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MPSC approves DTE Electric rate increase as company works to modernize infrastructure, boost reliability

The Michigan Public Service Commission today approved a \$188.3 million rate increase for DTE Electric Co. ([Case No. U-20561](#)), an increase authorized to include new investments in critical infrastructure, particularly the electric distribution system, to support electrical safety and reliability.

While there is significant need for the utility to replace and modernize aging infrastructure such as substations, poles, and wires to improve reliability, the increase approved was substantially lower than what DTE Electric had sought. The utility had requested a \$351 million base rate increase. Instead, the Commission granted an increase of \$188,285,000, 47 percent lower than requested. DTE Electric is authorized to implement the rate increase starting May 15.

DTE Electric said the key factors contributing to its projected shortfall are increased investments made in its critical infrastructure facilities to continue safe and reliable service to customers, and associated depreciation and property tax increases, in addition to an increase in operation and maintenance expense. The rate increase is based on the Commission's review of DTE Electric's investments, expenses and revenue projected for the 12-month period ending April 30, 2021.

Preliminary estimates are that a residential customer using 500 kilowatt hours of electricity per month would pay approximately \$3.93 more per month, a 4.7% increase, starting with the June 2020 bill. The exact amount is still to be verified subject to a seven-day tariff review. The Commission notes that the impact of the increase on customer bills will be softened in the near term by DTE Electric's recent announcement that it will pass along \$30 million to \$40 million in bill relief to its electric utility customers for the months of June and July, from savings realized through lower fuel prices spent on generating electricity.

Based on progress to date with tree trimming reducing power outages, the Commission authorized the extension of a multi-year tree trimming program through 2022. This extension will provide DTE Electric greater certainty for workplace attraction and retention in this critical area. Trees are a leading cause of power outages and can create safety hazards when trees come into contact with live electric wires. DTE Electric has more than doubled its tree trimming crews to support this safety and reliability work.

In other highlights from today's order, the Commission:

- Reduced DTE Electric's authorized return on equity (ROE) from 10 percent to 9.9 percent, consistent with recent decisions in other cases, and maintained the electric utility's 50-50 debt-to-equity ratio as a balanced capital structure for ratemaking purposes. The company's overall authorized rate of return is 5.46 percent. DTE Electric had requested an ROE of 10.5 percent.
- Disallowed \$44 million in capitalized incentive compensation expense tied to the company's financial performance indicators. This results in a one-time write off of \$31 million to remove this amount from the rate base on a going forward basis. Consistent with past practice, the Commission authorized \$3.6 million in incentive compensation tied to operational performance metrics as part of DTE's operation and maintenance expense.
- Disallowed over \$160 million in capital expenditures at several of DTE Electric's fossil-fueled plants based on insufficient support for the proposed funding level, potential changes to environmental rules, or uncertain project timing. The Department of Attorney General, Association of Businesses Advocating Tariff Equity (ABATE), Commission Staff and other parties raised concerns about a lack of specificity on project scope, funding and timing. For DTE Electric's River Rouge plant, the Commission rejected the utility's request to recover approximately \$11.4 million in historical and new capital costs to convert the plant from burning coal to a combination of industrial waste and natural gases. The River Rouge plant is down to one unit, which was slated to close in 2020. The Commission called for a community transition plan to be filed as part of DTE Electric's next rate case. The plan should address public input DTE Electric has received through public meetings in River Rouge or other outreach to communicate the utility's plans with the community and receive input from community members.
- Directed DTE to provide a revised cost-benefit analysis of its Belle River power plant using alternate retirement dates, consistent with the Commission's recent decision in DTE Electric's recent integrated resource plan ([Case No. U-20471](#)).
- Disallowed funding for numerous information technology projects, \$61 million in capital and \$1.1 million in operations and maintenance expense, based on insufficient justification or detail on the costs, need, or timing. With a review of IT project-level detail and support being difficult to predict even two years into the future, and given the cost and operational impacts, they present significant risk to the company and customers. The Commission recommended DTE Electric develop a comprehensive information technology plan in coordination with the Commission, Staff, and stakeholders. The plan would strategically and holistically assess IT needs, solutions, risk management, security, and decision-making approaches to support the utility's customer, business, and operational functions. * Directed DTE Electric to include performance metrics and timelines as part of its long-term electric distribution plan to be submitted to the Commission in 2021 given the pressing need to improve electric reliability, such as reducing the number and duration of outages.

- Maintained its production cost allocation methodology based on 4 coincident peak 75-0-25 for allocating costs between different customer classes.
- Approved continuation of special rates for eligible low-income customers, including the ability for DTE Electric to continue to enroll customers if enrollments exceed the amount included in rates.
- Rejected DTE Electric's proposed pilots for fixed bill and low-income renewable energy but suggested the utility continue to work with the Commission, the Staff and stakeholders on the development of programs.
- Recommended reconsideration of the timing to roll out on-peak summer rates for residential customers given potential challenges with near-term implementation and delay in the initial pilot programs.
- Maintained a monthly customer charge of \$7.50 for residential customers.

In addition to the Attorney General, ABATE and MPSC Staff, intervenors in the case were the Michigan Cable Telecommunications Association; Kroger Co.; Michigan Environmental Council; Natural Resources Defense Council; Sierra Club; Citizens Utility Board; Great Lakes Renewable Energy Association; Residential Customer Group; Environmental Law and Policy Center; Ecology Center; Solar Energy Industries Association; Vote Solar; Utility Workers Union of America Local 223; Energy Michigan; Foundry Association of Michigan; Soulardarity; Central Transport, LLC; Central Transport, Inc.; Crown Enterprises, Inc.; Detroit International Bridge Company; Universal Truckload Services, Inc., and Wal-Mart Inc.

MPSC Chairman Sally Talberg noted that rate cases are subject to a 10-month statutory deadline for the Commission to issue a final decision, and she expressed appreciation for the efforts by the administrative law judge, Staff, and parties to bring this case to a timely resolution, especially given the challenging circumstances with the COVID-19 pandemic.

"The Commission does not take lightly its decision to authorize DTE to raise its rates but we are bound by law to issue a decision now," Talberg said. "There are pressing needs to upgrade aging infrastructure to ensure safe, reliable electric service."

Talberg added, "The MPSC has worked closely with other state departments, social service agencies and utilities across the state to strengthen shutoff protections and assistance programs for vulnerable households, and we encourage anyone with financial challenges to not wait and to reach out now for help."

Residential utility customers may contact their utilities, call 211 or go to www.mi211.org for help. Additional information on assistance is available on the MPSC's [website](#).

To look up cases from today's meeting, access the E-Dockets filing system [here](#).

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