment or address it in briefs. Finally, the Staff and the Attorney General made slightly different adjustments to reflect the removal of the company's investment in the Detroit Investment Fund from working capital. The ALJ observed that DTE Electric did not address this proposal in its rebuttal or briefing and recommended adopting the Staff's adjustment.[6] The Commission considers these issues to be either abandoned or resolved and will not address them further in this order.

1. Enhanced Tree Trimming Regulatory Asset

DTE Electric initially included $39,811,000 as part of rate base for an enhanced tree trimming program (ETTP), including $26.3 million in capitalized expenses for 2014 and 2015. Subsequently, in the January 19, 2016 order in Case No. U-17767 (January 19 order), the Commission denied the company's request on rehearing for capitalization of ETTP expenses that were incurred in 2014 and 2015. DTE Electric therefore removed $26.3 million from working capital, and $893,000 from depreciation expense, but requested regulatory asset treatment for $13.5 in ETTP expenses for the test year.

The Staff and the Attorney General recommended that DTE Electric's request for regulatory asset treatment of this expense be denied. According to the Staff, DTE Electric provided no new

[6] In its replies to exceptions, the Staff noted that although DTE Electric did not address the Detroit Investment Fund in rebuttal or its briefing, the company, apparently inadvertently, included $3.29 million for this item in its Attachment B to its exceptions. This amount has been removed from working capital in the final rates calculated in this order.

evidence to justify revisiting the January 19 order where the Commission determined that capitalization of tree trimming, even if "enhanced," was not appropriate and did not comport with the Uniform System of Accounts (USoA).

DTE Electric disagreed and pointed to significant improvements in reliability anticipated from the expanded program. DTE Electric argued that because enhanced tree trimming is a one-time amortized over that period. DTE Electric further argued that the capitalization proposal that was rejected in the January 19 order was based on criteria contained in the USoA, whereas the Commission has broad discretion to create a regulatory asset.

In response, the Staff points out that DTE Electric's regulatory asset proposal in this case is a distinction with very little difference from the capitalization proposal that the Commission previously rejected.

The ALJ provided a detailed explanation of the ETTP and its expected benefits on pages 145-147 of the PFD. She agreed with the Staff's analysis and recommended that DTE Electric's request for regulatory asset treatment for tree trimming expenditures be denied.

DTE Electric takes exception, repeating the arguments in its testimony and briefing. The Staff replies that, contrary to the company's claim, tree trimming expenses are recurring and thus are appropriately included in O&M and not rate base. The Staff further replies that DTE Electric provided no new evidence or arguments that are grounds for the Commission to revisit this issue.

The Commission agrees with the Staff and the ALJ. DTE Electric presented nothing new for consideration in this case that persuades the Commission to revisit this issue.

2. Combined Operating License

DTE Electric is currently earning a return of its approximately $100 million investment in a COL for a future nuclear plant, in accordance with the January 19 order. In that order, the

Commission found that it was appropriate for the company to earn a return of its COL costs over a 20-year amortization period but that ratepayers should not have to provide a return on an asset of undefined value or benefit.

In this case, DTE Electric again sought to earn a return on the license by including the unamortized COL balance in working capital. DTE Electric argued that the COL has value; it was obtained at a low cost, and is a useful asset for ratepayers. DTE Electric pointed out that the Commission recognized that the license is transferrable, further demonstrating its value. DTE Electric projected the total cost of COL expenditures in the test year of $100.3 million.

The Staff, the Attorney General, ABATE, and MEC/NRDC/SC opposed inclusion of this amount in working capital, largely relying on the January 19 order. The Staff noted that the Commission did not deny the opportunity in the future to earn a return on the COL expense if the company decides to build a nuclear plant. MEC/NRDC/SC pointed to discovery responses from the company indicating that DTE Electric has no new circumstances to cite in support of its request and that DTE Electric's long-range plan does not appear to include additional nuclear generation. The Attorney General likewise argued that there was no new evidence or changed circumstances that would support the company's request. He also recommended that the Commission consider a longer amortization period if the Commission revisits its previous decision.

In response, DTE Electric repeated the arguments in its initial brief and contended that if the Commission defers a return on the COL until the company decides to build a plant, such a decision would unjustly deny the company a return on the balance of expenditures from now until the decision is made.

The ALJ found that the Commission's prior orders have addressed the ratemaking treatment of the COL expense and that the company presented no new arguments to support revisiting the Commission's previous decision. The ALJ rejected the company's request for non-traditional ratemaking treatment of the COL and further observed that although DTE Electric claims the license has value, it has failed to establish that value.

DTE Electric takes exception repeating its argument that the COL is "a useful, valuable and transferable asset *in itself*, regardless of whether DTE Electric ever builds its contemplated nuclear plant." DTE Electric's exceptions, p. 37 (emphasis in the original). DTE Electric again urges the Commission to set aside the "used and useful" test, as it has done in the past, and recognize the COL as an unused asset that nevertheless belongs in rate base in expectation of a future need.

The Staff replies that the ALJ's recommendation was correct because: (1) the COL is not currently providing service to ratepayers; (2) the COL may never be used and useful to DTE Electric's customers; and (3) given the uncertainty about the future of the COL, a conservative regulatory approach is most reasonable. MEC/NRDC/SC reiterate that DTE Electric provided no new evidence in this case to support revisiting the Commission's prior decision.

Little more than one year ago, the Commission determined that DTE Electric should receive a return of its investment in the COL for a future nuclear plant, but not a return on its investment in the license, until such time as the company made a decision to either build the plant or sell the license. As the Staff, the Attorney General, and MEC/NRDC/SC point out, DTE Electric has presented no new evidence in this proceeding to warrant revisiting this issue. The Commission therefore adopts the recommendation in the PFD.

3. Other Post-Employment Benefits

The Attorney General proposed an adjustment to DTE Electric's accrued post-retirement liabilities, contending that the company could reduce its average liability balance by receiving OPEB fund reimbursement monthly rather than annually. DTE Electric responded that the Attorney General's recommendation did not comport with past practice, that not all benefits payments can be reimbursed by the trust fund, and adopting the proposal would affect the company's short-term debt balance, thus resulting in an increase in the company's revenue requirement that would exceed any cost savings from his recommendation.

The ALJ found that this issue was not well-addressed in this case, and therefore she recommended no adjustment to the company's working capital at this time. She nevertheless recommended that DTE Electric provide a more detailed analysis of the reasonableness of seeking reimbursement from the OPEB trust fund annually rather than monthly.

There were no exceptions to this recommendation. The Commission finds the PFD well-reasoned and adopts its findings and conclusions. DTE Electric shall provide a specific and detailed analysis of alternatives to its method of seeking annual reimbursement from the OPEB trust fund in its next general rate case.

E. Rate Base Summary

Based on the adjustments set forth above, the Commission finds that DTE Electric's rate base is $14,243,719,000 for the test year, on a total company basis. This is comprised of a net plant amount of $13,088,331,000 and an allowance for working capital of $1,155,388,000.

V. CAPITAL STRUCTURE AND RATE OF RETURN

The parties reached agreement on several components of DTE Electric's proposed capital structure and cost rates. The only remaining area of dispute concerns the rate of return on common equity.

A. Capital Structure

DTE Electric, the Staff, and the Attorney General agreed to the company's proposed long-term and short-term debt balances. The ALJ, recognizing there was no dispute on these issues, recommended that the Commission adopt a 50% equity and 50% long-term debt capital structure, as agreed to by all parties. PFD, p. 199.

No party filed exceptions, and the Commission adopts the findings and recommendations of the ALJ.

B. Cost Rates

1. Debt Cost Rates

DTE Electric and the Staff agreed upon a long-term debt cost rate of 4.61% and a short-term debt cost rate of 1.58%. Given that debt cost was not a disputed issue, the ALJ recommended the Commission approve the agreed-to rates. PFD, p. 199. No party filed exceptions, and the Commission adopts the recommendation of the ALJ for long- and short-term debt cost rates.

2. Return on Equity

The criteria for establishing a fair rate of return for public utilities is rooted in the language of the landmark United States Supreme Court cases *Bluefield Waterworks & Improvement Co v Public Service Comm of West Virginia*, 262 US 679; 43 S Ct 675; 67 L Ed 1176 (1923) and *Federal Power Comm v Hope Natural Gas Co*, 320 US 591; 64 S Ct 281; 88 L Ed 333 (1944).

The Supreme Court has made clear that, in establishing a fair rate of return, consideration should be given to both investors and customers. The rate of return should not be so high as to place an unnecessary burden on ratepayers, yet should be high enough to ensure investor confidence in the financial soundness of the enterprise. Nevertheless, the determination of what is fair or reasonable, "is not subject to mathematical computation with scientific exactitude but depends upon a comprehensive examination of all factors involved, having in mind the objective sought to be attained in its use." *Township of Meridian v City of East Lansing*, 342 Mich 734, 749; 71 NW2d 234 (1955). With these principles in mind, the Commission turns to the factors that form the basis for determining the rate of return for DTE Electric.

The ALJ provided a well-written and thorough overview of the parties' cost of equity analyses and arguments in the PFD which will not be repeated here. PFD, pp. 154-198. In summary, DTE Electric proposed an ROE of 10.5% based on a proxy group of 27 companies, to which it applied the Risk Positioning or Risk Premium (RP) analysis and the Discounted Cash Flow (DCF) approach. DTE Electric then combined the ROE estimates from these models with the market value capital structure information and costs of debt and preferred stock for each proxy company to compute each company's overall cost of capital, (*i.e.*, after-tax weighted-average cost of capital (ATWACC)). DTE Electric also developed ROE estimates based on the Capital Asset Pricing Model (CAPM), and empirical CAPM (ECAPM).

The Staff recommended an ROE of 10.00%, the highest level of its calculated range of 9.00% to 10.00%, based on a proxy group of ten companies to which it applied the DCF and CAPM approaches. The Staff also applied a specific RP approach, and it reviewed electric utility ROEs authorized by other regulatory commissions. The Attorney General recommended an ROE of 9.75% using the same proxy group of 27 companies that DTE Electric used, but excluded DTE

Energy and several other companies because of their smaller size and, in the case of DTE Energy, the fact that it is the parent company of DTE Electric. To the data from these companies, the Attorney General applied the DCF and CAPM approaches and a similar RP analyses. The Attorney General also considered current capital markets, any changes to the risk profile of DTE Electric, and the improving Michigan economy.

ABATE proposed an ROE range of 8.80% to 9.60%, based on its review of the market's assessment of the regulated utility industry investment risk, credit standing, and stock price performance to get a sense of the market's perception of the risk characteristics of regulated utility investments in general. ABATE further considered industry authorized returns on equity for electric utilities that have fallen in the range of 9.4% to 9.6%. From this market evidence, ABATE concluded that the market cost of equity for the utilities is in the mid-9% area.

Although Wal-Mart did not provide testimony on ROE, in its brief it observed that DTE Electric's proposed 10.5% ROE was not supported by substantial evidence and it is excessive in light of empirical evidence showing a downward trend in ROE awards by other utility regulatory commissions, averaging between 9.73% and 9.88% since 2013.

Beginning with an analysis of the proxy groups, the ALJ found persuasive the Staff's and the Attorney General's arguments that DTE Electric's parent company, DTE Energy, should be excluded from the proxy group. PFD, p. 159. The ALJ further found that the Staff's approach most reasonably establishes a minimum and maximum size for the companies to be included in the proxy group. Regarding the parties' various analyses using the DCF method, the ALJ rejected DTE Electric's criticism of other parties' use of the DCF constant growth model, finding that there is no basis to reject the results of the model simply because it did not follow the formulation that DTE Electric's witness preferred. PFD, p. 164. The ALJ reasoned that the Commission has, in the past, recognized there is no particular methodology that provides an exact measure of a fair return on equity. The ALJ further rejected DTE Electric's claim that the Staff's and ABATE's growth rate estimates are improper because they rely on multiple composite sources that might include some of the same analysts. *Id*., p. 165.

Turning to the parties' CAPM analyses, the ALJ considered DTE Electric's criticism of the time period the Staff used to conduct its CAPM analysis, and concluded that the Staff's use of the years 1952-2014 of data is reasonable and has been vetted and approved by the Commission multiple times. PFD, p. 174. The ALJ further found DTE Electric's market risk premium of 8.5% to be excessive, because she was not persuaded by the utility's argument attributing the difference in yield spreads to an increase in risk aversion. Specifically, the ALJ noted that the record is devoid of any evidence that investors did not expect the risk-free rate to rise when purchasing utility bonds, and she pointed out that all witnesses testifying on this issue stated this was so. The ALJ further agreed with ABATE's and the Staff's arguments that DTE Electric's use of the ECAPM adjustment is inconsistent with the use of adjusted betas. The ALJ agreed with the Staff's and ABATE's testimony that the use of both an ECAPM adjustment of the "security-market line" and Value Line adjusted betas is improper and duplicative. PFD, p. 175. The ALJ observed that DTE Electric failed to provide a peer-reviewed paper stating that it is appropriate to use both adjustments in predicting returns. For these and other reasons articulated in the PFD, the ALJ recommended rejecting use of these dual adjustments.

Regarding the RP analyses that the Staff, the Attorney General, and ABATE presented, the ALJ commented that the Commission has, historically, considered rates of return derived from various RP approaches and therefore that the Commission should continue to consider the results of these analyses. The ALJ also found the ATWACC formulation that DTE Electric used to derive a recommended cost of capital to be complex, requiring numerous assumptions including measures of equity ratios, debt, and tax costs. Additionally, the ALJ found that DTE Electric's witness failed to substantiate the reasonableness of the assumptions he utilized in his ATWACC analysis and did not show that it promotes greater accuracy as he claimed it did. Throughout the discussion of the issue, the ALJ highlighted the fallacies and gaps in testimony where the utility failed to prove the reasonableness of this complex formulation. Accordingly, the ALJ found persuasive arguments by the Staff, the Attorney General, and ABATE that this method is unduly complex, resulting in excessive returns on equity that are inconsistent with the goal of setting a return on equity that provides investors with an appropriate return on their investment. Accordingly, the ALJ recommended that the Commission give zero weight to the ATWACC calculations that DTE Electric presented. PFD, p. 190.

Further, examining the presentations of various parties regarding the ROEs approved by other utility regulatory commissions, the ALJ observed that this information indicates that ROEs have generally fallen in recent years, while authorized returns in most presentations provided in this case fall within the range of 9.5% to 10.0%. Finally, regarding perceptions of risk and other factors utilized in the ROE analyses, the ALJ acknowledged the Commission's past recognition of the importance of a careful selection of a proxy group and the use of credit ratings in that selection. The ALJ went on to opine that DTE Electric is no riskier than the proxy group averages. The ALJ reasoned that, even though DTE Electric identified certain risks and challenges that the company faces, the utility failed to also compare these risks and challenges in a systematic way to the risks that other companies in the proxy group face. With respect to questions the utility posed regarding whether its rates will continue to be adequate, the ALJ responded that DTE Electric faces little regulatory lag, having self-implemented rates in this case one month after the projected test year ended from its last rate case, and that the utility has expressed confidence in its revenue forecasting used in its ratemaking.

The ALJ concluded that the Staff's ROE analysis was both objectively reasonable and consistent with past Commission decisions. The ALJ further concluded that the Commission should adopt the Staff's recommended ROE of 10.0% because it is both reasonable and consistent with the requirements of *Bluefield Waterworks* and *Hope Natural Gas*. In contrast, the ALJ viewed DTE Electric's requested ROE as premised on flawed modeling and unjustified assumptions. Because of the principles of gradualism and the utility's continuing need for capital that the Staff's presentation considered, the ALJ recommended the Commission authorize a 10.0% rate of return on equity in spite of the fact that the Staff's models produced results generally below 10.0%.

ABATE takes exception to the ALJ's recommendation, arguing that the Staff never rebutted ABATE's evidence that an appropriate ROE range for DTE Electric is 8.80% to 9.60%. According to ABATE, the Staff admitted it was comfortable with an ROE of 9.5%, an amount within ABATE's recommended range for the company. ABATE also contends that the ALJ's recommended ROE of 10.0% fails to meet the *Bluefield Waterworks* standard, which precludes a rate of return that places an unnecessary burden on ratepayers and that is not fair or reasonable. ABATE maintains that the record shows a 9.5% ROE provides DTE Electric fair compensation, preserves the utility's financial integrity and access to capital, and preserves the market's confidence in the soundness of the company.

In addition, ABATE argues that the Commission's longstanding policy of gradualism with regard to rate setting is meant to decrease "rate shock" to customers resulting from excessive rate increases. ABATE contends it is inappropriate to apply this concept to a return for investors, because doing so would result in customers paying unjustifiably high costs. ABATE further explains that gradualism has nothing to do with existing cost of equity and should not be used to protect investors from swings in market prices. ABATE references court opinions from other states that have held it is improper to consider gradualism when determining ROE, and further argues that considering past ROE determinations, and utilizing gradualism, prevents the Commission from proper consideration of current economic conditions. It also fails to accurately reflect investor expectations and does not provide for a maximum reduction in rate increases, the actual recognized application of the gradualism principle. According to ABATE Michigan law requires that the Commission establish just and reasonable rates; thus, ABATE contends that the ALJ's use of gradualism to support an otherwise unsupported ROE is erroneous and the record supports an ROE range of 8.80% to 9.6%.

The Attorney General similarly argues that the ALJ's ROE recommendation was too high and takes specific exception to that part of the ALJ's analysis that failed to account for the adjustments leading to the Attorney General's proposed 9.75% ROE. The Attorney General explained that his witness arrived at this ROE recommendation by giving greater weight to the DCF method, which produced a 9.40% ROE, and less weight to the other methods. Although the weighted return on equity resulted in 9.05% for the average of the sample group, this number was increased to a 9.75% ROE because the sample group result did not incorporate the unique risks of DTE Electric or how investors perceive those risks, the fact that market interest rates may increase, the fact that regulatory commissions around the country have granted an average ROE of 9.6% to electric utilities during 2015 and the first quarter of 2016, and the benefit of a gradual transition to the true cost of equity.   The Attorney General therefore urges the Commission to adopt his recommendation of a 9.75% ROE in this case.

DTE Electric replies that ABATE wrongly criticizes the ALJ's recommended ROE of 10.0% as overstated. Rather, the company asserts that the recommendation to adopt the Staff's amount is understated due to analytical errors and the misperception that DTE Electric has average risk relative to the risk of the proxy group. DTE Electric adds that uncertainty in the capital markets and the more challenging Michigan economic environment also justify an increase in the recommended ROE.

DTE Electric also urges the Commission to decline ABATE's invitation to make a ROE determination on the basis of ROE data from other states. The company reminds the Commission that DTE Electric's ROE must continue to reflect its unique risks and circumstances. DTE Electric's replies further summarize the Commission's past ROE determinations for the company and the reasons for those determinations. It also points to the Commission's reasoning in its ROE determination in the last general rate case for DTE Gas as illustrative of proper considerations in determining the appropriate ROE. The company once again reminds the Commission that it provides service in a challenging territory, and that current economic conditions and those expected for the foreseeable future merit a rejection of the reduced ROE that ABATE, the Attorney General, and the PFD propose.

In reply to the Attorney General, DTE Electric points to rising interest rates, and the Attorney General's acknowledgement that higher interest rates produce an increase in the cost of capital under the DCF approach, as well as the importance of maintaining a strong credit rating during a forecasted period of substantial capital investment. DTE Electric reiterates that it has higher-than-average business risk, and it references its necessary capital expenditures for compliance with environmental requirements as well as its asymmetrical risk associated with the responsibilities of owning and safely operating a nuclear power plant.

Finally, regarding ABATE's criticism of the ALJ's reliance on the principles of gradualism as a reason for recommending a 10.0% ROE, DTE Electric distinguishes the foreign law that ABATE relies on as only pertinent to laws of those states and as inconsistent with the procedure for determining the ROE in Michigan. Thus, it urges the Commission to adopt a 10.5% ROE consistent with the company's analysis.

In its exceptions, DTE Electric again contends that its ROE should be set at 10.5%. The company claims that the record indicates that the other parties' ROE recommendations are understated both due to analytical errors as well as the misperception that DTE Electric has average risk relative to the proxy companies. Instead, DTE Electric explains that the uncertainty in capital markets, the more challenging Michigan economic environment, and the differences in financial risk for the company, as compared to sample companies, justifies an increase in the recommended ROE.

DTE Electric disagreed with the ALJ's exclusion of DTE Energy from its sample group of proxy companies, because DTE Energy is distinct from DTE Electric. The company also disagreed with the PFD's recommendation that the smaller companies in DTE Electric's sample group should be excluded, arguing that the exclusions are unjustified. DTE Electric contends that no evidence supported the Attorney General's concerns that smaller companies present different risk profiles than DTE Electric.

DTE Electric further argues that the ALJ erred in rejecting use of the ATWACC, because she failed to recognize that capital structure affects financial risk, which in turn affects the estimated cost of equity. The company contends that the ATWACC adjustment allows for an apples-to-apples comparison among the returns of sample companies with different capital structures and is used as a standard methodology in finance. DTE Electric further asserts that the PFD appeared to misperceive the explanations addressing the criticisms of ATWACC adjustments and that the PFD incorrectly suggested that the company's results are biased.

With regard to the other parties' application of the DCF model, DTE Electric argued that these parties used annualized dividend yields, rather than quarterly dividend yields and growth rates, which artificially lowered their resulting ROE estimates by 10-20 basis points. Further, the utility maintains that the Staff and ABATE also relied on overlapping growth rate estimates from reporting services that may bias results. The company concludes that the ALJ incorrectly disagreed with the company's points on these issues and further asserts that DTE Electric fully supported a Commission decision in favor of the utility's DCF estimates and resulting ROEs.

Turning to CAPM and ECAPM estimates, DTE Electric argued that the Staff's historic market risk premium used in its CAPM analysis was unreasonably low and that, had the Staff used an appropriate range of market risk premiums, the Staff's CAPM cost of equity estimates would have been 15 to 165 basis points higher. The company also points out that an increase in the Attorney General's and ABATE's market risk premium estimates would similarly have increased their cost of equity estimates by multiple basis points as well. DTE Electric disagrees with the ALJ's finding that the use of a market risk premium of 8.5% is excessive. The company criticizes the ALJ's agreement with the Staff's disregard of the long-term historical market risk premium average of 7%.

DTE Electric also discusses what it views are the limitations of the CAPM analysis. According to the company, CAPM tends to overstate the actual sensitivity of the cost of capital to beta, because low-beta stocks tend to have higher risk premiums than predicted, and high-beta stocks tend to have lower risk premiums than predicted. DTE Electric states that it adjusts for this tendency by using the ECAPM, which uses empirical findings to produce results that are more appropriate when estimating the cost of equity. DTE Electric disagrees with the ALJ's conclusion that the use of an adjusted beta in the CAPM is redundant with the application of the ECAPM, arguing that this conclusion ignores the company's explanation that these two adjustments are complementary and not redundant. DTE Electric asserts that the adjustment to beta corrects the estimate of the relative risk of the company, while the ECAPM adjusts the risk-return tradeoff. DTE Electric further points out that, had the other parties adjusted for this underestimation using ECAPM, their ROE estimates would have been 12.5 to 37.5 basis points higher. The utility further urges the Commission to give the results of its scenarios 2 and 3 in its ECAPM analysis, which range from 10.0% to 10.8%, the greatest weight because they more fully adjust for the still-elevated market risk premium in the capital markets.

Next, DTE Electric discusses its relatively high risk, reiterating that the uncertain economic situation has elevated investor risk aversion, thereby increasing the cost of capital for risky investments such as regulated utilities. The company references past Commission decisions where the Commission has declined to give significant weight to ROE determinations resulting from evidentiary records not a part of the current proceeding that are exclusively related to geographically and structurally different utilities. DTE Electric reminds the Commission that its decision must be based on the record presented and argues that it has shown it has unique risks, pointing to its lack of a revenue decoupling mechanism or a fixed variable pricing policy, its heavy dependence on the Michigan auto industry and economy, the particularly weak economy of Southeastern Michigan, significant capital expenditures associated with its environmental compliance, and asymmetrical risk associated with owning and operating a nuclear power plant, as contributing to its increased higher-than-average business risk. DTE Electric summarized the

Commission's past ROE award in its two most recent general rate cases and again urges the Commission to reject the PFD's recommended ROE and establish a higher ROE for the company.

Regarding its credit rating, DTE Electric explains that it only measures the default risk and not the company's non-diversifiable risk. The company references the importance of maintaining access to capital as critical especially during a time of substantial capital investment for infrastructure. It also references the expectation that the cost of capital will increase as the Federal Reserve adjusts its monetary policy. Thus, it cautions the Commission not to rely on the utility's current credit rating to take actions that would result in increasing DTE Electric's borrowing costs when market interest rates are increasing and when the company's borrowing needs may increase considerably. Accordingly, DTE Electric urges the Commission to reject the recommendation in the PFD regarding a 10.0% ROE in favor of its proposed ROE of 10.5%.

In reply, ABATE reiterates its argument that DTE Electric's recommended ROE is excessive and unreasonable for a low-risk regulated utility. It again criticizes the company's use of an ATWACC ROE adder that it considers to be "devoid of merit." ABATE's replies to exceptions, p. 2. ABATE further criticizes DTE Electric for the use of an adjusted beta estimate in its ECAPM analysis that overstates a CAPM return estimate for a utility company. It stands by its position in its earlier briefing that a reasonable range of ROE for DTE Electric is 8.80% to 9.60%.

In its reply to DTE Electric, the Staff argues that the ALJ did not err in recommending a ROE of 10.0%. Disagreeing with the company's criticisms of the PFD, the Staff argues that DTE Electric failed to back up its claim of greater-than-average risk, pointing out that the company presented no evidence to support this argument. The Staff agrees with the ALJ that DTE Electric did not show how its risk compared to that of other utilities in the company's proxy group, noting that the company failed to confirm whether the utilities in the sample group owned or operated nuclear facilities thereby experiencing similar asymmetrical risk. The Staff further points out that the company was silent on the financial conditions of the state economies and service territories of the utilities in the proxy group and failed to establish the lower risk of the sample group. The Staff points out that this lack of evidence makes it impossible to verify DTE Electric's argument that it faces higher-than-average risk warranting a 10.5% ROE. The Staff goes on to argue that DTE Electric enjoys a credit rating that is at least the equivalent or higher than the proxy group's average credit rating. According to the Staff, this suggests that, other things being equal, the rating agencies consider DTE Electric as having an equal to lower business risk than the proxy group companies.

With regard to the company's use of the ATWACC formulation, the Staff agrees with the ALJ that the Commission should give no weight to these calculations. The Staff explains that, because it adopted the company's capital structure of a recommended 50/50 debt-to-equity capital structure, no additional debt or risk was added to the PFD's recommended capital structure that would have required a higher ROE as the company suggests. Additionally, the Staff disagrees with DTE Electric's claim that a lower ROE would potentially result in a lower credit rating, calling this claim "unproven and unsupported." Staff's replies to exceptions, p. 20. Rather, the Staff maintains that a more reasonable 10.0% ROE would not signal a reduction in the company's cash flow or harm the company's credit rating or the company's access to capital. The Staff therefore urges the Commission to disregard the argument and to reject DTE Electric's plea for an unreasonably high 10.5% ROE.

Having considered the parties' arguments, the PFD's reasoning and analysis, as well as the record in this proceeding, the Commission finds that an ROE of 10.1% most appropriately compensates DTE Electric for the regional economic and company-specific aspects of risk, while maintaining its ability to attract capital. It also strikes an appropriate balance between the company's interest in investment and the interests of DTE Electric's ratepayers in safe, reliable and affordable energy. Although the Commission is not persuaded that principles of gradualism should have any bearing on the determination of a reasonable ROE in this case, the Commission does agree with the PFD that little or no weight should be given to the utility's ATWACC calculations. The Commission, in reaching its determination, also takes into consideration the company's unique circumstances and characteristics, rising interest rates, and the standards set forth in *Bluefield Waterworks* and *Hope Natural Gas*. The Commission finds that a 10.1% ROE satisfies the criteria in *Bluefield* and *Hope*, because it is not so high as to place an unnecessary burden on ratepayers, but high enough to ensure investor confidence in the financial soundness of the business. Finally, the Commission is confident that this ROE is appropriate given the company's forecasted capital expenditures and its required compliance with environmental regulations. Accordingly, the Commission concludes that an ROE of 10.1% is both fair and reasonable.

C. Overall Rate of Return

The Commission adopts a 50/50 debt to equity capital structure, a long-term debt cost rate of 4.61%, an ROE of 10.1%, and an overall weighted cost of capital of 5.55%, as shown on the following table:

Description	Amount (000)	Ratio	Cost Rate	Weighted Cost
Short-Term Debt	$286,263	1.98%	1.58%	0.03%
Long-Term Debt	$5,430,219	37.50%	4.61%	1.73%
Preferred Stock	-	0.00%	0.00%	0.00%
Common Equity	$5,429,704	37.49%	10.10%	3.79%
Deferred Fed Inc. Tax	$3,316,387	22.90%	0.00%	0.00%
JDITC Debt	$ 9,488	0.07%	4.61%	0.00%
JDITC Equity	$ 9,488	0.07%	10.10%	0.01%
Total	$14,481,549	100.00%		5.55%

VI. ADJUSTED NET OPERATING INCOME

Net operating income (NOI) is calculated by subtracting the company's operating expenses including depreciation, taxes, and AFUDC, from the company's operating revenue. Adjusted NOI includes the ratemaking adjustments to the recorded NOI test year for projections and disallowances. On pages 199-262 of her PFD, the ALJ provided a thorough analysis of the issues and arguments in adjusted NOI which will not be extensively repeated here.

A. Sales Forecast and Revenue Projection

In its application, DTE Electric projected test year revenues of $4,568,427,000. In its initial brief, DTE Electric made an adjustment to its projected revenues to reflect the relief provided in the February 23, 2016 order in Case No. U-17767, allowing amortization of projected COL expenses. This adjustment increased DTE Electric's projected revenues by $4.5 million.[7] DTE Electric's initial brief, p. 10. No party challenged this adjustment, and the ALJ recommended its adoption.

The Staff proposed a $720,000 increase to projected revenue due to decrease in the number of Residential Income Assistance (RIA) customers. Staff's initial brief, pp. 47-48. The Staff analyzed historical participation levels in the RIA program and considered the availability of Rate D1.6 adopted in Case No. U-17767, and based its RIA calculation on 35,000 customers instead of DTE Electric's estimate of 45,000 customers. DTE Electric did not provide rebuttal testimony to address this issue, but did acknowledge the Staff's adjustment to the number of RIA customers in its brief and did not disagree with this adjustment. The ALJ found this adjustment was reasonable and uncontested and recommended its adoption.

The Attorney General projected residential sales would be 250 gigawatt-hours (GWh) more than DTE Electric projected, amounting to an additional $14,153,829 in sales revenue. In determining this amount, the Attorney General used weather-normalized, average sales per residential customer in 2015 and 2016 and multiplied this average by DTE Electric's projected number of residential customers in the test year. Exhibit AG-2. The Attorney General disagreed with DTE Electric's claim that residential usage is projected to decline 0.7% due to new appliance standards.

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[7] The company's $4.5 million adjustment was based on the Commission's orders on rehearing in Case No. U-17767, in which the Commission found an additional $4.509 million revenue deficiency, related to COL amortization, above the amount calculated in the final order. However, that amount was based on the projected determinants in the previous case, and the $4.509 million must be adjusted for the projected determinants in this case. Thus, DTE Electric's projected revenues should be increased by $1.997 million rather than the $4.509 million the company calculated in its initial brief. This correction has been applied to the revenue requirement calculated in this order.

DTE Electric presented rebuttal testimony regarding these issues, claiming that the Attorney General understated 2015 sales and did not reduce first quarter 2016 sales to account for the leap year day. DTE Electric also asserted that it is confident in its method for projecting residential sales, which employs twice-yearly surveys of appliance usage, contending that there is no reasonable basis to adopt a different method. DTE Electric's initial brief, pp. 32-34.

The ALJ found this issue presented some difficulty because DTE Electric did not provide a detailed explanation of the basis for its projection in its initial filing or support the accuracy of its projection very well. She noted that DTE Electric's end-use modeling does not use historical data, except for verification, and it does not use linear regression. Nevertheless, the ALJ recommended that the Commission accept DTE Electric's projected sales revenue for residential sales. She observed that DTE Electric's projections for 2015 and 2016 were consistent with actual customer usage and that preliminary 2016 data show a significant decrease in per-customer usage. The ALJ therefore adopted DTE Electric's residential sales forecast. She also recommended that the Commission direct DTE Electric to provide more information in its next rate case to explain the basis for its projection and to support the accuracy of that projection. PFD, p. 204.

The Attorney General took exception to the ALJ's recommended residential sales forecast and reiterated that the ALJ should have adopted his proposed adjustment. According to the Attorney General, the two adjustments that the company made to his forecast essentially cancel each other out. DTE Electric replied that the ALJ was correct in adopting its more precise sales forecast.

The Commission finds the PFD well-reasoned and adopts the ALJ's recommendation to use DTE Electric's sales projections with the Staff's adjustment for RIA customers and the update to revenues for the COL amortization. The Commission finds that the Attorney General's projection method fails to fully recognize ongoing energy efficiency efforts in the residential sector, as evidenced by the accuracy of DTE Electric's sales forecasts for 2015 and 2016. *See,* Exhibit A-26. The Commission further directs the company to provide more detail on how it derives its residential sales projection in its next rate case.

B. Fuel, Purchased Power, and Interchange Expense

There was no dispute regarding DTE Electric's projected fuel and purchased power expense as shown in Exhibit A-10, Schedule C5, line 5. The Staff used the same value in its analysis. Noting that there was no disagreement, the ALJ recommended adopting the company's amount $1,402,331,000 for fuel and purchased power expense. The Commission agrees.

C. Operations and Maintenance Expense

DTE Electric projected a total O&M expense of $1,332,240,000, an increase of approximately $149.2 million from 2014 to the projected test year. *See*, Exhibit A-9. This amount was adjusted to $1,319,810,000 in the company's reply brief. DTE Electric explained that the increase is primarily due to inflation, higher benefits costs, nuclear refueling and maintenance projects, tree trimming, and environmental costs. The Staff projected a total O&M expense of $1,262,978,000. The Attorney General proposed a reduction of $132.3 million to the company's projection. Kroger proposed a reduction of approximately $38 million to the company's projection.

Contested issues in total O&M expense include inflation, steam power generation expense, fuel supply and fuel handling expense, nuclear power generation expense, hydraulic power generation expense, other power generation expense, distribution expense (including tree trimming), customer service and marketing expense, corporate support expense, pension and benefits, and AMI savings. These issues are addressed *ad seriatim.*

1. Inflation

DTE Electric proposed using a composite labor/non-labor inflation rate of 2.3% for 2015, 2.7% for 2016, and 1.6% for the first seven months of 2017. In deriving these rates, DTE Electric used a 3% inflation rate for labor combined with a non-labor factor based on the Consumer Price Index (CPI)-Urban. According to DTE Electric, many of its O&M cost increases are due to increases in labor costs that are not tied to the CPI.

The Staff, the Attorney General, and Kroger objected to the proposed blended inflation rates and how they were calculated. The Staff calculated an inflation rate of 1.45% for 2016 and 2.57% for 2017 by using forecast data from Value Line, Global Insight, and the Energy Information Administration. The Staff contended that a blended rate using public and internal sources, such as the one DTE Electric is proposing, has never been adopted before.

The Attorney General proposed that all inflation be removed from O&M expense, with the exception of 3.5% inflation for employee healthcare. He also noted that DTE Electric has never proposed a combined labor/non-labor inflation rate, and the Commission has never approved the use of such a rate. The Attorney General also pointed out that DTE Electric's O&M costs have been essentially flat for the past five years, and there is no evidence of inflation now. Thus, he recommended that O&M expense be reduced by $78.2 million for inflation.

Kroger argued that inflationary pressure is low, and non-labor inflation should be removed from all calculations. Kroger added that the inclusion of inflation in test year projections can reinforce inflation, which then becomes a self-fulfilling prophecy. Kroger therefore advocated removing $38 million from the company's O&M expense projection.

In rebuttal, DTE Electric posited that even the witnesses who oppose the inclusion of inflation in O&M projections admit that inflation exists and will continue to exist. In response to the

Attorney General, DTE Electric added that prior cost reductions to O&M were largely driven by design changes to pension benefits, and this cost-reduction opportunity is no longer available.

The ALJ found that the Attorney General and Kroger had raised a valid concern about low inflationary pressure, observing that the Commission has cited productivity offsets to inflation in the past. She also agreed with the Staff and the Attorney General that the Commission has never approved a composite inflation rate derived from internal and public sources and that, in any event, DTE Electric failed to adequately support its proposal. She therefore recommended that the Commission adopt the Staff's inflation amounts.

DTE Electric and the Attorney General filed exceptions regarding the ALJ's finding. Both parties reiterated arguments from their testimony and briefing that the ALJ should have adopted their respective inflation projections.

The Commission finds the ALJ's analysis thorough and well-reasoned and adopts the Staff's inflation amounts. As the ALJ pointed out, increases due to inflation are often offset by productivity increases, and the Commission has never found sufficient justification or support to approve a composite labor/non-labor inflation rate. At the same time, the Commission agrees with the Staff and the company, that there is some evidence of inflation as pointed out by the company and as demonstrated by the Staff's evidence.

In light of this determination, and because the appropriate inflation adjustment was the only disputed issue in fuel supply and fuel handling, hydraulic power O&M, and other power generation O&M expenses, these issues are not addressed further in this order.[8]

[8] DTE Electric proposed $11,699,000 for fuel handling, which, after applying the Staff's inflation rates, is reduced to $11,290,000. Similarly, by applying this adjustment, the company's hydraulic power O&M amount of $9,706,000 is reduced by $341,000 and its other power generation O&M expense of $17,386,000 is reduced by $466,000.

2. Steam Power Generation

DTE Electric proposed a test year steam power generation expense of $320,320,000. The Staff reduced that amount by $240,000 for obsolete inventory, $10.71 million for inflation, and $8 million for the closure of River Rouge Unit 2. The Attorney General reduced the company's projection by $30 million for inflation and objected to $3 million in expenses for analysis related to the federal Clean Power Plan (CPP) and additional integrated resource planning (IRP) activities. In light of the recent United States Supreme Court stay of the CPP, the Attorney General argued that half of the CPP/IRP funding, $1.5 million, should be disallowed pending the resolution of CPP issues by the federal courts. DTE Electric agreed with the Staff's adjustments for obsolete inventory and the closure of River Rouge Unit 2, but disagreed with the Staff on inflation and with the Attorney General's adjustments.

The ALJ recommended that the Commission adopt the Staff's inflation adjustment and include costs related to the CPP and IRP, on grounds that high-quality analysis is essential to future environmental planning.

The Attorney General took exception to the ALJ's recommendation that the CPP costs be included, again arguing that DTE Electric had not provided a detailed budget and that the CPP is in flux. DTE Electric replied that the ALJ's rejection of the Attorney General's proposal was proper.

The Commission agrees with the ALJ and finds that, as agreed to, the Staff's adjustments for obsolete inventory and the closure of River Rouge Unit 2 should be adopted. And, as discussed above, the Commission adopts the Staff's inflation amounts. Finally, the Commission agrees that the costs related to CPP and IRP analyses are reasonable and should be included. Although the CPP is still under legal review, the Commission notes that the proceedings have been expedited.

The Commission further observes that, pursuant to Act 341, DTE Electric will be required to develop and file a detailed IRP with the Commission.

3. Nuclear Power Generation

DTE Electric projected a nuclear power generation O&M expense of $168,086,000. The Staff and the Attorney General recommended adjustments to DTE Electric's projected expense for inflation. The Staff also proposed an adjustment to nuclear power generation expense for Program Evaluation and Review Committee (PERC) projects, projected to be $19.2 million. The Staff determined that, because these expenses are significant and not likely to recur, or will not recur for a long time, they should be normalized based on the next time the project is expected to be undertaken or over a ten-year period if it is not expected to recur. Exhibit S-8.3. This resulted in a downward adjustment of $14.287 million to this expense.

In rebuttal, DTE Electric disagreed with the Staff's suggestion, noting that PERC expenses are typical and ongoing. As an alternative, DTE Electric proposed that expenses in excess of $4.9 million be deferred and a regulatory asset be created. For years when PERC expenses are less than $4.9 million, the regulatory asset should be reduced. The Staff agreed to the deferral of the expenses, but requested clarification, proposing:

> Any balance (positive or negative) in the PERC regulatory asset, inclusive of carrying costs, as of the beginning of the projected test period in the next DTE Electric rate case subsequent to U-18014, should be amortized to account 524, "Miscellaneous Nuclear Power Expense," over a five year period, beginning in the first month of the projected test period. The annual amortization expense will be included in the revenue requirement within O&M, and the projected unamortized balance of the regulatory asset will be included in working capital.

Staff's initial brief, p. 55. Although it disagreed that PERC expenses should be normalized at all, DTE Electric agreed with the Staff's proposed clarifications in its reply brief.

The ALJ recommended adopting the Staff's inflation adjustment and the Staff's proposal to normalize PERC expenses. Given that the PERC expenses are significant, and variable from year to year, she found that the proposed accounting treatment was appropriate and a reasonable means to protect both ratepayers and the company.

DTE takes exception to the ALJ's recommendation to normalize these costs "because its agreement with Staff relates only to the possibility that the Commission may choose to adopt Staff's normalized PERC amount." DTE Electric's exceptions, p. 63. DTE Electric reiterates that PERC expenses are common and occur from year to year. Thus, according to DTE Electric, the Staff's normalization proposal was unnecessary.

As discussed above, the Commission finds that the Staff's inflation adjustment should be applied. Further, the Commission finds that DTE Electric's proposed regulatory asset treatment of PERC expenses, along with the Staff's modifications, should be adopted. As the ALJ pointed out, this accounting treatment will protect both ratepayers from significant O&M expenses that may not recur, while providing the company with assurance that the PERC costs will be recovered.

4. Electric Distribution Expense

Distribution system expense includes restoration cost savings and tree trimming expense. The ALJ provided an extensive review of the evidence and positions of the parties on pages 216-224 of the PFD, which will not be repeated at length here. In summary, DTE Electric projected a distribution system expense of $307,993,000, in addition to its proposed regulatory asset for ETTP expenses for 2017. The Staff projected an expense of $317,508,000, with no ETTP regulatory asset. The Staff used the most recent five-year average of the company's spending, adjusted for inflation, with an increased tree-trimming allowance and an adjustment to include DTE Electric's preventative maintenance expense projection. The Staff offset its total amount by $2.5 million attributable to projected savings from the company's increased maintenance efforts. The Staff noted that according to information reported to the Federal Energy Regulatory Commission (FERC), DTE Electric's distribution O&M spending was reduced significantly in 2014 and 2015.

In rebuttal, DTE Electric continued to advocate for the ETTP regulatory asset, and explained that O&M expense for its tree-trimming program was reduced because the program was stopped for part of 2015, to address customer concerns about the more extensive cutting. DTE Electric added that by prioritizing its work to address circuits with more extensive vegetation, the completion time was longer, and because of the expanded scope of tree trimming efforts, the company had more difficulty hiring qualified tree trimmers. DTE Electric also disputed the Staff's adjustment to historical averages, and it argued that the Staff failed to recognize the greater complexity of the work the company was proposing for the test year. DTE Electric concluded that the Staff's method was flawed and resulted in insufficient funding for this expense.

In addition to a reduction for inflation, the Attorney General initially supported a $3.9 million reduction in overhead line expense, but appeared to have abandoned it in briefing.

The ALJ noted that the principal disagreement among the parties centered on the amount that should be included for tree-trimming expense. After reviewing the record and arguments of the parties, the ALJ recommended that the Staff's calculation, including the inflation adjustment, recognition of $2.5 million in cost savings, and the exclusion of the ETTP regulatory asset, be adopted. The ALJ found that DTE Electric had not established the reasonableness and prudence of its proposed increased spending for distribution O&M**,** noting that the company was directed to undertake a pilot program to evaluate enhanced tree trimming. However, the pilot was not completed and the company was only able to point to two minor examples of the results of the company's enhanced tree-trimming program, neither of which was well-analyzed or provided justification for the significant increase the company proposes. In addition, although DTE Electric provided estimates of cost increases over time, the company did not explain how it arrived at these estimates, nor did the company explain the discrepancies in several of its exhibits.

In contrast, the ALJ found:

> Staff's allowance provides for an increase over recent spending through use of the five-year average adjusted for inflation; it provides for additional expenditures for three programs aimed at improved reliability, the "trouble tree" program and the preventive maintenance of both stations and underground lines; and it provides a significant additional increase of $9 million for expanded tree trimming, counting the $2.5 million savings estimate. The inflation-adjusted five-year-average expenditure in DTE's FERC account 593 is $148,168,000 with inflation through the projected test year. Staff's expense allowance of $157,208,000 for this account, after all adjustments, is an additional 6.1% above that amount. Staff's expense allowance for this account is also 28.3% above the $122,459,463 DTE actually recorded for 2015. For the entire category of expense, Staff's recommended allowance of $317,508,000 is 5.2% above the five-year inflation adjusted average of $301,779,000 computed in Schedule S-9.2, line 25, columns c, d, and e, and 18.9% above DTE's actual reported expenditures for 2015 as shown in Exhibit S-9.0.

PFD, pp. 227-228.

Finally, the ALJ raised issues similar to those she expressed with respect to distribution capital expenditures, namely her concerns about the lack of a coordinated approach, meaningful goals, and reasonable metrics that DTE Electric could use to evaluate and better target its distribution O&M spending.

DTE Electric takes exception and repeats that a regulatory asset should be created for the ETTP, and if not, the Commission should reject the PFD on grounds that the Staff's recommended spending on distribution O&M was insufficient. Specifically, DTE Electric argues that the Staff's total tree-trimming expense of $75,175,000 is inadequate for the test period, arguing that the company requires $82.8 million to move toward reducing its trimming cycle to five years and improve distribution system reliability. DTE Electric reiterates that the Staff's method was flawed and failed to consider important factors in cost increase including the focus on more expensive distribution circuit trimming and increased vegetation growth. DTE Electric further argues that no restoration cost savings should be included until the ETTP program is completed in 2028, because no cost savings will be realized until that time.

The Staff replies that DTE Electric raised no new arguments in its exceptions and continues to rely on a misunderstanding of the Staff's method for projecting this cost. Accordingly, the Staff urges the Commission adopt the PFD regarding Staff's total electric distribution O&M expense of $317,508,000 for the projected test year.

The Commission notes that despite its insistence that the ETTP be included in rate base, the company failed to undertake the pilot program as was directed in its previous rate case. Moreover, the Commission agrees with the Staff and the ALJ that DTE Electric failed to justify the reasonableness and prudence of its increased spending on tree-trimming expense. While the company provided some examples of how enhanced tree trimming may have improved reliability on one or two circuits, these examples are not a substitute for an actual pilot. Accordingly, the Commission agrees with the ALJ that the Staff's approach was most reasonable and that the increase in distribution O&M expense that the Staff proposed is appropriate. As the Commission discussed above, DTE Electric is expected to incorporate O&M expense, along with capital expense, in its distribution five-year plan.

5. Customer Service and Marketing

DTE Electric included customer accounts expense, customer service expense, and sales expense in this category, and it projected $110,950,000 as its customer service and marketing O&M expense. The Staff objected to DTE Electric's inclusion of $3.0 million for economic development activities because the company does not have performance metrics to measure the success of the program, the activities appear to duplicate the Michigan Economic Development Corporation's (MEDC) efforts, other utilities that do not have this type of ratepayer funding may be put at a disadvantage, and economic development is not a core utility function. The Attorney General and Energy Michigan also objected to the funding on similar grounds.

The ALJ found that the $3.0 million for economic development should be excluded from rates. She determined that DTE Electric had not demonstrated that its efforts would not duplicate the efforts of others, and she raised a concern that there appeared to be no limits on the company's ability to seek customers from other Michigan utilities.

DTE Electric takes exception to the ALJ's decision, arguing that that economic development funding is critical to not only the company, but to the State of Michigan, and that therefore this expense should be approved. The Attorney General and Staff replied that the ALJ's recommendation is sound and should be adopted.

The Commission finds the PFD well-reasoned and adopts its recommendation to exclude $3.0 million in economic development expenses. As several of the parties pointed out, economic development is not a core utility function, and there are other entities, including MEDC, that have undertaken this role.

6. Corporate Support Operations and Maintenance

DTE Electric identified salaries, property insurance, injuries and damages,[9] and general advertising as part of this expense calculation. Exhibit A-10, Schedule C5.8. DTE Electric projected total corporate O&M expense to be $181,228,000. The Staff recommended a downward adjustment of $39,161,000 in total corporate O&M expense, including a $7 million inflation adjustment and disallowances related to incentive compensation, discussed below. The Attorney

[9] Injuries and damages expense was resolved by agreement of the parties and will not be discussed further in this order.

General also proposed several adjustments. As detailed above, the Commission has adopted the Staff's proposed inflation amounts, except as otherwise indicated.

a. Advertising Expense

DTE Electric included advertising expenses for radio and television commercials containing information about public safety, energy conservation, and billing practices. The Attorney General recommended a reduction of $1.3 million in advertising expense for energy conservation specifically, claiming that this information could be communicated via bill inserts and that DTE Electric's radio and television commercials are focused more on promoting the company's image than they are on providing meaningful information to ratepayers.

In rebuttal, DTE Electric explained that because many of its customers have enrolled in paperless billing, information on energy conservation contained in bill inserts is no longer available to these customers. In addition, DTE Electric averred that advertising expense associated with general corporate messaging was not included in O&M expense.

The ALJ recommended allowing this expense, but also cautioned DTE Electric to be prepared to present the Commission with a clear plan for communication, other than television and radio, to provide information to customers who do not receive paper bills. The Attorney General takes exception, reiterating that it is unnecessary to use expensive media to communicate energy conservation messages to customers, noting that even customers who choose not to receive paper bills from the company still receive electronic notifications.

The Commission agrees with the ALJ that the expense is reasonable, and directs DTE Electric to present a plan regarding communicating meaningful information about energy conservation to paperless billing customers via channels other than expensive mass-media such as television or radio.

b. Incentive Compensation Plans

The ALJ provided a detailed overview of the record and positions of the parties on pages 237-242 of the PFD, which will not be repeated here. In summary, DTE Electric projected incentive compensation expense of $39.4 million for its short-term incentive compensation programs, the Annual Incentive Plan (AIP) and Rewarding Employees Plan (REP), and its Long Term Incentive Plan (LTIP). DTE Electric asserted that it is the company's policy to offer total compensation, including base pay and incentive pay, that is competitive with its peer groups. According to DTE Electric, the AIP is offered to officer-level employees, and 50% of the metrics for this program are directed at financial measures including operating earnings, cash flow, and share price. The remaining 50% is available based on customer satisfaction, employee engagement, and operating excellence metrics. The REP is nearly identical to the AIP, and is available to all non-represented employees. The LTIP is focused on retention and performance of certain executives, managers, and non-represented employees. The LTIP awards common stock, largely based on total return to shareholders compared to peer utilities.

The Staff proposed a disallowance of approximately $23 million for financial-based incentives based on previous Commission findings that financial incentives benefit shareholders, not ratepayers, and therefore should not be included in rates. *See, e.g.,* December 11, 2015 order in Case No. U-17767.

The Attorney General proposed excluding all projected expenditures for incentive compensation. According to him, DTE Electric's incentive compensation schemes overall are too heavily weighted to benefit shareholders, and not ratepayers. He added that the company's claims about customer benefits are based on the faulty premise that future benefits will be obtained based on past cost savings. Energy Michigan also objected to the inclusion of incentive compensation tied to financial metrics, noting the absurdity of requiring ratepayers to reward the utility for increasing rates in order to achieve financial targets that benefit shareholders.

In response, DTE Electric argued that the Staff, the Attorney General, and Energy Michigan ignored the significant benefits to ratepayers related to financial performance. DTE Electric pointed out that higher earnings improve the company's debt ratings, thereby producing savings for customers, and that incentive compensation has resulted in O&M costs increasing at a rate far below inflation. DTE Electric added that the Attorney General's position, that all incentive compensation should be disallowed, is contrary to prior Commission orders that have permitted incentive compensation based on customer-oriented metrics. DTE Electric also pointed out that Consumers Energy Company's (Consumers) variable pay programs are similar to DTE Electric's, and the Commission allowed some recovery in that company's last rate case.

The ALJ determined that DTE Electric did not present sufficient analysis to refute the Commission's finding that financial metrics primarily benefit shareholders and therefore should not be funded by ratepayers. PFD, p. 242. She noted that DTE Electric's purported savings associated with incentive compensation primarily relied on two estimates: one involving the company's claim that O&M expense was $380 million less than if 2005 O&M expense had been adjusted for inflation, and the second related to $18 million in additional interest that DTE Electric estimated it would pay if its credit rating declined. The ALJ found that DTE Electric's claim about O&M savings did not consider productivity increases or the capital expenditures funded by ratepayers over the years. She further noted that in advocating for a higher inflation adjustment for O&M, the company argued that prior O&M expense reductions were due to changes in benefit plans, with no mention of the contribution of incentive compensation. The ALJ further found that the company's claims about its credit ratings failed to consider the costs ratepayers already pay to maintain the company's healthy capital structure and ROE.

With respect to DTE Electric's complaint that the Commission authorized recovery of incentive compensation for Consumers based in part on financial measures, the ALJ found that "each case must be evaluated based on its own record, and the analysis in Case No. U-17735 has not been presented for review in this docket." PFD, p. 244. She further noted that the expense amount at issue in that proceeding was only $5.3 million, much less than the amount of incentive compensation recommended by the Staff in this case. *Id.*

Accordingly, the ALJ adopted the Staff's recommendation to exclude approximately $23 million in costs associated with financial metrics from this expense projection. The ALJ also recommended that the Commission require an analysis of the actual payments relative to performance metrics in DTE Electric's next rate case.

DTE Electric takes exception to the ALJ's recommended disallowance reiterating that the goal of the company's compensation policy is "to provide total compensation that is competitive with its peer groups." DTE Electric's exceptions, p. 69. DTE Electric repeats that its incentive compensation plans are related to both financial and operating metrics, and that although the ALJ's determination in this case is consistent with the Commission's decision in the company's previous rate case, it does not comport with the Commission's decision in Case No. U-17735, Consumers' previous rate case. DTE Electric contends that Consumers' short-term incentive compensation plans are similar to the AIP and REP and Consumers was permitted cost recovery for both financial and operating measures. DTE Electric argues that allowing this expense for Consumers, and not DTE Electric, is a violation of due process, and the difference in dollar amounts between this case and Case No. U-17735 is no basis to justify a different result here.

DTE Electric next asserts that the ALJ ignored the benefit-cost analysis related to financial measures, set forth in Exhibit A-20. DTE Electric reiterates that both customers and shareholders benefit from the improvements in financial measures, noting that customers benefit from increased earnings and cash flow because these measures incentivize productivity increases and cost savings, which allow the company to postpone rate cases and reduce revenue requirements when rate cases must be filed. DTE Electric again points to its O&M costs that have increased at a rate much lower than inflation.

DTE Electric also takes issue with the ALJ's finding that the company had failed to support its position, noting that it provided a detailed benefit cost analysis showing $183 million in net customer benefits from the incentive programs, noting that some benefits are difficult to quantify. In summary, DTE Electric maintains that there is no evidence in this case on which the Commission could base a determination that the company's incentive compensation is unreasonable. In addition, DTE Electric repeats that incentive compensation is not additional compensation; it is part of total compensation that is comparable to other companies competing for the same employees.

Both the Attorney General and the Staff reply that the ALJ's recommendation was appropriate. The Staff observes that while it may be true that incentive compensation tied to financial metrics has resulted in increased productivity, the cost savings from these productivity gains have not been passed on to ratepayers. As for the company's claim that that incentive compensation based on financial metrics can delay the need to file a rate case, the Staff points out that DTE Electric has filed eight rate cases in the last nine years. The Staff maintains that this benefit also appears to not have accrued to ratepayers.

The Commission finds the ALJ's recommendations well-reasoned and adopts the Staff's $23 million disallowance in this category. As the ALJ pointed out, each case must be evaluated on the record in that case, thus, issues concerning Consumers' incentive compensation are not part of the record here. The Commission agrees that the company failed to support its request for incentive compensation related to financial metrics, specifically noting that the purported benefits to ratepayers that DTE Electric cites are attenuated at best, and in some cases, specious. For example, in the case of the alleged O&M cost reductions from incentive compensation, DTE Electric's testimony is contradictory, as the ALJ pointed out. *See, e.g.*, 4 Tr 958, but *cf*. 4 Tr 850, 853-854.

The Commission directs DTE Electric to provide an analysis of the actual payments relative to actual performance metrics in its next rate case. Specifically, the Commission expects: (1) information and analysis on overall compensation levels and trends as discussed in the December 9, 2016 order in Case No. U-17999, p. 40; (2) the standards underlying the performance metrics to ensure ratepayer value relative to industry and Commission standards; and (3) whether a refund mechanism should be considered for years when customer-focused benefits are not achieved.

c. Property Insurance Expense

Using a five-year average, DTE Electric projected a property insurance expense amount of $7.7 million in the test year. The Staff recommended using the 2015 historical expense adjusted for inflation which resulted in a $2.1 million reduction in DTE Electric's projection. According to the Staff, the use of a five-year average is not typical for this expense, and property insurance expense has exhibited a downward trend since 2008.

DTE Electric agreed that a five-year average has not been used in the past for projecting this expense, but that should not preclude the implementation of a method that DTE Electric maintains is superior. DTE Electric contended that both insurance premiums and distributions are variable, thus a five-year average is more reflective of the test year expense.

The Attorney General also used a five-year average, with updated data, and added an adjustment to normalize for Nuclear Electric Insurance Limited (NEIL) distributions. The Attorney General arrived at a projected $6,978,000 for property insurance expense. DTE Electric opposed the NEIL adjustment contending that the five-year average already includes NEIL distributions.

The ALJ recommended adopting the Staff's calculation, noting that the company's reasons for changing the calculation method do not make sense. She further found that given the general downward trend in insurance costs, the Staff's method and amount were most reasonable.

DTE Electric objects to this recommendation and argues that using a five-year average is preferable. The Staff replies, reiterating that the five-year average calculation method used by the company has never been used before and that the record shows that property insurance costs have been declining since 2008.

The Commission finds the PFD well-reasoned and adopts its findings and conclusions on this issue. The record is clear that property insurance costs have been decreasing for a number of years, from $13 million in 2008 to less than $6 million in 2015, (5 Tr 1577), and the use of a multi-year average will only serve to mask this trend and inflate the projected expense amount.

8. Pension and Benefits Expense

DTE Electric proposed a total pension and benefits expense amount of $169,569,000. The Staff made three adjustments to DTE Electric's projection. The first, a $46,000 adjustment based on the Staff's use of 2015 historical expenses instead of 2014, with an adjustment for inflation, was accepted by DTE Electric in its initial brief. The second adjustment was to accrued vacation expense based on the Staff's use of a four-year average, resulting in a reduction of $1.9 million to projected vacation expense. DTE Electric also accepted this adjustment in its initial brief.

The Staff's third adjustment was to eliminate $1,556,000 for supplemental retirement plan (SRP) costs. The Staff based its adjustment on the fact that the Commission has repeatedly denied recovery of these costs in previous cases. In rebuttal, DTE Electric argued that these costs are "merely a means to provide the same benefits to employees that earn more than the prescribed [Internal] Revenue [Code] limitations." 4 Tr. 926-927.

The ALJ found that because the Commission has repeatedly resolved this issue and DTE Electric has provided no basis for the Commission to reconsider its previous decisions, the Staff's adjustment should be adopted.

DTE Electric takes exception to this recommendation and reiterates its argument that these costs should be allowed. The Staff replies and points out that this issue has been previously litigated and DTE Electric provided no new information that would persuade the Commission to change its decision on this issue. Staff's replies to exceptions, p. 26. The Staff requests that the Commission adopt the reasoning and decision of the ALJ on this issue.

The Commission agrees with the Staff and the ALJ and finds that there is no justification presented in this case to change its position on these costs. The Commission therefore adopts the Staff's adjustment to remove SRP costs.

The Attorney General proposed an adjustment to DTE Electric's $56,600,000 active employee health care expense. The Attorney General disagreed with DTE Electric's use of a 7.5% inflation rate obtained from a study DTE Electric refused to produce. The Attorney General also objected to the application of retiree healthcare inflation to active employee healthcare, noting that retirees typically have higher healthcare costs. The Attorney General therefore proposed a reduction in this expense of $6,200,000, based on a three-year average of escalation rates for healthcare.

In rebuttal, DTE Electric averred that it did not "refuse" to produce the study; it was unable to do so because the report was proprietary. DTE Electric added that it provided public sources that also supported his claim.

The ALJ agreed with the Attorney General and noted that DTE Electric could have produced the study under a protective order, for verification purposes, if the company were concerned about confidential information being released. PFD, p. 255. In addition, she found that DTE Electric should not have waited until rebuttal to introduce new information in support of its claim. After a review of the company's and the Attorney General's testimony and exhibits, she found that the Attorney General's approach was reasonable and supported on the record. The ALJ therefore recommended that the Commission adopt the Attorney General's adjustment.

DTE Electric takes exception to the ALJ's finding that it "refused" to produce the study. DTE Electric argues that it was unable to produce the study and that:

> [I]t is inappropriate for the PFD to offer such hindsight advocacy on behalf of a party. DTE Electric is not clairvoyant, and is not required to anticipate and preempt other parties' potential objections. If the AG had wanted to pursue the study, then he should have done so by filing a motion to compel or otherwise as he deemed appropriate when there was still time to develop the record.

DTE Electric's exceptions, pp. 84-85.

The Attorney General replies, stating that the ALJ made the correct recommendation based on her reliance on the historical data that he provided, instead of relying on a study that the company did not produce to support its calculation.

The Commission has addressed this issue before, and on more than one occasion. In Case Nos. U-16582 and U-17302, DTE Electric refused to provide reports that underlay the company's testimony, on grounds that the reports were proprietary, and that the party seeking the information should file a motion to compel. In the December 19, 2013 order in Case No. U-17302, p. 3, the Commission rejected DTE Electric's claim that MRE 703 does not apply to Commission proceedings and further found:

> The Commission agrees with MEC that the pertinent testimony . . . should be stricken because the company failed to provide the reports on which the testimony was based. Further, the Commission agrees that simply because the evidentiary issue in this case concerns one of many estimates associated with a plan, and not transfer prices to be applied to future projects, it does not change the requirements of the rule. Moreover, Rule 703 mandates that "[t]he facts or data in the particular case upon which an expert bases an opinion or inference shall be in evidence" (emphasis supplied); and the rule does not require an intervening party to file a motion to compel in order to trigger compliance.

Accordingly, the Commission adopts the PFD on the issue of active employee heathcare expense inflation.

5. Uncollectibles Expense

DTE Electric projected an uncollectible accounts expense of $49,158,000 for the test year. The Staff used the same calculation method as the company, but used more recent data and calculated the expense at $52,497,000 for the test year. The Attorney General proposed a $1.1 million adjustment to reflect AMI theft detection. In its brief, DTE Electric agreed with the Staff's projection.

The ALJ declined to adopt the Attorney General's adjustment at this time and recommended the Staff's amount, agreed to by the company. There were no exceptions filed. The Commission agrees and adopts the ALJ's recommendation for projected uncollectibles expense.

D. Other Expense

1. Depreciation Expense

The Staff made corrections to the company's depreciation expense, which the company accepted in its initial brief. The Staff also made adjustments to reflect reductions in capital expense, which were uncontroversial. The ALJ observed that this expense item will be adjusted in accordance with the findings in the final order.

2. Property Tax

DTE Electric projected property tax expense of $314,304,000 based on the company's projections of capital additions. The Staff took issue with the company's projection, noting that from 2011 through 2015, the company's combined average growth rate (CAGR) for property tax expense was 3.61%, compared to the company's projected 8.62% for the test year. Accordingly, using its CAGR adjustment, the Staff recommended a property and other tax expense of $290,401,000, an amount which is $23,903,000 lower than the company's projection.

In rebuttal, DTE Electric claimed that the Staff's method assumes a uniform increase in property taxes, whereas this expense can be quite variable. Exhibit A-33. DTE Electric further argued that the increase in property tax expense significantly depends on the types of capital additions the company projects, noting that pollution control additions are tax-exempt.

In its reply brief, the Staff proposed a compromise, recommending a property tax growth rate of 6.635%, the highest year-to-year increase from 2011 to 2015.

The ALJ found that DTE Electric had failed to support its property tax projection, because it failed to show how the calculation was derived. The ALJ found that because of the difficulty in determining how the projection was derived, it was reasonable for the Staff to use historical data.

Nevertheless, in light of the offer of compromise, the ALJ adopted a property tax increase amount of 6.635% as explained in the Staff's reply brief.

DTE Electric takes exception, arguing that the Commission should adopt the company's original projection, and reject the ALJ's recommendation to adopt the Staff's compromise. DTE Electric reiterates that property tax expense varies significantly from year to year, and it depends substantially on the type and amount of capital investment the company makes. As such, DTE Electric maintains that a method that uses historical increases is of limited value in projecting this particular expense.

In response, the Staff argues that the best supported position on the record was in fact the Staff's original proposal, which the Commission should adopt. The Staff also pointed out that the Commission recently adopted the Staff's CAGR method for projecting property tax expense in the December 9, 2016 order in Case No. U-17999.

The Commission finds that DTE Electric's method for projecting property tax expense is opaque, not well supported, and likely inaccurate (albeit, seemingly precise). The Commission also agrees with the Staff's contention, as pointed out in its replies to exceptions, that the best-supported projection on the record was the one that the Staff testified to and advocated in its original filing. As the Staff demonstrated, had the CAGR method been used to compute property tax expense in 2015, the result would have been a small over-projection of $0.66 million. The company's method would have resulted in an over-projection of almost $3 million. The Commission therefore adopts the Staff's $23,903,000 reduction in property tax expense for the test year.

3. State and Local Tax Expense

DTE Electric projected state and local income tax expense of $51,404,000. The Staff proposed an adjustment of $6,043,000 based on the Staff's net operating income calculation. The RCG again raised an issue concerning the increase in the City of Detroit's taxes in 2012 and argued that DTE Electric's treatment of these taxes is retroactive ratemaking.

The ALJ recommended the Commission reject the RCG's argument on this issue because it was addressed and resolved in DTE Electric's previous rate case. She noted that the Commission found that the company's amortization of this expense was consistent with the Commission's order in Case No. U-16894.

The RCG takes exception to this recommendation urging the Commission to reconsider its past decisions. DTE Electric replies to the RCG's exception by stating that the Commission has already addressed this issue in Case No. U-17767, the RCG has provided nothing new to consider, and it is not necessary to continue to address the issue in this, or subsequent, cases.

The Commission approved DTE Electric's normalization accounting of this tax in its December 11, 2015 order in Case No. U-17767 and denied the RCG's petition for rehearing regarding this issue in its February 23, 2016 order in the same docket. The Commission determined that the accounting treatment the company proposed for the Detroit City tax was consistent with the accounting treatment set forth in the Commission's February 8, 1993 order in Case No. U-10083, and the February 15, 2012 order in Case No. U-16864. DTE Electric proposes nothing new in this case. The Commission therefore finds that the RCG's argument on this issue should be rejected.

E. Adjusted Net Operating Income Summary

In summary, the Commission finds that DTE Electric's projected NOI for the 2016-2017 test year is $678,768,000.

VII. OTHER NON-REVENUE RELATED ISSUES

A. Revenue Decoupling Mechanism

DTE Electric proposed the Commission adopt a revenue decoupling mechanism (RDM) in the event that new energy legislation authorizing electric decoupling is passed by the Legislature before the conclusion of this proceeding.

The majority of the other parties that weighed in on this issue objected to DTE Electric's proposed RDM for several reasons, arguing that, even if legislation is passed, there is no certainty that DTE Electric's proposal would comply with the legislative requirements. Although NRDC opposed DTE Electric's proposal on grounds that it was significantly flawed, it nevertheless provided an alternative that it recommended that the Commission adopt.

The ALJ agreed with the parties opposing DTE Electric's proposed RDM and declined to adopt the alternative recommended by NRDC.

After the close of the record in this proceeding, Act 341 and 2016 PA 342 (Act 342) were signed into law. These enactments do not provide for decoupling for electric utilities with over 200,000 customers. The Commission therefore finds that this issue is moot.

B. Reporting Requirements

The Staff requested biannual meetings with DTE Electric to discuss upcoming environmental projects. The ALJ found the request reasonable and recommended its adoption. There were no exceptions filed. The Commission agrees with the ALJ's recommendation.

The Staff also recommended certain reporting requirements, contained in Exhibit S-10, for the company's AMI program. According to the Staff, the information is required to allow the Staff to track DTE Electric's progress in transitioning to a modernized grid. While DTE Electric was generally in agreement with the reporting, it contends that some of the information is either unnecessary or unavailable. The company suggested that it meet with the Staff to refine the contents of the report.

In its brief, the Staff explained that the information it requires is appropriate, and the company should provide the report in the format described in the Staff's testimony and exhibit. Accordingly, the Staff recommended that when the company submits its first report, the parties can discuss any necessary changes to the report.

The ALJ found the Staff's recommendation as set forth in its testimony, exhibit, and briefing was reasonable. There were no exceptions to this recommendation. The Commission agrees and directs DTE Electric to provide its first AMI report by July 1, 2017, and subsequent annual reports by February 15 beginning in 2018.

C. Accounting and Other Requests

DTE Electric revised its nuclear surcharge and its line extension rate. Exhibit A-14; 3 Tr 473. Noting that these requests were unopposed, the ALJ recommended their approval. The Commission agrees and adopts the proposed revisions.

DTE Electric included six accounting requests in its initial application. The requests concerning the ETTP and SRP are addressed *supra*. In addition, a request concerning obsolete inventory was resolved by the May 20, 2016 order in Case No. U-18033. The remaining three requests, concerning the continuation of the OPEB deferral accounting; capitalization of DSM equipment; and the request to include fuel costs associated with negative net-generation activities at single unit generators as a power supply cost to be addressed in PSCR proceedings were unopposed. The ALJ therefore recommended their approval. The Commission agrees and approves these three accounting requests.

VIII. REVENUE DEFICIENCY SUMMARY

In accordance with the foregoing findings, DTE Electric's jurisdictional revenue deficiency for the test year is computed as follows:

Rate Base	$14,243,719,000
Adjusted Net Operating Income	$678,768,000
Overall Rate of Return	4.78%
Rate of Return	5.55%
Income Requirements	$791,210,000
Income Deficiency (Sufficiency)	$112,442,000
Revenue Conversion Factor	1.63939
Revenue Deficiency (Excess)	$184,336,000

IX. COST OF SERVICE

A. Undisputed Matters

As an initial matter, the Commission observes that there were several cost of service, rate design, and tariff issues that were contested and decided in the PFD, but there were no exceptions to the ALJ's findings and conclusions. Therefore, the Commission adopts the PFD's recommendations regarding incentive compensation allocation, the monthly service charge for Rate D11 customers, the community lighting tariff and rate design, and a company evaluation of the current 17 kilowatt hours per day level used as the threshold for increased power supply charges for residential customers.

B. Production Cost Allocation

DTE Electric requested that the Commission revise the production cost allocation method to 4CP 100-0-0 from the currently-approved 4CP 75-0-25 method. According to DTE Electric, the 4CP 75-0-25 allocation method fails to fully align cost allocation with cost causation. DTE Electric also cited the 2015 Organization of MISO States (MISO-OMS) survey and impending resource adequacy concerns, arguing that a transition to a 4CP 100 production cost allocation is appropriate because it best recognizes the value of capacity.

ABATE and Kroger supported DTE Electric's proposal, contending that 4CP 100 better reflects cost causation and sends proper price signals. ABATE asserted that summer peak loads are causing the company to acquire generation capacity, which in turn causes DTE Electric to incur additional fixed production costs, and as a result, the fixed productions costs should be allocated solely on summer peaks. ABATE argued that the 4CP 75-0-25 method is no longer appropriate because DTE Electric is not building high capital cost power plants, with low fuel costs, noting that the new generation that DTE Electric is acquiring consists of single- or combined-cycle natural gas fired units.

The Staff disagreed, arguing that 4CP 75-0-25 is the more appropriate production cost allocation method. The Staff contended that because "[b]oth demand and energy play a part in the acquisition of production assets, so both demand and energy should play a part in the allocation of those production asset costs." 5 Tr 1343. According to the Staff, it reviewed the many methods described in the National Association of Regulatory Commissioners Electric Utility Cost

Allocation Manual (NARUC Manual) to develop, rank, and compare production allocators. The Staff concluded that the 4CP 75-0-25 method reasonably recognizes the value of capacity.

The Attorney General stated that despite four previous Commission decisions rejecting DTE Electric's request to revise the production cost allocation method, the company is, once again, making the same request without presenting any new evidence or arguments. The Attorney General requested that the Commission reject the company's request, and direct DTE Electric to refrain from presenting the same proposal in future rate cases unless it is able to present compelling evidence which has not been previously evaluated.

MEC/NRDC/SC pointed out that DTE Electric's proposed 4CP 100 production cost allocation method is only one of 13 embedded cost methods for allocating production costs contained in the NARUC Manual, and methods that include an energy weighting more accurately portray the complexity of cost causation. MEC/NRDC/SC further argued that DTE Electric should have considered the equivalent peaker method, because according to the NARUC Manual, that method is most appropriate for use by a utility that is acquiring generation to meet capacity needs. Accordingly, MEC/NRDC/SC recommended that the Commission adopt the 4CP 50-25-25 method to allocate baseload generation, and the 4CP 100 method to allocate peaking generation.

MEC/NRDC/SC also noted that in the June 15, 2015 order in Case No. U-17689 (June 15 order), the Commission specifically rejected ABATE's argument about price signals, stating that "merely raising the overall cost of electricity does not necessarily encourage customers to shift their usage from peak times, although total energy consumption may decrease." June 15 order, p. 21. And, according to the Staff, ABATE's claim, that DTE Electric is no longer constructing high-capital cost plants with low fuel costs, is not based on record evidence. The Staff also asserted that ABATE failed to analyze the capital cost or variable production costs of the different types of gas-fired plants that DTE Electric may build and the important role that both demand and energy considerations play in the acquisition of production assets.

The ALJ recommended that the Commission deny DTE Electric's request to revise the production cost allocation method to 4CP 100. She agreed with the Attorney General that the company has not provided any new information that would persuade the Commission to reconsider the 4CP 75-0-25 production cost allocation method approved in Case Nos. U-17689 and U-17767. The ALJ found persuasive the Staff's contention that the current allocation method that includes an energy allocator "is reasonable under the present circumstances, and consistent both with the Commission's recent orders and with its longstanding recognition of the importance of considering energy consumption as well as peak demand in allocation production costs." PFD, p. 273. In addition, the ALJ recommended that the Commission "direct any party proposing to change the production cost allocation method to include in its evidentiary presentation an analysis using the equivalent peaker method or an approximation for comparison purposes." *Id*., p. 274.

DTE Electric filed an exception reiterating the arguments set forth in its brief and reply brief, and arguing that, contrary to the ALJ's determination, the company did provide new information showing that there is an evolving need to revise the currently-approved 4CP 75-0-25 method. DTE Electric reiterates that it is modifying its generation profile to focus more on peak demand through its acquisition of gas plants; it is retiring coal-fired units, and is considering additional changes to its generation fleet in the near future. DTE Electric again urges the Commission to adopt its proposed 4CP 100 production cost allocation method, explaining that, "[t]he proper production cost allocation methodology needs to be in place now to avoid misaligning cost allocation from cost causation." DTE Electric's exceptions, p. 94.

In its exceptions, ABATE disagrees with the ALJ's statement, "[n]othing in the Commission's prior orders suggested that in adopting the 4CP 75-25 method, the Commission acknowledged it was 'transitioning' to a 4CP 100 production cost allocation." PFD, p. 273. Contrary to the ALJ's determination, ABATE argues, the November 19, 2015 order in Case No. U-17688 stated that the 4CP 75-0-25 method was adopted until the Commission determined that a different production cost allocation method better aligns utility rates with cost causation. In ABATE's opinion, it provided testimony and evidence that the 4CP 100 method better aligns rates with the cost of service, and requested that the Commission adopt its proposed production cost allocation method. DTE Electric supports ABATE's position.

In its replies to exceptions, the Staff states that DTE Electric's and ABATE's reliance on the MISO-OMS resource adequacy study is misplaced because the survey merely presents a snapshot in time, predicting short-term capacity needs. In addition, the Staff argues that MISO's resource adequacy study does not take into account new generation in the interconnection queue, so it does not necessarily accurately portray long-term capacity needs.

The Staff and the Attorney General assert that the ALJ correctly determined that no new information was presented in support of DTE Electric's or ABATE's request to change the production cost allocator, and the Staff requests that the Commission reject their arguments.
In his replies to exceptions, the Attorney General incorporates by reference his analysis on this issue in Case Nos. U-17689 and U-17767 and requests that the Commission adopt the ALJ's recommendation. Attorney General's replies to exceptions, p. 20. Similarly, MEC/NRDC/SC contend that because DTE Electric was the party requesting modification of the production cost allocation method, the company bears the burden of proof, and they claim that DTE Electric failed

to introduce any new evidence to support its request to modify the production cost allocation method to 4CP 100.

The Commission agrees with the conclusions and recommendations of the ALJ. Consistent with the determinations in the company's last rate case, the Commission fully considered the production cost allocation methods presented by DTE Electric, ABATE, and Kroger, and finds that no new evidence or analysis have been presented in this proceeding. Similar to the findings in the aforementioned case, the Commission acknowledges that new capacity will be needed to avoid future shortfalls; however, the Commission finds that a change to the production cost allocation method to 4CP 100 is not adequately refined to have a substantial impact on capacity issues.

Additionally, the Commission reiterates that DTE Electric's production system was not designed and built simply to meet demand. Instead, the "company developed its production plant to both deliver energy and provide capacity at the lowest overall cost to all customers who use the system." June 15, 2015 order in Case No. U-17689, (June 15 order) pp. 21-22. Because DTE Electric's generating system still includes a mix of base load, intermediate, and peaking plants, the Commission reaffirms that the 4CP 75-0-25 production cost allocation method better recognizes the value of capacity in the company's system.

The ALJ also recommended that any party proposing to revise the production cost allocation method in a future case include in its evidentiary presentation an analysis using the equivalent peaker method or an approximation for comparison purposes. On pages 52-53 of the NARUC Manual, it states that "[e]quivalent peaker methods are based on generation expansion planning practices, which consider peak demand loads and energy loads separately in determining the need for additional generating capacity and the most cost-effective type of capacity to be added." The Commission agrees with the ALJ that the equivalent peaker method is one method that may provide additional beneficial information about production cost allocation. Therefore, the Commission adopts the ALJ's recommendation.

C. Uncollectibles Cost Allocation

The Staff requested that the Commission revisit the issue of uncollectibles cost allocation which, in Case Nos. U-17689 and U-17767, the Commission determined should be assigned based on historical write-offs by customer class. In the Staff's opinion, "there is no direct relationship between a given UAE [uncollectible accounts expense] and any customer class." Staff's brief, p. 85. Therefore, the Staff recommended allocating uncollectibles on a cost of service percentage basis, based on total rates, fuel, and purchased power costs.

DTE Electric disagreed, stating that the Staff failed to provide evidence that the cost of service plus the cost of fuel and purchased power relates to the class that caused the uncollectibles. DTE Electric asserted that the Commission's currently-approved method of allocating uncollectible expense based on net-write offs by class is a better reflection of cost causation. ABATE agreed.

MEC/NRDC/SC supported the Staff's recommendation that the Commission reconsider the issue of uncollectibles, noting that although the Commission approved DTE Electric's request to allocate uncollectibles based on customer class, the Commission did not address the method by which uncollectibles should be allocated within the cost of service study and in rate design.

Although the ALJ found the Staff's proposal persuasive, she observed that the Commission considered and decided this same issue less than 18 months ago. Therefore, she recommended that the Commission decline to revisit the issue at this time, but in future cases, provide an opportunity for the parties to further analyze "the consistency of the current allocator and of other potentially-explanatory allocators." PFD, p. 277.

The Staff takes exception to the ALJ's recommendation. While recognizing that the Commission recently decided this issue, the Staff argues that its proposal in this case differs from the proposals rejected by the Commission in prior rate cases. Thus, the Staff maintains that the Commission should consider its new proposal because this method more accurately assigns uncollectibles to the class of customers responsible for the costs.

DTE Electric replies, arguing that the Commission considered the Staff's position in Case No. U-17689, and instead adopted DTE Electric's proposal to allocate uncollectibles based on net write-offs. The company notes that the Commission declined to revisit the issue in DTE Electric's last general electric rate case. DTE Electric adds that in the company's most recent gas rate case, the Commission determined that the Staff did not present any evidence persuading the Commission to "return to a method that assigns uncollectibles as a general cost of providing service." DTE Electric's replies to exceptions, pp. 32-33, citing the December 9 order, p. 57. Similarly, DTE Electric argues, the Staff provided no new evidence in the immediate case that would persuade the Commission revisit the issue.

Although the Commission has very recently considered this issue in multiple cases, MEC/NRDC/SC reply that that is an inadequate reason to continue an inferior and inequitable cost allocation, especially for those customers who are most affected. In addition, MEC/NRDC/SC contends, the Commission's conclusions in those prior cases "did not provide a theoretical explanation or analysis supporting the allocation," and therefore, "the issue is ripe for further consideration." MEC/NRDC/SC's replies to exceptions, p. 39.

After a review of the record, the Commission finds that the Staff's exception should be rejected. As the ALJ found, the issue of uncollectibles allocation was considered and decided in the June 15 order, and subsequently reaffirmed. Although the Staff asserted that its proposed allocation differs from the method rejected by the Commission in previous cases, the Staff admits that the currently-approved allocation method and the Staff's preferred method are both acceptable according to the NARUC Manual. Therefore, the Commission is unpersuaded that there is sufficient record evidence to justify revising the currently-approved uncollectibles accounts allocation method at this time.

D. Detroit Public Schools Cost Allocation

DPS asserted that the cost allocations governing their rates have been highly variable in recent rate cases. In its brief, DPS provided a chart depicting the percent changes for Rate D3.2 and Rate D6.2, which showed that Rate D3.2 is projected to increase by about 17%, and Rate D6.2 is projected to increase by about 15%. DTE Electric argued that DPS's rates cannot be adjusted.

After a review of the record, the ALJ agreed with DTE Electric, but stated that "in future cases, the reason for significant changes in rates for certain rate schedules relative to class averages should be able to be investigated and evaluated." PFD, p. 278.

DPS filed an exception stating that DTE Electric's and the Staff's cost studies regarding Rate D3.2 and Rate D.6.2 are not credible or reliable. DPS states:

> While purporting to utilize the same methodology in this case as in its prior rate case, DTE's cost studies resulted in wildly inconsistent cost allocations to the Detroit Public Schools, with no explanation whatsoever for the inconsistency. Similarly, while Staff purports to use basically the same methodology and approach as in the prior case, Staff also reaches wildly inconsistent conclusions from one case to the next, again with no explanation whatsoever. These cost allocations are, on their face neither credible nor reliable, and should be rejected by the Commission.

DPS's exceptions, p. 2. DPS requests that the Commission restrict any increase to Rate D3.2 and Rate D6.2 to a percentage no greater than the average increase in rates for the Secondary and Primary classes, respectively.

DTE Electric replies that "DPS acknowledges that based on [the rate design] evidence [presented by the company and the Staff], DTE Electric and Staff both proposed greater rate increases than DPS suggests (DPS Exceptions, pp 2-5). DPS also at least tacitly concedes that DTE Electric and Staff's rate design evidence is uncontradicted." DTE Electric's replies to exceptions, p. 33. According to the company, DPS presented no competent material and substantial evidence to support their position, and therefore, the Commission should reject DPS's proposal.

In its replies to exceptions, the Staff finds disingenuous DPS's purported "astonishment" that the Staff proposed a greater increase to Rate D3.2 than did DTE Electric, even though the Staff proposed a revenue deficiency lower than the company's. Staff's replies to exceptions, p. 34. The Staff contends that rates are not simply calculated on revenue deficiency alone, and the reason for the discrepancy is that DTE Electric and the Staff proposed different cost allocations and rate designs. The Staff asserts that DPS failed to provide any evidence in the alternative, failed to effectively disagree with the Staff's and DTE Electric's cost of service study (COSS) methodologies, and requested a result contrary to law.

The Commission agrees with DTE Electric and the Staff that the difference in cost allocation and rate design, and not the difference in revenue deficiency, is what drives the changes in DPS's rates. The Commission finds that changes to DPS's rates, in and of themselves, are insufficient to prove that DTE Electric's and the Staff's COSS are not credible or reliable. In addition, DPS did not explain any disagreement with DTE Electric's and the Staff's COSS methodologies, and it failed to provide an alternative COSS. Finally, the Commission is required by MCL 460.11(4) to "establish rate schedules which ensure that public and private schools, universities, and community colleges are charged retail electric rates that reflect the actual cost of providing service to those customers." The Commission finds that the costs allocated to DPS are reasonable pursuant to the approved COSS and MCL 460.11(4), and therefore, the Commission finds that DPS's exception must be rejected.

E. Customer Charges

DTE Electric calculated monthly customer charges for residential, commercial secondary, primary, subtransmission, and lighting customers using a combination of direct assignment and allocated costs. According to DTE Electric, customer-related costs include 100% of meter costs, overhead and underground services, customer accounting costs, uncollectibles, and customer service expenses. In addition, DTE Electric calculated the customer-related portion of poles and fixtures, overhead conductor, underground cable and conduit, and line transformers using the minimum-size distribution system method. And, DTE Electric allocated a share of distribution-related general plant, employee pensions and benefits, administrative and general expense and certain taxes to customer-related distribution costs.

For accounts that included both demand and customer-related costs, DTE Electric used the minimum-size distribution system method as set forth in the NARUC Manual, and information from an internal DTE Electric report, to determine the monthly customer charges. According to DTE Electric, Duke Energy Progress, Inc. (Duke Energy), uses this method to classify some of its distribution accounts as customer-related.

Kroger asserted that the majority of the costs that DTE Electric classifies as customer-related are in fact allocated to classes on the basis of demand, rather than on the number of customers, citing numerous examples of costs that the company allocated on a demand basis and stating that DTE Electric failed to provide evidence that these costs are, in fact, customer-related. In addition, Kroger disputed that the Duke Energy study correlated with the customer-related portions of DTE

Electric's system, noting important differences between Duke Energy's cost of service allocations for customer-related costs and DTE Electric's allocations.

MEC/NRDC/SC likewise cautioned against using the minimum-size distribution method to classify accounts as customer-related. MEC/NRDC/SC contended that, according to the NARUC Manual, the minimum-size distribution method is used to classify accounts as demand-related, and as a result, this method does not classify costs that should be allocated as the marginal cost of attaching a single customer, which is the criterion the Commission has found appropriate for establishing fixed customer charges.

DTE Electric responded that the Staff correctly agreed to accounts that were 100% customer-related as set forth in the NARUC Manual, but failed to include accounts identified as both demand and customer related. DTE Electric reiterated that the NARUC Manual describes alternative methods, including the minimum-size method, for determining what portion of these accounts is customer-related.

The ALJ noted that the Commission reviewed the same study presented by DTE Electric in its last electric rate case and rejected it. The ALJ stated that "DTE has not provided any new analysis or additional reason to reconsider the Commission's decision, reached less than a year ago. This PFD finds that Mr. Lacey's study should not be relied on as determining the appropriate costs to recover through fixed monthly customer charges." PFD, p. 284.

In its exceptions, DTE Electric disagrees with the ALJ's determination, stating that:

> [A] share of the costs associated with infrastructure and benefits required to support Company personnel that perform the tasks associated with attaching customers should be included as customer-related costs because these costs cannot be fully classified as demand or customer related. Therefore, Mr. Lacey allocated the customer-related portion of general plant, employee pensions & benefits, A&G expense, and employment taxes on pages 8 and 9 of Exhibit A-13, Schedule F1.3. A share of the costs associated with accounts 364-367 should also be included as

customer-related costs, since these costs cannot be fully classified as demand or customer related.

DTE Electric's exceptions, p. 96. In addition, DTE Electric asserts that the ALJ improperly relied on the Staff's argument that customer charges must only include the costs that vary with the number of customers and those that are incurred as a direct result of a customer's connection to the system. *Id*. DTE Electric reiterates that the Staff's argument is inconsistent with the NARUC Manual because the Staff inappropriately excluded accounts that the NARUC Manual identifies as both demand- and customer-related. DTE Electric argues that Kroger's and the Staff's method "grossly underestimates customer-related costs" and recommends that the Commission reject it.

The Staff replies that it addressed the company's claims in its briefing and that the ALJ appropriately found that DTE Electric presented no new information that would support Commission approval of the company's method. MEC/NRDC/SC agree.

In the December 11 order, the Commission found that DTE Electric's COSS included a multitude of costs that, although customer-related, are not costs that vary with the number of customers on the system. The Commission also stated that "the costs to be included in the customer charge are the marginal costs associated with attaching a customer to the system. In addition, as the Staff observed, the NARUC Manual likewise supports using only the marginal costs of customer attachment in developing a customer charge." December 11 order, pp. 119-120. DTE Electric has not provided any new evidence or analysis in comparison to the evidence presented in the December 11 order. Therefore, the Commission declines to approve DTE Electric's proposed customer charge calculation and adopts the findings and recommendation of the ALJ. It should nevertheless be noted that the Commission expects to examine these cost allocation issues outside of a rate case as required under Section 6a(14) of Act 341.

X. RATE DESIGN AND TARIFF ISSUES

A. Monthly Customer Charges

In the previous section, the Commission addressed the parties' dispute over DTE Electric's allocation method. In this section, the Commission addresses the parties' debate over the actual monthly customer charges to be used in rate design.

1. Residential Customer Charge

Relying on its proposed COSS, DTE Electric recommended increasing the monthly customer charges from $6.00 to $9.00 per month for the residential rate schedules that are not for supplemental electric service. The Staff recommended a monthly customer charge for residential customers of $7.50 per month based on its analysis, a Senior Citizen charge of $3.75, and an RIA credit of $7.50.

MEC/NRDC/SC argued that the residential customer charge should not increase and that it is unreasonable and unjust to fix charges above the marginal cost of customer connection and service. MEC/NRDC provided several examples of how an increase in fixed charges adversely affects customers.

The ALJ determined that the Staff's recommendation was reasonable in light of the Staff's COSS and because the Commission did not increase the monthly customer charge in the company's previous rate case.

DTE Electric filed an exception, incorporating by reference the arguments set forth in the discussion on cost allocation above. The company asserts that its proposed residential charges should be adopted because they better reflect cost causation, and the majority of customers' bills would rely on variable charges that depend on usage. In DTE Electric's opinion:

> It also bears emphasis that the Company's proposed service charges do not increase the cost of service or the associated distribution deficiency the Company designed its rates to recover; if the service charge was not proposed to increase, the variable distribution rate would have to be higher than what the Company proposed, in order for the Company's distribution rates to recover the same amount of revenue.

DTE Electric's exceptions, p. 98. The company argues that it is undisputed that its proposed customer service charge increases are relatively small and they are designed to move the charges closer to the actual cost of service as required by MCL 460.11.

Although they support the ALJ's rejection of the company's proposed monthly charge increase for residential customers, MEC/NRDC/SC object to the ALJ's recommendation to increase fixed charges for residential customers from $6.00 to $7.50. According to MEC/NRDC/SC, any increase in residential customers' fixed charges will increase the bills of low-income customers, who already have low usage; discourage energy efficiency; reduce customers' ability to manage their bills; increase bills for customers with distributed generation; and decrease opportunities for innovation and competition. MEC/NRDC/SC's exceptions, pp. 21-22.

The RCG filed exceptions substantially similar to MEC/NRDC/SC, arguing that the ALJ's recommendation was unsupported and that the increase in residential monthly customer charges seems discriminatory because the ALJ decided not to recommend an increase in the monthly service charge for the large primary class customers.

DTE Electric replies that MEC/NRDC/SC's and RCG's objections to the ALJ's recommended increase to the monthly residential service charge are exaggerated and unreasonable. DTE Electric reiterates the same arguments set forth in its brief, reply, and exceptions. DTE Electric asserts that the ALJ's recommended $1.50 increase "is a step in the right direction," but argues that the record fully supports DTE Electric's proposed $9.00 monthly residential charge. *Id*.

MEC/NRDC/SC reiterate that although they object to the ALJ's recommended $1.50 increase to the monthly charge for residential customers, they support the ALJ's rejection of DTE Electric's proposed increase.

In its replies to exceptions, the Staff responds that MEC/NRDC/SC failed to consider the marginal cost of customers being attached to the system. According to the Staff, the ALJ correctly found that the Staff incorporated appropriate costs "for inclusion in the customer charge, based on the fact that those costs vary with the number of customers." Staff's replies to exceptions, p. 30. The Staff contends that, apparently, MEC/NRDC/SC believe that customers should not be charged the cost of attachment to the system because it may be contrary to the goals of the organization or adverse for some customers. The Staff avers that the Commission should not reject the ALJ's recommendation on such an inappropriate basis.

As discussed in the previous section, DTE Electric did not provide any new evidence or analysis that would support adopting the company's proposed study, and therefore, the Commission adopts the Staff's proposed customer charge calculation. Pursuant to the Staff's calculation, the appropriate monthly service charge for residential customers is $7.50. *See*, 5 Tr 1348, 1537. The Commission agrees, and adopts the ALJ's recommendation.

2. Commercial Customer Charge

DTE Electric again relied on its COSS and recommended that the monthly customer charges for the commercial rate schedules D3, D3.2, D3.3, and R8 be increased from $8.48 to $16 per month, and from $13.67 to $16 for rate schedule D4. The Staff maintained that monthly customer charges should be limited to $11.25 per month in accordance with its COSS.

The ALJ agreed with the Staff, stating that the Staff's COSS reasonably balances the desire for low rates with a cost-based approach.

DTE Electric's exceptions on this issue are the same as those filed for the residential monthly customer charges. DTE Electric reiterates that a higher customer charge would have little effect on energy efficiency efforts because customer bills would still be predominately based on variable charges. The company therefore requests that the Commission reject the ALJ's recommendation and instead adopt the company's proposal. The Staff's replies to exceptions on this issue are the same as those filed for the residential monthly customers.

As it found in the previous section, the Commission finds that DTE Electric did not provide any new evidence or analysis that would support adopting the company's proposed study, and therefore, the Commission adopted the Staff's proposed COSS. Pursuant to the Staff's COSS, the appropriate monthly service charge for commercial customers is $11.25.[10] *See*, 5 Tr 1287, 1348. The Commission agrees, and adopts the ALJ's recommendation.

B. Primary Rate D11 Voltage Level Discounts

ABATE objected to DTE Electric's Rate D11 rate design and claimed that transmission and subtransmission customers are subsidizing primary customers. According to ABATE, DTE Electric proposed to apply the same demand charge for all customers taking service under Rate D11, regardless of voltage level. ABATE argued that transmission and subtransmission customers have lower loss factors than primary customers, and therefore, the demand charge should be lower for these customers. ABATE proposed two alternative rate designs to address the resulting subsidies, and stated that either rate design may be used with the Commission-approved revenue target.

[10] Per the Staff's recommendation, the customer charge for Rate D4 remains at $13.67. *See*, Exhibit S-6, Schedule F-3 p. 19.

DTE Electric responded that ABATE made the same proposal in the company's last rate case, and the Commission rejected that proposal, adopting instead the Staff's method for determining voltage level power supply charges.

The Staff disagreed that transmission and subtransmission customers are subsidizing primary customers, and recommended that the Commission continue the currently-approved method in this case. The Staff witness explained that under the current Commission-approved method:

> The voltage level discount for subtransmission customers is comprised of the average of the differences between subtransmission and primary customers' energy and demand loss factors. Similarly, for transmission customers, it is the average of the differences between transmission and primary energy and demand loss factors. Procedurally, the subtransmission demand loss factor is subtracted from the primary demand loss factor and the subtransmission energy loss factor is subtracted from the primary energy loss factor. The average of those two differences is then multiplied by the average Rate D11 and D8 power supply energy charge (the two rates share the same energy charges) to arrive at the subtransmission voltage level discount. The same method is applied for transmission using the average transmission loss factor differences. This method was developed by Staff in the Company's previous rate case, MPSC Case No. U 17767, and the Commission found that, "… the adjusted voltage level discounts, based on loss factors, shall be incorporated into rates as recommended by the Staff." December 15, 2015 Order.

5 Tr 1295.

Instead of proposing a discount, the Staff claimed that ABATE is actually reallocating costs through rate design by recommending that the energy and demand loss factors be applied to customers' sales rather than to the rates at which those sales are charged. By altering customers' sales, the Staff argued that ABATE has created a subsidy where one does not exist.

However, the Staff did express possible concern about applying voltage level discounts only to Rate D11's energy charge. The Staff explained that this method overlooks a significant portion of power supply revenue collected from customers. Accordingly, the Staff recommended:

> applying the energy loss differentials between voltage levels directly to the average energy charge including Rate D8. Next…apply the demand loss differentials between voltage levels to the demand charge, which rate D8 shares. However, in

> order to fully correct the problem and craft reasonable new demand charge voltage level discounts, Staff would require data for power supply demand by voltage level for both rates, which was not provided by the Company in its filing. Due to the missing data required for such a calculation, Staff's voltage level discounts as presented by Mr. Isakson should be adopted. And, the Company should be directed to file an updated calculation of voltage level discounts, as described above, including the necessary billing determinants, in its next general rate case filing.

Staff's brief, p. 94.

The ALJ found the Staff's position persuasive and noted that the Commission recently reviewed and addressed ABATE's concerns, finding that there was no improper subsidy. The ALJ recommended that the Commission continue the currently-approved method as proposed by the Staff.

ABATE takes exception, claiming that the subsidies in Rate D11 cannot be ascertained without performing the analysis as set forth in Exhibit AB-21. ABATE reiterates that the existing subsidies within the Rate D11 class can be eliminated by applying either of the two alternative rate designs it proposed. In ABATE's opinion, its method allocates costs within the Rate D11 class in the same manner that the appropriate share of DTE Electric's cost of service is allocated to Rate D11 customers.

The Staff supports the ALJ's conclusion, but notes that the ALJ failed to recommend that DTE Electric submit a proposed demand charge voltage level discount for Rates D11 and D8, including the necessary billing determinants, in its next general rate case, and requests that the Commission adopt the Staff's recommendation on this issue.

In its reply, DTE Electric contends that ABATE is restating its same position that the Commission rejected in the December 15 order. DTE Electric avers that the record shows that the company determined its proposed voltage power supply charges using the method approved in its previous rate case, and therefore, the Commission need not further consider ABATE's proposal.

DTE Electric also objects to the Staff's request that the Commission require the company submit, in its next general rate case, a proposed demand charge voltage level discount for Rates D11 and D8, including the necessary billing determinants. The company states that the Staff first raised this suggestion in its brief and that, "[t]here is no basis in the record for Staff's untimely proposal, which DTE Electric maintains is unnecessary and inappropriate." DTE Electric's replies to exceptions, p. 40.

ABATE argues that the Staff's request is unnecessary because the information necessary to correct the subsidies in the D11 rate class was obtained in discovery. ABATE then reiterates its arguments and solutions for eliminating the subsidies.

The Staff disagrees that the record provides the necessary information to calculate the proper discounts. The Staff argues that "ABATE's proposed method of calculating the voltage level discounts does not include billing determinants or revenues for Rate D8." Staff's replies to exceptions, p. 39. In addition, the Staff contends that the record contains the billing determinants for ABATE's proposed two alternative rate designs, but information about demand by voltage level is absent. Therefore, the Staff recommends that the Commission reject ABATE's exception.

The Commission agrees that ABATE made the same recommendations regarding Rate D11 voltage level power supply charges in Case No. U-17767, which were reviewed and rejected by the Commission. The Commission finds the Staff's position persuasive and agrees with the ALJ that the Staff's method for determining voltage level power supply charges should be continued. The Commission also adopts the Staff's recommendation that the company file, in its next general rate case, a proposed demand charge voltage level discount for Rates D11 and D8, including the necessary billing determinants, including demand by voltage level.

C. Interruptible Supply Rider 10

ABATE disagreed with DTE Electric's administrative charge for Rider 10, which it argued is excessive, at 28% of the total full service power supply cost. ABATE argued that the MISO energy charge is understated, that the amount in the cost of service is too low, and that in the rate design, the MISO transmission market expense should be increased slightly. ABATE sponsored Exhibit AB-24, which it claims, shows that if these items are revised, the administrative charge should be $16.2 million.

ABATE also opposed including production O&M costs in the Rider 10 administrative charge. According to ABATE, because Rider 10 is not allocated any production fixed costs, it therefore should not be allocated any production O&M costs. As a result, $11.4 million should be excluded, reducing the administrative charge to $4.9 million.

DTE Electric noted that its initial COSS contained an error, and once corrected, it reduced the administrative charge to $17.4 million. In response to ABATE's claim that all production O&M should be removed from Rider 10, DTE Electric pointed out that the Commission addressed and rejected this same issue in Case No. U-16472 and the December 15 order. The Staff agreed with DTE Electric, noting that the administrative charge contains all of the revenue requirement for Rider 10 not associated with the MISO energy market costs and network transmission costs. The Staff also pointed out that the Commission has previously determined that the costs allocated to Rider 10 are not an over-allocation. The Staff contends that ABATE is merely repeating the arguments they made in the previous case, and those arguments remain unpersuasive.

The ALJ found that "the Commission has approved Staff's rate design and ABATE has not presented a compelling basis to ignore the Commission's prior decision." PFD, p. 291. ABATE filed an exception, restating that production O&M costs should be excluded from Rider 10 and asserting that, “ABATE, Staff and DTE agree the total full service power supply revenue requirement for R10 should be reduced by approximately $6.3 million, but Staff has not filed a rate design reflecting this. The Commission should order that the error be corrected and not allowed to persist.” ABATE’s exceptions, p. 16.

In its replies to exceptions, DTE Electric contends that ABATE erroneously calculated the administrative charge using a flawed methodology. DTE Electric argues that ABATE’s calculation was based on the company’s original COSS, which contained some errors. After the corrections were made, DTE Electric avers that the appropriate administrative revenue is $17.418 million. DTE Electric states that the company’s corrections, which were supported by the Staff, should be included in the COSS for the final order.

The Staff replies that the Commission already decided this issue in the company’s last two general rate cases, ABATE failed to present any new, compelling evidence or argument on this issue, and therefore, the Commission should reject ABATE’s exception and adopt the ALJ’s recommendation.

The Commission agrees with DTE Electric, the Staff, and the ALJ that the Commission has considered and rejected ABATE’s position on this issue in the company’s last two general rate cases, and that ABATE did not present any new evidence or argument that compels the Commission to reconsider its decision. The Commission also rejects ABATE’s exception because it was based on an incorrect methodology, and instead adopts DTE Electric’s suggestion to incorporate the company’s and the Staff’s corrections.

D. Standby Service under Rider 3

DTE Electric provides standby service for customers with generation facilities operating parallel to the company’s system by means of tariff Rider 3. ABATE contended that DTE Electric has two options for acquiring power to provide backup and maintenance service to standby customers: its generation fleet or the wholesale market. According to ABATE, if DTE Electric satisfies its load requirements through wholesale market purchases from MISO, the company is less likely to need capacity in its long-term resource plan. However, "[i]f the Generation Fleet approach option is utilized, then standby service customers will be inappropriately allocated costs associated with DTE Electric's base load and intermediate facilities, when, in reality, it is only DTE Electric's peaking facilities that are required to meet standby service load obligations due to the very low load factor of standby service." 6 Tr 1986-1987. Notwithstanding, ABATE argued that both options should be available to customers.

ABATE objected to the company's current and proposed rates for standby service and daily on-peak demand charges, contending that they are excessive. ABATE proposed alternative rates that it believes to be more reasonable, and it recommended a model for standby service rate design, which included a wholesale market option with the reservation charge, backup demand charge, and daily maintenance charge based on the difference between the MISO Planning Resource Auction clearing price and the Zonal Delivery Benefit credit for Zone 7. ABATE also proposed that there be a direct pass-through of MISO transmission charges.

DTE Electric pointed out that it had recommended eliminating the wholesale market pricing option from Rider 3 because it had been established by settlement agreement and did not have cost support. DTE Electric also objected to many of ABATE's arguments and ABATE's recommended rate design for its proposed options.

The Staff agreed that it could be appropriate to treat Rider 3 as a separate class, but argued that without a COSS, it is premature to determine rate design for Rider 3 as a separate class. In addition, the Staff opposed the restoration of the wholesale market option because "the proposal still fails to capture the actual value of the service provided to standby customers…. If the proposal were adopted, it would lead to the very subsidies the original market option was eliminated to avoid." 5 Tr 1370.

The ALJ found that ABATE presented the same arguments in Case No. U-17767 and the Commission found them unpersuasive. In addition, the ALJ determined that ABATE failed to provide any new evidence in this case that would convince the Commission to revise its decision. The ALJ recommended that the Commission adopt the Staff's recommendations to decline to require the wholesale market option, decline to revise the rate design, and require that Rider 3 be treated as a separate rate class in DTE Electric's next rate case COSS.

In its exceptions, ABATE argues that there is new evidence on the record that shows that the wholesale market option for Rider 3 is cost-based, that it provided significant testimony on this issue, and that it contained at least three differences from the option proposed in Case No. U-17767. ABATE's exceptions, p. 16. ABATE reiterates the arguments set forth in its brief, and reply brief.

DTE Electric objects to the ALJ's recommendation to treat Rider 3 as a separate rate class in the next rate case COSS. DTE Electric contends that the ALJ ignored record evidence about the way in which the company evaluates a customer's total load. According to DTE Electric, there are rate interactions between the standby and supplemental tariffs, and the company evaluates Rider 3 customer standby and supplemental loads together for cost allocation purposes. DTE Electric's exceptions, p. 102. As a result, DTE Electric argues, Rider 3 and Rate D11 should be considered together as one cost of service class. *Id*.

ABATE disagrees, stating that "Rider 3 should be treated separately because of the unique nature of this service and the inclusion of the Wholesale Market Option in the Rider R3 tariff warrants separate treatment in the cost of service study." ABATE's replies to exceptions, p. 3.

In its replies to exceptions, the Staff recommends adopting the ALJ's determination regarding Rider 3. In response to the company, the Staff argues that, "[t]reating Rider 3 as a separate rate class in the COSS does not require that DTE Electric take the position that Rider 3 be treated differently than they are currently for the purposes of rate design." Staff's replies to exceptions, p. 37. The Staff contends that Rider 3 may be treated as a separate rate class for the purposes of the COSS in order to collect data showing the varied impact on costs and to consider the proper rate design. Replying to ABATE, the Staff reiterates its arguments that the wholesale market option should be rejected.

The Commission agrees with the ALJ that the Commission reviewed and rejected ABATE's same arguments in Case No. U-17767, ABATE failed to provide any new evidence in this case that would persuade the Commission to revise its decision, and that the Staff's recommendations should be adopted in this case. Therefore, the Commission declines to approve ABATE's proposed changes to Rider 3, and instead adopts the ALJ's findings and conclusions.

E. Time of Use Rates

In the June 15 order, the Commission directed that by January 1, 2016, DTE Electric shall "revise its tariffs so that TOU [time of use] rates and dynamic peak pricing are available to all customers who have had AMI for at least one year and who wish to opt in." June 15 order, p. 35. Accordingly, DTE Electric removed the experimental status from its Dynamic Peak Pricing Rate (D1.8) and the customer limits within that rate.

To comply with the June 15 order, MEC/NRDC/SC requested that the Commission order DTE Electric to set Rate D1.8 as the default rate schedule for all new residential and secondary commercial customers. In addition, MEC/NRDC/SC argued that pursuant to the June 15 order, the Commission intended that primary, subtransmission, and transmission customers receive the option of TOU or dynamic peak pricing, and recommended that the Commission require the company to expand its offerings.

DTE Electric disagreed with these recommendations for commercial and industrial customers, asserting that DTE Electric's current commercial and industrial rates already provide significant TOU price signals through on-peak billing demands and on-peak and off-peak energy pricing. Therefore, the company opposed changing the pricing structures of the current primary rate offerings. However, the company indicated that if the Commission finds that stronger time-based price signals are appropriate for the primary rates, the Commission could consider increasing the on-peak/off-peak energy price differential.

The Staff was supportive of time-varying rates and the company's efforts to encourage customers to join, but opposed the recommendation to make Rate D1.8 the default rate for new residential and secondary commercial customers. According to the Staff, Rate D1, the current default rate for residential and commercial secondary, is a simple, inclining block rate, whereas, Rate D1.8 has several daily price changes and a critical event rate that requires notification from DTE Electric. The Staff opined that uninformed customers may not be prepared to respond to such a complex rate. As a result, the Staff requested that the ALJ reject MEC/NRDC/SC's proposal and direct DTE Electric to provide effective advertising, education, and encouragement to ensure customer participation and success with TOU rates. The Staff also supported modifying the on-peak and off-peak pricing differential for primary rates.

Although MEC/NRDC/SC agreed with the Staff that DTE Electric should provide education and advertising about time-varying rates, MEC/NRDC/SC is unaware of any TOU-specific campaigns planned by the company. In the event DTE Electric does plan to encourage customer participation in time-varying rates, MEC/NRDC/SC argued that education at the time of new customer enrollment would be more effective than bill inserts or mass media campaigns.

The ALJ agreed with the Staff, stating that because many residential customers have had an AMI meter for less than a year and TOU rates have not yet been available to customers for a full year, Rate D1.8 should not be the default rate for new customers until the Staff and the Commission have an opportunity to review the company's educational plan and promotional materials. The ALJ noted that in Case No. U-17936, the Commission requested further analysis of DTE Electric's demand response offerings, and this forum should provide all interested parties an opportunity to review and comment on the company's implementation of demand response offerings for Rate D1.8 and commercial and industrial rates. In response to the company's and the Staff's request to increase the on-peak and off-peak pricing differential for Rate D11, the ALJ noted that there were no specific comments from ABATE or other parties, and therefore, recommended that the Commission defer consideration of this issue.

MEC/NRDC/SC argue in their exceptions that the ALJ's finding is not supported by the record. Responding to the Staff's recommendation for a gradual introduction to Rate D1.8, MEC/NRDC/SC contend that their proposed default/opt-out protocol for Rate D1.8 would only apply to new customers, and therefore, it is a gradual approach. In addition, MEC/NRDC/SC assert that their proposal is an opportunity to educate new customers. MEC/NRDC/SC disagree that DTE Electric has an established education program to incentivize enrollment, that customers are not savvy enough to understand Rate D1.8, and that customers will not accept the default/opt-out protocol.

MEC/NRDC/SC also take exception to the ALJ's decision to reject the proposal to increase the on-peak and off-peak pricing differential for Rate D11. MEC/NRDC/SC assert that the Commission should not defer consideration of the company's recommended increase, but instead, should adopt the change because it would send a strong price signal to primary customers to reduce their consumption at peak periods when demand is highest. MEC/NRDC/SC contend that this approach is consistent with the dynamic process set forth in Case Nos. U-17689 and U-17936 of adjusting rate offerings for primary customers while ensuring full utilization of demand response. And, MEC/NRDC/SC dispute the ALJ's determination that ABATE did not comment on this subject and they cite ABATE's witness testimony in support.

ABATE agrees with MEC/NRDC/SC, arguing that its witness provided testimony supporting an increase for the on-peak and off-peak pricing differential for Rate D11. In addition, ABATE asserts, the record shows that DTE Electric:

> has already conducted historical analysis of the price signals sent by the on-peak and off-peak differential using the historical MISO Locational Marginal Pricing difference for the DTE Electric load zone from 2010 to 2015. Based on that analysis, Mr. Bloch recommended increasing the on-peak and off-peak energy charge differential from the current $3 per MWh to $10 per MWh.

ABATE's exceptions, p. 5. ABATE requests that the Commission reject the ALJ's recommendation and increase the on-peak and off-peak differential as proposed by the company. DTE Electric concurs and reiterates that it supports the increase in the on-peak and off-peak differential and notes its analysis of the issue in the record.

The Staff replies to MEC/NRDC/SC that the ALJ properly recommended that the Commission reject automatic enrollment in Rate D1.8. The Staff disagrees with MEC/NRDC/SC that enrolling all new customers in Rate D1.8 represents a gradual transition, that it would serve as a customer education tool, or that all customers have a practical understanding of how to utilize TOU rates. Additionally, the Staff disputes MEC/NRDC/SC's contention that DTE Electric does not offer TOU rates to its commercial and industrial customers. In the Staff's opinion, the "Company's rate D11, Primary Supply, includes on and off-peak energy charges, as well as an on-peak billing demand charge, which charge the customer different prices depending on the customer's **time of use**." Staff's replies to exceptions, p. 35 (emphasis in the original).

However, the Staff agrees with the exceptions filed by DTE Electric, ABATE, and MEC/NRDC/SC, arguing that the Commission should reject the ALJ's recommendation to defer the decision to increase the on-peak and off-peak pricing differential for Rate D11. The Staff asserts that it provided support for the increase in its brief, and notes that ABATE also supported the increase in its exceptions.

The Commission agrees with the ALJ and the Staff that Rate D1.8 is too complex to be set as the default rate for new residential and secondary commercial customers. Instead, pursuant to the directives in the November 7, 2016 order in Case No. U-17936, the Commission finds that the company shall provide significant and effective advertising and education to encourage customers to join Rate D1.8 and to ensure customer success with time-varying rates. The Commission also adopts the Staff's position that DTE Electric's Rate D11 already provides TOU rates to commercial and industrial customers.

However, contrary to the ALJ's recommendation, the Commission approves the increase in the on-peak and off-peak pricing differential for Rate D11. The Commission finds persuasive the company's and ABATE's witness testimony, and cites support from the company, the Staff, ABATE, and MEC/NRDC/SC for the increase.

F. Retail Access Service Rider Tariff

DTE Electric proposed amending the Retail Access Service Rider EC2, section E2.8, to add the following language as paragraph (D):

> Customers not eligible to expand the retail access service load at their facility in accordance with the procedures adopted by the MPSC in Case No. U-15801 on September 29, 2009, must install separate metering, at their expense, in order to measure and bill the Full Service portion of their facility load. At the Company's sole discretion, the separate metering requirement may be waived if the installation of separate metering is impractical. Under this waiver, both retail access and full service loads will be estimated based on the metered load of the facility.

Exhibit A-15, Schedule G1, p. 66. DTE Electric recommended this language pursuant to the procedures set forth in the September 29, 2009 order in Case No. U-15801 *et al*. (September 29 order), and because it provides more clarity and reflects the company's current practice.

ABATE objected to the company's proposal, first, asserting that there needed to be more clarification regarding the type of customer load that will be affected by the provision, and second, requesting that DTE Electric be required to establish a timely process for resolving company/ customer disputes involving company decisions about meter installation.

Although Energy Michigan agreed that the company's proposed language corresponds with the implementation rules in the September 29 order, it recommended that DTE Electric's proposed language should be amended to read:

> Customers **who desire to expand load at their facility, where expand means to connect new load through an existing meter, but are not eligible** to expand the retail access service load at their facility **above the Cap on Choice Participation** in accordance with the procedures adopted by the MPSC in Case No. U-15801 on September 29, 2009, must install separate metering, at their expense, in order to measure and bill the Full Service portion of their facility load. ~~At the Company's sole discretion,t~~ The separate metering requirement ~~may~~ **will** be waived if the installation of separate metering is impractical. Under this waiver, both retail access and full service loads will be estimated based on the metered load of the facility.

6 Tr 1723-1724.

In response, DTE Electric restated that the purpose of the proposed tariff language is for clarification, and that it is unaware of any complaints regarding the administration of the rules. Therefore, DTE Electric saw no reason for the Commission to implement an expedited procedure for resolving issues.

In response to Energy Michigan, DTE Electric argued that it must have exclusive discretion to determine whether separate metering is appropriate because the company "is solely responsible for the design and installation of its revenue meters. To meet that responsibility, the Company must have sole discretion to determine if the installation of separate metering is impractical and may be waived." 3 Tr 487.

The ALJ determined that DTE Electric's request to include clarifying language in Rider EC2 was reasonable, but found the "sole discretion" language unnecessary. Regarding ABATE's proposed changes, the ALJ determined that the record does not support a recommendation for expedited hearings; in the ALJ's opinion, customers currently have the ability to file a complaint with the Commission if they believe DTE Electric's decisions are arbitrary or discriminatory. On the whole, the ALJ found Energy Michigan's proposed language to be the most reasonable.

In its exceptions, DTE Electric reiterates that Rider EC2 requires clarification and that the company must have sole discretion in the decision to grant a waiver.

ABATE also takes exception to the ALJ's determination, restating that Energy Michigan's recommended language fails to provide sufficient clarity as to the type of load that is impacted and does not allow for expedited resolution of company/customer disputes regarding the separate metering requirement. ABATE also argues that the company does not clearly define "new equipment," and therefore, the "Commission should 'grandfather' all existing customers using split-load metering to receive full service and choice load from an AES…and not require the installation of a new meter for expanded choice load." ABATE's exceptions, p. 19.

DTE Electric objects to ABATE's request to "grandfather" all existing customers using split-load metering, stating that there is no merit to the proposal presented late in the proceeding. The company reiterates its arguments against ABATE's proposed expedited hearings and requests that the Commission adopt its proposed changes to Rider EC2.

Energy Michigan replies that DTE Electric's request and concerns about sole discretion are beside the point. According to Energy Michigan, "[n]o one is proposing to tell DTE how to design and install its meters, instead the issue is whether customers are able to challenge DTE's determination that an installation would be impractical at the customer's site or not." Energy Michigan's replies to exceptions, p. 3. Energy Michigan claims that challenges to the company's determination are rare, and therefore, Energy Michigan's proposed language would not be an undue burden on the company and would protect the due process rights of customers. In its replies to exceptions, ABATE reiterates the arguments set forth in its exceptions.

The Commission agrees with the ALJ and adopts Energy Michigan's changes to DTE Electric's proposed language for paragraph (D) of Rider EC2. As Energy Michigan points out, its modifications to DTE Electric's proposed language keeps metering decisions in the hands of the utility but does not permit the company unfettered discretion when a customer finds a metering decision to be impractical. The Commission also agrees with the findings and conclusions of the ALJ, and declines to adopt ABATE's suggested changes to Rider EC2.

G. Advanced Metering Infrastructure Opt-out Tariff

In the December 11 order, the Commission directed DTE Electric to review its AMI opt-out fees in its next rate case or six months after completion of its AMI installation, whichever occurred first. Because the company will not complete its AMI installation until 2017, DTE Electric presented a review of the current opt-out charges, using the same cost components and supporting detail that were approved in the May 15, 2013 order in Case No. U-17053 (May 15 order). According to DTE Electric, it had 6,700 opt-out customers as of December 31, 2015, which was lower than expected. Although opt-out charges could be increased, the company is not proposing to modify the opt-out charges until AMI installation is complete.

The RCG asserted that DTE Electric is proposing to sharply increase the AMI opt-out fees contrary to the opposition of the thousands of opt-out customers who object to AMI technology. In addition, the RCG argued that DTE Electric did not provide an adequate basis in its application to prove the reasonableness of its current opt-out charges, noting that because all customers are paying for the AMI program through rate base, opt-out customers are double burdened because of the opt-out charges, which it characterized as punitive. The RCG therefore recommended that the Commission modify the AMI opt-out tariff to require pre-installation notice and customer consent for an AMI meter, and to eliminate the opt-out fees.

The RCG also argued that the Commission lacks jurisdiction and authority to approve installation of equipment that infringes upon a customer's privacy, health and safety, and constitutional rights. However, in the event the Commission approves the opt-out fees, RCG requested that the Commission consider that the billing rules permit customers to self-read and report their monthly energy consumption, subject to an annual reading by DTE Electric.

The Staff responded, asserting that DTE Electric is not proposing to increase the opt-out charges in this case and that the Staff supports the company's recommendation to review the charges once AMI installation is complete. The Staff reviewed the procedures approved in the May 15 order that were used to set the initial opt-out fees and compared them to DTE Electric's current opt-out fees and found that the charges are based on the company's experiences and past practices with meter reading and associated functions and are reasonable. In response to the allegations that opt-out customers are being unfairly penalized and are double burdened with AMI program costs, the Staff stated that the opt-out fees are cost-based, not punitive, and pursuant to the May 15 and December 11 orders, the company may not charge opt-out customers for AMI program costs.

The ALJ recommended that "the Commission accept DTE's and Staff's view that it is premature to revise the opt-out charges, and instead that the Commission require DTE to file a separate application for review of those charges within 6 months of completing the AMI meter installations." PFD, p. 308. Regarding the RCG's request that the Commission permit self-reading and reporting of energy consumption for AMI customers, the ALJ stated that there is no information on the record that would apprise the Commission of the actual extent of self-reporting. Therefore, the ALJ proposed that the Commission consider this billing rule option when it next evaluates the opt-out charges, stating that, "while the rule clearly specifies DTE's rights to read meters on a regular basis, the company also should be reasonable and prudent in exercising these rights." *Id*.

In its exceptions, the RCG claims that the Commission should reject the ALJ's recommendations for the reasons already set forth in its brief and reply brief. The RCG argues that the current opt-out charges are not supported by competent, material, and substantial evidence, and the meters infringe upon customer's privacy, health and safety, and constitutional rights.

DTE Electric replies, reiterating that it is not proposing to modify the opt-out charges at this time. DTE Electric asserts that the RCG's allegations regarding AMI and the opt-out fees are incorrect and the company refuted them all.

In its replies to exceptions, the Staff requests that the Commission reject the RCG's exceptions and adopt the ALJ's recommendation. The Staff states that, "[b]y waiting until the Company has completed its AMI roll-out to reassess Opt-out Tariff fees, the numbers of customers enrolled on the Opt-out Tariff will be known, and there is no chance that customers will be overcharged due to low interim enrollment numbers." Staff's replies to exceptions, p. 40. Like DTE Electric, the Staff asserts that the RCG's claims are erroneous and have been repeatedly and adequately addressed by the Commission in previous orders.

The Commission finds the ALJ's recommendation persuasive. Because DTE Electric has yet to complete its AMI installation, the Commission agrees with the company, the Staff, and the ALJ that it is premature to review and amend the opt-out charges. Therefore, the Commission adopts the ALJ's recommendation that within six months after the completion of its AMI installation, DTE Electric shall file, in a separate docket, an application for review of the opt-out charges. In the application, DTE Electric shall consider the cost effects of customer meter reading and reporting pursuant to the billing rules.

In response to the RCG's claims that the current opt-out charges should be eliminated or sharply reduced, that the tariff should require customer consent before an AMI meter may be installed, and that installation of an AMI meter infringes upon a customer's privacy, health and safety, and constitutional rights, the Commission finds that these arguments have been fully reviewed and addressed in previous cases and that the RCG provides no new evidence or analysis that persuades the Commission to revisit these issues. *See*, May 15 order, pp. 17-18, *aff'd*, *In re Application of Detroit Edison Co to Implement Opt Out Program*, unpublished opinion per curium of the Court of Appeals, issued February 19, 2015 (Docket No. 316728), p. 9; December 11 order, pp. 97-99.

THEREFORE, IT IS ORDERED that:

A. Based on this order's findings adopting a August 1, 2016 through July 31, 2017 test year, a jurisdictional rate base of $14,273,719,000, an authorized rate of return on common equity of 10.10%, an authorized overall rate of return of 5.55%, and a jurisdictional revenue deficiency of $184,336,000, DTE Electric Company is authorized to implement rates that increase its annual electric revenues by $184,336,000, on a jurisdictional basis, over the rates approved in the December 12, 2015, January 19, 2016, and February 23, 2016 orders in Case No. U-17767.

B. DTE Electric Company is authorized to implement the rates approved by this order on a service rendered basis for service provided on and after February 7, 2017, as summarized in Attachment A, and set forth in Attachment B. Within 30 days of January 31, 2017, DTE Electric Company shall file tariff sheets substantially similar to those contained in Attachment B. When filing the tariffs consistent with those ordered, DTE Electric Company shall also update the Standard Allowance amounts on Tariff Sheet C-30.00, Section C6.2(4)(a) to be consistent with the rates approved in this order. Due to the size of Attachment B, it is not physically attached to the original order contained in the official docket or paper copies of the order, but is electronically appended to this order, which is available on the Commission's website.

C. On or before April 30, 2017, DTE Electric Company shall file an application for authority to conduct a self-implementation reconciliation proceeding as required under MCL 460.6a(1).

D. In its next general rate case filing, DTE Electric Company shall provide detail regarding the scope of work; a description of, and any supporting studies related to, the need for the proposed project; cost estimates (including, at a minimum, a breakdown of the material, labor, contractor, engineering, and contingency costs); and a project timeline for all proposed capital projects.

E. In its next general rate case filing, DTE Electric Company shall provide significant detail regarding its historical construction work in progress balances and projections as well as historical and projected amounts included in allowance for funds used during construction.

F. In its next general rate case filing, DTE Electric Company shall provide an analysis of alternatives to its method of seeking annual reimbursement from the other post-employment benefits trust fund.

G. DTE Electric shall submit a draft distribution investment and maintenance plan to the Commission Staff by July 1, 2017. Subsequently, the company shall meet with the Staff to discuss the framework for completing a final five-year distribution investment and maintenance plan to be submitted by December 31, 2017.

H. In its next general rate case filing, DTE Electric Company shall provide a full analysis of salaries and wages and any incentive compensation, including both historical information and projected trends with changes expected due to workforce and process efficiencies, employee retirements, use of in-house employees versus contractors, and capital investments that could affect overall staffing levels; and shall provide a complete analysis of all historic test year compensation, demonstrating its relationship to market median, and a reconciliation of the historic test year compensation to the amount included in the projected test year, with an explanation for any variances.

I. In its next general rate case, DTE Electric Company shall provide a more complete analysis of benefits, costs and cost recovery for energy bridges and programmable communicating thermostats including, and assessment of whether participating customers should be required to pay some amount for these devices, as well as other best practices. In addition, in its next general rate case or energy optimization reconciliation, whichever is filed first, DTE Electric Company shall provide an accounting of the extent to which, if any, programmable communicating thermostats or other demand response costs are recovered as part of the company's energy optimization program.

J. In its next general rate case, DTE Electric Company shall provide more detail on its method used for projecting electric sales for residential customers including information on how the company validates its projection.

K. DTE Electric Company shall provide its first report on advanced metering infrastructure report to the Commission Staff by July 1, 2017, and subsequent annual reports by February 15 beginning in 2018.

L. In its next general rate case, DTE Electric Company shall provide an evaluation of whether the current 17 kilowatt hours per day level used as the threshold for increased power supply charges for residential customers continues to be appropriate.

M. In its next general rate case, DTE Electric Company shall calculate a proposed demand charge voltage level discount for Rates D11 and D8, with the necessary billing determinants, including demand by voltage level.

N. In its next general rate case, DTE Electric Company shall treat Rider 3 as a separate rate class for the purposes of the company's cost of service study.

O. DTE Electric Company's accounting requests are approved as set forth in the order.

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. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungp1@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of January 31, 2017.

Kavita Kale, Executive Secretary

DTE Electric Company
Case No. U-18014
Summary of Present and Proposed Revenue by Rate Schedule

Michigan Public Service Commission
DTE Electric Company
Summary of Present and Proposed Revenue
by Rate Schedule
FOR ORDER

Case No. : U-18014
Attachment A

Total Revenues

	(a)	(b)	(c)	(d)	(e)
Line No.	**Residential**	**Total Present Revenue ($000's)**	**Total Proposed Revenue ($000's)**	**Total Net Increase/ (Decrease) ($000's)**	**Total Net Increase/ (Decrease) (%)**
1	D1/D1.6 Residential	$2,117,421	$2,164,071	$46,650	2.2%
2	D1.1 Int. Air	$35,599	$35,686	$87	0.2%
3	D1.2 TOD	$17,373	$17,543	$170	1.0%
4	D1.7 TOD	$10,871	$11,796	$925	8.5%
5	D1.8 Dynamic	$1,971	$2,038	$67	3.4%
6	D1.9 Elec. Vehicle	$694	$708	$14	2.0%
7	D2 Elec. Space Heat	$41,123	$42,576	$1,452	3.5%
8	D5 Res. Water Ht.	$22,778	$23,930	$1,152	5.1%
9	Total Residential	$2,247,830	$2,298,349	$50,519	2.2%
10					
11	**Secondary**				
12	D1.1 Int. Air	$545	$584	$39	7.1%
13	D1.7 TOD	$744	$796	$53	7.1%
14	D1.8 Dynamic	$19	$19	$1	4.5%
15	D 1.9 Elec Vehicle	$0	$0	$0	-
16	D3 Gen. Serv.	$857,868	$902,211	$44,344	5.2%
17	D3.1 Unmetered	$8,969	$9,104	$135	1.5%
18	D3.2 Sec. Educ.	$19,388	$22,507	$3,119	16.1%
19	D3.3 Interruptible	$10,633	$11,540	$908	8.5%
20	D4 Lg. Gen. Serv.	$207,538	$230,814	$23,277	11.2%
21	D5 Com. Wat. Ht.	$602	$642	$40	6.7%
22	E1.1 Eng. St. Ltg.	$1,163	$1,254	$91	7.8%
23	R7 Greenhs. Ltg.	$154	$166	$12	7.9%
24	R8 Space Cond.	$9,584	$10,446	$862	9.0%
25	Total Secondary	$1,117,206	$1,190,086	$72,880	6.5%
26					
27	**Primary**				
28	D11 Prim. Supply	$890,852	$928,604	$37,752	4.2%
29	D6.2 Pri. Educ.	$66,615	$73,783	$7,168	10.8%
30	D8 Int. Primary	$92,284	$99,232	$6,948	7.5%
31	D10 El.Schools	$3,983	$4,364	$381	9.6%
32	R1.1 Alt. Mtl. Melt.	$3,288	$3,461	$172	5.2%
33	R1.2 El. Pr. Htg.	$34,079	$36,911	$2,832	8.3%
34	R3 Standby	$9,713	$10,122	$408	4.2%
35	R10 Int. Supply	$91,770	$93,294	$1,523	1.7%
36	Total Primary	$1,192,584	$1,249,769	$57,185	4.8%
37					
38	**Other**				
39	D9 Protective Ltg.	$6,039	$6,629	$590	9.8%
40	E1 Muni Street Ltg	$50,317	$52,427	$2,109	4.2%
41	E2 Traffic Lights	$3,791	$4,844	$1,053	27.8%
42	Total Other	$60,147	$63,899	$3,753	6.2%
43					
44	**Total All Classes**	$4,617,767	$4,802,103	$184,337	4.0%

Power Supply Revenues

	(a)	(b)	(c)	(d)	(e)
Line No.	**Residential**	**Power Supply Sales (MWH)**	**Present Revenue ($000's)**	**Increase/ (Decrease) ($000's)**	**Proposed Revenue ($000's)**
1	D1/D1.6 Residential	13,771,853	$1,154,204	$21,525	$1,175,729
2	D1.1 Int. Air	258,715	$17,212	$321	$17,533
3	D1.2 TOD	138,610	$8,307	$155	$8,462
4	D1.7 TOD	124,172	$6,119	$114	$6,234
5	D1.8 Dynamic	14,342	$1,015	$19	$1,034
6	D1.9 Elec. Vehicle	4,823	$400	$7	$408
7	D2 Elec. Space Heat	313,147	$19,534	$1,179	$20,713
8	D5 Res. Water Ht.	208,895	$9,384	$175	$9,559
9	Total Residential	14,834,558	$1,216,175	$23,496	$1,239,671
10					
11	**Secondary**				
12	D1.1 Int. Air	5,610	$362	$9	$371
13	D1.7 TOD	12,023	$519	$13	$532
14	D1.8 Dynamic	164	$13	$0	$13
15	D1.9 Elec. Vehicle	0	$0	$0	$0
16	D3 Gen. Serv.	7,110,889	$536,659	$13,965	$550,624
17	D3.1 Unmetered	84,340	$5,651	$147	$5,798
18	D3.2 Sec. Educ.	174,644	$9,708	$1,280	$10,988
19	D3.3 Interruptible	109,420	$6,899	$180	$7,078
20	D4 Lg. Gen. Serv.	2,126,224	$149,024	$12,457	$161,481
21	D5 Com. Wat. Ht.	8,139	$362	$9	$371
22	E1.1 Eng. St. Ltg.	14,681	$764	$20	$784
23	R7 Greenhs. Ltg.	2,324	$100	$3	$103
24	R8 Space Cond.	90,631	$5,880	$153	$6,033
25	Total Secondary	9,739,090	$715,939	$28,237	$744,177
26					
27	**Primary**				
28	D11 Prim. Supply	12,335,586	$770,418	$25,515	$795,933
29	D6.2 Pri. Educ.	796,708	$53,446	$5,411	$58,856
30	D8 Int. Primary	1,444,659	$78,033	$5,284	$83,317
31	D10 El.Schools	37,885	$2,947	$98	$3,044
32	R1.1 Alt. Mtl. Melt.	48,726	$2,890	$92	$2,982
33	R1.2 El. Pr. Htg.	509,523	$27,202	$868	$28,070
34	R3 Standby	126,680	$8,119	$269	$8,388
35	R10 Int. Supply	1,558,261	$85,161	$1,838	$86,999
36	Total Primary	16,858,027	$1,028,215	$39,374	$1,067,589
37					
38	**Other**				
39	D9 Protective Ltg.	35,146	$2,114	(628)	1,486
40	E1 Muni Street Ltg	176,506	17,611	($10,167)	7,444
41	E2 Traffic Lights	62,462	$1,327	$2,928	$4,255
42	Total Other	274,113	$21,051	($7,868)	$13,184
43					
44	**Total All Classes**	41,705,788	$2,981,381	$83,239	$3,064,621

Note: Present unmtrd. revenues are est. @ approximately 60%-D3.1; 35%-D9/E1/E2

Distribution Revenues

Line No.	(a) Residential	(b) Distribution Sales (MWH)	(c) Present Revenue ($000's)	(d) Increase/ (Decrease) ($000's)	(e) Proposed Revenue ($000's)
1	D1/D1.6 Residential	13,771,853	$963,216	$25,125	$988,342
2	D1.1 Int. Air	258,715	$18,387	($234)	$18,153
3	D1.2 TOD	138,610	$9,065	$15	$9,081
4	D1.7 TOD	124,172	$4,752	$811	$5,563
5	D1.8 Dynamic	14,342	$956	$49	$1,005
6	D1.9 Elec. Vehicle	4,823	$294	$7	$301
7	D2 Elec. Space Heat	313,147	$21,590	$273	$21,863
8	D5 Res. Water Ht.	208,895	$13,395	$977	$14,371
9	Total Residential	14,834,558	$1,031,655	$27,023	$1,058,678
10					
11	**Secondary**				
12	D1.1 Int. Air	5,714	$183	$29	$213
13	D1.7 TOD	12,066	$225	$39	$264
14	D1.8 Dynamic	164	$6	$1	$7
15	D1.9 Elec Vehicle	0	$0	$0	$0
16	D3 Gen. Serv.	7,470,147	$321,209	$30,378	$351,587
17	D3.1 Unmetered	84,340	$3,319	($12)	$3,307
18	D3.2 Sec. Educ.	456,321	$9,680	$1,840	$11,519
19	D3.3 Interruptible	118,047	$3,734	$728	$4,462
20	D4 Lg. Gen. Serv.	2,485,479	$58,514	$10,819	$69,333
21	D5 Com. Wat. Ht.	8,193	$240	$31	$271
22	E1.1 Eng. St. Ltg.	14,681	$399	$71	$470
23	R7 Greenhs. Ltg.	2,324	$54	$10	$63
24	R8 Space Cond.	92,613	$3,704	$709	$4,413
25	Total Secondary	10,750,090	$401,266	$44,643	$445,909
26					
27	**Primary**				
28	D11 Prim. Supply	15,783,611	$120,434	$12,237	$132,671
29	D6.2 Pri. Educ.	1,146,667	$13,169	$1,758	$14,927
30	D8 Int. Primary	1,588,230	$14,251	$1,664	$15,915
31	D10 El.Schools	47,360	$1,036	$283	$1,320
32	R1.1 Alt. Mtl. Melt.	48,726	$398	$80	$478
33	R1.2 El. Pr. Htg.	517,019	$6,877	$1,964	$8,841
34	R3 Standby	120,496	$1,594	$139	$1,734
35	R10 Int. Supply	1,558,261	$6,610	($315)	$6,295
36	Total Primary	20,810,369	$164,369	$17,811	$182,180
37					
38	**Other**				
39	D9 Protective Ltg.	35,146	$3,925	$1,218	$5,143
40	E1 Muni Street Ltg	176,506	$32,706	$12,277	$44,983
41	E2 Traffic Lights	62,462	$2,464	($1,875)	$589
42	Total Other	274,113	$39,095	$11,620	$50,715
43					
44	**Total All Classes**	46,669,130	$1,636,386	$101,096	$1,737,483

Notes:
• Present unmetered revenues are est.@ approximately 40%-D3.1; 65%-D9/E1/E2

(Continued from Sheet No. C-64.00)

C8 SURCHARGES AND CREDITS APPLICABLE TO POWER SUPPLY SERVICE (Contd.)

C8.5 SURCHARGES AND CREDITS APPLICABLE TO POWER SUPPLY SERVICE: Summary of surcharges and credits including PSCR, pursuant to sub-rules C8.1, , C8.4 of this rule. (Cents per kilowatthour or percent of base bill unless otherwise noted).

	PSCR (¢/kWh)	Total Power Supply Surcharges (excludes REPS) (¢/kWh)	REPS (*1*)
Residential			
D1 Residential	(0.020)	(0.020)	See C8.4
D1.1 Int. Space Conditioning	(0.020)	(0.020)	See C8.4
D1.2 Time-of-Day	(0.020)	(0.020)	See C8.4
D1.6 Special Low Income Pilot	(0.020)	(0.020)	See C8.4
D1.7 Geomthermal Time-of-Day	(0.020)	(0.020)	See C8.4
D1.8 Dynamic Peak Pricing	(0.020)	(0.020)	See C8.4
D1.9 Electric Vehicle	(0.020)	(0.020)	See C8.4
D2 Space Heating	(0.020)	(0.020)	See C8.4
D5 Water Heating	(0.020)	(0.020)	See C8.4
D9 Outdoor Lighting	***(0.020)***		***See C8.4***
Commercial			
D1.1 Int. Space Conditioning	(0.020)	(0.020)	See C8.4
D1.7 Geomthermal Time-of-Day	(0.020)	(0.020)	See C8.4
D1.8 Dynamic Peak Pricing	(0.020)	(0.020)	See C8.4
D1.9 Electric Vehicle	(0.020)	(0.020)	See C8.4
D3 General Service	(0.020)	(0.020)	See C8.4
D3.1 Unmetered	(0.020)	(0.020)	See C8.4
D3.2 Educ. Inst.	(0.020)	(0.020)	See C8.4
D3.3 Interruptible	(0.020)	(0.020)	See C8.4
D4 Large General Service	(0.020)	(0.020)	See C8.4
D5 Water Heating	(0.020)	(0.020)	See C8.4
D9 Outdoor Lighting	***(0.020)***		***See C8.4***
R3 Standby (Secondary)	(0.020)	(0.020)	See C8.4
R7 Greenhouse Lighting	(0.020)	(0.020)	See C8.4
R8 Space Conditioning	(0.020)	(0.020)	See C8.4
Industrial			
D6.2 Educ. Inst.	(0.020)	(0.020)	See C8.4
D8 Interruptible Primary	(0.020)	(0.020)	See C8.4
D10 Schools	(0.020)	(0.020)	See C8.4
D11 Primary Supply	(0.020)	(0.020)	See C8.4
R1.1 Metal Melting	(0.020)	(0.020)	See C8.4
R1.2 Electric Process Heating	(0.020)	(0.020)	See C8.4
R3 Standby (Primary)	(0.020)	(0.020)	See C8.4
R10 Interruptible Supply	NA	NA	See C8.4
Governmental			
E1 Streetlighting	***(0.020)***		***See C8.4***
E1.1 Energy Only	(0.020)	(0.020)	See C8.4
E2 Traffic Lights	NA		***See C8.4***
Electric Choice			
EC2 Retail Access	NA		NA

(Continued on Sheet No. C-66.00)

M.P.S.C. No. 1 - Electric __________ Revised Sheet No. C-66.00
DTE Electric Company Cancels__________ Revised Sheet No. C-66.00
(Final Order Case No. U-18014)

(Continued from Sheet No. C-65.00)

C9 SURCHARGES AND CREDITS APPLICABLE TO DELIVERY SERVICE

C9.1 Nuclear Surcharge (NS)

On January 1987 MPSC Order authorized the establishment of an external trust fund to finance the decommissioning of Fermi 2 Power Plant when its operating license expires. The Order approves a decommissioning surcharge on customer bills under which the funds are collected. Pursuant to Commission Order U-10102 dated January 21, 1994, a revised surcharge became effective with service rendered on and after January 22, 1994. In the same order, the Commission authorized the establishment of an external fund to finance the disposal of low-level radioactive waste during the operating life of Fermi 2 Power Plant. Pursuant to an order in Case No. U-14399, costs associated with site security and radiation protection services were removed from base rates and transferred to the Nuclear Surcharge. Pursuant to Commission Order U-16472 dated October 20, 2011, a revised surcharge became effective with service rendered on and after October 29, 2011 Pursuant to Commission Order in Case No. U-17767 a revised surcharge became effective with service rendered on and after December 17, 2015***. Pursuant to Commission Order in Case No. U-18014 a revised surcharge became effective with service rendered on and after_________.***

C9.2 Securitization Bond Charge (SBC) and Securitization Bond Tax Charge (SBTC)

On January 4, 2001 in its Order U-12478, the MPSC authorized the issuance of securitization bonds enabling DTE Electric's recovery of qualified costs in accordance with the Electric Choice and Electric Reliability Act of 2000. The issuance of the bonds reduced DTE Electric's overall cost structure and the net cost savings were reflected in 5% reductions in all of DTE Electric's retail rates. The Securitization Bond Charge was authorized by the MPSC and reflects the payment of principal and interest associated with the bonds as well as recovery of certain servicing and administrative costs. The Securitization Bond Tax Charge reflects the recovery of an income tax liability incurred by the Company arising from its collection of the Securitization Bond principal payments. The Securitization Bond and Securitization Bond Tax Charges are subject to an annual true-up. The current charges appear on Sheet No. C-70.00.

C9.3 HOLD FOR FUTURE USE

C9.4 HOLD FOR FUTURE USE

Continued on Sheet No. C-67.00)

Issued__________, 201_
D. M. Stanczak
Vice President
Regulatory Affairs

Detroit, Michigan

Effective for service rendered on
and after______________, 201_

Issued under authority of the
Michigan Public Service Commission
dated ____________, 201_ in Case No. U-18014

(Continued from Sheet No. C-67.00)

C9 SURCHARGES AND CREDITS APPLICABLE TO DELIVERY SERVICE (Contd.)

C9.6 Energy Optimization Surcharge (EOS)

On June 2, 2009, in Case No. U-15806, the MPSC authorized the implementation of an Energy Optimization Surcharge (EOS) for electric customers in accordance with the Clean, Renewable, and Energy Efficiency Act, PA295 of 2008. The EOS will be used to fund energy efficiency programs for DTE Electric customers. The EOS rates approved by the MPSC on November 5, 2015 in Case No. U-17832 will be effective beginning with bills rendered in January 2016. The total EOS for all residential customers is $0.003344 per kWh. The EOS for all metered Commercial, Industrial, and Governmental customers is a per meter, per month charge which is based on the total monthly energy consumption by rate as shown in the table below.

Voltage	Monthly Consumption	Customers Without Self Directed Plans Energy Optimization Surcharge	Customers With Self Directed Plans Energy Optimization Surcharge
Secondary	0 – 850 kWh	$1.20/meter/month	$0.10/meter/month
Secondary	851 – 1,650 kWh	$7.19/meter/month	$0.57/meter/month
Secondary	Above 1,650 kWh	$30.39/meter/month	$2.53/meter/month
Primary	0 – 11,500 kWh	$42.29/meter/month	$4.20/meter/month
Primary	Above 11,500 kWh	$435.40/meter/month	$42.05/meter/month

C9.7.6 HOLD FOR FUTURE USE

(Continued on Sheet No. C-69.00)

M.P.S.C. No. 1 - Electric ______________ Revised Sheet No. C-71.00
DTE Electric Company Cancels ______________ Revised Sheet No. C-71.00
(Final Order Case No. U-18014)

(Continued from Sheet No. C-69.00)

C9 SURCHARGES AND CREDITS APPLICABLE TO DELIVERY SERVICE: (Contd.)

C9.8 Summary of Surcharges and Credits: Summary of surcharges and credits, pursuant to sub-rules C9.1, C9.2, C9.6, and C9.7.9 of this rule. Cents per kilowatthour or percent of base bill, unless otherwise noted.

	NS ¢/kWh	EOS(1) ¢/kWh	Total Delivery Surcharges ¢/kWh	LIEAF Factor $/Billing Meter
Residential				
D1 Residential	***0.0728***	0.3344	***0.4019¢***	$.0.98
D1.1 Int. Space Conditioning	***0.0728***	0.3344	***0.4019¢***	N/A
D1.2 Time of Day	***0.0728***	0.3344	***0.4019¢***	N/A
D1.6 Special Low Income Pilot	***0.0728***	0.3344	***0.4019¢***	N/A
D1.7 Geothermal Time-of-Day	***0.0728***	0.3344	***0.4019¢***	N/A
D1.8 Dynamic Peak Pricing	***0.0728***	0.3344	***0.4019¢***	$.0.98
D1.9 Electric Vehicle	***0.0728***	0.3344	***0.4019¢***	N/A
D2 Space Heating	***0.0728***	0.3344	***0.4019¢***	$.0.98
D5 Wtr Htg	***0.0728***	0.3344	***0.4019¢***	N/A
D9 Outdoor Lighting	***0.0728***	0.3344		N/A
Commercial				
D1.1 Int. Space Conditioning	***0.0728***	See C9.6		$.0.98
D1.7 Geothermal Time –of- day	***0.0728***	See C9.6		$.0.98
D1.8 Dynamic Peak Pricing	***0.0728***	See C9.6		$.0.98
D1.9 Electric Vehicle	***0.0728***	See C9.6		$.0.98
D3 General Service	***0.0728***	See C9.6		$.0.98
D3.1 Unmetered	***0.0728***	See C9.6		N/A
D3.2 Educ. Inst.	***0.0728***	See C9.6		$.0.98
D3.3 Interruptible	***0.0728***	See C9.6		$.0.98
D4 Large General Service	***0.0728***	See C9.6		$.0.98
D5 Wtr Htg	***0.0728***	See C9.6		$.0.98
D9 Outdoor Lighting	***0.0728***	***See C9.6***		$0.98
R3 Standby Secondary	***0.0728***	See C9.6		$.0.98
R7 Greenhouse Lighting	***0.0728***	See C9.6		$.0.98
R8 Space Conditioning	***0.0728***	See C9.6		$.0.98
Industrial				
D6.2 Educ. Inst.	***0.0728***	See C9.6		$.0.98
D8 Interruptible Primary	***0.0728***	See C9.6		$.0.98
D10 Schools	***0.0728***	See C9.6		$.0.98
D11 Primary Supply	***0.0728***	See C9.6		$.0.98
R1.1 Metal Melting	***0.0728***	See C9.6		$.0.98
R1.2 Electric Process Heating	***0.0728***	See C9.6		$.0.98
R3 Standby Primary	***0.0728***	See C9.6		$.0.98
R10 Interruptible Supply	***0.0728***	See C9.6		$.0.98

(Continued on Sheet No. C-71.00)

Issued _________, 201_ Effective for service rendered on
D. M. Stanczak and after ________________, 201_
Vice President
Regulatory Affairs Issued under authority of the
Michigan Public Service Commission
Detroit, Michigan dated______________, 201_
in Case No. U-18014

M.P.S.C. No. 1 - Electric ______________ Revised Sheet No. C-71.00
DTE Electric Company Cancels ______________ Revised Sheet No. C-71.00
(Final Order Case No. U-18014)

(Continued from Sheet No. C-70.00)

C9 SURCHARGES AND CREDITS APPLICABLE TO DELIVERY SERVICE: (Contd.)

C9.8 Summary of Surcharges and Credits (Contd.)**:**

	NS ¢/kWh	**EOS(1)** ¢/kWh	**LIEAF Factor** $/Billing Meter
Governmental			
E1	***0.0728***	***See C9.6***	N/A
E1.1 Energy	***0.0728***	See C9.6	$.0.98
E2 Traffic	***0.0278***	***See C9.6***	N/A
Electric			
EC2 Secondary	***0.0728***	See C9.6	$.0.98
EC2 Primary	***0.0728***	See C9.6	$.0.98
EC2	***0.0728***	0.3344	$.0.98

(Continued on Sheet No. C-72.00

RATE SCHEDULE NO. D1 **RESIDENTIAL SERVICE RATE**

AVAILABILITY OF SERVICE: Available to customers desiring service for all residential purposes through one meter to a single or double occupancy dwelling unit including farm dwellings. A dwelling unit consists of a kitchen, bathroom, and heating facilities connected on a permanent basis. Service to appurtenant buildings may be taken on the same meter.

This rate is not available for common areas of separately metered apartments and condominium complexes, nor to a separate meter which serves a garage, boat well or other non-dwelling applications.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire. Where available, and the demand justifies, three-phase four-wire, Y connected service may be had at 208Y/120 volts nominally.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, three-wire service may be taken.

RATE PER DAY:

Full Service Customers:

Power Supply Charges:

Energy Charges:	***8.035***¢ per kWh for the first 17 kWh per day
	9.599¢ per kWh for excess over 17 kWh per day

Delivery Charges:

Service Charge:	$***7.50*** per month
Distribution Charge:	***5.576***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8. Applies only to actual consumption and not to the minimum charge.

Retail Access Service Customers:

Delivery Charges:

Service Charge:	$7.50per month
Distribution Charge:	***5.576***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. Applies only to actual consumption and not to the minimum charge.

(Continued on Sheet No. D-2.00)

(Continued from Sheet No. D-1.00)

RATE SCHEDULE NO. D1 (Contd.) **RESIDENTIAL SERVICE RATE**

Former Rate D1.3 Full Service Customers:

Power Supply Charges:

Energy Charges:	***8.035***¢ per kWh for the first 17 kWh per day
	9.599¢ per kWh for excess over 17 kWh per day

Delivery Charges:

Service Charge:	***$7.50*** per month
Distribution Charge:	***4.722***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8. Applies only to actual consumption and not to the minimum charge.

BILLING FREQUENCY: Based on a nominal 30-day month. See Section C4.5.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

CONTRACT TERM: Open order, terminable on three days' notice by either party. Where special services are required, the term will be as specified in the applicable contract rider.

LATE PAYMENT CHARGE: See Section C4.8.

INTERRUPTIBLE SPACE-CONDITIONING PROVISION: Rate D1.1 is available on an optional basis.

WATER HEATING SERVICE: Water heating service is available on an optional basis. See Schedule Designation No. D5.

INCOME ASSISTANCE SERVICE PROVISION (RIA): When service is supplied to a Principal Residence Customer, where the household receives a Home Heating Credit (HHC) in the State of Michigan, a credit shall be applied during all billing months. For an income assistance customer to qualify for this credit, the Company shall require annual evidence of the HHC energy draft or warrant. The customer may also qualify for this credit upon confirmation by an authorized State or Federal agency verifying that the customer's total household income does not exceed 150% of the poverty level as published by the United States department of health and human services or if the customer receives any of the following: i) Assistance from a state emergency relief program; ii) Food stamps or iii) Medicaid.

The monthly credit for the residential Income Assistance Service Provision shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service and Retail Open Access customers.
Income Assistance Credit: $(***7.50***) per customer per month

(Continued on Sheet No. D-2.01)

RATE SCHEDULE NO. D1.1 **INTERRUPTIBLE SPACE-CONDITIONING SERVICE RATE**

AVAILABILITY OF SERVICE: Available on an optional basis to Residential and Commercial customers desiring separately metered interruptible service for central air conditioning and/or central heat pump use. Customers who have more than one heat pump and/or air-conditioning unit which serves their business or home, will not be permitted to have only a portion of their load on the rate, all units will be interrupted upon the signal from the Company. Installations must conform with the Company's specifications. This rate is not available to commercial customers being billed on a demand rate.

HOURS OF SERVICE: 24 hours.

HOURS OF INTERRUPTION: Central air-conditioning and/or heat pump units only will be turned off by the Company by remote control on selected days for intervals of no longer than thirty minutes in any hour for no more than eight hours in any one day. Company interruptions may include interruptions for, but not limited to maintaining system integrity, making an emergency purchase, economic reasons, or when available system generation is insufficient to meet anticipated system load.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire. Where available, and the demand justifies, three-phase four wire, Y connected service may be had at 208Y/120 volts nominally.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, three-wire service may be taken.

RATE PER MONTH: For separately metered space-conditioning service.

Full Service Customers:

Residential Power Supply Charges:

Energy Charge (June through October):	***6.930***¢ per kWh for all kWh
Energy Charge (November through May):	***4.392***¢ per kWh for all kWh

Residential Delivery Charges:

Service Charge (June through October):	$1.95 per month
Distribution Charge (Year-round):	***5.576***¢ per kWh for all kWh

Commercial Power Supply Charges:

Energy Charge (June through October):	***7.449***¢ per kWh for all kWh
Energy Charge (November through May):	***4.880***¢ per kWh for all kWh

Commercial Delivery Charges:

Service Charge (June through October):	$1.95 per month
Distribution Charge (Year-round):	***3.084***¢ per kWh for all kWh

(Continued on Sheet No. D-5.00)

(Continued from Sheet No. D-4.00)

RATE SCHEDULE NO. D1.1 (Contd.) **INTERRUPTIBLE SPACE-CONDITIONING SERVICE RATE**

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8. Applies only to actual consumption and not to the minimum charge.

Retail Access Service Customers:

Residential Delivery Charges:

Service Charge June through October):	$1.95 per month
Distribution Charge (Year-round):	***5.576***¢ per kWh for all kWh

Commercial Delivery Charges:

Service Charge June through October):	$1.95 per month
Distribution Charge (Year-round):	***3.084***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. Applies only to actual consumption and not to the minimum charge.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

CONTRACT TERM: Open order, terminable on three days' written notice by either party. Where special services are required, the term will be as specified in the applicable contract rider.

RATE SCHEDULE NO. D1.2 **RESIDENTIAL TIME-OF-DAY SERVICE RATE**

AVAILABILITY OF SERVICE: Available on an optional basis to customers who desire time of day service for their residential dwelling. Customers who select this rate must qualify for the Residential Service Rate D1. This rate is available to no more than ***2***0,000 customers per year.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:
Energy Charge (June through October):
13.163¢ per kWh for all On-peak kWh
4.431¢ per kWh for all Off-peak kWh

Energy Charge (November through May):
11.120¢ per kWh for all On-peak kWh
4.258¢ per kWh for all Off-peak kWh

On-Peak Hours: All kWh used between 1100 and 1900 hours Monday through Friday.
Off-Peak Hours: All other kWh used.

Delivery Charges:
Service Charge: ***$7.50*** per month
Distribution Charge: ***5.576***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Delivery Charges:
Service Charge: ***$7.50*** per month
Distribution Charge: ***5.576***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8.

(Continued on Sheet No. D-7.00)

RATE SCHEDULE NO. D1.6 RESIDENTIAL SERVICE SPECIAL LOW INCOME PILOT RATE

AVAILABILITY OF SERVICE: Customers who select this pilot rate must qualify for the Residential Service rate D1 and must have been billed by the Company $1,700 or less over the last 12 months. To qualify for this pilot rate a customer must also provide annual evidence of receiving a Home Heating Credit (HHC) energy draft or warrant, or must provide confirmation by an authorized State or Federal agency verifying that the customer's total household income does not exceed 150% of the poverty level as published by the United States department of health and human services or if the customer receives any of the following: i) Assistance from a state emergency relief program; ii) Food stamps or iii) Medicaid. Service under this rate shall be limited to 32,000 customers.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire. Where available, and the demand justifies, three-phase four-wire, Y connected service may be had at 208Y/120 volts nominally.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, three-wire service may be taken.

RATE PER DAY:

Full Service Customers:

Power Supply Charges:

Energy Charges:	***8.035¢*** per kWh for the first 17 kWh per day
	9.599¢ per kWh for excess over 17 kWh per day

Delivery Charges:

Service Charge:	***$7.50*** per month
Distribution Charge:	***5.576¢*** per kWh for all kWh
Special Low Income Discount:	($40.00) per month

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8. Applies only to actual consumption and not to the minimum charge.

Retail Access Service Customers:

Delivery Charges:

Service Charge:	***$7.50*** per month
Distribution Charge:	***5.576¢*** per kWh for all kWh
Special Low Income Discount:	($40.00) per month

Surcharges and Credits: As approved by the Commission. See Section C9.8.

(Continued on Sheet No. D-12.02)

M.P.S.C. No. 1 - Electric
DTE Electric Company
(Final Order Case No. U-18014)

_______ Revised Sheet No. D-13.00
Cancels _______ Revised Sheet No. D-13.00

RATE SCHEDULE NO. D1.7 **GEOTHERMAL TIME-OF-DAY RATE**

AVAILABILITY OF SERVICE: Available on an optional basis to residential customers desiring separately metered service for approved geothermal space conditioning and/or water heating. To qualify for the rate the water heater must be for sanitary purposes with the tank size, design and method of installation approved by the company. The space conditioning equipment must be permanently installed.

HOURS OF SERVICE: 24 Hours

CURRENT, PHASE AND VOLTAGE: Same as D1 and D3 Rates

CONTRACT TERM: The customer shall contract to remain on this rate for at least 12 months terminable on three days notice after the initial 12 months by either party. Where special services are required, the term will be specified on the applicable contract rider.

INSULATION STANDARDS FOR ELECTRIC HEATING: See Section C4.9.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

LATE PAYMENT CHARGE: See Section C4.8.

RATE PER DAY:

Full Service Customers:

Residential Power Supply Charges:
Energy Charge (June through September):
12.853¢ per kWh for all On-peak kWh
4.257¢ per kWh for all Off-peak kWh

Energy Charge (October through May):
5.554¢ per kWh for all On-peak kWh
4.363¢ per kWh for all Off-peak kWh

On-Peak Hours: All kWh used between ***1100*** and 1900 hours Monday through Friday.
Off-Peak Hours: All other kWh used.

Residential Delivery Charges:
Service Charge: 6.70¢ per day
Distribution Charge: ***3.919***¢ per kWh for all kWh

(Continued on Sheet No. D-14.00)

Issued _________, 201_
D. M. Stanczak
Vice President
Regulatory Affairs

Detroit, Michigan

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(Continued from Sheet No. D-13.00)

RATE SCHEDULE NO. D1.7 (Contd.) ***GEOTHERMAL*** **TIME-OF-DAY RATE**

Commercial Power Supply Charges:

Energy Charge (June through September):
5.488¢ per kWh for all On-peak kWh
4.103¢ per kWh for all Off-peak kWh

Energy Charge (October through May):
4.395¢ per kWh for all On-peak kWh
4.395¢ per kWh for all Off-peak kWh

On-Peak Hours: All kWh used between 1***1***00 and 1900 hours Monday through Friday.
Off-Peak Hours: All other kWh used.

Commercial Delivery Charges:

Service Charge: 6.70¢ per day
Distribution Charge: ***1.943***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Residential Delivery Charges:

Service Charge: 6.70¢ per day
Distribution Charge: ***3.919***¢ per kWh for all kWh

Commercial Delivery Charges:

Service Charge: 6.70¢ per day
Distribution Charge: ***1.943***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8.

(Continued from Sheet No. D-14.01)

RATE SCHEDULE NO. D1.8 (Contd.) ***DYNAMIC PEAK PRICING RATE***

CHARGES:

Full Service Residential Customers:

Power Supply Charges:

Energy Charges:	***14.185***¢ per kWh for all On-Peak kWh
	8.274¢ per kWh for all Mid-Peak kWh
	4.728¢ per kWh for all Off-Peak kWh
	$0.95 per kWh for all kWh during Critical Peak Hours

Delivery Charges:

Service Charge:	$***7.50*** per month
Distribution Charge:	***5.576***¢ per kWh for all kWh

Full Service Secondary Commercial and Industrial Customers:

Power Supply Charges:

Energy Charges:	***14.282***¢ per kWh for all On-Peak kWh
	8.331¢ per kWh for all Mid-Peak kWh
	4.761¢ per kWh for all Off-Peak kWh
	$0.95 per kWh for all kWh during Critical Peak Hours

Delivery Charges:

Service Charge:	$***11.25*** per month
Distribution Charge:	***3.884***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

SCHEDULE OF HOLIDAYS: See Section C11

CONTRACT TERM: The customer shall contract to remain on this rate for at least 12 months terminable on three days' notice after the initial 12 months by either party.

LATE PAYMENT CHARGE: See Section C4.8.

M.P.S.C. No. 1 - Electric ___________ Revised Sheet No. D-14.03
DTE Electric Company Cancels ___________ Revised Sheet No. D-14.03
(Final Order Case No. U-18014)

RATE SCHEDULE NO. D1.9 **EXPERIMENTAL ELECTRIC VEHICLE RATE**

AVAILABILITY OF SERVICE: Available on an optional basis to residential and commercial customers desiring separately metered service for the sole purpose of charging licensed electric vehicles. Installations must conform to the Company's specifications. Service under this tariff is limited to 5,000 customers. Service on this rate is limited to electric vehicles that are SAE J1772 compliant, and all vehicles shall be registered and operable on public highways in the State of Michigan to qualify for this rate. Low-speed electric vehicles including golf carts are not eligible to take service under this rate even if licensed to operate on public streets. The customer may be required to provide proof of registration of the electric vehicle to qualify for the program.

HOURS OF SERVICE: 24 Hours

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at ***120/***240 volts, three wire. In certain city districts, alternating current is supplied from a Y connected secondary network from which ***120/***208 volts, three-wire service may be taken

CONTRACT TERM: Open order, terminable on three days' notice by either party. Where special services are required, the term will be as specified on the applicable contract rider.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

LATE PAYMENT CHARGE: See Section C4.8.

OPTION 1: TIME OF DAY PRICING

Full Service Customers:

Power Supply Charges:

Energy Charge:

16.199¢ per kWh for all On-peak kWh
4.050¢ per kWh for all Off-peak kWh

On-Peak Hours: All kWh used between 9 am and 11 pm Monday through Friday.
Off-Peak Hours: All other kWh used.

Delivery Charges:

Service Charge: $1.95 per month
Distribution Charge: ***5.576***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Delivery Charges:

Service Charge: $1.95 per month
Distribution Charge: ***5.576***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

(Continued on Sheet No. D-14.04)

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D. M. Stanczak
Vice President
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Detroit, Michigan

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(Continued from Sheet No. D-14.03)

RATE SCHEDULE NO. D1.9 (Contd.) **EXPERIMENTAL ELECTRIC VEHICLE RATE**

OPTION 2: MONTHLY FLAT FEE (Residential only)*:*

Monthly Fee: *$46.28* per month per vehicle.

Surcharges and Credits: Included in monthly flat fee.

The monthly flat-fee option shall be limited to 250 customers.

SPECIAL TERMS AND CONDITIONS:

Service under this rate must be supplied through a separately metered circuit and approved electric vehicle charging equipment. Installations must conform with the Company's specifications.

M.P.S.C. No. 1 - Electric
DTE Electric Company
(Final Order Case No. U-18014)

________ Revised Sheet No. D-15.00
Cancels ________ Revised Sheet No. D-15.00

RATE SCHEDULE NO. D2 **RESIDENTIAL SPACE HEATING RATE**

AVAILABILITY OF SERVICE: Available on an optional basis to customers desiring service for all residential purposes to a single or double occupancy dwelling unit including farm dwellings. All of the space heating must be total electric installed on a permanent basis and served through one meter. This rate also available to customers with add-on heat pumps and fossil fuel furnaces served on this rate prior to July 16, 1985. The design and method of installation and control of equipment as adopted to this service are subject to approval by the Company. This rate is also available to customers with electric heat assisted with a renewable heat source.

This rate is available only to dwellings being served on this rate prior to December 17, 2015.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire. Where available, and the demand justifies, three-phase four-wire, Y connected service may be had at 208Y/120 volts nominally. In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volt three-wire service may be taken.

RATE PER DAY:

Full Service Customers:

Power Supply Charges:

Energy Charges: (June through October):	***8.035***¢ per kWh for the first 17 kWh per day
	9.599¢ per kWh for over 17 kWh per day
Energy Charges: (November through May):	***6.573***¢ per kWh for the first 20 kWh per day
	5.260¢ per kWh for over 20 kWh per day

Delivery Charges:

Service Charge	$***7.50*** per month
Distribution Charge: (June through October):	***5.576***¢ per kWh for all kWh
Distribution Charge: (November through May):	***5.576***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8. Applies only to actual consumption and not to the minimum charge

Retail Access Service customers:

Delivery Charges:

Service Charge	$***7.50*** per month
Distribution Charge: (June through October):	***5.576***¢ per kWh for all kWh
Distribution Charge: (November through May):	***5.576***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. Applies only to actual consumption and not to the minimum charge.

(Continued on Sheet No. D-16.00)

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RATE SCHEDULE NO. D3 **GENERAL SERVICE RATE**

AVAILABILITY OF SERVICE: Available to customers desiring service for any purpose, except that this rate is not available for service in conjunction with the Large General Service Rate. At the Company's option, service may be available to loads in excess of 1000 kW for situations where significant modifications to service facilities are not required to serve the excess load. Effective May 27, 1981, this rate is not available to customers desiring service through one meter for residential purposes to a single or double occupancy dwelling unit.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire; or three-phase four-wire, Y connected at 208Y/120 volts; or under certain conditions three-phase four-wire, Y connected at 480Y/277 volts.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, single-phase three-wire; or 208Y/120 volts, three-phase four-wire service may be taken.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Energy Charge:	***7.743***¢ per kWh for all kWh

Delivery Charges:

Service Charge:	$***11.25*** per month
Distribution Charge:	***3.920***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Delivery Charges:

Service Charge:	$***11.25*** per month
Distribution Charge:	***3.920***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

(Continued on Sheet No. D-19.00)

RATE SCHEDULE NO. D3.1 **UNMETERED GENERAL SERVICE RATE**

AVAILABILITY OF SERVICE: Available at the option of the Company to customers for loads that can be readily calculated and are impractical to meter.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire; or three-phase four-wire, Y connected at 208Y/120 volts; or under certain conditions three-phase four-wire, Y connected at 480Y/277 volts.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, three-wire; or 208Y/120 volts, three-phase four-wire service may be taken.

SERVICE CONNECTIONS: The customer is to furnish and maintain all necessary wiring and equipment, or reimburse the Company therefore. Connections are to be brought to the Company's underground or overhead lines by the customer as directed by the Company, and the final connections to the Company's line are to be made by the Company.

Conversion and/or relocation of existing facilities must be paid for by the customer, except when initiated by the Company. The detailed provisions and schedule of such charges will be quoted upon request.

RATE: ***10.477*¢** per month per kilowatthour of the total connected load in service for each customer. Loads operated cyclically will be prorated. This rate is based on 350 hours per month. Proration of cyclical loads will not apply when hours of operation are within 10% of base. Proration may either increase or decrease connected load.

The Company may, at its option, install meters and apply a standard metered rate schedule applicable to the service.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: $3.00 per month.

CONTRACT TERM: Open order on a month-to-month basis.

RATE SCHEDULE NO. D3.2 **SECONDARY EDUCATIONAL INSTITUTION RATE**

AVAILABILITY OF SERVICE: Available to Educational Institution (school, college, university) customer locations desiring service at secondary voltage. School shall mean buildings, facilities, playing fields, or property directly or indirectly used for school purposes for children in grades kindergarten through twelve, when provided by a public or nonpublic school. School does not include instruction provided in a private residence or proprietary trade, vocational training, or occupational school. “College” or “University” shall mean buildings owned by the same customer which are located on the same campus and which constitute an integral part of such college or university facilities.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire; or three-phase four-wire, Y connected at 208Y/120 volts; or under certain conditions three-phase four-wire, Y connected at 480Y/277 volts.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, single-phase three-wire; or 208Y/120 volts, three-phase four-wire service may be taken.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:
Energy Charge: ***6.292***¢ per kWh for all kWh

Delivery Charges:
Service Charge: $***11.25*** per month
Distribution Charge: ***2.354***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Delivery Charges:
Service Charge: $***11.25*** per month
Distribution Charge: ***2.354***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8.

LATE PAYMENT CHARGE: See Section C4.9.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

(Continued on Sheet No. D-20.02)

RATE SCHEDULE NO. D3.3 **INTERRUPTIBLE GENERAL SERVICE RATE**

AVAILABILITY OF SERVICE: Available to no more than 300 customers desiring interruptible service in conjunction with service taken under the general service rate. Service to interruptible load shall be taken through separately metered circuits and permanently wired. The design and method of installation for application of this rate shall be subject to the approval of the Company. Service to interruptible load may not be transferred to firm service circuits to avoid interruption. At the Company's option, in lieu of the requirement for separately metered circuits and associated interrupted equipment the customer may elect to have interval demand metering installed in order to monitor compliance when called to interrupt load. Customers electing this option will pay a $25.00 per month service charge instead of the normal $***11.25*** per month service charge. This rate is not available for loads that are primarily off-peak, such as outdoor lighting.

HOURS OF SERVICE: 24 hours except as described below.

HOURS OF INTERRUPTION: All electric power delivered hereunder shall be subject to interruption by the Company, by remote control signal. Company interruptions may include interruptions for, but not limited to, maintaining system integrity, making an emergency purchase, economic reasons, or when available system generation is insufficient to meet anticipated system load.

NON-INTERRUPTION PENALTY: A customer who does not interrupt within one hour following a system integrity interruption order shall be billed at the rate of $10 per kW for the highest 30-minute kW demand created during the interruption period for all usage above the customer's firm demand, in addition to the prescribed monthly rate. In addition, the interruptible contract capacity of a customer who does not interrupt within one hour following notice shall be immediately reduced by the amount by which the customer failed to interrupt, unless the customer demonstrates that failure to interrupt was beyond its control.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire; or three-phase four-wire, Y connected at 208Y/120 volts; or under certain conditions three-phase four-wire, Y connected at 480Y/277 volts.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, single-phase three-wire; or 208Y/120 volts, three-phase four-wire service may be taken.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:
Energy Charge: ***6.469***¢ per kWh for all kWh

Delivery Charges:
Service Charge: $***11.25*** per month
Distribution Charge: ***3.682***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

(Continued on Sheet No. D-22.00)

(Continued from Sheet No. D-21.00)

RATE SCHEDULE NO. D3.3 (Contd.) **INTERRUPTIBLE GENERAL SERVICE RATE**

Retail Access Service Customers:

Delivery Charges:

Service Charge:	$***11.25*** per month
Distribution Charge:	***3.682***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

CONTRACT TERM: Open order, terminable on three days' written notice by either party. However, where special services are required or where the investment to serve is out of proportion to the revenue derived there from, the contract term will be as specified in the applicable contract rider or Extension of Service Agreement.

M.P.S.C. No. 1 - Electric
DTE Electric Company
(Final Order Case No. U-18014)

_________ Revised Sheet No. D-24.00
Cancels _________ Revised Sheet No. D-24.00

RATE SCHEDULE NO. D4 **LARGE GENERAL SERVICE RATE**

AVAILABILITY OF SERVICE: Available to customers desiring service for any purpose, except that this rate is not available for service in conjunction with the General Service Rate.

Effective May 27, 1981, this rate is not available to customers desiring service through one meter for residential purposes to a single or double occupancy dwelling unit.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire; or three-phase four-wire, Y connected at 208Y/120 volts; or under certain conditions three-phase four-wire, Y connected at 480Y/277 volts.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, single-phase three-wire; or 208Y/120 volts, three-phase four-wire service may be taken.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Demand Charge:	$***13.88*** per kW applied to the Monthly Billing Demand
Energy Charges:	***4.7806***¢ per kWh for the first 200 kWh per kW of billing demand
	3.7806¢ per kWh for the excess

Delivery Charges:

Service Charge:	$13.67 per month
Distribution Demand Charge:	$***10.79*** per kW applied to the Monthly Billing Demand

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Delivery Charges:

Service Charge:	$13.67 per month
Distribution Demand Charge:	$***10.79*** per kW applied to the Monthly Billing Demand

Surcharges and Credits: As approved by the Commission. See Section C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: All applicable demand charges plus the service charge and any applicable per meter per month surcharge.

(Continued on Sheet No. D-25.00)

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RATE SCHEDULE NO. D5 **WATER HEATING SERVICE RATE**

AVAILABILITY OF SERVICE: Available to customers using hot water for sanitary purposes (other uses subject to the approval of the Company) and taking service under Residential and General Service Rate Schedules. This rate is also available to customers with solar assisted hot water heaters. Company approved waste heat reclamation systems and heat pump water heaters when used in conjunction with an approved electric water heater are also acceptable for use.

Available to customers who desire controlled water heating service to all of the heating elements of electric water heaters, the design and method of installation of which are approved by the Company as adapted to this service, taken through a separately metered circuit to which no other load except water heating may be connected.

HOURS OF SERVICE: The daily use of all controlled water heating service will be controlled by a timer or other monitoring device. Control of service shall not exceed 4 hours per day, said hours to be established from time to time by the Company.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 240 volts, three-wire, except that, in certain city districts, alternating current service at 208 volts, nominal, three-wire, or three-phase at the option of the Company.

RATE PER MONTH:

Full Service Customers:

Residential Power Supply Charges:
Energy Charge: ***4.576***¢ per kWh for all kWh

Residential Delivery Charges:
Service Charge: $1.95 per month
Distribution Charge: ***5.576***¢ per kWh for all kWh

Commercial Power Supply Charges:
Energy Charge: ***4.558***¢ per kWh for all kWh

Commercial Delivery Charges:
Service Charge: $1.95 per month
Distribution Charge: ***2.266***¢ per kWh for all kWh

(Continued on Sheet No. D-27.00)

(Continued from Sheet No. D-26.00)

RATE SCHEDULE NO. D5 (Contd.) **WATER HEATING SERVICE RATE**

Retail Access Service Customers:

Residential Delivery Charges:
Service Charge: $1.95 per month
Distribution Charge: ***5.576***¢ per kWh for all kWh

Commercial Delivery Charges:
Service Charge: $1.95 per month
Distribution Charge: ***2.226***¢ per kWh for all kWh

SURCHARGES AND CREDITS: As approved by the Commission. Power Supply Charges are subject to Section C8.5. Delivery Charges are subject to Section C9.8.

CONTRACT TERM: Open order, terminable or three days' notice by either party. Where special services are required, the term will be as specified in the applicable contract rider.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

WATER HEATER REQUIREMENTS FOR WATER HEATER RATE APPLICATION:

Rate Option	Minimum Tank Capacity*	Maximum Total Connected Load**
Residential	30 gallons	5.5 kW

Rate Option	Minimum Tank Capacity*	Maximum Total Connected Load**
Commercial	2 gallons per kW of total connected load 40 gallon minimum	Controlled by minimum tank capacity requirements

*No limitation to number of tanks
**Single or multi-element

RATE SCHEDULE NO. D6.2 **PRIMARY EDUCATIONAL INSTITUTION RATE**

AVAILABILITY OF SERVICE: Available to Educational Institution (school, college, university) customer locations desiring service at primary, sub-transmission, or transmission voltage who contract for a specified capacity of not less than 50 kilowatts at a single location. School shall mean buildings, facilities, playing fields, or property directly or indirectly used for school purposes for children in grades kindergarten through twelve, when provided by a public or nonpublic school. School does not include instruction provided in a private residence or proprietary trade, vocational training, or occupational school. "College" or "University" shall mean buildings owned by the same customer which are located on the same campus and which constitute an integral part of such college or university facilities.

HOURS OF SERVICE: 24 hours, subject to interruption by agreement, or by advance notice.

CURRENT, PHASE AND VOLTAGE: Alternating current, three-phase, nominally at 4,800, 13,200, 24,000, 41,570 or 120,000 volts at the option of the Company.

CONTRACT CAPACITY: Customers shall contract for a specified capacity in kilowatts sufficient to meet normal maximum requirements but not less than 50 kilowatts. The Company undertakes to provide the necessary facilities for a supply of electric power from its primary distribution system at the contract capacity. Any single reading of the demand meter in any month that exceeds the contract capacity then in effect shall become the new contract capacity. The contract capacity for customers served at more than one voltage level shall be the sum of the contract capacities established for each voltage level.

RATE PER MONTH:
Full Service Customers:
Power Supply Charges:
Demand Charge: $***12.30*** per kW of on-peak billing demand
Energy Charges: ***4.808***¢ per kWh for all on-peak kWh
4.508¢ per kWh for all off-peak kWh
Voltage Level Discount:
0.274¢ per kWh at transmission level
0.181¢ per kWh at subtransmission level
Delivery Charges:
Primary Service Charge: $275 per month
Subtransmission and Transmission Service Charge: $375 per month
Distribution Charges:
For primary service (less than 24 kV) $***3.96*** per kW of maximum demand.
For service at subtransmission voltage (24 to 41.6 kV) $***1.54*** per kW of maximum demand.
For service at transmission voltage (120 kV and above) $***0.73*** per kW of maximum demand.

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $0.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of 0.040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

(Continued on Sheet No. D-36.02)

M.P.S.C. No. 1 - Electric _________ Revised Sheet No. D-36.02
DTE Electric Company Cancels _________ Revised Sheet No. D-36.02
(Final Order Case No. U-18014)

(Continued from Sheet No. D-36.01)

RATE SCHEDULE NO. D6.2 (Contd.) **PRIMARY EDUCATIONAL INSTITUTION RATE**

Retail Access Service Customers:

Delivery Charges:

Primary Service Charge: $275 per month

Subtransmission and Transmission Service Charge: $375 per month

Distribution Charges:

For primary service (less than 24 kV) $***3.96*** per kW of maximum demand.

For service at subtransmission voltage (24 to 41.6 kV) $***1.54*** per kW of maximum demand.

For service at transmission voltage (120 kV and above) $***0.73*** per kW of maximum demand.

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $0.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of 0.040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Section C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

DEFINITION OF CUSTOMER VOLTAGE LEVEL: See Section C13.

MONTHLY ON-PEAK BILLING DEMAND: The monthly on-peak billing demand shall be the single highest 30-minute integrated reading of the demand meter during the on-peak hours of the billing period. The monthly on-peak billing demand will not be less than 65% of the highest monthly on-peak metered billing demand during the billing months of June, July, August, September, and October of the preceding eleven billing months, nor less than 50 kilowatts.

MAXIMUM DEMAND: The maximum demand shall be the highest 30-minute demand created during the previous 12 billing months, including the current month but not less than 50% of contract capacity. This clause is applicable to each voltage level served.

MINIMUM CHARGE: All applicable demand charges plus the service charge and any applicable per meter per month surcharges.

SCHEDULE OF ON-PEAK HOURS: See Section C11.

POWER FACTOR CLAUSE:

Full Service Customers:

The rates and charges under this tariff are based on the customer maintaining a power factor of not less than 85% lagging. Any power factor less than 70% will not be permitted and the customer will be required to install at his own expense such corrective equipment as may be necessary to improve power factor. A penalty will be applied to the total amount of the monthly billing for electric energy for power factor below 85% lagging in accordance with the table in Power Factor Determination, Section C12. The Power Factor Clause shall not be applied to the on-peak billing demand ratchet or to the minimum contract demand, but will be applied to metered quantities.

(Continued on Sheet No. D-36.03)

Issued _________, 201_
D. M. Stanczak
Vice President
Regulatory Affairs

Detroit, Michigan

Effective for service rendered on
and after ____________, 201_

Issued under authority of the
Michigan Public Service Commission
dated ____________, 201_
in Case No. U-18014

RATE SCHEDULE NO. D8 **INTERRUPTIBLE SUPPLY RATE**

AVAILABILITY OF SERVICE: Available to customers desiring separately metered service at primary voltage who contract for a specified quantity of demonstrated interruptible load of not less than 50 kilowatts at a single location. Contracted interruptible capacity on this rate is limited to ***300*** megawatts.

HOURS OF INTERRUPTION: All electric power delivered hereunder shall be subject to curtailment on order of the Company. Customers may be ordered to interrupt only when the Company finds it necessary to do so either to maintain system integrity or when the existence of such loads shall lead to a capacity deficiency by the utility. A System Integrity Interruption Order may be given by the Company when the failure to interrupt will contribute to the implementation of the rules for emergency electrical procedures under Section C3. A Capacity Deficiency Interruption Order may be given by the Company when available system generation is insufficient to meet anticipated system load.

NOTICE OF INTERRUPTION: The customer shall be provided, whenever possible, notice in advance of probable interruption and the estimated duration of the interruption.

NON-INTERRUPTION FEE: Customers who do not interrupt within one hour following notice of a capacity deficiency interruption order shall be billed at the cost of replacement energy plus 0.576¢ per kWh during the time of interruption plus the applicable voltage level charge, but not less than the normal D8 rate. Voltage level charges for service other than transmission voltage are:

0.214¢ per kWh at the distribution level.
0.0141¢ per kWh at the subtransmission level.

NON-INTERRUPTION PENALTY: A customer who does not interrupt within one hour following a system integrity interruption order shall be billed at the rate of $10 per kW for the highest 30-minute kW demand created during the interruption period for all usage above the customer's firm demand, in addition to the prescribed monthly rate. In addition, the interruptible contract capacity of a customer who does not interrupt within one hour following notice shall be immediately reduced by the amount by which the customer failed to interrupt, unless the customer demonstrates that failure to interrupt was beyond its control.

CURRENT, PHASE AND VOLTAGE: Alternating current, three-phase, nominally at 4,800, 13,200, 24,000, 41,570 or 120,000 volts at the option of the Company.

CONTRACT CAPACITY: Customers shall contract for a specified capacity in kilowatts sufficient to meet maximum interruptible requirements, but not less than 50 kilowatts. Any single reading of the demand meter in any month that exceeds the contract capacity then in effect shall become the new contract capacity. The interruptible contract capacity shall not include any firm power capacity, except under Product Protection Provision.

(Continued on Sheet No. D-41.00)

(Continued from Sheet No. D-40.00)

RATE SCHEDULE NO. D8 (Contd.) **INTERRUPTIBLE SUPPLY RATE**

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Demand Charge: $***10.32*** per kW of on-peak billing demand
Energy Charge: ***4.330***¢ per kWh for all on-peak kWh
3.330¢ per kWh for all off-peak kWh

Voltage Level Discount:

0.214¢ per kWh at transmission level
0.0141¢ per kWh at subtransmission level

Delivery Charges:

Primary Service Charge:	$275 per month
Subtransmission and Transmission Service Charge:	$375 per month

Distribution Charges:

For primary service (less than 24 kV) $***3.96*** per kW of maximum demand.
For service at subtransmission voltage (24 to 41.6 kV) $***1.54*** per kW of maximum demand.
For service at transmission voltage (120 kV and above) $***0.73*** per kW of maximum demand.

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $0.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of 0.040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

(Continued on Sheet No. D-42.00)

(Continued from Sheet No. D-41.00)

RATE SCHEDULE NO. D8 (Contd.) **INTERRUPTIBLE SUPPLY RATE**

Retail Access Service customers:

Delivery Charges:

Primary Service Charge***:*** $275 per month
Subtransmission and Transmission Service Charge: $375 per month
Distribution Charges:
For primary service (less than 24 kV) $***3.96*** per kW of maximum demand.
For service at subtransmission voltage (24 to 41.6 kV) $***1.54*** per kW of maximum demand.
For service at transmission voltage (120 kV and above) $***0.73*** per kW of maximum demand.

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of .040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Section C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

DEFINITION OF CUSTOMER VOLTAGE LEVEL: See Section C13.

MONTHLY ON-PEAK BILLING DEMAND: The monthly on-peak billing demand shall be the single highest 30-minute integrated reading of the demand meter during the on-peak hours of the billing period. In no event will the monthly on-peak billing demand be less than 65% of the highest monthly on-peak metered billing demand during the billing months of June, July, August, September, and October of the preceding eleven billing months, nor less than 50 kilowatts.

MAXIMUM DEMAND: The maximum demand shall be the highest 30-minute demand created during the previous 12 billing months, including the current month but not less than 50% of contract capacity. This clause is applicable to each voltage level served.

MINIMUM CHARGE: All applicable demand charges plus the service charge and any applicable per meter per month surcharges.

ON-PEAK HOURS: See Section C11.

(Continued on Sheet No. D-43.00)

AVAILABILITY OF SERVICE: Customers desiring controlled service for outdoor protective lighting on premises where the customer is presently taking electric service under a standard metered rate schedule.

HOURS OF SERVICE: Dusk to dawn service controlled by photo-sensitive devices which provide service every night and all night for approximately 4200 hours per year.

KIND OF SERVICE: Multiple lighting from overhead and underground lines. The Company will own, operate and maintain the lights. Burned out lights must be reported by the customer and the Company will undertake to replace the lights as soon as possible during regular working hours.

SPECIAL ORDER MATERIAL PROVISION; For decorative or ornamental special order material, there maybe an additional per luminaire per month charge for procurement and material handling.Company and Customer to mutually agree upon charges.

RATES: As shown on Sheet No. D-45.00 and D-46.00.

BILLING: Billing will be on a monthly basis using the annual rate divided by twelve and rounded to the nearest cent.

SURCHARGES AND CREDITS: As approved by the Commission. Applicable surcharges and credits are listed in Sections C8.5 and C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

CONTRACT TERM: Contracts for overhead and underground service were taken for a minimum of five years. Conversion and/or relocation of existing lighting facilities must be paid for by the customer, except where initiated by the Company. The detailed provisions and schedule of such charges will be quoted upon request.

SPECIAL TERMS AND CONDITIONS: Outdoor protective lighting is intended primarily for installations served from existing secondary facilities. All lights will be installed so as to overhang private property at locations satisfactory to the customer and the Company. However, exceptions can be made for floodlight installations to overhang public property where practical.

The stated charges for underground service on Sheet No. D-46.00 cover the ordinary trenching for cable extensions under normal soil conditions in cleared areas.

(Continued on Sheet No. D-45.00)

M.P.S.C. No. 1 - Electric
DTE Electric Company
(Final Order Case No. U-18014)

_________ Revised Sheet No. D-45.00
Cancels _________ Revised Sheet No. D-45.00

(Continued from Sheet No. D-44.00)

RATE SCHEDULE NO. D9 (Contd.) **OUTDOOR PROTECTIVE LIGHTING**

(1) Special purpose facilities are considered to be line or cable extensions, transformers, and any additional poles without lights, excluding facilities provided under stated charges on Sheet No. D-45.00. Where special purpose facilities are required, a service charge of 18% per year on the investment in such facilities will be billed in installments as an addition to the regular rate for each light. In the event the customer discontinues service before the end of the contract term, the established rate as well as the service charge on special purpose facilities for the remaining portion of the contract term shall immediately become due and payable. This provision was closed to new installations as of January 22, 1994.

(2) For new installations after January 22, 1994, which require investment in excess of three times the annual revenue, this rate is available only to customers who make a contribution in aid of construction equal to the amount by which the investment exceeds three times the annual revenue at the prevailing rate at the time of installation.

***MONTHLY* RATES:** ***Overhead Outdoor Protective Lighting with Existing Pole and Existing Secondary Facilities (**All-night service**)**.

Power Supply Charges:
Energy Charge: 4.22¢ per kWh for all kWh

Luminaire Charges:

(a) Nominal Lamp Size	*(b)* Type of Service	*(c)* Distribution Charge per Lamp per Month	*(d)* System Wattage	*(e)* Average Monthly Hours (4200/12)	*(f)* Energy Charge	*(g)* Average Energy Cost per Month (d*e*f/1000)	*(h)* Average Mothly Cost
100 W	Mercury Vapor	$14.27	120	350	$0.0422	$1.77	$16.04
175 W	Mercury Vapor	$12.94	210	350	$0.0422	$3.10	$16.04
250 W	Mercury Vapor	$14.54	300	350	$0.0422	$4.43	$18.96
400 W	Mercury Vapor	$18.28	450	350	$0.0422	$6.64	$24.92
1,000 W	Mercury Vapor	$30.65	1060	350	$0.0422	$15.65	$46.30
100 W	High Pressure Sodium	$9.76	135	350	$0.0422	$1.99	$11.75
150 W	High Pressure Sodium	$11.15	200	350	$0.0422	$2.95	$14.11
250 W	High Pressure Sodium	$13.76	305	350	$0.0422	$4.50	$18.26
360 W	High Pressure Sodium	$22.76	418	350	$0.0422	$6.17	$28.93
400 W	High Pressure Sodium	$22.06	465	350	$0.0422	$6.86	$28.93
1,000 W	High Pressure Sodium	$20.62	1100	350	$0.0422	$16.24	$36.86
100 W	Metal Halide	$15.74	120	350	$0.0422	$1.77	$17.51
150 W	Metal Halide	$19.88	180	350	$0.0422	$2.66	$22.54
175 W	Metal Halide	$19.44	210	350	$0.0422	$3.10	$22.54
250 W	Metal Halide	$30.67	300	350	$0.0422	$4.43	$35.09
320 W	Metal Halide	$31.81	365	350	$0.0422	$5.39	$37.20
400 W	Metal Halide	$30.41	460	350	$0.0422	$6.79	$37.20
1,000 W	Metal Halide	$30.79	1050	350	$0.0422	$15.50	$46.29
20 - 29 W	LED	$10.87	25	350	$0.0422	$0.37	$11.23
30 - 39 W	LED	$10.96	35	350	$0.0422	$0.52	$11.48
40 - 49 W	LED	$11.06	45	350	$0.0422	$0.66	$11.72
50 - 59 W	LED	$11.15	55	350	$0.0422	$0.81	$11.96
60 - 69 W	LED	$11.25	65	350	$0.0422	$0.96	$12.21

Issued ___________, 201_
D. M. Stanczak
Vice President
Regulatory Affairs

Detroit, Michigan

Effective for service rendered on
and after ___________, 201_

Issued under authority of the
Michigan Public Service Commission
dated _____________, 201_
in Case No. U-18014

M.P.S.C. No. 1 - Electric _________ Revised Sheet No. D-45.00
DTE Electric Company Cancels _________ Revised Sheet No. D-45.00
(Final Order Case No. U-18014)

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Nominal Lamp Size	Type of Service	Distribution Charge per Lamp per Month	System Wattage	Average Monthly Hours (4200/12)	Energy Charge	Average Energy Cost per Month (d*e*f/1000)	Average Mothly Cost
70 - 79 W	LED	$11.34	75	350	$0.0422	$1.11	$12.45
80 - 89 W	LED	$11.44	85	350	$0.0422	$1.25	$12.69
90 - 99 W	LED	$11.53	95	350	$0.0422	$1.40	$12.93
100 - 109 W	LED	$11.63	105	350	$0.0422	$1.55	$13.17
110 - 119 W	LED	$11.72	115	350	$0.0422	$1.70	$13.42
120 - 129 W	LED	$11.82	125	350	$0.0422	$1.85	$13.66
130 - 139 W	LED	$11.91	135	350	$0.0422	$1.99	$13.90
140 - 149 W	LED	$12.01	145	350	$0.0422	$2.14	$14.15
150 - 159 W	LED	$12.10	155	350	$0.0422	$2.29	$14.39
160 - 169 W	LED	$12.19	165	350	$0.0422	$2.44	$14.63
170 - 179 W	LED	$12.29	175	350	$0.0422	$2.58	$14.87
180 - 189 W	LED	$12.38	185	350	$0.0422	$2.73	$15.12
190 - 199 W	LED	$12.48	195	350	$0.0422	$2.88	$15.36
200 - 209 W	LED	$12.58	205	350	$0.0422	$3.03	$15.60
210 - 219 W	LED	$12.67	215	350	$0.0422	$3.17	$15.84
220 - 229 W	LED	$12.76	225	350	$0.0422	$3.32	$16.09
230 - 239 W	LED	$12.86	235	350	$0.0422	$3.47	$16.33
240 - 249 W	LED	$12.95	245	350	$0.0422	$3.62	$16.57
250 - 259 W	LED	$13.05	255	350	$0.0422	$3.76	$16.81
260 - 269 W	LED	$13.14	265	350	$0.0422	$3.91	$17.06
270 - 279 W	LED	$13.24	275	350	$0.0422	$4.06	$17.30
280 - 289 W	LED	$13.33	285	350	$0.0422	$4.21	$17.54
290 - 299 W	LED	$13.43	295	350	$0.0422	$4.35	$17.78
300 - 309 W	LED	$13.52	305	350	$0.0422	$4.50	$18.03
310 - 319 W	LED	$13.62	315	350	$0.0422	$4.65	$18.27
320 - 329 W	LED	$13.71	325	350	$0.0422	$4.80	$18.51
330 - 339 W	LED	$13.81	335	350	$0.0422	$4.94	$18.75
340 - 349 W	LED	$13.90	345	350	$0.0422	$5.09	$19.00
350 - 359 W	LED	$14.00	355	350	$0.0422	$5.24	$19.24
360 - 369 W	LED	$14.09	365	350	$0.0422	$5.39	$19.48
370 - 379 W	LED	$14.19	375	350	$0.0422	$5.54	$19.72
380 - 389 W	LED	$14.28	385	350	$0.0422	$5.68	$19.97
390 - 399 W	LED	$14.38	395	350	$0.0422	$5.83	$20.21

For installations prior to January 22, 1994. New Pole and Single Span of Secondary Facilities. The above rate plus $24.48 per pole per year.

Effective January 22, 1994 installation requiring additional facilities shall pay a contribution in aid of construction in lieu of the service charge. Contribution is described in paragraph (2) above.

Multiple Lamps on a Single Pole. For each additional luminaire added to the same pole the charge will be at the existing pole rate.

The Energy Policy Act of 2005 states that no Mercury Vapor lamp ballasts may be manufactured or imported after January 1, 2008. As a result, effective January 1, 2008, new Mercury Vapor lamps will no longer be available. Customers with existing Mercury Vapor lamp ballasts will continue to receive service until those fixtures fail. At that time, customers will be given the option of switching to High Pressure Sodium, Metal Halide, ***LED*** or retiring the ***luminaire***.

(Continued on Sheet No. D-46.00)

(Continued from Sheet No. D-45.00)

RATE SCHEDULE NO. D9 (Contd.) **OUTDOOR PROTECTIVE LIGHTING**

MONTHLY **RATES: :** Underground Outdoor Protective Lighting with Lamp Spacing up to 120 Feet of Trench (All-night service).

Power Supply Charges:

Energy Charge: 4.22¢ per kWh for all kWh

Luminaire Charges:

(a) Nominal Lamp Size	(b) Type of Service	(c) Distribution Charge per Lamp per Month	(d) System Wattage	(e) Average Monthly Hours (4200/12)	(f) Energy Charge	(g) Average Energy Cost per Month (d*e*f/1000)	(h) Average Mothly Cost
100 W	Mercury Vapor	$25.85	120	350	$0.0422	$1.77	$27.62
175 W	Mercury Vapor	$28.69	210	350	$0.0422	$3.10	$31.79
250 W	Mercury Vapor	$29.08	300	350	$0.0422	$4.43	$33.51
400 W	Mercury Vapor	$32.31	450	350	$0.0422	$6.64	$38.96
1,000 W	Mercury Vapor	$38.80	1060	350	$0.0422	$15.65	$54.44
100 W	High Pressure Sodium	$25.12	135	350	$0.0422	$1.99	$27.11
150 W	High Pressure Sodium	$27.08	200	350	$0.0422	$2.95	$30.03
250 W	High Pressure Sodium	$27.83	305	350	$0.0422	$4.50	$32.33
400 W	High Pressure Sodium	$30.54	465	350	$0.0422	$6.86	$37.40
1,000 W	High Pressure Sodium	$31.57	1100	350	$0.0422	$16.24	$47.81
100 W	Metal Halide	$25.99	120	350	$0.0422	$1.77	$27.76
150 W	Metal Halide	$28.10	180	350	$0.0422	$2.66	$30.76
175 W	Metal Halide	$28.80	210	350	$0.0422	$3.10	$31.90
250 W	Metal Halide	$29.17	300	350	$0.0422	$4.43	$33.60
400 W	Metal Halide	$32.35	460	350	$0.0422	$6.79	$39.14
1,000 W	Metal Halide	$35.26	1050	350	$0.0422	$15.50	$50.76
20 - 29 W	LED	$24.59	25	350	$0.0422	$0.37	$24.96
30 - 39 W	LED	$24.69	35	350	$0.0422	$0.52	$25.21
40 - 49 W	LED	$24.78	45	350	$0.0422	$0.66	$25.45
50 - 59 W	LED	$24.88	55	350	$0.0422	$0.81	$25.69
60 - 69 W	LED	$24.97	65	350	$0.0422	$0.96	$25.93
70 - 79 W	LED	$25.07	75	350	$0.0422	$1.11	$26.18
80 - 89 W	LED	$25.16	85	350	$0.0422	$1.25	$26.42
90 - 99 W	LED	$25.26	95	350	$0.0422	$1.40	$26.66
100 - 109 W	LED	$25.35	105	350	$0.0422	$1.55	$26.90
110 - 119 W	LED	$25.45	115	350	$0.0422	$1.70	$27.15
120 - 129 W	LED	$25.54	125	350	$0.0422	$1.85	$27.39
130 - 139 W	LED	$25.64	135	350	$0.0422	$1.99	$27.63
140 - 149 W	LED	$25.73	145	350	$0.0422	$2.14	$27.87
150 - 159 W	LED	$25.83	155	350	$0.0422	$2.29	$28.12
160 - 169 W	LED	$25.92	165	350	$0.0422	$2.44	$28.36
170 - 179 W	LED	$26.02	175	350	$0.0422	$2.58	$28.60
180 - 189 W	LED	$26.11	185	350	$0.0422	$2.73	$28.84

M.P.S.C. No. 1 - Electric __________ Revised Sheet No. D-46.00
DTE Electric Company Cancels__________ Revised Sheet No. D-46.00
(Final Order Case No. U-18014)

(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*
Nominal Lamp Size	***Type of Service***	***Distribution Charge per Lamp per Month***	***System Wattage***	***Average Monthly Hours (4200/12)***	***Energy Charge***	***Average Energy Cost per Month (d*e*f/1000)***	***Average Mothly Cost***
190 - 199 W	*LED*	*$26.21*	*195*	*350*	*$0.0422*	*$2.88*	*$29.09*
200 - 209 W	*LED*	*$26.30*	*205*	*350*	*$0.0422*	*$3.03*	*$29.33*
210 - 219 W	*LED*	*$26.40*	*215*	*350*	*$0.0422*	*$3.17*	*$29.57*
220 - 229 W	*LED*	*$26.49*	*225*	*350*	*$0.0422*	*$3.32*	*$29.81*
230 - 239 W	*LED*	*$26.59*	*235*	*350*	*$0.0422*	*$3.47*	*$30.06*
240 - 249 W	*LED*	*$26.68*	*245*	*350*	*$0.0422*	*$3.62*	*$30.30*
250 - 259 W	*LED*	*$26.78*	*255*	*350*	*$0.0422*	*$3.76*	*$30.54*
260 - 269 W	*LED*	*$26.87*	*265*	*350*	*$0.0422*	*$3.91*	*$30.78*
270 - 279 W	*LED*	*$26.97*	*275*	*350*	*$0.0422*	*$4.06*	*$31.03*
280 - 289 W	*LED*	*$27.06*	*285*	*350*	*$0.0422*	*$4.21*	*$31.27*
290 - 299 W	*LED*	*$27.16*	*295*	*350*	*$0.0422*	*$4.35*	*$31.51*
300 - 309 W	*LED*	*$27.25*	*305*	*350*	*$0.0422*	*$4.50*	*$31.75*
310 - 319 W	*LED*	*$27.35*	*315*	*350*	*$0.0422*	*$4.65*	*$32.00*
320 - 329 W	*LED*	*$27.44*	*325*	*350*	*$0.0422*	*$4.80*	*$32.24*
330 - 339 W	*LED*	*$27.54*	*335*	*350*	*$0.0422*	*$4.94*	*$32.48*
340 - 349 W	*LED*	*$27.63*	*345*	*350*	*$0.0422*	*$5.09*	*$32.72*
350 - 359 W	*LED*	*$27.73*	*355*	*350*	*$0.0422*	*$5.24*	*$32.97*
360 - 369 W	*LED*	*$27.82*	*365*	*350*	*$0.0422*	*$5.39*	*$33.21*
370 - 379 W	*LED*	*$27.92*	*375*	*350*	*$0.0422*	*$5.54*	*$33.45*
380 - 389 W	*LED*	*$28.01*	*385*	*350*	*$0.0422*	*$5.68*	*$33.70*
390 - 399 W	*LED*	*$28.11*	*395*	*350*	*$0.0422*	*$5.83*	*$33.94*

Effective January 22, 1994 installation requiring additional facilities shall pay a contribution in aid of construction in lieu of the service charge. Contribution is described in paragraph (2) above.

Multiple Lamps on a Single Pole. For each additional luminaire added to the same pole reduce rate per lamp per year on the added luminaire by $97.92.

The Energy Policy Act of 2005 states that no Mercury Vapor lamp ballasts may be manufactured or imported after January 1, 2008. As a result, effective January 1, 2008, new Mercury Vapor lamps will no longer be available. Customers with existing Mercury Vapor lamp ballasts will continue to receive service until those luminaires fail. At that time, customers will be given the option of switching to High Pressure Sodium, Metal Halide, LED or retiring the luminaire.

Issued _____________, 201_
D. M. Stanczak
Vice President
Regulatory Affairs

Detroit, Michigan

Effective for service rendered on
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Issued under authority of the
Michigan Public Service Commission
dated ________________, 201_
in Case No. U-18014

RATE SCHEDULE NO. D10 **ALL-ELECTRIC SCHOOL BUILDING SERVICE RATE**

AVAILABILITY OF SERVICE: Available to customers desiring service in school buildings served at primary voltage who contract for a specified installed capacity of not less than 50 kilowatts at a single location provided the space heating and water heating for all or a substantial portion of the premises is supplied by electric service and is installed on a permanent basis.

HOURS OF SERVICE: 24 hours, subject to interruption by agreement, or by advance notice.

CURRENT, PHASE AND VOLTAGE: Alternating current, three-phase, nominally at 4,800 or 13,200 volts at the option of the Company.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Energy Charge (June through October):	***9.258***¢ per kWh for all kWh
Energy Charge (November through May):	***7.457***¢ per kWh for all kWh

Delivery Charges:

Service Charge:	$275 per month
Distribution Charge:	***1.942***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Delivery Charges:

Service Charge:	$275 per month
Distribution Charge:	***1.942***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

(Continued on Sheet No. D-48.00)

M.P.S.C. No. 1 - Electric ________ Revised Sheet No. D-48.01
DTE Electric Company Cancels ________ Revised Sheet No. D-48.01
(Final Order Case No. U-18014)

RATE SCHEDULE NO. D11 **PRIMARY SUPPLY RATE**

AVAILABILITY OF SERVICE: Available to customers desiring service at primary, sub-transmission, or transmission voltage who contract for a specified capacity of not less than 50 kilowatts at a single location.

HOURS OF SERVICE: 24 hours, subject to interruption by agreement, or by advance notice.

CURRENT, PHASE AND VOLTAGE: Alternating current, three-phase, nominally at 4,800, 13,200, 24,000, 41,570 or 120,000 volts at the option of the Company.

CONTRACT CAPACITY: Customers shall contract for a specified capacity in kilowatts sufficient to meet normal maximum requirements but not less than 50 kilowatts. The Company undertakes to provide the necessary facilities for a supply of electric power from its primary distribution system at the contract capacity. Any single reading of the demand meter in any month that exceeds the contract capacity then in effect shall become the new contract capacity. The contract capacity for customers served at more than one voltage level shall be the sum of the contract capacities established for each voltage level.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:
Demand Charge: ***$15.79*** per kW of on-peak billing demand
Energy Charges: ***3.807¢*** per kWh for all on-peak kWh
3.507¢ per kWh for all off-peak kWh

Voltage Level Discount:
0.214¢ per kWh at transmission level
0.141¢ per kWh at subtransmission level

Delivery Charges:
Primary Service Charge: $275 per month
Subtransmission and Transmission Service Charge: $375 per month
Distribution Charges:
For primary service (less than 24 kV) ***$3.96*** per kW of maximum demand.
For service at subtransmission voltage (24 to 41.6 kV) ***$1.54*** per kW of maximum demand.
For service at transmission voltage (120 kV and above) ***$0.73*** per kW of maximum demand.

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $0.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of 0.040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Continued on Sheet No. D-48.02)

Issued ________, 201_ Effective for service rendered on
D. M. Stanczak and after ___________, 201_
Vice President
Regulatory Affairs Issued under authority of the
Michigan Public Service Commission
Detroit, Michigan dated ____________, 201_
in Case No. U-18014

(Continued from Sheet No. D-48.01)

RATE SCHEDULE NO. D11 (Contd.) **PRIMARY SUPPLY RATE**

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Delivery Charges:
Primary Service Charge: $275 per month
Subtrassmission and Transmission Service Charge: $375 per month
Distribution Charges:
For primary service (less than 24 kV) ***$3.96*** per kW of maximum demand**.**
For service at subtransmission voltage (24 to 41.6 kV) ***$1.54*** per kW of maximum demand.
For service at transmission voltage (120 kV and above) ***$0.73*** per kW of maximum demand.

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $0.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of 0.040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Section C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

DEFINITION OF CUSTOMER VOLTAGE LEVEL: See Section C13.

MONTHLY ON-PEAK BILLING DEMAND: The monthly on-peak billing demand shall be the single highest 30-minute integrated reading of the demand meter during the on-peak hours of the billing period. The monthly on-peak billing demand will not be less than 65% of the highest monthly on-peak metered billing demand during the billing months of June, July, August, September, and October of the preceding eleven billing months, nor less than 50 kilowatts.

(Continued on Sheet No. D-48.03)

RATE SCHEDULE NO. E1 **MUNICIPAL STREET LIGHTING RATE**

AVAILABILITY OF SERVICE: Available to governmental agencies desiring controlled nighttime service for street lighting, for public thoroughfares, public parking lots and other public areas. Mercury Vapor service listed hereunder is not available for new business, but will be continued for customers taking said service as of July 23, 1981.

HOURS OF SERVICE: ***Dusk to dawn service*** controlled by photo-sensitive devices, the street lights are burning all ***night for approximately 4200 hours per year.***

KIND OF SERVICE: ***Municipal Street Lighting*** from overhead lines or underground circuits.

The Company presently has three (3) street lighting rate options available to municipalities. They are: ***Option*** (I) A Company owned system, ***Option*** (II) A municipally owned and Company maintained system ***(closed to new customers)***, ***Option*** (III) A municipally owned and maintained system.

OPTION I
The Company will clean, inspect, operate and maintain street lighting equipment and furnish lamp replacements. ***Non-functional lights must be reported by the customer and the Company will replace the lights as soon as possible during regular working hours.***

SPECIAL ORDER MATERIAL PROVISION; For decorative or ornamental special order material, there may be an additional per luminaire per month charge for procurement and material handling. Company and Customer to mutually agree upon charges.

OPTION II
Where the street lighting system is owned by the municipality, but is maintained by the Company, the normal maintenance will consist of replacement of glassware and lamps. Major maintenance such as broken lamp posts, etc., must be paid for by the municipality. The street lighting system must be built to Company specifications.

This option has been closed to new customers effective January 14, 2009.

Existing Option II customers desiring a change to emerging lighting technology (including LEDs) will be required to convert either to Option I or Option III to accommodate this change in lighting source.

OPTION III
Where the municipality owns and maintains the system, the Company's function will be confined solely to the supply of electricity. Customers desiring service under Option III are free to determine the appropriate light source for their application including incumbent and emerging technologies (including LEDs). Customers must supply adequate documentation of the wattage of the light source that will be subject to the approval of the Company.

RATES: As shown on Sheet Nos. D-50.00, D-51.00 and D-52.00.

BILLING: Billing will be on a monthly basis using the annual rate divided by twelve and rounded to the nearest cent.

SURCHARGES AND CREDITS: As approved by the Commission. See Sections C8.5 and C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

(Continued on Sheet No. D-50.00)

(Continued from Sheet No. D-49.00)

RATE SCHEDULE NO. E1 (Contd.) **MUNICIPAL STREET LIGHTING RATE**

CONTRACT TERM: ***Minimum 5 year term. Upon expiration of the initial term shall continue*** on a ***month-to-month basis until terminated by mutual written consent of the parties or by either party with*** thirty ***(30)*** day***s prior*** written notice ***to the other*** party. Any conversion, relocation and/or removal of existing street lighting facilities at the customer's request, including those removals necessitated by termination of service, must be paid for by the customer. The detailed provisions and schedule of charges, which may include the remaining value of the existing facilities, will be quoted upon request. The Company shall not withdraw service, and the municipality shall not substitute another source of service in whole or in part, without twelve months' written notice to the other party.

Option I: Company Owned Street Lighting System

Where new installations require an investment in excess of an investment allowance, Option I is available only to customers who make a contribution in aid of construction equal to the amount by which the investment exceeds three times the annual revenue at the prevailing rate at the time of installation. (Effective January 1, 1991, the investment amount will be limited to direct cost. Effective January 1, 1992, the investment amount will include full cost.)

As an alternative, where the required contribution exceeds $10,000, upon agreement of the customer and the Company, the customer will pay an additional annual charge of ***the Company's weighted average cost of capital (7.98%)*** times the contribution amount in lieu of the cash contribution.

DE-ENERGIZED LIGHTS: Customers may elect to have any or all luminaires served under this rate disconnected. The charge per luminaire per year, payable in equal monthly installments, shall be 60% of the regular yearly rates. A *$35.00* charge per luminaire will be made at the time of de-energization and at the time of re-energization.

DUSK TO MIDNIGHT SERVICE: For service to parking lots from dusk to approximately twelve o'clock midnight E.S.T., a discount of 1.060¢ per nominal lamp size wattage per month will be applied. One control per circuit will be provided.

EXPERIMENTAL PROGRAMMABLE PHOTOCELL SERVICE: Customers may elect to place luninaires on photocells that are programmable to turn off lights at pre-determined times during the night. A discount of 1.060¢ per nominal lamp size wattage per month will be applied.

MONTHLY **RATES** ***OPTION I*****:** ***Overhead Municipal Street Lighting (***All-night service***)***.

Power Supply Charges:

Energy Charge: 4.22¢ per kWh for all kWh

Luminaire Charges:

(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*
Nominal Lamp Size	***Type of Service***	***Distribution Charge per Lamp per Month***	***System Wattage***	***Average Monthly Hours (4200/12)***	***Energy Charge***	***Average Energy Cost per Month (d*e*f/1000)***	***Average Mothly Cost***

M.P.S.C. No. 1 - Electric ________ Revised Sheet No. D-50.00
DTE Electric Company Cancels ________ Revised Sheet No. D-50.00
(Final Order Case No. U-18014)

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Nominal Lamp Size	Type of Service	Distribution Charge per Lamp per Month	System Wattage	Average Monthly Hours (4200/12)	Energy Charge	Average Energy Cost per Month (d*e*f/1000)	Average Mothly Cost
100 W	Mercury Vapor	$12.70	120	350	$0.0422	$1.77	$14.47
175 W	Mercury Vapor	$15.64	210	350	$0.0422	$3.10	$18.74
250 W	Mercury Vapor	$16.67	300	350	$0.0422	$4.43	$21.10
400 W	Mercury Vapor	$21.45	450	350	$0.0422	$6.64	$28.09
1,000 W	Mercury Vapor	$34.45	1060	350	$0.0422	$15.65	$50.09
70 W	High Pressure Sodium	$14.41	95	350	$0.0422	$1.40	$15.81
100 W	High Pressure Sodium	$14.64	135	350	$0.0422	$1.99	$16.63
150 W	High Pressure Sodium	$15.23	200	350	$0.0422	$2.95	$18.18
250 W	High Pressure Sodium	$16.71	305	350	$0.0422	$4.50	$21.21
360 W	High Pressure Sodium	$21.50	418	350	$0.0422	$6.17	$27.67
400 W	High Pressure Sodium	$20.80	465	350	$0.0422	$6.86	$27.67
1,000 W	High Pressure Sodium	$34.99	1100	350	$0.0422	$16.24	$51.22
70 W	Metal Halide	$21.25	85	350	$0.0422	$1.25	$22.51
100 W	Metal Halide	$21.91	120	350	$0.0422	$1.77	$23.68
150 W	Metal Halide	$25.36	180	350	$0.0422	$2.66	$28.02
175 W	Metal Halide	$24.92	210	350	$0.0422	$3.10	$28.02
250 W	Metal Halide	$27.02	300	350	$0.0422	$4.43	$31.45
320 W	Metal Halide	$35.52	365	350	$0.0422	$5.39	$40.91
400 W	Metal Halide	$34.12	460	350	$0.0422	$6.79	$40.91
1,000 W	Metal Halide	$52.19	1050	350	$0.0422	$15.50	$67.69
20 - 29 W	LED	$10.87	25	350	$0.0422	$0.37	$11.23
30 - 39 W	LED	$10.96	35	350	$0.0422	$0.52	$11.48
40 - 49 W	LED	$11.06	45	350	$0.0422	$0.66	$11.72
50 - 59 W	LED	$11.15	55	350	$0.0422	$0.81	$11.96
60 - 69 W	LED	$11.25	65	350	$0.0422	$0.96	$12.21
70 - 79 W	LED	$11.34	75	350	$0.0422	$1.11	$12.45
80 - 89 W	LED	$11.44	85	350	$0.0422	$1.25	$12.69
90 - 99 W	LED	$11.53	95	350	$0.0422	$1.40	$12.93
100 - 109 W	LED	$11.63	105	350	$0.0422	$1.55	$13.17
110 - 119 W	LED	$11.72	115	350	$0.0422	$1.70	$13.42
120 - 129 W	LED	$11.82	125	350	$0.0422	$1.85	$13.66
130 - 139 W	LED	$11.91	135	350	$0.0422	$1.99	$13.90
140 - 149 W	LED	$12.01	145	350	$0.0422	$2.14	$14.15
150 - 159 W	LED	$12.10	155	350	$0.0422	$2.29	$14.39
160 - 169 W	LED	$12.19	165	350	$0.0422	$2.44	$14.63
170 - 179 W	LED	$12.29	175	350	$0.0422	$2.58	$14.87
180 - 189 W	LED	$12.38	185	350	$0.0422	$2.73	$15.12
190 - 199 W	LED	$12.48	195	350	$0.0422	$2.88	$15.36
200 - 209 W	LED	$12.58	205	350	$0.0422	$3.03	$15.60
210 - 219 W	LED	$12.67	215	350	$0.0422	$3.17	$15.84
220 - 229 W	LED	$12.76	225	350	$0.0422	$3.32	$16.09
230 - 239 W	LED	$12.86	235	350	$0.0422	$3.47	$16.33
240 - 249 W	LED	$12.95	245	350	$0.0422	$3.62	$16.57
250 - 259 W	LED	$13.05	255	350	$0.0422	$3.76	$16.81
260 - 269 W	LED	$13.14	265	350	$0.0422	$3.91	$17.06
270 - 279 W	LED	$13.24	275	350	$0.0422	$4.06	$17.30
280 - 289 W	LED	$13.33	285	350	$0.0422	$4.21	$17.54

Issued ________, 201_
D. M. Stanczak
Vice President
Regulatory Affairs

Detroit, Michigan

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M.P.S.C. No. 1 - Electric ________ Revised Sheet No. D-50.00
DTE Electric Company Cancels ________ Revised Sheet No. D-50.00
(Final Order Case No. U-18014)

(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*
Nominal Lamp Size	***Type of Service***	***Distribution Charge per Lamp per Month***	***System Wattage***	***Average Monthly Hours (4200/12)***	***Energy Charge***	***Average Energy Cost per Month (d*e*f/1000)***	***Average Mothly Cost***
290 - 299 W	***LED***	***$13.43***	***295***	***350***	***$0.0422***	***$4.35***	***$17.78***
300 - 309 W	***LED***	***$13.52***	***305***	***350***	***$0.0422***	***$4.50***	***$18.03***
310 - 319 W	***LED***	***$13.62***	***315***	***350***	***$0.0422***	***$4.65***	***$18.27***
320 - 329 W	***LED***	***$13.71***	***325***	***350***	***$0.0422***	***$4.80***	***$18.51***
330 - 339 W	***LED***	***$13.81***	***335***	***350***	***$0.0422***	***$4.94***	***$18.75***
340 - 349 W	***LED***	***$13.90***	***345***	***350***	***$0.0422***	***$5.09***	***$19.00***
350 - 359 W	***LED***	***$14.00***	***355***	***350***	***$0.0422***	***$5.24***	***$19.24***
360 - 369 W	***LED***	***$14.09***	***365***	***350***	***$0.0422***	***$5.39***	***$19.48***
370 - 379 W	***LED***	***$14.19***	***375***	***350***	***$0.0422***	***$5.54***	***$19.72***
380 - 389 W	***LED***	***$14.28***	***385***	***350***	***$0.0422***	***$5.68***	***$19.97***
390 - 399 W	***LED***	***$14.38***	***395***	***350***	***$0.0422***	***$5.83***	***$20.21***

Multiple Lamps on a Single Pole

- For each additional luminaire added to the same pole, reduce rate per lamp per year on the added luminaire $12.24.

The Energy Policy Act of 2005 states that no Mercury Vapor lamp ballasts may be manufactured or imported after January 1, 2008. As a result, effective January 1, 2008, new Mercury Vapor lamps will no longer be available. Customers with existing Mercury Vapor lamp ballasts will continue to receive service until those ***luminaire***s fail. At that time, customers will be given the option of switching to High Pressure Sodium, Metal Halide***, LED*** or retiring the ***luminaire***.

(Continued on Sheet No. D-51.00)

M.P.S.C. No. 1 - Electric __________ Revised Sheet No. D-51.00
DTE Electric Company Cancels __________ Revised Sheet No. D-51.00
(Final Order Case No. U-18014)

(Continued from Sheet No. D-50.00)

RATE SCHEDULE NO. E1 (Contd.) **MUNICIPAL STREET LIGHTING RATE**

Option I: Company Owned Street Lighting System (Contd.)

MONTHLY **RATES** ***OPTION I*****:** ***Ornamental Underground Municipal Street Lighting for Lamp Spacing up to 120 Feet of Street (***All-night service***)***.

Power Supply Charges:
Energy Charge: 4.22¢ per kWh for all kWh

Luminaire Charges:

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Nominal Lamp Size	Type of Service	Distribution Charge per Lamp per Month	System Wattage	Average Monthly Hours (4200/12)	Energy Charge	Average Energy Cost per Month (d*e*f/1000)	Average Mothly Cost
100 W	Mercury Vapor	$29.62	120	350	$0.0422	$1.77	$31.39
175 W	Mercury Vapor	$32.98	210	350	$0.0422	$3.10	$36.08
250 W	Mercury Vapor	$35.36	300	350	$0.0422	$4.43	$39.78
400 W	Mercury Vapor	$40.72	450	350	$0.0422	$6.64	$47.36
1,000 W	Mercury Vapor	$50.87	1060	350	$0.0422	$15.65	$66.52
70 W	High Pressure Sodium	$27.19	95	350	$0.0422	$1.40	$28.59
100 W	High Pressure Sodium	$27.39	135	350	$0.0422	$1.99	$29.39
150 W	High Pressure Sodium	$29.10	200	350	$0.0422	$2.95	$32.05
250 W	High Pressure Sodium	$32.94	305	350	$0.0422	$4.50	$37.44
360 W	High Pressure Sodium	$39.58	418	350	$0.0422	$6.17	$45.75
400 W	High Pressure Sodium	$38.81	465	350	$0.0422	$6.86	$45.67
1,000 W	High Pressure Sodium	$43.13	1100	350	$0.0422	$16.24	$59.36
70 W	Metal Halide	$36.15	85	350	$0.0422	$1.25	$37.40
100 W	Metal Halide	$36.77	120	350	$0.0422	$1.77	$38.54
150 W	Metal Halide	$42.89	180	350	$0.0422	$2.66	$45.55
175 W	Metal Halide	$42.45	210	350	$0.0422	$3.10	$45.55
250 W	Metal Halide	$46.63	300	350	$0.0422	$4.43	$51.06
320 W	Metal Halide	$57.37	365	350	$0.0422	$5.39	$62.76
400 W	Metal Halide	$55.97	460	350	$0.0422	$6.79	$62.76
1,000 W	Metal Halide	$62.36	1050	350	$0.0422	$15.50	$77.86
20 - 29 W	LED	$23.86	25	350	$0.0422	$0.37	$24.23
30 - 39 W	LED	$23.94	35	350	$0.0422	$0.52	$24.46
40 - 49 W	LED	$24.03	45	350	$0.0422	$0.66	$24.70
50 - 59 W	LED	$24.12	55	350	$0.0422	$0.81	$24.93
60 - 69 W	LED	$24.21	65	350	$0.0422	$0.96	$25.17
70 - 79 W	LED	$24.30	75	350	$0.0422	$1.11	$25.40
80 - 89 W	LED	$24.38	85	350	$0.0422	$1.25	$25.64
90 - 99 W	LED	$24.47	95	350	$0.0422	$1.40	$25.87
100 - 109 W	LED	$24.56	105	350	$0.0422	$1.55	$26.11
110 - 119 W	LED	$24.65	115	350	$0.0422	$1.70	$26.34
120 - 129 W	LED	$24.73	125	350	$0.0422	$1.85	$26.58

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Detroit, Michigan

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DTE Electric Company Cancels ________ Revised Sheet No. D-51.00
(Final Order Case No. U-18014)

(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*
Nominal Lamp Size	***Type of Service***	***Distribution Charge per Lamp per Month***	***System Wattage***	***Average Monthly Hours (4200/12)***	***Energy Charge***	***Average Energy Cost per Month (d*e*f/1000)***	***Average Mothly Cost***
130 - 139 W	***LED***	***$24.82***	***135***	***350***	***$0.0422***	***$1.99***	***$26.81***
140 - 149 W	***LED***	***$24.91***	***145***	***350***	***$0.0422***	***$2.14***	***$27.05***
150 - 159 W	***LED***	***$25.00***	***155***	***350***	***$0.0422***	***$2.29***	***$27.29***
160 - 169 W	***LED***	***$25.09***	***165***	***350***	***$0.0422***	***$2.44***	***$27.52***
170 - 179 W	***LED***	***$25.17***	***175***	***350***	***$0.0422***	***$2.58***	***$27.76***
180 - 189 W	***LED***	***$25.26***	***185***	***350***	***$0.0422***	***$2.73***	***$27.99***
190 - 199 W	***LED***	***$25.35***	***195***	***350***	***$0.0422***	***$2.88***	***$28.23***
200 - 209 W	***LED***	***$25.44***	***205***	***350***	***$0.0422***	***$3.03***	***$28.46***
210 - 219 W	***LED***	***$25.52***	***215***	***350***	***$0.0422***	***$3.17***	***$28.70***
220 - 229 W	***LED***	***$25.61***	***225***	***350***	***$0.0422***	***$3.32***	***$28.93***
230 - 239 W	***LED***	***$25.70***	***235***	***350***	***$0.0422***	***$3.47***	***$29.17***
240 - 249 W	***LED***	***$25.79***	***245***	***350***	***$0.0422***	***$3.62***	***$29.40***
250 - 259 W	***LED***	***$25.87***	***255***	***350***	***$0.0422***	***$3.76***	***$29.64***
260 - 269 W	***LED***	***$25.96***	***265***	***350***	***$0.0422***	***$3.91***	***$29.87***
270 - 279 W	***LED***	***$26.05***	***275***	***350***	***$0.0422***	***$4.06***	***$30.11***
280 - 289 W	***LED***	***$26.14***	***285***	***350***	***$0.0422***	***$4.21***	***$30.34***
290 - 299 W	***LED***	***$26.23***	***295***	***350***	***$0.0422***	***$4.35***	***$30.58***
300 - 309 W	***LED***	***$26.31***	***305***	***350***	***$0.0422***	***$4.50***	***$30.82***
310 - 319 W	***LED***	***$26.40***	***315***	***350***	***$0.0422***	***$4.65***	***$31.05***
320 - 329 W	***LED***	***$26.49***	***325***	***350***	***$0.0422***	***$4.80***	***$31.29***
330 - 339 W	***LED***	***$26.58***	***335***	***350***	***$0.0422***	***$4.94***	***$31.52***
340 - 349 W	***LED***	***$26.66***	***345***	***350***	***$0.0422***	***$5.09***	***$31.76***
350 - 359 W	***LED***	***$26.75***	***355***	***350***	***$0.0422***	***$5.24***	***$31.99***
360 - 369 W	***LED***	***$26.84***	***365***	***350***	***$0.0422***	***$5.39***	***$32.23***
370 - 379 W	***LED***	***$26.93***	***375***	***350***	***$0.0422***	***$5.54***	***$32.46***
380 - 389 W	***LED***	***$27.02***	***385***	***350***	***$0.0422***	***$5.68***	***$32.70***
390 - 399 W	***LED***	***$27.10***	***395***	***350***	***$0.0422***	***$5.83***	***$32.93***

Long Span

- For lamp spacing over 120 feet up to 325 feet on the same side of street, add to rate per lamp per year $24.48

Semi-Ornamental

- For Semi-Ornamental Systems which employ Ornamental Post Units served from overhead conductors, where such construction is practical, reduce rate per ***luminaire*** per year $21.48

Multiple L***uminaires*** on a Single Pole

- For additional luminaire***s*** added to the same pole, ***a*** reduce***d*** rate per ***luminaire*** per year on the added luminaire**.**
  Ornamental $97.92
  Ornamental-Lamp spacing over 120 feet $122.40
  Semi-Ornamental $76.56

(Continued on Sheet No. D-52.00)

Issued __________, 201_
D. M. Stanczak
Vice President
Regulatory Affairs

Detroit, Michigan

Effective for service rendered on
and after ___________, 201_

Issued under authority of the
Michigan Public Service Commission
dated _____________, 201_
in Case No. U-18014

M.P.S.C. No. 1 - Electric ________ Revised Sheet No. D-52.00
DTE Electric Company Cancels ________ Revised Sheet No. D-52.00
(Final Order Case No. U-18014)

(Continued from Sheet No. D-51.00)

RATE SCHEDULE NO. E1 (Contd.) **MUNICIPAL STREET LIGHTING RATE**

OPTION II: Street Equipment Owned by Municipality

***MONTHLY* RATES *OPTION II*: *Overhead and Underground Ornamental Municipality Owned Street Lighting (*All-night service*)*.**

Power Supply Charges:
Energy Charge: 4.22¢ per kWh for all kWh

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Nominal Lamp Size	Type of Service	Distribution Charge per Lamp per Month	System Wattage	Average Monthly Hours (4200/12)	Energy Charge	Average Energy Cost per Month (d*e*f/1000)	Average Mothly Cost
175 W	Mercury Vapor	$8.43	210	350	$0.0422	$3.10	$11.52
250 W	Mercury Vapor	$10.28	300	350	$0.0422	$4.43	$14.71
400 W	Mercury Vapor	$11.26	450	350	$0.0422	$6.64	$17.90
1,000 W	Mercury Vapor	$15.16	1060	350	$0.0422	$15.65	$30.81
70 W	High Pressure Sodium	$7.76	95	350	$0.0422	$1.40	$9.16
100 W	High Pressure Sodium	$7.98	135	350	$0.0422	$1.99	$9.97
250 W	High Pressure Sodium	$10.31	305	350	$0.0422	$4.50	$14.82
360 W	High Pressure Sodium	$15.24	418	350	$0.0422	$6.17	$21.41
400 W	High Pressure Sodium	$14.54	465	350	$0.0422	$6.86	$21.41
1,000 W	High Pressure Sodium	$22.13	1100	350	$0.0422	$16.24	$38.36
70 W	Metal Halide	$9.14	85	350	$0.0422	$1.25	$10.40
100 W	Metal Halide	$9.36	120	350	$0.0422	$1.77	$11.13
175 W	Metal Halide	$11.41	210	350	$0.0422	$3.10	$14.51
250 W	Metal Halide	$11.39	300	350	$0.0422	$4.43	$15.82
400 W	Metal Halide	$16.16	460	350	$0.0422	$6.79	$22.95
1,000 W	Metal Halide	$23.18	1050	350	$0.0422	$15.50	$38.68

- The Energy Policy Act of 2005 states that no Mercury Vapor lamp ballasts may be manufactured or imported after January 1, 2008. As a result, effective January 1, 2008, new Mercury Vapor lamps will no longer be available. Customers with existing Mercury Vapor lamp ballasts will continue to receive service until those ***luminaire***s fail. At that time, customers will be given the option of switching to High Pressure Sodium, Metal Halide***, LED*** or retiring the ***Luminaire***.
- **DE-ENERGIZED LIGHTS:** Customers may elect to have any or all luminaires served under this rate disconnected. The charge per luminaire per year, payable in equal monthly installments, shall be 10% of the above yearly rates. A $35.00 charge per luminaire will be made at the time of de-energization and at the time of re-energization.
- **DUSK TO MIDNIGHT SERVICE:** For service to parking lots from dusk to approximately twelve o'clock midnight E.S.T., a discount of 1.060¢ per nominal watt per month will be applied. One control per circuit will be provided.

(Continued on Sheet No. D-53.00)

M.P.S.C. No. 1 - Electric ________ Revised Sheet No. D-53.00
DTE Electric Company Cancels ________ Revised Sheet No. D-53.00
(Final Order Case No. U-18014)

(Continued from Sheet No. D-52.00)

RATE SCHEDULE NO. E1 (Contd.) **MUNICIPAL STREET LIGHTING RATE**

OPTION III: Municipally Owned and Maintained Street Lighting System

AVAILABILITY OF SERVICE: Available to governmental agencies desiring controlled nighttime service for primary or secondary voltage energy-only street lighting service where the Company has existing distribution lines available for supplying energy for such service. Luminaires served under any of the Company's other street lighting rates shall not be intermixed with luminaires serviced under this street lighting rate. This rate is not available for resale purposes. Service is governed by the Company's Standard Rules and Regulations.

HOURS OF SERVICE: For circuits controlled by automatic timing devices, one-half hour after sunset until one-half hour before sunrise. For circuits controlled by photo-sensitive devices, dusk to dawn for approximately 4,200 hours per year

RATES: Where the municipality owns, operates, cleans and renews the lamps, and the Company's service is confined solely to the supply of electricity from dusk to dawn, the monthly charge of said service shall be ***a power supply energy charge of 4.22¢ per kilowatthour, and the distribution charge will vary depending on the*** connected ***system*** watt***age*** of lamps so served. If it is necessary for the Company to install facilities to provide service for the lamps, the customer will reimburse the Company for these costs. Contract Rider No. 2 charges will also apply

KIND OF SERVICE:

Secondary Voltage Service: Alternating current, 60 hertz, single-phase 120/240 nominal volt service for a minimum of ten luminaires located within a clearly defined area. Except for control equipment, the customer will furnish, install, own and maintain all equipment comprising the street lighting system up to the point of attachment with the Company's distribution system. The Company will connect the customer's equipment to the Company's lines and supply the energy for operation. All of the customer's equipment will be subject to the Company's review.

Primary Voltage Service: Alternating current, 60 hertz, single-phase or three-phase, primary voltage service for actual demands of not less than 100 kW at each point of delivery. The particular nature of the voltage shall be determined by the Company. The customer will furnish, install, own and maintain all equipment comprising the street lighting system, including control equipment, up to the point of attachment with the Company's distribution system. The Company will supply the energy for operation of the customer's street lighting system.

(Continued on Sheet No. D-54.00)

(Continued from Sheet No. D-53.00)

RATE SCHEDULE NO. E1 (Contd.) **MUNICIPAL STREET LIGHTING RATE**

RATE *OPTION III*: *Municipally Owned and Maintained Street Lighting System (Controlled /Metered)*
***Primary and* Secondary Energy**
Full Service Customers:

Power Supply Charge:
***4.22*¢** per kWh for all kWh

Delivery System Charge:
***5.467*¢** per kWh based on the capacity requirements in kilowatts of the equipment assuming 4,200 burning hours per year, adjusted by the ratio of the monthly kWh consumption to the total annual kWh consumption.

Retail Access Service Customers:

Delivery System Charge:
***5.467*¢** per kWh based on the capacity requirements in kilowatts of the equipment assuming 4,200 burning hours per year, adjusted by the ratio of the monthly kWh consumption and the total annual kWh consumption.

At the Company's option, service may be metered and the metered kWh will be the basis for billing. Capacity requirements of lighting equipment shall be determined by the Company from manufacturer specifications, but the Company maintains the right to test such capacity requirements from time to time. In the event that Company tests show capacity requirements other than those indicated in manufacturer specifications, the capacity requirements indicated by Company tests will be used. The customer shall not change the capacity requirements of its equipment without first notifying the Company in writing.

BILLING: Billing will be on a monthly basis.

SURCHARGES AND CREDITS: As approved by the Commission. Power Supply Charges are subject to Section C8.5. Delivery Charges are subject to Section C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The contract minimum.

CONTRACT TERM: Contracts will be taken for a minimum of two years, extending thereafter from year to year until terminated by mutual consent or upon 12 months' written notice by either party.

RATE SCHEDULE NO. E2 **TRAFFIC AND SIGNAL LIGHTS**

AVAILABILITY OF SERVICE: Available to municipalities or other public authorities, hereinafter referred to as customer, operating lights for traffic regulation or signal lights on streets, highways, airports or water routes, as distinguished from street lighting. Customers desiring service under Rate Schedule No. E2 are free to determine the appropriate light source for their application including incumbent and emerging technologies (including LEDs). Customers must supply adequate documentation of the wattage of the light source that will be subject to the approval of the Company.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, at 120 volts two-wire.

SERVICE CONNECTIONS: The customer is to furnish and maintain all necessary wiring and equipment, including lamps and lamp replacements, or reimburse the Company therefore, except that the Company will furnish, install and maintain such span poles and messenger cable as may be needed to support the traffic or signal lights of the overhead type. Connections are to be brought to the Company's underground and overhead lighting mains by the customer as directed by the Company, and the final connection to the Company's main is to be made by the Company.

Conversion and/or relocation of existing facilities must be paid for by the customer, except when initiated by the Company. The detailed provisions and schedule of such charges will be quoted upon request.

RATES: ***7.60***¢ per month per ***kilo***watt***hour*** of the total connected traffic light or signal light load in service for each customer.

Total connected wattage will be reckoned as of the fifteenth of the month. Lamps removed from service before the fifteenth or placed in service on or after the fifteenth will be omitted from the reckoning; conversely, lamps placed in service on or before the fifteenth of the month or removed from service after the fifteenth of the month will be reckoned for a full month. Lamps operated cyclically, on and off, will be reckoned at one-half wattage and billed for a full month. No such reduction of reckoned wattage will be allowed for lamps in service but turned off during certain hours of the day.

The Company may, at its option, install meters and apply a standard metered rate schedule applicable to the service.

SURCHARGES AND CREDITS: As approved by the Commission. See Sections C8.5 and C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: $3.00 per customer per month.

CONTRACT TERM: Open order on a month-to-month basis. However, the Company shall not withdraw service, and the customer shall not substitute another source of service in whole or in part, without twelve months' written notice to the other party.

STANDARD CONTRACT RIDER NO. 1.1 **ALTERNATIVE ELECTRIC METAL MELTING**

APPLICABLE TO:	General Service Rate	Schedule Designation D3
	Large General Service Rate	Schedule Designation D4
	Interruptible Supply Rate	Schedule Designation D8
	Primary Supply Rate	Schedule Designation D11

Customers operating electric furnaces for metal melting or for the reduction of metallic ores and/or electric use consumed in holding operations and taking their supply at any of the above rates and who provide special circuits so that the Company may install necessary meters, may take service under this Rider subject to Section C4.4 - Choice of Rates..

Customers shall be subject to immediate interruption on short-term notice if necessary, in order to maintain system integrity. The customer shall be provided, whenever possible, notice in advance of probable interruption and estimated duration of interruption.

Non-Compliance Penalty: A customer who does not interrupt within one hour following a system integrity interruption order shall be billed at the rate of $10 per kW for the highest 30-minute kW demand created during the interruption period in addition to the prescribed monthly rate.

Electric energy from any facilities, other than the Company's, except for on-site generation installed prior to January 1, 1986, will be used to first reduce the sales on this rider. Standby service will not be billed at this rider, but must be taken under Riders No. 3, No. 5 or No. 6.

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:
Energy Charges:
For service at secondary voltage level (less than 4.8 kV)
8.843¢ per kWh for the first 100 hours use of maximum demand
4.824¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)
8.151¢ per kWh for the first 100 hours use of maximum demand
4.494¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV)
8.102¢ per kWh for the first 100 hours use of maximum demand
4.377¢ per kWh for the excess

For service at transmission voltage level (120 kV and above)
7.805¢ per kWh for the first 100 hours use of maximum demand
4.184¢ per kWh for the excess

(Continued on Sheet No. D-58.00)

(Continued from Sheet No. D-57.00)

STANDARD CONTRACT RIDER NO. 1.1 (Contd.) **ALTERNATIVE ELECTRIC METAL MELTING**

Delivery Charges:

Distribution Charges:

For service at secondary voltage level (less than 4.8 kV)
2.035¢ per kWh for the first 100 hours use of maximum demand
2.035¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)
1.455¢ per kWh for the first 100 hours use of maximum demand
1.455¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV)
0.497¢ per kWh for the first 100 hours use of maximum demand
0.497¢ per kWh for the excess

For service at transmission voltage level (120 kV and above)
0.270¢ per kWh for the first 100 hours use of maximum demand
0.270¢ per kWh for the excess

Substation Credit: Available to customers where service at sub-transmission voltage (24 kV to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of 0.3¢/kWh will be applied to the energy use associated with the first 100 hours use of maximum demand.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8

(Continued on Sheet No. D-59.00)

(Continued from Sheet No. D-58.00)

STANDARD CONTRACT RIDER NO. 1.1 (Contd.) **ALTERNATIVE ELECTRIC METAL MELTING**

Retail Access Service Customers:

Delivery Charges:

Distribution Charges:

For service at secondary voltage level (less than 4.8 kV)
2.035¢ per kWh for the first 100 hours use of maximum demand
2.035¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)
1.455¢ per kWh for the first 100 hours use of maximum demand
1.455¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV)
0.497¢ per kWh for the first 100 hours use of maximum demand
0.497¢ per kWh for the excess

For service at transmission voltage level (120 kV and above)
0.270¢ per kWh for the first 100 hours use of maximum demand
0.270¢ per kWh for the excess

Substation Credit: Available to customers where service at sub-transmission voltage (24 kV to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of 0.3¢/kWh will be applied to the energy use associated with the first 100 hours use of maximum demand.

Surcharges and Credits: As approved by the Commission. See Section C9.8.

(Continued from Sheet No. D-60.00)

(Continued from Sheet No. D-60.00)

STANDARD CONTRACT RIDER NO. 1.2 **ELECTRIC PROCESS HEAT**

APPLICABLE TO:		
	General Service Rate	Schedule Designation D3
	Large General Service Rate	Schedule Designation D4
	Interruptible Supply Rate	Schedule Designation D8
	Primary Supply Rate	Schedule Designation D11

Customers using electric heat as an integral part of a manufacturing process, or electricity as an integral part of an anodizing, plating or coating process, and taking their supply at any of the above rates and who provide special circuits to accommodate separate metering may take service under this Rider subject to Section C4.4- Choice of Rates.

This Rider is available only to customers who add new load on or after May 1, 1986 to engage in the above described processes and to customers served on R1.1 prior to May 1, 1986 and engaged in the above described processes.

Customers shall be subject to immediate interruption on short-term notice if necessary, in order to maintain system integrity. The customer shall be provided, whenever possible, notice in advance of probable interruption and estimated duration of interruption.

Non-Compliance Penalty: A customer who does not interrupt within one hour following a system integrity interruption order shall be billed at the rate of $10 per kW for the highest 30-minute kW demand created during the interruption period in addition to the prescribed monthly rate.

Electric energy from any facilities, other than the Company's, except for on-site generation installed prior to January 1, 1986, will be used to first reduce the sales on this rider. Standby service will not be billed at this rider, but must be taken under Riders No. 3, No. 5 or No. 6.

RATE PER MONTH:
Full Service Customers:

Power Supply Charges:
Energy Charges:
For service at secondary voltage level (less than 4.8 kV)
8.843¢ per kWh for the first 100 hours use of maximum demand
4.824¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)
8.151¢ per kWh for the first 100 hours use of maximum demand
4.494¢ per kWh for the excess

(Continued on Sheet No. D-62.00)

(Continued from Sheet No. D-61.00)

STANDARD CONTRACT RIDER NO. 1.2 (Contd.) **ELECTRIC PROCESS HEAT**

For service at subtransmission voltage level (24 kV to 41.6 kV)
8.102¢ per kWh for the first 100 hours use of maximum demand
4.377¢ per kWh for the excess

For service at transmission voltage level (120 kV and above)
7.805¢ per kWh for the first 100 hours use of maximum demand
4.184¢ per kWh for the excess

Delivery Charges:
Distribution Charges:
For service at secondary voltage level (less than 4.8 kV)
2.035¢ per kWh for the first 100 hours use of maximum demand
2.035¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)
1.455¢ per kWh for the first 100 hours use of maximum demand
1.455¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV)
0.497¢ per kWh for the first 100 hours use of maximum demand
0.497¢ per kWh for the excess

For service at transmission voltage level (120 kV and above)
0.270¢ per kWh for the first 100 hours use of maximum demand
0.270¢ per kWh for the excess

Substation Credit: Available to customers where service at sub-transmission voltage (24 kV to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of 0.3¢/kWh will be applied to the energy use associated with the first 100 hours use of maximum demand.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

(Continued on Sheet No. D-63.00)

(Continued from Sheet No. D-62.00)

STANDARD CONTRACT RIDER NO. 1.2 (Contd.) **ELECTRIC PROCESS HEAT**

Retail Access Service Customers:

Delivery Charges:
Distribution Charges:
For service at secondary voltage level (less than 4.8 kV)
2.035¢ per kWh for the first 100 hours use of maximum demand
2.035¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)
1.455¢ per kWh for the first 100 hours use of maximum demand
1.455¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV)
0.497¢ per kWh for the first 100 hours use of maximum demand
0.497¢ per kWh for the excess

For service at transmission voltage level (120 kV and above)
0.270¢ per kWh for the first 100 hours use of maximum demand
0.270¢ per kWh for the excess

Substation Credit: Available to customers where service at sub-transmission voltage (24 kV to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of 0.3¢/kWh will be applied to the energy use associated with the first 100 hours use of maximum demand.

Surcharges and Credits: As approved by the Commission. See Section C9.8.

(Continued on Sheet No. D-64.00)

M.P.S.C. No. 1 - Electric ________ Revised Sheet No. D-70.00
DTE Electric Company Cancels ________ Revised Sheet No. D-70.00
(Final Order Case No. U-18014)

(Continued from Sheet No. D-69.00)

STANDARD CONTRACT RIDER NO. 3 (Contd.) **PARALLEL OPERATION AND STANDBY SERVICE AND STATION POWER STANDBY SERVICE**

RATES:

Power Supply Charges:

Monthly Generation Reservation Fee:

$***1.90*** times the standby contract capacity in kW, per month.

Demand Charges:

A daily on-peak standby demand charge will be charged based on the determination of standby power coincident with the daily highest 30-minute integrated reading during on-peak hours of the demand meters which measure the total load served by the Company. Standby demand equals standby contract capacity minus the 30-minute output toward internal load of the customer's generator less any reduction the customer can accomplish by reducing the supplemental demand below the maximum monthly on peak supplemental demand, but not less than zero, and not greater than the total load served by the Company.

The daily on-peak backup demand charge is $***4.98*** per kW per day during periods other than maintenance periods as defined below.

The daily on-peak backup demand charge is $***2.82*** per kW per day during maintenance periods as defined below.

Energy Charge:

An energy charge for back-up and maintenance power will be charged based on standby contract capacity less the output toward internal load of the customer's generator, but not less than zero. For customers served on supplemental rate schedules D4, D11**,** D6.2 and D8, the energy charge will be the D11 on-peak power supply energy charge, 3.807¢ per kWh, plus appropriate power supply credits, including but not limited to off-peak credit, and voltage level credit. For customers served on supplemental rate schedules D3, D3.2 and D3.3, the energy charge will be the applicable power supply energy charge specified in the customer’s supplemental rate.

The energy as stated herein, is also subject to provisions of the PSCR clause and other Surcharges and Credits Applicable to Power Supply as approved by the Commission. See Section C8.5.

Waivers and limits for demand/energy rates:

For customers taking supplemental service at demand/energy rates schedules D4, D11, D6.2 and D8, and customers switching from energy only rates to demand/energy/rates, the following applies.

If the total of daily demand charges for the month is less than the monthly generation reservation fee, then the daily demand charges will be waived for that month.

If the total of daily demand charges for the month is greater than the monthly generation reservation fee, then the generation reservation fee will be waived for that month.

(Continued on Sheet No. D-71.00)

Issued ________, 201_
D. M. Stanczak
Vice President
Regulatory Affairs

Detroit, Michigan

Effective for service rendered on
and after _____________, 201_

Issued under authority of the
Michigan Public Service Commission
dated ____________, 201_
in Case No. U-18014

(Continued from Sheet No. D-71.00)

STANDARD CONTRACT RIDER NO. 3 (Contd.) **PARALLEL OPERATION AND STANDBY SERVICE AND STATION POWER STANDBY SERVICE**

Delivery Charges:

Service Charge:

$275 per customer per month for customers served at primary voltage.
$375 per customer per month for customers served above primary voltage.
$95 per customer per month for customers served at secondary voltages.

Distribution Charge:

Distribution charges will be as follows:

$***3.96*** per kW at primary voltage applied to the standby contract capacity
$***1.54*** per kW at subtransmission voltage applied to the standby contract capacity
$***0.73*** per kW at transmission voltage applied to the standby contract capacity
For service provided in conjunction with a secondary voltage base rate the Delivery Charge will be the greater of $***9.80*** per kW applied to standby contract capacity or ***3.920***¢/kWh applied to all standby energy delivered.

Substation Credit: Available to customers served at subtransmission voltage level (24 to 41.6 kW) or higher who provide the on-site substation including all necessary transforming, controlling, and protective equipment. A credit of $.30 per kW shall be applied to the distribution demand charge per kW of standby capacity. An additional credit of 0.040¢ per kWh of standby delivered will be given where the service is metered on the high voltage side of the transformer.

Surcharges and Credits Applicable to Delivery Service: As approved by the Commission. See Section C9.8.

ADJUSTMENT OF PRIOR RATCHETS: When a customer takes standby service under Rider No. 3, the setting or the increasing or decreasing of standby contract capacity will affect the existing ratchet levels on the supplemental rate as follows:

(a) An amount in kW equal to the initial standby contract capacity (or to the increase or decrease) will be subtracted from (or subtracted from or added to) the existing ratcheted maximum demand level for customers on supplemental rates D6.2 and D8 and D11.

(b) An amount in kW equal to 65% of the initial standby contract capacity (or of the increase or decrease) will be subtracted from (or subtracted from or added to) the existing ratcheted on-peak billing demand level for customers on supplemental rates D4, D6.2 and D8 and D11.

LATE PAYMENT CHARGE: See Section C4.8.

SCHEDULE OF ON-PEAK HOURS: See Section C11.

(Continued on Sheet No. D-73.00)

M.P.S.C. No. 1 - Electric ________ Revised Sheet No. D-73.02
DTE Electric Company Cancels ________ Revised Sheet No. D-73.02
(Final Order Case No. U-18014)

(Continued from Sheet No. D-73.01)

STANDARD CONTRACT RIDER NO. 3 (Contd.).) **PARALLEL OPERATION AND STANDBY SERVICE AND STATION POWER STANDBY SERVICE**

STATION POWER STANDBY SERVICE

SERVICE UNDER THIS PROVISION BECOMES EFFECTIVE APRIL 1, 2014

STATION POWER STANDBY SERVICE: Available to customers with generation facilities that are located within the Company's retail service territory and that are interconnected to ITC Transmission. The power supply requirements necessary to maintain and operate the generating facility that are normally served by the facility's on-site generation but which instead are provided by the facility's taking power through its transmission interconnection must be provided under the station Power Standby Service provisions of this rider.

APPLICABLE TO: General Service Rate Schedule Designation D3

HOURS OF SERVICE: 24 hours, subject to interruption by agreement, or by advance notice.

CONTRACT CAPACITY: Customers shall initially contract for a specified capacity in kilowatts sufficient to meet expected maximum requirements. Any single reading of the demand meter or aggregation of demand meters recording inflow to the facility in any month that exceeds the contract capacity then in effect shall become the new contract capacity.

METERING REQUIREMENTS: All customers taking service under this rider must install the necessary equipment to permit metering. The Company will supply the metering equipment. Service to the customer under this Rider will be metered with demand-recording equipment. Any equipment installed by the customer necessary to accommodate the Company's metering equipment must be approved by the Company and must be compatible with the Company's Meter Data Acquisition System.

RATES:

Power Supply:

Station Power Energy Service will be priced on the basis of the real time MISO locational hourly marginal energy price for the Company-appropriate load node. In additional to the MISO locational hourly marginal energy price the following charges will also apply:

0.733¢/kWh for MISO network transmission costs and MISO energy market costs plus,
An administrative charge of ***1.619***¢/kWh plus,
Surcharges and Credits Applicable to Power Supply, excluding PSCR, as approved by the Commission. See Section C8.5

Service Charge:

$375 per customer per month

LATE PAYMENT CHARGE: See Section C4.8

CONTRACT TERM: The contract term is from month to month until terminated by mutual consent or on one month written notice by either party.

Issued ________, 201_
D. M. Stanczak
Vice President
Regulatory Affairs

Detroit, Michigan

Effective for service rendered on and after ___________, 201_

Issued under authority of the
Michigan Public Service Commission
dated ____________, 201_
in Case No. U-18014

M.P.S.C. No. 1 - Electric   _________Revised Sheet No. D-84.00
DTE Electric Company   Cancels _________Revised Sheet No. D-84.00
(Final Order Case No. U-18014)

STANDARD CONTRACT RIDER NO. 7   **GREENHOUSE LIGHTING SERVICE**

APPLICABLE TO: General Service Rate — Schedule Designation D3
Large General Service Rate — Schedule Designation D4

Available on an optional basis to customers desiring high intensity discharge lighting service for greenhouses or other environmentally controlled growing facilities as a daylight supplement. All lighting on this rider shall be separately metered. The customer will furnish, install, own, and maintain all equipment comprising the lighting system. No other device may be connected to this circuit except for controls, lighting and associated equipment.

HOURS OF SERVICE: Dusk to dawn service for circuits controlled by photo-sensitive or clock timing devices.

CURRENT, PHASE AND VOLTAGE: Alternating current, 60 hertz, single phase, nominally at 120/240 volts, three-wire; or three-phase, four-wire, Y connected at 208Y/120 volts; or under certain conditions three-phase, four-wire, Y connected at 480Y/277 volts.

RATE PER MONTH:

Full Service Customers:

Power Supply Charge:
Energy Charge: ***4.424***¢ per kWh for all kWh

Delivery Charges:
Service Charge: $1.95 per month
Distribution Charge: ***2.536***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Delivery Charges:
Service Charge: $1.95 per month
Distribution Charge: ***2.536***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8.

(Continued on Sheet No. D-85.00)

STANDARD CONTRACT RIDER NO. 8 **COMMERCIAL SPACE HEATING**

APPLICABLE TO: General Service Rate — Schedule Designation D3
Large General Service Rate — Schedule Designation D4

Available on an optional basis to customers desiring service for commercial space conditioning furnished through separately metered circuits to which no other device except electric space heating, water heating, air conditioning, or humidity control equipment may be connected and provided that all of the space heating must be either total electric or an electric heat pump supplemented by a fossil fuel furnace installed on a permanent basis. The customer must provide special circuits, the design and method of installation of which are approved by the Company as adapted to this service.

Electric space heating under the terms of this rider will be considered to include heating by light systems, provided the primary means of space heating at the time of maximum requirements will be furnished by the lighting system, with the balance furnished by supplementary electric heating equipment. After June 15, 1970, under the authority of the Commission in Case U-3189, service to facilities which heat by lighting is not available for premises not previously qualified for service hereunder.

RATE PER MONTH:

Full Service Customers:

Power Supply Charge:

Energy Charge: ***8.775***¢ per kWh for all kWh, except that during the billing months of November through May, usage in excess of 1,000 kWh per month shall be billed at ***5.618***¢ per kWh.

Delivery Charges:

Service Charge: $***11.25*** per month
Distribution Charge: ***4.252***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Delivery Charges:

Service Charge: $***11.25*** per month
Distribution Charge: ***4.252***¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8.

(Continued on Sheet No. D-87.00)

(Continued from Sheet No. D-86.00)

STANDARD CONTRACT RIDER NO. 8 (Contd.) **COMMERCIAL SPACE HEATING**

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

CONTRACT TERM: This rate is made effective by a rider modifying the contract form prescribed for one of the applicable filed rates listed above. The contract term is co-extensive with the contract term of the applicable filed rate under which service is being taken.

INSULATION STANDARDS FOR ELECTRIC HEATING: See Section C4.9.

OPTIONAL PROVISION FOR CERTAIN COMMON AREA ACCOUNTS: Electric heating and common area usage of apartment or condominium accounts supplied through a single meter and billed under the terms of the Domestic Space Heating Rate D2 prior to September 28, 1978 may be billed under this provision without the necessity of separate metering if an initial block of kilowatthours is billed at the current General Service Rate D3. This initial block of kilowatthours will be calculated each November by averaging the usage during the previous billing months of June through October.

Full Service Customers:

Usage in excess of the initial block of kilowatthours per month shall be billed at a power supply charge of ***8.775***¢ per kilowatthour during the billing months of June through October and ***5.618***¢ per kilowatthour during the billing months of November through May. A Distribution charge of ***4.252***¢ per kWh for all kWh shall also be applied. The only service charge to be billed to a customer utilizing this provision will be the D3 service charge.

Retail Access Service Customers:

Usage in excess of the initial block of kilowatthours per month shall be billed a distribution charge of ***3.543***¢ per kWh for all kWh.

SUPPLEMENTAL SPACE HEATING PROVISION: This provision is available to customers taking service under the General Service Rate D3 or the Large General Service Rate D4 who purchase energy for a minimum of 10 kW of supplemental, permanently installed, electric space heating equipment. To qualify for this provision, a customer must certify in writing the amount of permanently installed space heating equipment, subject to inspection at the option of the Company, and have the said equipment on separately metered circuits to which no other device is connected. Section C4.9, Insulation Standards for Electric Heating, will not apply to this provision.

(Continued from Sheet No. D-90.00)

STANDARD CONTRACT RIDER NO. 10 (Contd.) **INTERRUPTIBLE SUPPLY RIDER**

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Energy Charge:

The Energy charge will be the real time MISO locational hourly marginal energy price for the DTE Electric-appropriate load node. In addition to the MISO locational hourly marginal energy price the following charges will also apply:

0.733¢/kWh for MISO network transmission costs and MISO energy market costs plus,
An administrative charge of ***1.619***¢/kWh plus,
A voltage level service adder of 1% for transmission, 2% for subtransmission and 7% for primary.

Delivery Charges:

Primary Service Charge: $275 per month
Subtransmission and Transmission Service Charge: $375 per month
Distribution Charges:
For primary service (less than 24kV) $***3.96*** per kW of maximum demand.
For service at subtransmission voltage (24 to 41.6 kV) $***1.54*** per kW of maximum demand.
For service at transmission voltage (120 kV and above) $***0.73*** per kW of maximum demand

Substation Credit: Available to customers where service at subtransmission voltage level or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of $.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of .040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8

Retail Access Service Customers:

Delivery Charges:

Primary Service Charge: $275 per month
Subtransmission and Transmission Service Charge: $375 per month
Distribution Charges:
For primary service (less than 24kV) $***3.96*** per kW of maximum demand
For service at subtransmission voltage (24 to 41.6 kV) $***1.54*** per kW of maximum demand
For service at transmission voltage (120 kV and above) $***0.73*** per kW of maximum demand.

(Continued on Sheet No. D-92.00)

(Continued from Sheet No. E-5.00)

RETAIL ACCESS SERVICE RIDER – RIDER EC2 (Contd.)

E2 TERMS AND CONDITIONS OF SERVICE (Contd.)

E2.6 Multiple Meters at Non-Residential Locations

A Existing groupings of multiple meters into accounts at a location will be maintained in setting up new retail access accounts.

B When multiple Advanced Electric Meters are used within a single voltage level, Maximum Demand at that voltage level will be established by the highest coincident demand recorded for those meters.

E2.7 Multiple Meters at Residential Locations

Existing groupings of multiple meters into accounts at a location will be maintained in setting up new retail access accounts.

E2.8 Metering

A All load served under this Rider shall be metered. The meter type shall be that which is appropriate to meter the customer's Power Supply requirements under the otherwise applicable rate schedule.

B Non-Residential Secondary customers may elect to have Advanced Electric metering installed, at their expense, in the place of standard demand/energy metering, and to have the Advanced Electric metered data used for wholesale settlement in lieu of profiled data as provided for in Section E20.2.

(1) DTE Electric shall install the requested Advanced Electric meter within 45 days of receiving the customer's request

(2) The minimum term for this Advanced Electric-metered service is one year.

C Metering equipment for Customers taking retail access service shall be furnished, installed, read, maintained and owned by DTE Electric.

D ***Customers who desire to expand load at their facility, where expand means to connect new load through an existing meter, but are not eligible to expand the retail access service load at their facility above the Cap on Choice Participation in accordance with the procedures adopted by the MPSC in Case No. U-15801 on September 29, 2009, must install separate metering, at their expense, in order to measure and bill the Full Service portion of their facility load. The separate metering requirement will be waived if the installation of separate metering is impractical. Under this waiver, both retail access and full service loads will be estimated based on the metered load of the facility.***

(Continued on Sheet No. E-7.00)

P R O O F O F S E R V I C E

STATE OF MICHIGAN)

Case No. U-18014

County of Ingham)

Gloria Pearl Jones being duly sworn, deposes and says that on January 31, 2017 A.D. she electronically notified the attached list of this **Commission Order via e-mail transmission**, to the persons as shown on the attached service list (Listserv Distribution List).

Gloria Pearl Jones

Gloria Pearl Jones

Subscribed and sworn to before me
this 31st day of January 2017

Lisa Felice

Lisa Felice
Notary Public, Eaton County
My Commission Expires April 15, 2020

Service List -- Case No. U-18014

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