

STATE OF MICHIGAN
DEPARTMENT OF ATTORNEY GENERAL



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DANA NESSEL
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May 6, 2021

Ms. Lisa Felice
Executive Secretary
Michigan Public Service Commission
7109 West Saginaw Highway
Lansing, MI 48917

Dear Ms. Felice:

Re: MPSC Case No. U-21015

Enclosed find the *Attorney General's Testimony and Exhibits of Sebastian Coppola*,
and related Proof of Service.

Sincerely,

Joel B. King
Assistant Attorney General

cc: All Parties

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
DTE ELECTRIC COMPANY)	
for a Financing Order Approving the)	MPSC Case No. U-21015
Securitization of Qualified Costs.)	
_____)	

Direct Testimony
And Exhibits
of
Sebastian Coppola

On behalf of
Attorney General Dana Nessel

May 6, 2021

1 **I. Introduction**

2 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND ADDRESS.**

3 A. My name is Sebastian Coppola. I am an independent business consultant. My office is
4 located at 5928 Southgate Rd., Rochester, Michigan 48306.

5 **Q. PLEASE SUMMARIZE YOUR PROFESSIONAL QUALIFICATIONS.**

6 A. I am a business consultant specializing in financial and strategic business issues in the
7 fields of energy and utility regulation. I have more than thirty years of experience in public
8 utility and related energy work, both as a consultant and utility company executive. I have
9 testified in several regulatory proceedings before the Michigan Public Service
10 Commission (“MPSC” or “Commission”) and other regulatory jurisdictions. I have
11 prepared and/or filed testimony in general rate case proceedings, revenue decoupling
12 reconciliations, infrastructure replacement mechanisms, gas conservation programs, Gas
13 Cost Recovery (“GCR”) cases and Power Supply Cost Recovery (“PSCR”) cases, among
14 many other regulatory matters.

15 **Q. WHAT EXPERIENCE DO YOU HAVE WITH ELECTRIC UTILITIES?**

16 A. I have performed rate case analyses and filed testimony in several electric general rate
17 cases addressing issues such as securitization of qualified utility costs, revenue
18 requirements, sales level determination, operation and maintenance expenses, cost
19 allocations, cost of capital, cost of service and rate design, and various cost tracking
20 mechanisms. In addition, I have performed analyses of power costs and filed testimony in

1 power supply cost recovery cases, including cases involving reconciliation of annual
2 power supply costs.

3 In my position as Senior Vice President of Finance at MCN Energy Group (MCN), I had
4 responsibility for project financing of independent power generation plants in which MCN
5 was an owner. In this regard, I was intricately involved with and became knowledgeable
6 of PURPA qualified cogeneration plants in Michigan and other states. In addition, I was
7 involved in negotiating the development and financing of power generation and electricity
8 distribution plants in other countries, such as India.

9 During my tenure at both MCN and SEMCO, I developed intricate knowledge of capital
10 markets and financial institutions. As Treasurer, VP of finance, and Chief Financial
11 Officer, I directed the issuance of more than \$2 billion in securities, including common
12 stock, corporate bonds, tax-deductible preferred stock and high-equity value convertible
13 securities. I established bank lines of credit, commercial paper and asset acquisition
14 facilities. In carrying out my financing duties, I had extensive interactions with equity and
15 debt investors, financial analysts, rating agencies, investment bankers, and other members
16 of the financial community.

17 **Q. PLEASE LIST SOME OF THE MORE RECENT CASES YOU HAVE**
18 **PARTICIPATED IN BEFORE THE MPSC AND OTHER REGULATORY**
19 **AGENCIES.**

20 A. Here is a partial list of the most recent regulatory cases in which I have participated:

- 21 ○ Filed testimony on behalf of the Michigan Attorney General in Consumers
22 Energy Company (CECo) 2021 PSCR plan case No. U-20802.

- 1 ○ Filed testimony on behalf of the Michigan Attorney General in CEC0 2019-
2 2020 GCR reconciliation case No. U-20234.
- 3 ○ Filed testimony on behalf of the Maryland Office of Public Counsel in
4 Washington Gas Light 2020 gas rate case No. 9651 on capital additions, rate
5 base, depreciation expense, O&M costs and other issues.
- 6 ○ Filed testimony on behalf of the Michigan Attorney General in the Consumers
7 Energy's (CECO) 2020 Karn Electric Power Generating Units 1 & 2 Retirement
8 Cost and Bond Securitization Case U-20889.
- 9 ○ Filed testimony on behalf of the Michigan Attorney General in DTE Electric
10 Company (DTEE) 2019 PSCR plan reconciliation in case No. U-20222.
- 11 ○ Filed testimony on behalf of the Michigan Attorney General in DTE Gas
12 Company (DTE Gas) 2020-2021 GCR plan case No. U-20543.
- 13 ○ Filed testimony on behalf of the Michigan Attorney General in SEMCO Gas
14 Company (SEMCO) 2020-2021 GCR plan case No. U-20551.
- 15 ○ Filed testimony on behalf of the Michigan Attorney General in Consumers
16 Energy (CECO) 2020 electric rate Case U-20697 on several issues, including
17 operation and maintenance expenses, capital expenditures, cost of capital, and
18 other items.
- 19 ○ Filed testimony on behalf of the Michigan Attorney General in in the complaint
20 against Upper Peninsula Power Company's (UPPCO) Revenue Decoupling
21 Mechanism (RDM) in Case No. U-20150.
- 22 ○ Filed testimony on behalf of the Michigan Attorney General in CEC0 2019 gas
23 rate Case U-20650 on several issues, including sales, operation and maintenance
24 expenses, capital expenditures, cost of capital, and other items.
- 25 ○ Filed testimony on behalf of the Michigan Attorney General in DTE Gas 2019
26 gas rate Case U-20642 on several issues, including sales, operation and
27 maintenance expenses, capital expenditures, cost of capital, and other items.
- 28 ○ Filed testimony on behalf of the Michigan Attorney General in DTE Gas 2018-
29 2019 GCR reconciliation Case U-20210.
- 30 ○ Prepared a report on the financial condition and risks of AltaGas and Washington
31 Gas Light Company on behalf of the Maryland Office of People's Counsel filed
32 with the Maryland Public Service Commission in July 2019 in Case No. 9449.
- 33 ○ Filed rebuttal testimony on behalf of the Illinois Attorney General for the
34 reconciliation of the rate surcharge for the Qualified Infrastructure Program
35 (Rider QIP) of the Northern Illinois Gas Company (Nicor Gas) in Docket 19-
36 0294.
- 37 ○ Filed testimony on behalf of the Michigan Attorney General in CEC0 2018-
38 2019 GCR reconciliation case U-20209.

- 1 ○ Filed testimony on behalf of the Michigan Attorney General in SEMCO Energy
2 Gas Company (SEMCO) 2018-2019 GCR reconciliation case U-20215.
- 3 ○ Provided assistance and proposals to the Maryland Office of Peoples Counsel
4 on Multi-Year Rate Plans and Performance-Based Ratemaking.
- 5 ○ Filed testimony on behalf of the Michigan Attorney General in DTE Electric
6 Company (DTEE) 2018 PSCR Reconciliation in case U-20203.
- 7 ○ Filed testimony on behalf of the Michigan Attorney General in Consumers
8 Energy Company (CECo) 2018 PSCR Reconciliation in case U-20202.
- 9 ○ Filed direct testimony on behalf of the Illinois Attorney General for the
10 reconciliation of the rate surcharge for the Qualified Infrastructure Program
11 (Rider QIP) of the Northern Illinois Gas Company (Nicor Gas) in Docket 19-
12 0294.
- 13 ○ Filed testimony on behalf of the Michigan Attorney General in DTEE 2019
14 electric rate Case U-20561 on several issues, including sales, operation and
15 maintenance expenses, capital expenditures, cost of capital, and other items.
- 16 ○ Filed testimony on behalf of the Michigan Attorney General in Indiana
17 Michigan Power Company (I&M) 2019 electric rate Case U-20239 on several
18 issues, including operation and maintenance expenses, capital expenditures, cost
19 of capital, rate design and other items.
- 20 ○ Filed testimony on behalf of the Michigan Attorney General in SEMCO Energy
21 Gas Company (SEMCO) 2019 gas rate Case U-20479 on several issues,
22 including sales, operation and maintenance expenses, capital expenditures, cost
23 of capital, rate design and other items.
- 24 ○ Filed testimony on behalf of the Michigan Attorney General in SEMCO 2019-
25 2020 GCR Plan case U-20245.
- 26 ○ Filed testimony on behalf of the Michigan Attorney General in CECo 2019-2020
27 GCR Plan case U-20233.
- 28 ○ Filed testimony on behalf of the Michigan Attorney General in DTEE 2019 PSCR
29 Plan case U-20221.
- 30 ○ Filed testimony on behalf of the Michigan Attorney General in DTE Gas
31 Company (DTE Gas) 2019-2020 GCR Plan case U-20235.
- 32 ○ Filed testimony on behalf of the Michigan Attorney General in Michigan Gas
33 Utilities Corporation (MGUC) 2019-2020 GCR plan case U-20239.
- 34 ○ Filed rebuttal testimony on behalf of the Illinois Attorney General in Nicor Gas
35 2018 rate case on capital expenditures and rate base additions in Docket 18-1775.
- 36 ○ Filed testimony on behalf of the Michigan Attorney General in DTE Gas 2017-
37 2018 GCR reconciliation case U-20076.
- 38 Appendix A elaborates further on my qualifications in the regulated energy field.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A. I have been asked by the Michigan Department of Attorney General to make an
3 independent analysis of DTE Electric Company's ("DTEE" or the "Company")
4 application to issue securitized bonds for the financing of certain qualified costs relating
5 to the retirement of the River Rouge power plant and tree trimming costs. This testimony
6 presents a report of my analysis.

7 **Q. WHAT TOPICS ARE YOU ADDRESSING IN YOUR TESTIMONY?**

8 A. I will be addressing the following major topics in this case:

- 9 1. The amount of qualified costs for the River Rouge power plant and tree trimming
10 costs.
- 11 2. The amount of the upfront costs to issue the securitized bonds.
- 12 3. The role of Citigroup as the transaction advisor to the Company.
- 13 4. The verification of financing and debt service costs to be recovered from
14 customers.
- 15 5. The amortization period for some of the qualified costs and the related term of the
16 bonds to be issued.
- 17 6. The appropriate proportion of debt and equity capital to be removed from the
18 Company's capital structure from proceeds received from the securitization bonds.
- 19 7. The inclusion of the applicable cost savings in the calculation of the bill credit on
20 customer bills.
- 21 8. The proposal by the Company to establish a deferred tax surcharge to customers to
22 recover deferred taxes related to the qualified costs.

1 The absence of a discussion of other matters in my testimony should not be taken as an
2 indication that I agree with those aspects of DTEE's securitization filing. Instead, my
3 testimony is focused on priority issues based on the available resources.

4 **Q. IS YOUR TESTIMONY ON THESE TOPICS ACCOMPANIED BY EXHIBITS?**

5 A. Yes, the following exhibits accompany this testimony:

- 6 1. Exhibit AG-1 Capital Structure and Cost of Capital
- 7 2. Exhibit AG-2 Customer Benefit of AG Securitization Proposal
- 8 3. Exhibit AG-3 DTEE Response on Deferred Taxes Removal
- 9 4. Exhibit AG-4 DTEE Response on Securitization Legal Fees
- 10 5. Exhibit AG-5 DTEE Responses on Audit Fees and Other Securitization Costs
- 11 6. Exhibit AG-6 DTEE Response on Verification of Customer Estimated Billings
- 12 7. Exhibit AG-7 DTEE Responses on Underwriters and Financial Advisor
- 13 8. Exhibit AG-8 DTEE Responses on Short-Term Debt and Long-Term Capital
- 14 9. Exhibit AG-9 DTEE Response on River Rouge Plant O&M and Property Taxes
- 15 10. Exhibit AG-10 AG Recalculation of Power Supply Bill Credit
- 16 11. Exhibit AG-11 DTEE Response For Revised Exhibit A-2

17 **II. Summary Conclusions and Recommendations**

18 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS REGARDING THE TOPICS**
19 **YOU IDENTIFIED ABOVE.**

20 A. I summarize my conclusions and recommendations as follows:

- 21 1. I recommend that the Commission reject the Company's proposed
22 securitization of \$184 million of qualified costs for the River Rouge power

1 plant and the deferred tree trimming costs, which are net of deferred taxes.
2 Instead, the Commission should approve the issuance of \$234 million of
3 securitized bonds, which includes the qualified costs without the reduction of
4 deferred tax amounts and also revised issuance costs. The larger bond
5 issuance amount will provide an incremental benefit to customers of
6 approximately \$11.4 million as a result of a lower cost of capital.

7 2. I recommend that the Commission remove \$2,750,000 from the forecasted
8 bonds issuance costs of \$6,500,000 and approve only the difference of
9 \$3,750,000 plus an additional \$199,900 in underwriters discount and fees due
10 my proposed larger bond securitization amount. The revised issuance costs
11 are reasonable and will provide an incentive for the Company to control and
12 minimize issuance costs.

13 3. The Company stated that it engaged Citigroup as the financial advisor and lead
14 underwriter on the bonds issuance transaction and has not yet appointed any
15 other underwriters. The appointment of Citigroup as both a financial advisor
16 and the lead underwriter in this securitization transaction presents a conflict of
17 interest. I recommend that the Commission direct the Company to separate
18 the role of the financial advisor and the underwriters in future securitization
19 bond issuances.

20 4. The Company proposed that the securitized tree trimming costs be amortized
21 and recovered from customers over a 5-year period. The purpose of the

1 Company's proposed 7-year surge program and securitization of the costs was
2 to spread the additional trimming costs from the surge over a longer future
3 time period in order to reduce the impact on customer rates in the early years
4 of the program. I recommend that the Commission deny the Company's
5 proposal for a 5-year amortization and cost recovery period and instead
6 approve a 7-year period with a related longer term on the securitized bonds.

- 7 5. The Company refused to provide the calculations to support the annual
8 amounts to be billed to customers for recovery of the bonds' securitization
9 costs, stating that the model used to perform the calculations is very complex
10 and proprietary. Without access to the underlying calculations, it is not
11 possible to validate the results of the calculated billings to customers. This
12 validation is necessary to render an opinion on the accuracy of the calculations
13 for both approval of the securitization application and also for the final
14 determination of the billing amounts at time of issuance of the bonds and
15 subsequent true-up reconciliations. Without the ability to validate the billing
16 information, I recommend that the Commission reject the Company's
17 securitization application.

18 The Company can potentially remedy this problem by providing the requested
19 information and not object to the filing of supplemental testimony by the AG
20 to address any further developments on this matter.

1 6. The Company plans to use the proceeds from the securitization of the River
2 Rouge qualified costs to pay down debt and equity at a ratio of 50/50. This is
3 in line with the debt/equity ratio approved in the permanent capital structure
4 in Case No. U-20561. However, with regard to the proceeds received from
5 the securitization of tree trimming costs, the Company plans to apply those
6 proceeds entirely to the retirement of short-term debt. The Company's claim
7 that it financed the deferred tree trimming costs with short-term debt is
8 unsupported. Instead, the evidence points to the fact that the qualified costs
9 were financed with long-term debt and equity capital. I recommend that the
10 Commission order the Company to apply the proceeds from the securitization
11 bonds to retire equal amounts of long-term debt and common equity from the
12 capital structure with no adjustment to the short-term debt.

13 7. The Company's filed testimony and Exhibit A-19 do not include all cost
14 savings from the retirement of the River Rouge power plant in the calculation
15 of the revenue requirement savings, which will be returned to customers
16 through a bill credit. The Company's calculation of a total Power Supply Bill
17 Credit of \$11,635,000 omits the O&M expense and property tax savings from
18 the Company no longer operating the plant after securitization. I recommend
19 that the Commission order the Company to recalculate the Power Supply Bill
20 credit for each rate schedule based on the \$41,856,000 reduction in the revenue
21 requirement I have calculated, which is inclusive of the O&M and property
22 tax savings.

8. As a result of my proposal to securitize the total amount of qualified costs without the reduction for deferred taxes, there is no need for the Company to recover the deferred taxes amounts through a surcharge on customer bills. Therefore, I recommend that the Commission reject the Company's deferred tax surcharges.

The remainder of my testimony provides further details to support these conclusions and recommendations.

III. Qualified Costs

Q. PLEASE SUMMARIZE THE COMPONENTS AND AMOUNT OF QUALIFIED COSTS THAT THE COMPANY PROPOSED TO SECURITIZE IN THIS SECURITIZATION CASE.

A. DTEE proposed to issue approximately \$184.0 million of securitized bonds. This amount includes financing the retirement of the River Rouge plant and the securitization of tree trimming costs for a total amount of \$177.5 million. In addition, the Company forecasted securitization and bonds issuance costs of \$6.5 million.¹ In my testimony below I will explain how the Company arrived at these amounts. As part of my review, I will propose certain changes and alternatives to maximize the benefit to customers from the securitization of qualified costs and the resulting reduction in rate base, as well as the reduction in the cost of capital and the return on rate base.

¹ Exhibit A-8.

1 **III. A. River Rouge & Tree Trimming Costs**

2 **Q. PLEASE DISCUSS YOUR FINDINGS FROM REVIEWING THE COMPANY'S**
3 **PROPOSED QUALIFIED COSTS FOR THE RIVER ROUGE GENERATING**
4 **PLANT.**

5 A. According to the direct testimony of witness Theresa Uzenski, the Company seeks to
6 securitize \$61.3 million of River Rouge qualified costs. This amount consists of \$73.2
7 million of unrecovered net book balance forecasted as of May 31, 2021, less \$11.9 million
8 of forecasted deferred taxes liability.²

9 The estimated net book balance as of May 31, 2021 reflects the plant's actual net book
10 value as of December 31, 2020 and the additional forecasted depreciation from January 1
11 to May 31, 2021. In calculating the plant's net book value for purposes of determining
12 qualified costs, the Company excluded the \$39.7 million depreciation reserve for the cost
13 of removal for the future retirement and decommissioning of the plant.³

14 **Q. PLEASE DISCUSS YOUR FINDINGS FROM REVIEWING THE COMPANY'S**
15 **PROPOSED QUALIFIED COSTS FOR THE DEFERRAL OF TREE TRIMMING**
16 **COSTS.**

17 A. In Exhibit A-3, witness Uzenski calculated the Company's proposed tree trimming
18 qualified costs at approximately \$116.2 million. This amount consists of \$156.9 million

² Exhibit A-1.

³ DTEE response to discovery request AGDE-1.9.

1 of deferred tree trimming cost forecasted as of June 30, 2021, less \$40.6 million of
2 forecasted deferred taxes liability.⁴

3 **Q. WHAT IS YOUR ASSESSMENT OF THE AMOUNT OF QUALIFIED COSTS**
4 **PROPOSED BY THE COMPANY FOR THE RIVER ROUGE PLANT AND TREE**
5 **TRIMMING?**

6 A. As stated above, the Company has proposed to securitize a total amount of \$177.5 million
7 of qualified costs for the River Rouge plant and deferred tree trimming costs. This amount
8 is after reducing the forecasted net book value for the River Rouge plant and the tree
9 trimming deferred balance by \$52.5 million of deferred tax liability. Through the
10 testimony of Camilo Serna and Theresa Uzenski, the Company's position is that only the
11 net amount after deducting the deferred taxes should be securitized.⁵

12 The Company's reasoning is that a portion of the plant's assets and tree trimming costs
13 were financed by deferred taxes, which are a zero-cost source of capital, and this portion
14 should not be securitized but should be recovered from customers through a separate
15 surcharge. The Company claims that by not securitizing the deferred taxes and issuing a
16 lower amount of bonds, customers will be better off, because less interest will be paid on
17 the lower amount of securitized bonds issued.

18 Although on the surface this argument may seem appealing, it does not consider the much
19 larger benefit of reducing long-term debt and equity by the larger securitization amount if

⁴ Amounts may not add due to rounding.

⁵ Camilo Serna's direct testimony at page 23, and Theresa Uzenski's direct testimony at page 7.

1 qualified costs are not reduced by deferred taxes. If the Company securitizes the qualified
2 costs of \$230,051,000⁶ before the deduction of deferred taxes, instead of \$177,523,000,
3 the Company's capital structure will reflect a further reduction of long-term debt and
4 common equity, which will further lower the overall cost of capital.

5 In Exhibit AG-1, I calculated the overall after-tax cost of capital using the Company's
6 securitization proposal versus my proposal (AG) of \$230,051,000 and retiring equal
7 amounts of long-term debt and equity. The resulting calculations show that under my
8 proposal, the overall pre-tax cost of capital is reduced to 6.68% from the approved rate of
9 6.79% in the Company last rate case No. U20561. In comparison, the Company's proposal
10 lowers the overall pre-tax cost of capital to 6.75%.

11 To determine the impact on customer rates between the AG's proposal and the Company's
12 proposal, in Exhibit AG-2, I have applied the applicable cost of capital rates to the
13 remaining rate base after the securitization of the qualified costs. The result is that the
14 AG's proposal will provide a first-year customer benefit of \$11.4 million in lower
15 customer rates.⁷

16 Later in my testimony, I will discuss further the differences in the Company's approach in
17 reducing debt and equity in the capital structure versus my proposed reductions.

⁶ Exhibit A-1, line 6, \$73,184,000 + Exhibit A-3, line 5, \$156,867,000 = \$230,051,000.

⁷ In future years, the customer benefit will gradually decrease as deferred taxes are paid and the balance of deferred taxes in the capital structure decreases.

1 **Q. WHY DO YOU DISAGREE WITH THE COMPANY’S PROPOSAL TO REDUCE**
2 **THE QUALIFIED COSTS FOR THE RIVER ROUGE PLANT AND TREE**
3 **TRIMMING BY THE DEFERRED TAXES?**

4 A. There are three main reasons why deferred taxes should not reduce the qualified costs.
5 First, the deferred taxes that pertain to River Rouge plant assets and the tree trimming will
6 remain as liabilities on the books of the Company until the timing differences between
7 book and tax basis unwind over time and the deferred taxes are paid. This will occur over
8 several years in the future.

9 The Company took an accelerated tax deduction for the River Rouge plant assets and the
10 tree trimming costs when those costs were initially incurred. The Company includes in
11 customer rates the statutory tax rate on book income based on a slower depreciation
12 schedule than used for tax purposes. The tax pertaining to the timing difference of
13 recognizing the expenses for book versus tax basis is recorded as deferred taxes. The
14 benefit of the deferred taxes, which is in effect an interest-free loan, is included in the
15 capital structure as a zero cost of capital.

16 In discovery, the Company was asked to explain when the deferred taxes pertaining to the
17 River Rouge costs would be removed. In response to discovery, the Company stated that
18 the deferred taxes related to River Rouge will remain as long as there is a difference
19 between book ammonization and tax depreciation. This will likely occur over the 14-year
20 amortization of the qualified costs that the Company has proposed. Also, the Company
21 has not yet determined when and how it will physically retire and remove the facilities at
22 the plant site. This will trigger certain adjustments to deferred taxes. Exhibit AG-3

1 includes the Company's responses to AGDG-1.6 and 2.38 disclosing this information.
2 Therefore, there is no immediate need or reason to address the deferred taxes and to deduct
3 those amounts from the book value of the underlying assets in this securitization case.

4 Second, the Company has proposed to recover the portion of book value of the qualified
5 costs that pertain to the deferred taxes of \$52.5 million through an additional surcharge to
6 customers, separate from the securitization surcharge. This additional surcharge is not
7 necessary and in fact is a more costly proposal than securitizing the total qualified costs
8 without the reduction for deferred taxes.

9 If the \$52.5 million is included in the total qualified costs to be securitized, customers will
10 pay interest on that amount. Based on the interest rates for the securitized bonds provided
11 by Company witness Steffen Lunde, the average interest rate is 2.29%.⁸ The additional
12 interest cost in the first year of the bonds is approximately \$1.2 million.⁹ This amount will
13 decline over the life of the bonds as the principal amount of the bonds are repaid.

14 However, this cost will be more than offset by the benefit of raising more cash from the
15 securitization transaction and reducing both long-term debt and common equity. As I
16 stated earlier, and as is shown in Exhibit AG-2, the total annual benefit to customers from
17 this approach is \$11.4 million.

18 Third, the Company has stated that it does not plan to reconcile the amount collected from
19 the rate surcharge for the deferred taxes billed to customers with the actual deferred taxes

⁸ Exhibit A-6, page 1, interest rate of 1.98% and page 2 interest rate of 2.60% = average rate of 2.29%.

⁹ \$52.528 million x 2.29% = \$1,202,891.

1 recoverable.¹⁰ The absence of a true-up, or reconciliation, procedure can create a
2 mismatch between deferred taxes collected and actual deferred taxes incurred. This is
3 particularly concerning given that the adjustments to deferred taxes for the River Rouge
4 plant demolition and retirement are still unknown.

5 **Q. HAVE OTHER MICHIGAN UTILITIES WHO HAVE RECENTLY**
6 **SECURITIZED QUALIFIED COSTS REDUCED THE TOTAL QUALIFIED**
7 **COSTS FOR THE DEFERRED TAX AMOUNT?**

8 A. No. In Case No. U-20889, Consumers Energy Company (CECo) proposed to securitize
9 \$702.8 million of qualified costs for the retirement of the Karn 1 and 2 power generating
10 units. CEC Co did not reduce the qualified costs for any deferred taxes. In the December
11 17, 2020 order, the Commission approved the qualified costs, after certain adjustments,
12 but did not order CEC Co to reduce the total qualified costs by any deferred taxes.

13 DTEE's proposal to reduce the total qualified costs for related deferred taxes does not
14 conform to this recent securitization transaction approved by the Commission.

15 **Q. WHAT IS YOUR CONCLUSION AND RECOMMENDATION?**

16 A. The Company has not made a compelling case that reducing the total qualified costs of
17 \$230,051,000 for related deferred taxes is in the best interest of its customers. In fact, the
18 securitization of a lower amount net of the deferred taxes is a more costly alternative to
19 customers, as discussed above. The proposal to recover the portion of qualified costs

¹⁰ Philip Dennis testimony at page 18.

pertaining to the deferred taxes through an additional and separate surcharge is neither advantageous to customers nor necessary.

Therefore, I recommend that the Commission order the Company to securitize \$230,051,000 of qualified costs plus issuance costs.

III. B. Bonds Issuance Costs

Q. PLEASE DISCUSS YOUR FINDINGS FROM REVIEWING THE COMPANY’S PROPOSED ISSUANCE COSTS INCLUDED IN THE QUALIFIED COSTS TO BE SECURITIZED.

A. In Exhibit A-9, sponsored by witness Edward Solomon, the Company provided the components of the forecasted issuance costs of \$6.5 million. Approximately \$736,000 are underwriter discounts and fees to issue the new securitization bonds. Of the remaining amounts, the largest amount is estimated legal fees of \$4.0 million.

Q. DO YOU AGREE WITH THE FORECASTED ISSUANCE COSTS?

A. No. Although some of the items are relatively small and it is not necessary to refine the forecasted amount at this time, other items are significantly large and need to be adjusted down to reasonable levels. The items that I will discuss below are Legal Fees, Rating Agency Fees, Auditor Fees, SPE Organizational Costs, and Costs of the Commission.

Legal Fees – The Company has forecasted \$4.0 million in legal fees for multiple law firms to represent the Company and other parties in the transaction. In the Company’s prior securitization case for the retirement of Fermi power plant assets and other costs in Case No. U-12478, the Company incurred \$2.3 million in legal fees. In discovery, the Company

1 was asked to provide details supporting the amount requested in the current case, as well
2 as the amount paid in Case No. U-12478. Unfortunately, the Company could not provide
3 any support or justification for the forecasted legal fees in this current case or any details
4 about the legal fees incurred in the prior securitization case. Exhibit AG-4 includes
5 discovery responses AG-DE-1.18a through c showing this lack of information.

6 In the same set of discovery requests, the Company was asked to explain if the legal
7 documents to be prepared in this current securitization case are significantly different from
8 the documents prepared in Case No. U-12478. In its response, the Company stated that
9 the required legal documents for the two cases are similar, albeit certain disclosure rules
10 may have changed since 2000. This statement supports the reasonable expectation that the
11 legal work required in the current securitization case will not be significantly different than
12 in Case No. U-12478, and likely less, given that the prior case involved more complex
13 issues and involved the financing of \$1.8 billion of qualified costs. In this securitization
14 case, the amount of securitized bonds is less than 15% of the prior securitization case. As
15 such, the time spent on legal research, legal opinions, and document compilation in this
16 current case should be considerably less and certainly not more than the time spent in the
17 prior securitization case.

18 Therefore, the forecasted cost of \$4.0 million for legal fees is excessive and should be
19 reduced by at least half, and set at no more than \$2.0 million. I recommend that the
20 Commission remove the excess amount of \$2.0 million and direct the Company to
21 aggressively negotiate the legal fees to be paid in this case by having the law firms rely to

1 the extent possible on the legal work, knowledge, and information already developed from
2 prior cases in Michigan.

3 The Company's argument that estimated costs will be adjusted to actual in the annual true-
4 up mechanism is not convincing. Inflated issuance costs will increase the amount of bonds
5 to be issued and will unnecessarily increase costs to customers. Furthermore, the Company
6 needs an incentive to negotiate lower legal fees by having the Commission set a more
7 reasonable limit.

8 **Rating Agency Fees** – The Company has forecasted \$600,000 for rating agency fees
9 without providing any calculations or support for this amount. In response to a discovery
10 request for the basis and source data to support the forecasted amount, the Company stated
11 that the fees are calculated on a fixed percentage of the principal amount of bonds issued.¹¹
12 In Case No. U-12478, the Company incurred \$565,000 in rating agency fees to issue
13 approximately \$1.8 billion of securitized bonds.¹² The percentage of fees to bonds issued
14 was 0.03%. If we assume that this rate has doubled or even tripled since 2000, the amount
15 of rating agency fees on the \$234 million of qualified costs proposed by the AG to be
16 securitized is between \$150,000 and \$200,000.¹³ I recommend that the Commission
17 approve only an amount of \$200,000 for rating agency fees and remove the remaining
18 \$400,000.

¹¹ Exhibit AG-5, DR AGDE-1.25c, line 5.

¹² Exhibit AG-5, DR AGDE-1.25a.

¹³ \$234 million of qualified costs x 0.06% or 0.09% = \$140,400 to \$210,600.

1 **Auditor Fees** – The Company has forecasted \$250,000 for auditing fees for its
2 independent auditor to audit the Qualified Costs and render an opinion. In response to
3 discovery request AGDE-1.19, the Company stated that the scope of work to be performed
4 by the auditor in this securitization has yet to be determined and the Company did not have
5 an estimate of the hours of work to be performed in this securitization case or the prior
6 case. In other words, the Company has no apparent basis for the estimated cost other than
7 perhaps a rough guess supposedly from experience.¹⁴ Discovery response AGDE-1.19 is
8 included in Exhibit AG-5.

9 In response to a separate discovery request, the Company reported that it paid its outside
10 auditor \$264,000 in Case No. U-12478 to perform the same task.¹⁵ As stated earlier the
11 prior securitization case was considerably more complex, with qualified costs of
12 approximately \$1.8 billion. On a relative basis, the current securitization case should not
13 require more than \$150,000 for audit fees.

14 The Company's forecasted cost of \$250,000 for audit fees is not supported, it is
15 unreasonable, and it should be reduced by at least \$100,000. I recommend that the
16 Commission remove the \$100,000 from the forecasted issuance costs and direct the
17 Company to aggressively negotiate lower audit fees with its outside auditor.

18 **SPE Organizational Costs** – The Company forecasted \$150,000 for SPE organizational
19 costs in this case. In the prior securitization case, the Company did not identify any

¹⁴ Exhibit AG-5, DR AGDE-1.25c, line 6.

¹⁵ Exhibit AG-5, DR AGDE-1.25a.

1 organizational costs for this item. Any costs that may be incurred for this item should be
2 covered in the Miscellaneous category. Therefore, I recommend that the Commission
3 remove the entire \$150,000 from this case's forecasted issuance costs.

4 **Costs of the Commission** – The Company forecasted \$200,000 for costs that the
5 Commission may incur in evaluating the securitization application. The Company
6 reported that in Case No. U-12478, it incurred \$529,700 in Commission costs.¹⁶ In
7 discovery, the Company was asked to identify what costs were billed by the Commission
8 in Case No. U-12478 and how it determined the \$200,000 in this current case. In the
9 response to AGDE-2.46, the Company could not provide any details about the costs
10 incurred in the prior case and also could not provide the basis for the current forecasted
11 amount, other than to state that it was consistent with recent securitizations.¹⁷

12 The only actual recent reference point I am aware of is CEC's securitization transaction
13 in Case No. U-17473. In that case the Commission incurred approximately \$99,000 in
14 costs. The Company's securitization transaction in Case No. U-12478 is not comparable
15 to the current securitization case. There is no stated reason why that cost in this
16 securitization case would be any higher than \$100,000. Therefore, I recommend that the
17 Commission remove the remaining \$100,000 from the Company's forecasted amount.

18 **Q. WHAT IS THE TOTAL AMOUNT OF THE ADJUSTMENTS YOU PROPOSE TO**
19 **ISSUANCE COSTS?**

¹⁶ *Id.*

¹⁷ Exhibit AG-5, AGDE-1.25c, item 13, and AGDE-2.46.

1 A. Based on the discussion above, I recommend that the Commission remove \$2,750,000
2 from the forecasted costs of \$6,500,000 and approve only the difference of \$3,750,000.
3 This is a reasonable amount that will provide an incentive for the Company to control and
4 minimize issuance costs. Any small variation to this amount can be determined near or at
5 the time the bonds are issued and the subsequent cost true-up reconciliations.

6 In addition to these revised costs, the Underwriting Discounts and Fees need to be adjusted
7 to take into consideration the higher qualified costs that I have proposed in my testimony
8 above. The Company forecasted \$736,100 for Underwriting Discounts and Fees based on
9 a fee of 0.40% applied to its proposed bond financing of \$184,023,000. I have proposed
10 that the River Rouge and tree trimming qualified costs should be increased to
11 \$230,051,000. This amount, plus the \$3,750,000 of adjusted issuance costs means that the
12 Company would issue approximately \$234.0 million in securitized bonds.¹⁸ The
13 Underwriting Discounts and Fees on this higher amount is \$936,000, or \$199,900 over the
14 Company forecasted amount.¹⁹

15 **III. C. Securitized Qualified Costs - Summary**

16 **Q. WHAT IS YOUR RECOMMENDATION ON THE TOTAL AMOUNT OF**
17 **SECURITIZED BONDS THAT THE COMPANY SHOULD ISSUE?**

18 A. I recommend that the Commission approve the issuance of \$234.0 million of securitized
19 bonds. This amount consists of \$230,051,000 of qualified costs for the River Rouge plant

¹⁸ \$230,051,000 + \$3,750,000 + 199,900 additional underwriter discount = \$234,000,900.

¹⁹ \$234 million x 0.40% = \$936,000. – 736,100 = \$199,900.

1 forecasted net book value at May 31, 2021 and the tree trimming forecasted deferred costs
2 at June 30, 2021, plus revised issuance costs of \$3,949,000.²⁰

3 **IV. Amortization of Tree Trimming Costs**

4 **Q. PLEASE DISCUSS THE PREFERRED AMORTIZATION PERIOD OF THE**
5 **QUALIFIED TREE TRIMMING COSTS AND THE RELATED TERM OF THE**
6 **SECURITIZATION BONDS.**

7 A. In the testimony and exhibits of various of its witnesses, the Company has proposed that
8 the securitized tree trimming costs be amortized and the related costs be recovered from
9 customers over a 5-year period. On page 18 of his direct testimony, Mr. Serna states that
10 the reason for proposing a 5-year amortization, financing, and recovery period is related
11 to its goal of achieving a 5-year tree-trim cycle. He also states that the Company plans to
12 securitize additional deferred tree trimming surge costs in future years and wishes to limit
13 the amount of overlap from multiple securitizations.

14 Based on this 5-year amortization period, Mr. Lunde has proposed to issue securitized
15 bonds with maturity dates within 5 years.

16 **Q. DO YOU AGREE WITH THE COMPANY'S 5-YEAR AMORTIZATION,**
17 **FINANCING, AND COST RECOVERY PROPOSAL?**

18 A. No. In Case No. U-20162 and again in Case No. U-20561, the Company proposed a 7-
19 year tree trimming surge program to achieve a 5-year tree trimming cycle.²¹ In proposing

²⁰ \$3,750,000 + 199,900 = \$3,949,000.

²¹ MPSC Case No. U-20162, Donald Stanczak direct testimony at page 20 and Heather Rivard direct testimony at page 16.

1 a 5-year amortization based on the ultimate goal of achieving a five-year tree clearing
2 cycle, Mr. Serna has the concept reversed. It is the duration of the surge program that
3 should drive the amortization and recovery of the surge costs, not the ultimate goal of a 5-
4 year cycle. The purpose of the Company's proposed 7-year surge program with
5 securitization of the costs was to spread the additional trimming costs from the surge over
6 a longer future time period in order to reduce the impact on customer rates in the early
7 years of the program.

8 In fact, Company witness Donald Stanczak in his direct testimony in Case No. U-20162
9 proposed the even longer amortization period of 14 years, as stated below:

10 **Q. What is the Company proposing with respect to tree trim expenditures in**
11 **this case?**

12 A. DTE Electric is proposing to increase its tree trim expenditures significantly
13 above its average spend over the last three years to eliminate the backlog of
14 necessary work. As discussed in detail by Company Witness Ms. Rivard, this
15 "surge" in tree trimming spending will occur over a seven-year period, and at its
16 termination the Company expects to maintain a steady-state five-year cycle of
17 tree trimming.

18 **Q. Why is it appropriate to defer and then securitize the surge related tree**
19 **trimming expenses?**

20 A. The surge related tree trimming expenses will vary, so allowing the deferral
21 of the expenditures above the level that is included in the rates approved in this
22 case will ensure that customers only pay for the work that is accomplished.
23 Additionally, the benefits provided by the surge will continue for years after the
24 work is completed. Allowing these costs to be deferred and then securitized with
25 a 14-year amortization period will better match those benefits to the recovery of
26 the cost. Finally, the securitization of these deferred expenses will lower the cost
27 to our customers due to lower-cost of debt only financing.²²

²² MPSC Case U-20162, Donald Stanczak direct testimony at pages 20-21.

1 Mr. Serna's testimony and the Company's proposal for a 5-year amortization diverge from
2 the initial purpose of the program and the Commission's approval of a seven-year
3 timeframe for the surge program. Mr. Serna's concern about overlapping securitizations
4 is misplaced. The surge program is only two years into its 7-year life and still has five
5 years to go. The Company can wait until the program ends in 2026 to do a second and
6 final round of securitization, thus limiting any customer rate surcharge overlap.

7 **Q. WHAT IS YOUR PROPOSAL AND RECOMMENDATION?**

8 A. I believe that at minimum a 7-year amortization, financing, and cost recovery period for
9 the securitized tree trimming qualified costs is appropriate for the reasons discussed above.
10 I recommend that the Commission deny the Company's proposal for a 5-year amortization
11 and cost recovery period and instead approve a 7-year period.

12 **V. Net Present Value (NPV) Test**

13 **Q. IN CONJUNCTION WITH YOUR HIGHER PROPOSED SECURITIZATION**
14 **AMOUNT AND THE LONGER AMORTIZATION PERIOD FOR TREE**
15 **TRIMMING COSTS, WERE YOU ABLE TO PERFORM AN UPDATED NPV**
16 **TEST?**

17 A. No. In Exhibits A-11 and A-12, the Company performed the NPV test required by Act
18 142, Section 10i(1) to show that the proposed securitization of the qualified costs produces
19 a net present value benefit to customers versus rate recovery of the qualified costs under
20 traditional ratemaking. The NPV calculations rely on the cash flows to be billed to
21 customers to repay the securitization bonds and the on-going administrative costs. These
22 cash flows were calculated by Mr. Lunde and reflected in Exhibit A-6.

1 In two separate discovery requests, the Company was asked to provide all the calculations
2 underlying the amounts in Exhibit A-6. In response, the Company provided an Excel
3 version of Exhibit A-6 showing only the calculation formulas for some of the numbers but
4 still lacking the source information and calculations for Estimated Billings to Customers
5 Under Securitization. The Company claims that this information was derived by its
6 financial advisor (Citigroup Global Markets) from a very complex and proprietary
7 optimization model, and therefore was not made available.

8 The Company's refusal to provide a copy of the model and supporting calculations for all
9 the amounts shown in Exhibit A-6 presents two problems. First, the inability to access the
10 financial model makes it impossible to accurately recalculate the cash flows for customer
11 billings based on the AG's larger proposed securitization amount and the extended
12 financing term for tree trimming costs. This, in turn, prevents an accurate rerun of the
13 NPV test similar to the calculation performed by the Company in Exhibits A-11 and A-
14 12, because those exhibits rely in part on the calculations of revised cash flows for the
15 amounts billed to customers, to which we are not privy.

16 I am generally confident that a rerun of Exhibits A-11 and A-12 with appropriate revisions
17 to remove the deferred taxes amortization and customer billings, adding the higher
18 securitization amounts I have proposed, and the higher cash flows from securitization
19 billings to customers would still show a significant favorable NPV to meet the required
20 legal test. Hopefully, the Company can make these calculations and provide this revised
21 test in its rebuttal testimony.

1 The second problem with not having access to the Citigroup financial model and the
2 underlying data and workpapers is that the amounts to be billed to customers cannot be
3 validated either here or at time of the annual true-up. In discovery, the Company was
4 asked if its in-house financial experts had validated the assumptions, source data, and
5 calculations performed by Mr. Lunde in detail. The response was not reassuring.

6 In the first response to AGDE-1.34b, the Company stated that some of the information
7 used by Mr. Lunde was sourced from DTEE employee Edward Solomon. However, the
8 question about detail validation was not addressed. In response to a follow up discovery
9 question, AGDE-2.50, the Company could not provide a direct answer that a DTEE
10 financial expert had reviewed and validated the calculations performed by Mr. Lunde
11 within the Citigroup model. The Company tried to provide assurances that it had reviewed
12 the inputs and outputs of the model and found them to be reasonable.²³

13 Unfortunately, reasonableness is a vague measure and does not mean that the calculations
14 are accurate. When dealing with approximately \$200 million in customer billings,
15 accuracy of the amounts to be billed need to be thoroughly validated. In this case, that
16 validation has not occurred and the accuracy of the securitization billings cannot be
17 ascertained.

18 Without the ability to validate the billing information, I recommend that the Commission
19 reject the Company's securitization application.

²³ Exhibit AG-6 includes the discovery responses.

1 **VI. Financial Advisor**

2 **Q. PLEASE DISCUSS THE ROLE THAT THE FINANCIAL ADVISOR SHOULD**
3 **HAVE WITH REGARD TO THE ISSUANCE OF THE SECURITIZATION**
4 **BONDS.**

5 A. In response to discovery, the Company stated that it engaged Citigroup as the financial
6 advisor and as lead underwriter on the bonds issuance transaction. The Company is not
7 certain yet if it will appoint additional underwriters. Asked if it had followed a competitive
8 bidding process, the Company stated that it did not conduct such a process but made the
9 decision based on Citigroup's experience in securitization of utility assets.²⁴

10 To avoid a conflict of interest, it is critical that Citigroup, as the financial advisor, not
11 participate as an underwriter. The financial advisor, working on behalf of the Company,
12 needs to create a competitive environment among the underwriters and ensure that the
13 interest rate set for each series of bonds and the underwriting discount retained by the
14 underwriters, which is their compensation for marketing the bonds, are the lowest rates
15 possible. This responsibility could be compromised if the financial advisor earns fees both
16 as an advisor and as an underwriter.

17 I recommend that the Commission direct the Company that in future securitization
18 transactions it should separate the role of the financial advisor from the underwriters.
19 Although Citigroup is a major player in utility securitization transactions, it is not the only
20 player. Barclays, Goldman Sachs, Morgan Stanley, JP Morgan, and other financial

²⁴ Exhibit AG-7 includes DTEE's response to AGDE-1.16a.

1 institutions have been lead-underwriters or co-lead in several transactions in the past 10
2 years. The response to AGDE-2.48 included in Exhibit AG-7 shows this information.

3 **VII. Retirement of Debt and Equity Capital**

4 **Q. PLEASE SUMMARIZE THE COMPANY'S POSITION ON THE PROPORTION**
5 **OF DEBT AND EQUITY CAPITAL THAT SHOULD BE REMOVED FROM THE**
6 **COMPANY'S CAPITAL STRUCTURE.**

7 A. Beginning on page 6 of his direct testimony, Mr. Solomon states that the Company plans
8 to use the proceeds from the securitization of the River Rouge qualified costs to pay down
9 debt and equity at a ratio of 50/50. This is in line with the debt/equity ratio approved in
10 the permanent capital structure in Case No. U-20561.

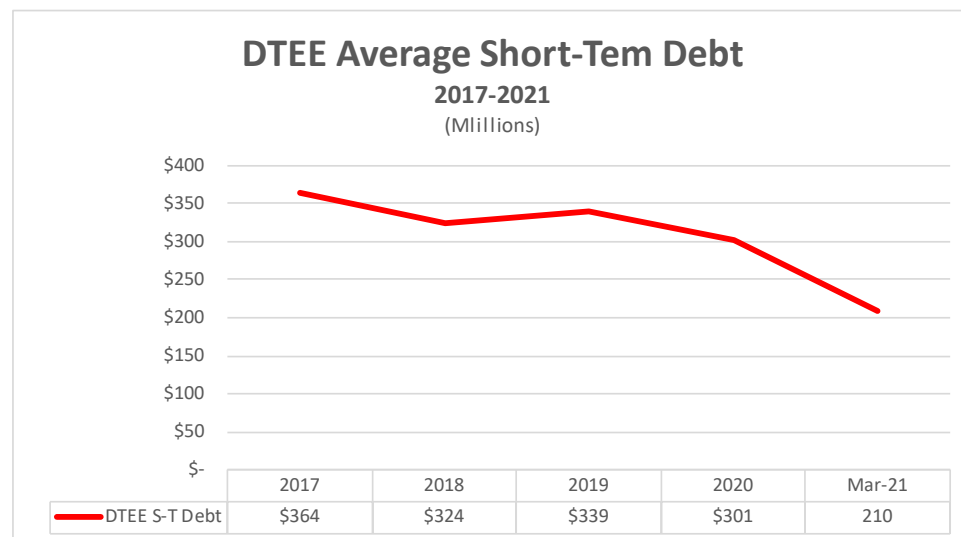
11 However, with regard to the proceeds received from the securitization of tree trimming
12 costs, the Company plans to apply those proceeds entirely to the retirement of short-term
13 debt. According to Mr. Solomon's direct testimony the Company contends that it has
14 financed those costs with short-term debt. The Company also points to the Commission's
15 May 2, 2019 order in Case No. U-20162 (page 80) where it approved an interest rate of
16 3.56% to be applied to the outstanding average balance of the regulatory asset where the
17 tree trimming costs were deferred.²⁵

18 **Q. DO YOU AGREE WITH THE COMPANY'S POSITION FOR RETIREMENT OF**
19 **DEBT AND EQUITY CAPITAL?**

²⁵ Solomon direct testimony at page 7.

1 A. Not entirely. While I agree with the Company's position to retire long-term debt and
2 common equity capital in equal portions for the proceeds received from the securitization
3 of River Rouge qualified costs, I do not agree with the retirement of short-term debt with
4 the proceeds received from securitizing tree trimming costs.

5 Mr. Solomon states in his testimony and responses to discovery that the Company used
6 short term debt to finance the deferred tree trimming costs. However, the Company
7 presents no evidence to support those statements. To the contrary, my analysis shows
8 that the Company's short-term debt has declined since 2019. In response to discovery,
9 the Company provided the amount of short-term debt outstanding at the end of each
10 month from 2017 to March 2021.²⁶ The following chart captures the average amount of
11 debt outstanding each year from 2017 to 2020 and the first three months of 2021.



Source: DTEE response to DR AGDE-1.15b

²⁶ Exhibit AG-8 includes DTEE's response to DR AGDE-1.15b.

1 The Company began to incur expenses for the tree trimming surge program in June 2019,
2 and by December 2020 it had accumulated more than \$118 million of costs in the deferred
3 regulatory asset. If these costs had been financed with short-term debt, we should see an
4 increase in the average short-term debt in 2020 and 2021. Instead, as depicted in the chart
5 above, we see evidence of a decline in short-term debt during that period. In other words,
6 this evidence contradicts the Company's claim that it financed the tree trimming costs with
7 short-term debt.

8 To further affirm its actual financing activities during 2019, 2020, and early 2021, the
9 Company was asked to provide the amount of new long-term debt and equity raised during
10 those time periods. The evidence provided by the Company shows that it raised \$2.5
11 billion in additional debt, after retirements, from January 2019 to March 2021. The
12 Company also received \$816 million of common equity capital infusions from its parent
13 during that same period. This is in addition to increases in equity capital from retained
14 earnings after paying dividends to its parent company. During this time period the
15 Company generally maintained a target long-term capital structure of 50% debt and 50%
16 equity.²⁷

17 In summary, there is no evidence that the Company financed the deferred tree trimming
18 costs with short-term debt. Instead, the evidence points to a reduction, or paydown, of

²⁷ Exhibit AG-8 includes DTEE's response to DR AGDE-2.42b with subtotals and percentages calculated by the AG.

1 short-term debt from raising new long-term debt and equity capital during the time period
2 that the Company was accumulating the deferred tree trimming costs.

3 **Q. AS REAFFIRMATION THAT THESE COSTS WERE FINANCED WITH SHORT-**
4 **TERM DEBT, THE COMPANY POINTS TO THE MAY 2, 2019 COMMISSION**
5 **ORDER IN CASE NO. U-20162, WHICH SET AN INTEREST RATE OF 3.56% TO**
6 **BE APPLIED ON THE ACCUMULATED DEFERRED REGULATORY ASSET**
7 **BALANCE FOR TREE TRIMMING COSTS. HOW DO YOU RESPOND?**

8 A. In approving a return rate of 3.56%, which was equivalent to the Company's short-term
9 interest cost at that point in time, the Commission did not order the Company to finance
10 the tree trimming costs with short-term debt. The Commission simply used a proxy rate
11 for a return on the deferred costs to more closely match the ultimate interest rate that the
12 Company would pay from a long-term securitization of the trimming costs.

13 Although the Company may have intended to finance the tree-trimming costs with short-
14 term debt, ultimately the actual facts and evidence show that this did not occur.

15 **Q. WHAT IS YOUR CONCLUSION AND RECOMMENDATION WITH REGARD**
16 **TO THE APPORTIONMENT OF THE PROCEEDS FROM THE**
17 **SECURITIZATION OF QUALIFIED COSTS TO THE COMPANY'S CAPITAL**
18 **STRUCTURE.**

19 A. The Company's claim that it financed the deferred tree trimming costs with short-term
20 debt is unsupported. Instead, the evidence points to the fact that the qualified costs were
21 financed with long-term debt and equity capital. Therefore, contrary to the Company's
22 position that the proceeds from the securitization of the tree trimming should reduce short-

1 term debt, those proceeds must be applied to reduce equal amounts of long-term debt and
2 common equity on the Company's capital structure.

3 Exhibit AG-1, under the AG Proposal After Securitization section, shows the appropriate
4 application of the total proceeds from the revised securitization amount to the long-term
5 capital structure of the Company, with the resulting reduction in the overall cost of capital
6 to 5.37% on an after-tax basis and 6.68% on a pre-tax basis.

7 I recommend that the Commission order the Company to apply the proceeds from the
8 securitization bonds to retire equal amounts of long-term debt and common equity from
9 the capital structure with no adjustment to the short-term debt.

10 **VIII. Bill Credit**

11 **Q. PLEASE DISCUSS THE COMPONENTS THAT SHOULD BE INCLUDED IN THE**
12 **CALCULATION OF THE REVENUE REQUIREMENT SAVINGS FROM THE**
13 **RETIREMENT OF THE RIVER ROUGE PLANT.**

14 A. On page 1 of Exhibit A-19, sponsored by Seth Shpargel, the Company shows the
15 calculation of the revenue requirement reduction from the retirement of the River Rouge
16 plant, which will be refunded to customers in the form of a Power Supply Bill Credit
17 following the issuance of the securitization bonds. The calculation shows a total revenue
18 reduction amount of \$11,635,000, consisting of the reduction in the return on the removed
19 rate base and the removal of depreciation expense.

20 In discovery, the Company was asked to explain why O&M and property tax expenses
21 were not included in the calculation of the reduction of the revenue requirement refundable

1 to customers through a bill credit. In its response, the Company stated that O&M expense
2 and property taxes are not included in the securitization financing request and therefore
3 were excluded.²⁸ This response does not make sense. The purpose of the bill credit is to
4 remove from base rates all the costs currently paid by customers to operate the River Rouge
5 plant. Once the plant assets have been removed from rate base and securitized, the plant
6 will cease to operate and the O&M expense and property taxes previously included in base
7 rates must also be removed.

8 In response to a follow up discovery request, the Company disclosed that current base rates
9 include \$22.0 million of O&M costs and \$8.0 million of property taxes for the River Rouge
10 plant.²⁹ In Exhibit AG-10, I have added these amounts to the Company's calculation of
11 the reduction in the revenue requirement and also revised the average test year rate base
12 amount due to a Company error in the calculation of this amount.³⁰ The revised revenue
13 requirement reduction is \$41,856,000. This is the amount that should be reflected in the
14 Power Supply Bill Credit to be refunded to customers.

15 I recommend that the Commission order the Company to recalculate the Power Supply
16 Bill credit for each rate schedule based on the \$41,856,000 reduction in the revenue
17 requirement, as shown in Exhibit AG-10.

²⁸ Exhibit AG-9 includes DR AG-CE-069.

²⁹ *Id.*, DTEE response to DR AGDE-2.51.

³⁰ Exhibit AG-11 includes DTEE response to DR AGDE-1.13a with attachment. Line 4, column (i) shows that the Company has revised the Net Rate Base amount currently in base rates for River Rouge to \$74,502,000 from \$72,216,000. Also, column (g) show a revised depreciation expense amount.

1 **IX. Deferred Taxes Surcharge**

2 **Q. PLEASE SUMMARIZE YOUR CONCLUSION AND RECOMMENDATION**
3 **WITH REGARD TO THE COMPANY'S PROPOSED SURCHARGE TO**
4 **RECOVER DEFERRED TAXES RELATED TO THE RIVER ROUGE AND TREE**
5 **TRIMMING DEFERRED COSTS.**

6 A. As discussed in detail in the Qualified Costs section of my testimony, my recommendation
7 is that the Company not reduce the River Rouge net plant balance and the deferred tree
8 trimming qualified costs for any associated deferred taxes. Instead, I have proposed that
9 those deferred taxes remain on the books of the Company until they unwind and are
10 removed in the normal course of business, once the book to tax timing differences are
11 resolved.

12 As a result of my proposal there is no need for the Company to recover the deferred taxes
13 amounts through a surcharge on customer bills. Therefore, I recommend that the
14 Commission reject the Company's deferred tax surcharges shown in Exhibits A-22 and A-
15 25.

16 **Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?**

17 A. Yes, it does. However, I reserve the right to amend, revise and supplement my testimony
18 to incorporate new information that may become available.

Experience and Qualifications of Sebastian Coppola

Mr. Sebastian Coppola is an independent energy business consultant and president of Corporate Analytics, Inc., whose place of business is located at 5928 Southgate Rd., Rochester, Michigan 48306.

EMPLOYMENT BACKGROUND

Mr. Coppola has been an independent consultant for nearly 20 years. Before that, he spent three years as Senior Vice President and Chief Financial Officer of SEMCO Energy, Inc. with responsibility for all financial operations, corporate development and strategic planning for the company's Michigan and Alaska regulated and non-regulated operations. During the period at SEMCO Energy, he had also responsibility for certain storage and pipeline operations as President and COO of SEMCO Energy Ventures, Inc. Prior to SEMCO, Mr. Coppola was Senior Vice President of Finance for MCN Energy Group, Inc., the parent company of Michigan Consolidated Gas Company (now DTE Gas Company).

ENERGY INDUSTRY EXPERIENCE

During his 27-year career at SEMCO Energy, MCN Energy and MichCon, he held various analytical, accounting, managerial and executive positions, including Manager of Gas Accounting with responsibility for maintaining the accounting records and preparing financial reports for gas purchases and gas production. In this role, he had also responsibility for preparing Gas Cost Recovery (GCR) reconciliation analysis and reports, and supporting preparation of testimony for the cost of gas reconciliation proceedings before the MPSC. Over the years, Mr. Coppola also held the positions of Treasurer, Director of Investor Relations, Director of Accounting Services, Manager of Corporate Finance, Manager of Customer

Experience and Qualifications of Sebastian Coppola

Billing and Manager of Materials Inventory and Warehousing Accounting. In many of these positions he interacted with various operating areas of the company and was intricately involved in construction and operating programs, defining gas purchasing strategies, rate case analysis, cost of capital studies and other regulatory proceedings.

Mr. Coppola is intricately knowledgeable of capital markets and financial institutions. As Treasurer and Vice President of Finance, he has directed the issuance of more than \$2 billion in securities, including common stock, corporate bonds, tax-deductible preferred stock and high-equity value convertible securities. He has established bank lines of credit, commercial paper and asset acquisition facilities. He has had extensive interactions with equity and debt investors, financial analysts, rating agencies and other members of the financial community.

ENERGY INDUSTRY REGULATORY EXPERIENCE

As a business consultant, Mr. Coppola specializes in financial and strategic business issues in the fields of energy and utility regulation. He has more than forty years of experience in public utility and related energy work, both as a consultant and utility company executive. He has testified in several regulatory proceedings before State Public Service Commissions. He has prepared and/or filed testimony in electric and gas general rate case proceedings, power supply and gas cost recovery mechanisms, revenue and cost tracking mechanisms/riders, multi-year rate plans and incentive ratemaking, and other regulatory matters.

As accounting manager and later financial executive for two regulated gas utilities with operations in Michigan and Alaska, he has been intricately involved in

**Experience and Qualifications
of Sebastian Coppola**

operating and construction programs, gas cost recovery and reconciliation cases, gas purchase strategies and rate case filings.

Mr. Coppola has extensive experience with gas utilities in the areas of gas operations, gas supply and regulatory proceedings. He has led or participated in the financial operations, gas supply planning and/or gas cost recovery arrangements of two major gas utilities in Michigan and in Alaska. He has prepared testimony in multiple electric and gas general rate cases, Power Supply Cost Recovery (PSCR) and Gas Cost Recovery (GCR) reconciliation proceedings, Cast Iron and Pipeline Replacement Programs and other regulatory cases on behalf of the Michigan Attorney General, Citizens Against Rate Excess (CARE), the Public Counsel Division of the Washington Attorney General, the Illinois Attorney General and the Ohio Office of Consumers Counsel in electric and gas utility rate cases, including AEP Ohio, Ameren-Illinois Utilities, Avista, Consumers Energy, Detroit Edison, MichCon (DTE Gas), Michigan Gas Utilities Corp, PacifiCorp, Peoples Gas, Puget Sound Energy, SEMCO, Upper Peninsula Power Company, Washington Gas, and Wisconsin Public Service Company.

Mr. Coppola has also provided assistance and proposals to the Maryland Office of Peoples Counsel on Multi-Year Rate Plans and Performance-Based Ratemaking. Additionally, he prepared a report on the financial condition and risks of AltaGas and Washington Gas Light Company which was filed with the Maryland Public Service Commission in July 2019 in Case No. 9449.

As accounting manager and later financial executive for two regulated gas utilities, he has been intricately involved in construction materials procurement, gas purchase strategies and CGR reconciliation cases. He has had direct responsibility

Experience and Qualifications of Sebastian Coppola

for preparing GCR reconciliation analysis and reports, and supporting preparation of testimony for the cost of gas reconciliation proceedings before the Michigan Public Service Commission (MPSC). He is intricately familiar with construction projects, the power supply and gas cost recovery mechanisms, gas supply and pricing issues, and regulatory issues faced by utilities.

As manager of customer billing, Mr. Coppola developed intricate knowledge of customer billing and meter reading operations. As manager of materials inventory and warehousing accounting, he also developed intricate knowledge of pipeline and materials procurement, warehousing and construction operations including safety compliance issues. Mr. Coppola has testified extensively on gas utility pipeline, service lines and inside meters replacement programs related to at-risk pipes that provide safety issues to customers and the general public.

In his role as Treasurer and Chairman of the MCN/MichCon Risk Committee from 1996 through 1998, Mr. Coppola was involved in reviewing and deciding on the appropriate gas purchase price hedging strategies, including the use of gas future contracts, over the counter swaps, fixed price purchases and index price purchases.

In March 2001, Mr. Coppola testified before the Michigan House Energy and Technology Subcommittee on Natural Gas Fixed Pricing Mechanisms. Mr. Coppola frequently participates in natural gas issue forums sponsored by the American Gas Association and stays current on various energy supply issues through review of industry analyst reports and other publications issued by various trade groups.

Experience and Qualifications of Sebastian Coppola

➤ Specific Regulatory Proceedings and Related Experience:

- Filed testimony on behalf of the Michigan Attorney General in Consumers Energy Company (CECo) 2021 PSCR plan case No. U-20802.
- Filed testimony on behalf of the Michigan Attorney General in Consumers Energy Company (CECo) 2019-2020 GCR reconciliation case No. U-20234.
- Filed testimony on behalf of the Maryland Office of Public Counsel in Washington Gas Light Company's 2020 rate Case 9651 on several issues, including operation and maintenance expenses, capital expenditures, and other items.
- Filed testimony on behalf of the Michigan Attorney General in the Consumers Energy's (CECo) 2020 Karn 1 & 2 Retirement Cost and Bond Securitization Case U-20889.
- Filed testimony on behalf of the Michigan Attorney General in DTE Electric Company (DTEE) 2019 PSCR Reconciliation in case U-20222.
- Filed testimony on behalf of the Michigan Attorney General in DTE Gas Company (DTE Gas) 2020-2021 GCR plan case No. U-20543.
- Filed testimony on behalf of the Michigan Attorney General in SEMCO Gas Company (SEMCO) 2020-2021 GCR plan case No. U-20551.
- Filed testimony on behalf of the Michigan Attorney General in Consumers Energy (CECo) 2020 electric rate Case U-20697 on several issues, including operation and maintenance expenses, capital expenditures, cost of capital, and other items.
- Filed testimony on behalf of the Michigan Attorney General in in the complaint against Upper Peninsula Power Company's (UPPCO) Revenue Decoupling Mechanism (RDM) in Case No. U-20150.
- Filed testimony on behalf of the Michigan Attorney General in CECo 2019 gas rate Case U-20650 on several issues, including sales, operation and maintenance expenses, capital expenditures, cost of capital, and other items.
- Filed testimony on behalf of the Michigan Attorney General in DTE Gas Company 2019 gas rate Case U-20642 on several issues, including

**Experience and Qualifications
of Sebastian Coppola**

sales, operation and maintenance expenses, capital expenditures, cost of capital, and other items.

- Filed testimony on behalf of the Michigan Attorney General in DTE Gas 2018-2019 GCR reconciliation Case U-20210.
- Prepared a report on the financial condition and risks of AltaGas and Washington Gas Light Company on behalf of the Maryland Office of People's Counsel filed with the Maryland Public Service Commission in July 2019 in Case No. 9449.
- Filed rebuttal testimony on behalf of the Illinois Attorney General for the reconciliation of the rate surcharge for the Qualified Infrastructure Program (Rider QIP) of the Northern Illinois Gas Company (Nicor Gas) in Docket 19-0294.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2018-2019 GCR reconciliation case U-20209.
- Filed testimony on behalf of the Michigan Attorney General in SEMCO Energy Gas Company (SEMCO) 2018-2019 GCR reconciliation case U-20215.
- Provided assistance and proposals to the Maryland Office of Peoples Counsel on Multi-Year Rate Plans and Performance-Based Ratemaking.
- Filed testimony on behalf of the Michigan Attorney General in DTE Electric Company (DTEE) 2018 PSCR Reconciliation in case U-20203.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2018 PSCR Reconciliation in case U-20202.
- Filed direct testimony on behalf of the Illinois Attorney General for the reconciliation of the rate surcharge for the Qualified Infrastructure Program (Rider QIP) of the Northern Illinois Gas Company (Nicor Gas) in Docket 19-0294.
- Filed testimony on behalf of the Michigan Attorney General in DTEE 2019 electric rate Case U-20561 on several issues, including sales, operation and maintenance expenses, capital expenditures, cost of capital, and other items.

**Experience and Qualifications
of Sebastian Coppola**

- Filed testimony on behalf of the Michigan Attorney General in Indiana Michigan Power Company (I&M) 2019 electric rate Case U-20239 on several issues, including operation and maintenance expenses, capital expenditures, cost of capital, rate design and other items.
- Filed testimony on behalf of the Michigan Attorney General in SEMCO 2019 gas rate Case U-20479 on several issues, including sales, operation and maintenance expenses, capital expenditures, cost of capital, rate design and other items.
- Filed testimony on behalf of the Michigan Attorney General in SEMCO 2019-2020 GCR Plan case U-20245.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2019-2020 GCR Plan case U-20233.
- Filed testimony on behalf of the Michigan Attorney General in DTE 2019 PSCR Plan case U-20221.
- Filed testimony on behalf of the Michigan Attorney General in DTE Gas 2019-2020 GCR Plan case U-20235.
- Filed testimony on behalf of the Michigan Attorney General in Michigan Gas Utilities Corporation (MGUC) 2019-2020 GCR plan case U-20239.
- Filed rebuttal testimony on behalf of the Illinois Attorney General in Nicor Gas 2018 rate case on capital expenditures and rate base additions in Docket 18-1775.
- Filed testimony on behalf of the Michigan Attorney General in DTE Gas 2017-2018 GCR reconciliation case U-20076.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2017-2018 GCR reconciliation case U-20075.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2018 gas rate Case U-20322 on several issues, including operation and maintenance expenses, capital expenditures, cost of capital, rate design and other items.
- Filed testimony on behalf of the Michigan Attorney General in I&M Tax Credit C Calculation in case U-20317.

**Experience and Qualifications
of Sebastian Coppola**

- Filed direct testimony on behalf of the Illinois Attorney General in Nicor Gas 2018 rate case on capital expenditures and rate base additions in Docket 18-1775.
- Filed testimony on behalf of the Michigan Attorney General in DTE Gas Tax Credit C Calculation in case U-20298.
- Filed testimony on behalf of the Michigan Attorney General in Michigan Gas Utilities Corporation (MGUC) 2017-2018 GCR Reconciliation case U-20078.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co Tax Credit C Calculation for the Gas and Electric Divisions in case U-20309.
- Filed testimony on behalf of the Michigan Attorney General in Upper Peninsula Power Company 2018 electric rate Case U-20276 on several issues, including excess deferred taxes, cost of capital, rate design and other items.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2017 PSCR Reconciliation in case U-20068.
- Filed testimony on behalf of the Michigan Attorney General in DTE Electric (DTEE) 2018 rate Case U-20162 on several issues, including operation and maintenance expenses, capital expenditures, cost of capital, rate design and other items.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2018 Tax Credit B refund for the Electric Division in case U-20286.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2018 Integrated Resource Plan in case U-20165.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2018 Tax Credit B refund case U-20287 for the natural gas business.
- Filed testimony on behalf of the Michigan Attorney General in DTE Gas 2018 Tax Credit B refund case U-20189.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2018 electric rate Case U-20134 on several issues, including capital expenditures, cost of capital, rate design and other items.

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of Sebastian Coppola**

- Filed direct testimony on behalf of the Illinois Attorney General for the reconciliation of the rate surcharge for the Qualified Infrastructure Program (Rider QIP) of the Peoples Gas and Coke Company's (Peoples Gas) in Docket 16-0197.
- Filed testimony on behalf of the Michigan Attorney General in DTE Gas 2016-2017 GCR reconciliation case U-17941-R.
- Filed testimony on behalf of the Michigan Attorney General in SEMCO Energy Gas Company (SEMCO) 2018-2019 GCR Plan case U-18417.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2018 Tax Credit A refund case U-20102.
- Filed testimony on behalf of the Michigan Attorney General in I&M 2018 PSCR Plan case U-18404.
- Filed testimony on behalf of the Michigan Attorney General in DTE Gas 2018-2019 GCR Plan case U-18412.
- Filed testimony on behalf of the Michigan Attorney General in Upper Peninsula Power Company (UPPCO) 2018 Tax Credit A refund case U-20111.
- Filed testimony on behalf of the Michigan Attorney General in DTE Gas 2018 Tax Credit A refund case U-20106.
- Filed testimony on behalf of the Michigan Attorney General in DTEE 2018 PSCR Plan case U-18403.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2018 PSCR Plan case U-18402.
- Filed testimony on behalf of the Michigan Attorney General in DTE Gas 2017 gas rate Case U-18999 on several issues, including revenue, operations and maintenance costs, capital expenditures, cost of capital, rate design and other items.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2017 gas rate Case U-18424 on several issues, including revenue, operations and maintenance costs, capital expenditures, cost of capital, rate design and other items.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2016 PSCR reconciliation case U-17918-R.

Experience and Qualifications of Sebastian Coppola

- Assisted the Michigan Attorney General in the review of several GCR and PSCR cases during 2017 and 2018, and proposed terms for settlement of those cases.
- Assisted the Michigan Attorney General in the filing of comments with the Michigan Public Service Commission relating to rate case filing requirements in case U-18238, refunds of tax savings from the lower federal tax rate in case U-18494 and Performance Based Regulation.
- Filed direct and rebuttal testimony on behalf of the Illinois Attorney General for the reconciliation of the rate surcharge for the Qualified Infrastructure Program (Rider QIP) of the Peoples Gas and Coke Company's (Peoples Gas) in Docket 15-0209.
- Filed testimony on behalf of the Michigan Attorney General in DTEE 2017 electric Rate Case U-18255 on a several issues, including revenue, operations and maintenance costs, capital expenditures, cost of capital, rate design and other items.
- Filed testimony on behalf of the Michigan Attorney General in CEC0 2017 electric rate Case U-18322 on a several issues, including revenue, operations and maintenance costs, capital expenditure programs, cost of capital and other items.
- Filed direct and rebuttal testimony on behalf of the Illinois Attorney General for the re-opening of proceedings in the restructuring of the Peoples Gas's main replacement program and gas system modernization plan in Docket 16-0376.
- Filed testimony on behalf of the Michigan Attorney General in the Upper Michigan Energy Resources Corporation (UMERC) application for a certificate of public necessity and convenience to build two power plants in the Upper Peninsula of Michigan in case U-18202.
- Filed testimony on behalf of the Michigan Attorney General in SEMCO application for a certificate of public necessity and convenience to build a pipeline in the Upper Peninsula of Michigan in case U-18202.
- Filed testimony on behalf of the Public Counsel Division of the Washington Attorney General in Puget Sound Energy's 2016 Complaint for Violation of Gas Safety Rules in Docket No. UE-160924.

**Experience and Qualifications
of Sebastian Coppola**

- Filed testimony on behalf of the Michigan Attorney General in DTEE 2017 PSCR Plan case U-18143.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2015 Power Supply Cost Recovery (PSCR) reconciliation case U-17678-R.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2016 gas general rate case U-18124 on a several issues, including revenue, operations and maintenance costs, capital expenditures, working capital, cost of capital and other items.
- Filed testimony on behalf of the Illinois Attorney General for the restructuring of the Peoples Gas's main replacement program in Docket 16-0376.
- Filed testimony on behalf of the Michigan Attorney General in DTE Gas 2014-2015 GCR Plan reconciliation case U-17332-R.
- Filed testimony on behalf of the Michigan Attorney General in the formation of UMER C and the transfer of Michigan assets of Wisconsin Public Service Corporation and Wisconsin Electric Company to UMER C in Case U-18061.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co Court of Appeals Remand Case U-17087 for review of the Automated Meter Infrastructure (AMI) opt-out fees.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2016 electric Rate Case U-17990 on a several issues, including revenue, operations and maintenance costs, capital expenditure programs, cost of capital, rate design and other items.
- Filed testimony on behalf of the Michigan Attorney General in Michigan Gas Utilities Corporation (MGUC) 2016-2017 GCR Plan case U-17940.
- Filed testimony on behalf of the Michigan Attorney General in DTEE 2016 electric Rate Case U-18014 on a several issues, including revenue, revenue decoupling, operations and maintenance costs, capital expenditures, cost of capital, rate design and other items.
- Filed testimony on behalf of the Michigan Attorney General in SEMCO 2016-2017 GCR Plan case U-17942.

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of Sebastian Coppola**

- Filed testimony on behalf of the Michigan Attorney General in DTE Gas 2016-2017 GCR Plan case U-17941.
- Filed testimony on behalf of the Michigan Attorney General in DTE Gas 2015 gas general rate case U-17999 on a several issues, including revenue, operations and maintenance costs, capital expenditures, main replacement program, Revenue Decoupling Mechanism (RDM) program, cost of capital and other items.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2016-2017 GCR Plan case U-17943.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2016 PSCR Plan case U-17918.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2014-2015 GCR Plan reconciliation case U-17334-R.
- Filed testimony on behalf of the Michigan Attorney General in DTEE 2016 PSCR Plan case U-17920.
- Filed testimony on behalf of the Michigan Attorney General in SEMCO 2014-2015 GCR Plan reconciliation case U-17333-R.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2015 gas general rate case U-17882 on a several issues, including revenue, operations and maintenance costs, capital expenditures, main replacement program, infrastructure cost recovery mechanism, cost of capital and other items..
- Filed testimony on behalf of the Michigan Attorney General in CEC Co Gas Choice and End-User Transportation tariff changes case U-17900.
- Analyzed the gas rate case filings of MGUC in Case U-17880 and assisted the Michigan Attorney General in settlement of the case.
- Filed testimony on behalf of the Michigan Attorney General in CEC Co 2014 PSCR reconciliation case U-17317-R.
- Filed testimony on behalf of the Michigan Attorney General in DTE Gas 2013-2014 GCR Plan reconciliation case U-17131-R.
- Filed testimony on behalf of the Michigan Attorney General in DTEE 2014 electric Rate Case U-17767 on a several issues, including

**Experience and Qualifications
of Sebastian Coppola**

operations and maintenance costs, capital expenditures, AMI program, cost of capital and other items.

- Filed testimony on behalf of the Michigan Attorney General in DTE Gas 2015-2016 GCR Plan case U-17691.
- Filed testimony on behalf of the Illinois Attorney General in Ameren Illinois Company's 2015 general rate case on operation and maintenance costs in Docket 15-0142.
- Filed testimony on behalf of the Michigan Attorney General in CEC0 2014 electric Rate Case U-17735 on a several issues, including sales, operations and maintenance costs, capital expenditures, cost of capital, AMI program, revenue decoupling and infrastructure cost recovery mechanisms.
- Filed testimony on behalf of the Michigan Attorney General in CEC0 2015-2016 GCR Plan case U-17693.
- Filed testimony on behalf of the Michigan Attorney General in MGUC 2015-2016 GCR Plan case U-17690.
- Filed testimony on behalf of the Michigan Attorney General in CEC0 2015 PSCR Plan case U-17678.
- Analyzed the electric rate case filings of Northern States Power in Case U-17710 and Wisconsin Public Service Company U-17669, and assisted the Michigan Attorney General in settlement of these cases.
- Filed testimony on behalf of the Michigan Attorney General in CEC0 2013-2014 GCR Plan reconciliation case U-17133-R.
- Filed testimony on behalf of the Michigan Attorney General in MGUC 2013-2014 GCR Plan reconciliation cases U-17130-R.
- Filed testimony on behalf of the Michigan Attorney General in SEMCO 2013-2014 GCR Plan reconciliation case U-17132-R.
- Filed testimony on behalf of the Michigan Attorney General in CEC0 2014 gas general rate case U-17643 on a several issues, including revenue, operations and maintenance costs, capital expenditures, main replacement program, cost of capital and other items..

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- Filed testimony on behalf of the Illinois Attorney General in Wisconsin Energy merger with Integrys on the Peoples Gas and Coke Company's Accelerated Main Replacement Program Docket 14-0496.
- Filed testimony on behalf of Citizens Against Rate Excess in Wisconsin Public Service Company's 2013 PSCR plan reconciliation case U-17092-R.
- Filed testimony on behalf of the Michigan Attorney General in CEC0 2014 PSCR plan case U-17317.
- Filed testimony on behalf of the Michigan Attorney General in CEC0 2014 OPEB Funding case U-17620.
- Filed testimony on behalf of the Michigan Attorney General in SEMCO 2014-2015 GCR Plan case U-17333.
- Filed testimony on behalf of the Michigan Attorney General in MGUC 2014-2015 GCR Plan case U-17331.
- Filed testimony on behalf of the Michigan Attorney General in CEC0 2014-2015 GCR Plan case U-17334.
- Filed testimony for Citizens Against Rate Excess in Wisconsin Public Service Company's 2014 PSCR plan case U-17299.
- Filed testimony in March 2013 on behalf of the Michigan Attorney General in CEC0's electric Rate Case U-15645 on remand from the Michigan Court of Appeals for review of the AMI program.
- Filed testimony for Citizens Against Rate Excess in Upper Peninsula Power Company's 2012 PSCR plan case U-17298.
- Filed testimony on behalf of the Michigan Attorney General in MGUC 2012-2013 GCR Reconciliation case U-16920-R.
- Filed testimony on behalf of the Michigan Attorney General in DTE Gas Company 2012-2013 GCR Reconciliation case U-16921-R.
- Filed testimony on behalf of the Michigan Attorney General in CEC0 2012-2013 GCR Reconciliation case U-16924-R.
- Filed testimony on behalf of the Michigan Attorney General in SEMCO 2012-2013 GCR Reconciliation case U-16922-R.

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- Filed testimony for Citizens Against Rate Excess in Upper Peninsula Power Company's 2012 Power Supply Cost Recovery (PSCR) reconciliation case U-16881-R.
- Filed testimony in Puget Sound Energy's 2013 Power Cost Only Rate Case on behalf of the Public Counsel Division of the Washington Attorney General in Docket No. UE-130167 on the power costs adjustment mechanism.
- Filed testimony in PacifiCorp's 2013 General Rate Case on behalf of the Public Counsel Division of the Washington Attorney General in Docket No. UE-130043 on power costs, cost allocation factors, O&M expenses and power cost adjustment mechanisms.
- Filed testimony on behalf of the Michigan Attorney General in SEMCO 2013-2014 GCR Plan case U-17132.
- Filed testimony on behalf of the Michigan Attorney General in MGUC 2013-2014 GCR Plan case U-17130.
- Filed testimony on behalf of the Michigan Attorney General in CEC's 2012 electric Rate Case U-17087 on a several issues, including cost of service methodology, rate design, operations and maintenance costs, capital expenditures and infrastructure cost recovery mechanism and other revenue/cost trackers.
- Filed reports on gas procurement and hedging strategies of four gas utilities before the Washington Utilities and Transportation Commission on behalf of the Washington Attorney General – Office of Public Counsel in April 2013.
- Filed testimony on behalf of the Michigan Attorney General in MGUC and SEMCO 2011-2012 GCR Plan reconciliation cases U-16481-R and U-16483-R.
- Filed testimony for Citizens Against Rate Excess in Upper Peninsula Power Company's 2012 Power Supply Cost Recovery (PSCR) plan case U-17091.
- Filed testimony in MichCon's 2012 gas Rate Case U-16999 on a several issues, including sales volumes, revenue decoupling mechanism, operations and maintenance costs, capital expenditures and infrastructure cost recovery mechanism.

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of Sebastian Coppola**

- Filed testimony on behalf of the Washington Attorney General – Office of Public Counsel on executive and board of directors’ compensation in the 2012 Avista general rate case.
- Filed testimony for Citizens Against Rate Excess in Upper Peninsula Power Company’s 2011 Power Supply Cost Recovery (PSCR) reconciliation case U-16421-R.
- Filed testimony on behalf of the Ohio Office of Consumers Counsel in AEP Ohio’s power supply restructuring case in June 2012.
- Filed testimony on behalf of the Michigan Attorney General in MGUC and SEMCO 2012-2013 GCR Plan cases U-16920 and U-16922.
- Filed testimony for Citizens Against Rate Excess in Upper Peninsula Power Company’s 2012 PSCR plan case U-16881.
- Filed testimony for Citizens Against Rate Excess in Wisconsin Public Service Corporation’s 2012 PSCR plan case U-16882.
- Filed testimony for the Michigan Attorney General in CEC’s gas business Pilot Revenue Decoupling Mechanism in case U-16860.
- Filed testimony for the Michigan Attorney General in Consumers Energy Gas 2011 Rate Case U-16855 on several issues, including sales volumes, operations and maintenance cost, employee benefits, capital expenditures and cost of capital.
- Filed testimony for the Michigan Attorney General in SEMCO and MGUC 2010-2011 GCR Plan reconciliation cases U-16147-R and U-16145-R.
- Filed testimony for the Michigan Attorney General in Consumers Energy 2011 electric Rate Case U-16794 on several issues, including electric sales forecast, revenue decoupling mechanism, operations and maintenance cost, employee benefits, capital expenditures and cost of capital.
- Filed testimony for the Michigan Attorney General in CEC’s electric business Pilot Revenue Decoupling Mechanism in case U-16566.
- Filed testimony on behalf of the Michigan Attorney General in SEMCO and MGUC 2011-2012 GCR Plan cases U-16483 and U-16481.

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- Filed testimony for the Michigan Attorney General in Detroit Edison 2010 electric Rate Case U-16472 on several issues, including revenue decoupling mechanism, operations and maintenance cost, executive compensation and benefits, capital expenditures and cost of capital.
- Filed testimony for the Michigan Attorney General in SEMCO 2009-2010 GCR reconciliation case U-15702-R.
- Filed testimony for Michigan Attorney General in MGUC 2009-2010 GCR reconciliation case U-15700-R.
- Filed testimony for Michigan Attorney General, in Consumers Energy Gas 2010 Rate Case U-16418 on several issues, including sales volumes, operations and maintenance costs, capital expenditures and cost of capital.
- Filed testimony for Michigan Attorney General, in SEMCO 2010 Rate Case U-16169 on several issues, including sales volumes, rate design, operations and maintenance cost, executive compensation and benefits, capital expenditures and cost of capital.
- Filed testimony, for Michigan Attorney General in Consumers Energy 2009 electric Rate Case U-16191 on several issues, including sales volumes, revenue decoupling mechanism, operations and maintenance cost and capital expenditures.
- Filed testimony for Michigan Attorney General, in MichCon 2009 gas Rate Case U-15985 on several issues, including sales volumes, revenue decoupling mechanism, operations and maintenance cost, capital expenditures and cost of capital.
- Filed testimony for Michigan Attorney General and was cross-examined in Consumers Energy 2009 gas Rate Case U-15986 on several issues, including sales volumes, revenue decoupling mechanism, operations and maintenance cost, capital expenditures and cost of capital.
- Prepared testimony and assisted the Michigan Attorney General in discussions and settlement of SEMCO and MGUC 2010-2011 GCR Plan cases U-16147 and U-16145.
- Prepared testimony and assisted Michigan Attorney General in settlement of SEMCO 2009-2010 GCR case U-15702.

**Experience and Qualifications
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- Prepared testimony and assisted Michigan Attorney General in settlement of MGUC 2009-2010 GCR case U-15700.
- Prepared testimony and assisted the Michigan Attorney General in discussions and settlement of SEMCO 2008-2009 GCR case U-15452 and reconciliation case U-15452-R.
- Prepared testimony and assisted Michigan Attorney General in discussions and settlement of MGUC 2008-2009 GCR reconciliation case U-15450-R.
- Prepared testimony for Michigan Attorney General in SEMCO GCR 2007-2008 Reconciliation Case U-15043-R.
- Prepared testimony for Michigan Attorney General filed in MGUC 2007-2008 GCR Reconciliation Case U-15040-R.
- Participated in drafting of testimony for all aspects of SEMCO rate case filing with the Regulatory Commission of Alaska (RCA) in 2001.
- Filed testimony in 2001 before the (RCA) and was cross-examined on the financing plans for the acquisition of Enstar Corporation and the capital structure of SEMCO.
- Developed a cost of capital study in support of testimony by company witness in the Saginaw Bay Pipeline Company rate request proceeding in 1989.
- Prepared testimony for company witness on cost of capital and capital structure in MichCon 1988 gas rate case.
- Filed testimony in MichCon gas conservation surcharge case in 1986-87.
- Testified before MPSC ALJ in MichCon customer bill collection complaints in 1983.
- Participated in analysis of uncollectible gas accounts expense for inclusion in rate filings between 1975 and 1988.
- Participated in analysis of allocation of corporate overhead to subsidiaries and use of the “Massachusetts Formula” at MichCon and at SEMCO in 1975 and 2000.
- Prepared support information on GCR and rate case-O&M testimony at MichCon from 1975 to 1988.

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- Filed testimony in MichCon financing orders in 1987 and 1988.
- Participated in rate case filing strategy sessions at MichCon and SEMCO from 1975 to 2001.
- Provided Hearing Room assistance and guidance to counsel on financial and policy issues in various cases from 1975 to 2001.

EDUCATIONAL BACKGROUND

Mr. Coppola did his undergraduate work at Wayne State University, where he received the Bachelor of Science degree in Accounting in 1974. He later returned to Wayne State University to obtain his Master of Business Administration degree with major in Finance in 1980.



MICHIGAN PUBLIC SERVICE COMMISSION
DTE Electric Company

Exhibit: AG-1
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Capital Structure and Cost of Capital
\$000

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Line #		Capital Structure				Weighted Cost of Capital				
		Amount	Percent Permanent Capital	Percent Total Capital	Cost Rate %	Permanent Capital	Total Cost %	Tax Factor	Pre-Tax Return	
1	<u>U-20561 Final Order (Effective 05/2020) ¹</u>									
2	Long-Term Debt	6,995,149	50.01%	38.33%	4.222%	2.11%	1.62%	100.0000%	1.62%	2.11%
3	Preferred Stock	-	0.00%	0.00%	0.000%	0.00%	0.00%	134.9635%	0.00%	0.00%
4	Common Shareholders' Equity	6,993,099	49.99%	38.32%	9.900%	4.95%	3.79%	134.9635%	5.12%	6.68%
5	Total Permanent Capital	13,988,248	100.00%			7.06%				8.79%
6										
7	Short-Term Debt	219,881		1.20%	2.730%		0.03%	100.0000%	0.03%	
8										
9	Regulatory Liability - REP	-		0.00%	0.000%		0.00%	100.0000%	0.00%	
10										
11	Job Development - ITC - Debt	24,309		0.13%	4.358%		0.01%	100.0000%	0.01%	
12	Job Development - ITC Equity	24,309		0.13%	10.000%		0.01%	134.9635%	0.02%	
13	Total Job Development - ITC	48,618								
14										
15	Deferred Income Taxes (Net)	3,994,582		21.89%	0.00%		0.00%		0.00%	
16										
17	Total	18,251,329		100.00%			5.46%		6.79%	

Source: (1) DTEE Response to U-21015 AGDE-1.23-01 Rate of Return.

MICHIGAN PUBLIC SERVICE COMMISSION
DTE Electric Company

Exhibit: AG-1
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May 6, 2021
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Capital Structure and Cost of Capital
\$000

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Line #		Capital Structure			Cost Rate %	Weighted Cost of Capital				
		Amount	Percent Permanent Capital	Percent Total Capital		Permanent Capital	Total Cost %	Tax Factor	Pre-Tax Return	
18	<u>Company Proposal After Securitization ²</u>									
19	Long-Term Debt	6,964,507	50.01%	38.16%	4.222%	2.11%	1.61%	100.0000%	1.61%	2.11%
20	Preferred Stock	-	0.00%	0.00%	0.000%	0.00%	0.00%	134.9635%	0.00%	0.00%
21	Common Shareholders' Equity	6,962,457	49.99%	38.15%	9.900%	4.95%	3.78%	134.9635%	5.10%	6.68%
22	Total Permanent Capital	13,926,964	100.00%			7.06%				8.79%
23										
24	Short-Term Debt	103,642		0.57%	2.730%		0.02%	100.0000%	0.02%	
25										
26	Regulatory Liability - REP	-		0.00%	0.000%		0.00%	100.0000%	0.00%	
27										
28	Job Development - ITC - Debt	24,309		0.13%	4.358%		0.01%	100.0000%	0.01%	
29	Job Development - ITC Equity	24,309		0.13%	10.000%		0.01%	134.9635%	0.02%	
30	Total Job Development - ITC	48,618								
31										
32	Deferred Income Taxes (Net)	3,994,582		21.89%	0.00%		0.00%		0.00%	
33										
34	Total	18,073,806		99.03%			5.42%		6.75%	

Source: (2) Short-term debt reduced by \$116.239 million and long-term debt and common equity reduced by \$30.642 million each per Exhibit A-8.

MICHIGAN PUBLIC SERVICE COMMISSION
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Exhibit: AG-1
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Capital Structure and Cost of Capital
\$000

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Line #		Capital Structure			Cost Rate %	Weighted Cost of Capital				
		Amount	Percent Permanent Capital	Percent Total Capital		Permanent Capital	Total Cost %	Tax Factor	Pre-Tax Return	
35	AG Proposal After Securitization ³									
36	Long-Term Debt	6,880,123	50.01%	37.70%	4.222%	2.11%	1.59%	100.0000%	1.59%	2.11%
37	Preferred Stock	-	0.00%	0.00%	0.000%	0.00%	0.00%	134.9635%	0.00%	0.00%
38	Common Shareholders' Equity	6,878,074	49.99%	37.69%	9.900%	4.95%	3.73%	134.9635%	5.04%	6.68%
39	Total Permanent Capital	13,758,197	100.00%			7.06%				8.79%
40										
41	Short-Term Debt	219,881		1.20%	2.730%		0.03%	100.0000%	0.03%	
42										
43	Regulatory Liability - REP	-		0.00%	0.000%		0.00%	100.0000%	0.00%	
44										
45	Job Development - ITC - Debt	24,309		0.13%	4.358%		0.01%	100.0000%	0.01%	
46	Job Development - ITC Equity	24,309		0.13%	10.000%		0.01%	134.9635%	0.02%	
47	Total Job Development - ITC	48,618								
48										
49	Deferred Income Taxes (Net)	3,994,582		21.89%	0.00%		0.00%		0.00%	
50										
51	Total	18,021,278		98.74%			5.37%		6.68%	

Source: (3) Long-term debt and common equity reduced equally by \$115.026 million for AG proposed securitization of \$230.051 million of qualified costs.

MICHIGAN PUBLIC SERVICE COMMISSION
DTE Electric Company

Exhibit: AG-2
Case No: U-21015
May 6, 2021
Page 1 of 1

Customer Benefit of AG Securitization Proposal

		(b)	(c)	(d)
		DTEE	AG	
		Securitization	Securitization	
		Proposal	Proposal	Difference
\$000	(a)			
<u>Line #</u>				
1	U-20561 Final Order - Rate Base	\$ 17,885,894	\$ 17,885,894	\$ -
2	Rate Base Reduction from Securitization ¹	<u>(74,502)</u>	<u>(74,502)</u>	<u>-</u>
3	Remaining Rate Base	17,811,392	17,811,392	-
4	After-Tax Rate of Return ²	<u>6.75%</u>	<u>6.68%</u>	<u>-0.06%</u>
5	DTEE Return on Remaining Rate Base - (Customer Cost Savings)	<u><u>\$ 1,201,824</u></u>	<u><u>\$ 1,190,424</u></u>	<u><u>\$ (11,399)</u></u>

Source: (1) Revised amount per DTEE response to AGDE-1.13a.
(2) Exhibit AG-1

MPSC Case No.: U-21015

Requestor: AG

Question No.: AGDE-1.6

Respondent: T.M. Uzenski

Page: 1 of 1

Question: Refer to page 7, lines 13-24, of Ms. Uzenski's direct testimony. From a tax and accounting treatment standpoint, what happens to the deferred taxes once the River Rouge plant assets are retired? Do they need to be zeroed out and the liability extinguished, or do they continue to be amortized and paid over the original book depreciable life of the assets? Explain your answer and provide authoritative references.

Answer: River Rouge's deferred taxes are driven by the difference between book depreciation/amortization and tax depreciation, which will result in a difference between Net Book Value (NBV) and Net Tax Value (NTV).

For book purposes, River Rouge will be retired and subsequently securitized, which will result in a recategorization between book depreciation and regulatory asset amortization. For tax purposes, River Rouge will not follow book retirement and will continue to be depreciated. For tax purposes the Company does not retire a facility until the year there is a permanent withdrawal of depreciable property from use in the trade or business, as described in Treas. Reg § 1.167(a)-8(a). For tax purposes the Company will recognize the retirement of River Rouge once the assets are permanently rendered inoperable or sold for scrap.

To summarize, the deferred taxes related to River Rouge will remain as long as there is a difference between book amortization and tax depreciation, which will result in a difference between NBV and NTV.

Attachments: None

Co-Respondent(s): S.L. Wisniewski

MPSC Case No.: U-21015**Requestor:** AG**Question No.:** AGDE-2.38**Respondent:** T.M. Uzenski**Page:** 1 of 1

Question: Refer to the response to AGDE-1.6. When does the Company expect to recognize the retirement of the River Rouge assets as permanently rendered inoperable or sold for scrap for tax purposes? What accounting entry does the Company expect to make at that time pertaining to deferred taxes based on the information currently available?

Answer: Currently, the Company has not determined how the River Rouge assets will be physically removed from the site or how the site will be disposed. The Company is evaluating demolition options. Demolition work could go through 2026 or beyond, and specific plans have not been created. Therefore, the Company cannot predict when it will recognize the retirement for tax purposes.

Deferred taxes related to River Rouge will remain on the books as long as there is a difference between net book value (NBV) and net tax value (NTV) of the asset. At the time of the tax retirement, the remaining NTV will be deducted for tax purposes, resulting in a debit to deferred tax expense and a credit to deferred tax liability.

The deferred tax liability related to these assets will remain until the securitized assets are fully amortized for book purposes.

Attachments: None

MPSC Case No.: U-21015**Requestor:** AG**Question No.:** AGDE-1.18a**Respondent:** Legal/E.J. Solomon**Page:** 1 of 1

Question: Refer to page 11, lines 15-25, of Mr. Solomon's direct testimony.

- a. Are the legal documents to be prepared for this securitization significantly different from the documents prepared in Case No. U-12478? If yes, please explain the major differences other than asset descriptions and amounts.

Answer: DTE Electric objects to the extent that the request seeks privileged attorney-client communications, attorney work product, or a legal opinion to which no response is required. Subject to, and without waiving the above objection, the Company responds as follows:

While I am not an attorney and don't propose to offer a legal opinion, in general it is my understanding that the required legal documents for this Case No. U-21015 and Case No. U-12478 will be similar. However, there have been a number of new Securities and Exchange Commission (SEC) requirements that have been enacted regarding securitizations since Case No. U-12478 including increased disclosure requirements and modifications to the offering shelf registration process (Regulation AB II and Dodd-Frank).

Attachments: None

MPSC Case No.: U-21015

Requestor: AG

Question No.: AGDE-1.18b

Respondent: E.J. Solomon

Page: 1 of 1

Question: Refer to page 11, lines 15-25, of Mr. Solomon's direct testimony.

- b. Provide the actual number of hours billed for legal services by each law firm with related dollar amount from Case No. U-12478.

Answer: To the best of my knowledge and belief, the Company did not retain the records for the actual number of hours billed for legal services by each law firm with related dollar amount from Case No. U-12478 which occurred approximately 20-years ago. The actual legal costs for U-12478 were \$2.34 million. In Case No. U-12478, the difference between the actual legal costs and the estimated legal costs was factored into the first adjustment of the securitization charges pursuant to the true-up mechanism. This will also be the process for Case No. U-21015.

Attachments: None

MPSC Case No.: U-21015**Requestor:** AG**Question No.:** AGDE-1.18c**Respondent:** E.J. Solomon/Legal**Page:** 1 of 1

Question: Refer to page 11, lines 15-25, of Mr. Solomon's direct testimony.

- c. The estimated amount of \$4 million in legal cost for this securitization seems excessive. Does the Company plan to solicit competitive quotes for services from qualified law firms in order to select the lowest cost proposal and also request that its underwriters do the same for law firms representing them? If no, explain why not.

Answer:

DTE Electric objects to the extent that the request seeks privileged attorney-client communications, attorney work product, or a legal opinion to which no response is required. Subject to, and without waiving the above objection, the Company responds as follows:

The Company and its underwriters have already engaged legal representation for Case No. U-21015 and the securitization financing that are experienced with respect to securitization, relevant Michigan law and actual Michigan securitization proceedings. See also responses to AGDE 1.18(a) and (b). Based on the upfront estimated legal expenses and other legal expenses to be determined including but not limited to tax opinions, Delaware counsel, and Trustee counsel, the Company believes the \$4.0 million legal cost estimate is reasonable. The difference between the actual legal costs incurred and the estimated legal costs of \$4.0 million will be factored into the first adjustment of the securitization charges pursuant to the true-up mechanism.

Attachments: None

MPSC Case No.: U-21015

Requestor: AG

Question No.: AGDE-1.19

Respondent: E.J. Solomon

Page: 1 of 1

Question: Refer to page 12, lines 12-15, of Mr. Solomon's direct testimony. Please provide the scope of the audit to be performed by the Company's independent auditor and the number of hours estimated. Provide the same information from Case No. U-12478.

Answer: While the exact scope has yet to be determined, we expect the auditors will be required to perform certain procedures with respect to certain statistical and structural information contained in the prospectus. The procedures may include that the auditor performs certain specified evaluations from which they determine that certain information of an accounting, financial or statistical nature set forth in the Registration Statement and the Final Prospectus, agrees with the accounting records of the Company. The scope of this work would be similar to what was performed in Case No. U-12478. We do not have an estimation of the hours for the current case and do not have records of the hours for Case No. U-12478.

Attachments: None

MPSC Case No.: U-21015

Requestor: AG

Question No.: AGDE-1.25a

Respondent: E.J. Solomon

Page: 1 of 1

Question: Refer to Exhibit A-9. Please:

- a. For each item, provide the same information for actual costs incurred in Case No. U-12478.

Answer:

Comparison of DTE Electric Company U-21015 Initial Qualified Costs vs. Detroit Edison 2000 U-12478 Initial Qualified Costs

	DTE Electric U-21015 Filing	Detroit Edison 2000 U-12478 Actual (1)	Comparison
Initial Qualified Costs ('000's)			
1 Underwriting Discounts and Fees	\$ 736.1	\$ 8,874.2	\$ (8,138.1)
2 Underwriters' Reimbursable Expenses	25.0	-	25.0
3 SEC Registration Fee	20.1	468.6	(448.5)
4 Legal Fees	4,000.0	2,341.1	1,658.9
5 Rating Agency Fees	600.0	565.0	35.0
6 Auditor Fees/Accounting Fees	250.0	263.8	(13.8)
7 Financial Advisory Fees	150.0	-	150.0
8 Printing Fees	75.0	452.8	(377.8)
9 Trustee Fees and Expenses	30.0	32.5	(2.5)
10 Blue Sky Fees	20.0	-	20.0
11 SPE Organizational Costs	150.0	-	150.0
12 Original Issue Discount	100.0	412.5	(312.5)
13 Costs of the Commission	200.0	529.7	(329.7)
14 Funding Capital Subaccount	-	8,750.0	(8,750.0)
15 Tax Reimbursement on Capital	-	4,711.5	(4,711.5)
16 Residual Transferred to Securitization Reserve Account	-	2,518.8	(2,518.8)
17 Miscellaneous	143.8	364.4	(220.6)
18 Total Issuance Expenses	\$ 6,500.0	\$ 30,285.0	\$ (23,785.0)
<u>Additional Qualifies Costs</u>			
19 Long-Term Debt Retirement Costs (Actual)	\$ -	\$ 56,402.6	\$ (56,402.6)
20 Residual Transferred to General Subaccount (3)	-	1,597.4	(1,597.4)
21 Total Additional Expenses	\$ -	\$ 58,000.0	\$ (58,000.0)
22 <u>Total Initial Other Qualifies Costs</u>	\$ 6,500.0	\$ 88,285.0	\$ (81,785.0)

(1) Per the Final Report Subsequent to the Initial Thirty (30) Day Securitization Report dated 12/20/2002

(2) Represents unused allocation of Initial Qualified Costs which was transferred to Securitization Reserve Account

(3) Represents unused allocation of Long-term Debt Retirement Costs which was transferred to General Subaccount

MPSC Case No.: U-21015**Requestor:** AG**Question No.:** AGDE-1.25c**Respondent:** E.J. Solomon**Page:** 1 of 1

Question: Refer to Exhibit A-9. Please:

- c. For each item on lines 2-14, provide the basis and source data to arrive at the forecasted cost.

Answer:

Line 1: These are an estimate of other expenses of the underwriter(s) based on prior securitizations
Line 3: DTE Electric SEC Fees (U-21015) are calculated using a filing fee of 109.1 per one million issued (current rate). Detroit Edison (U-12478) is calculated using 267.8 per one million issued. SEC filing fee rate changes annually.

Line 4: DTE Electric (U-21015) Legal Fees are an estimate based on, among other things, anticipated work with engaged counsel and financial advisors, and experience with other recent securitization transactions.

Line 5: Rating Agency Fees are charges paid to the rating agencies that are associated with reviewing the transaction and assigning a rating for the securitization bonds. These fees typically are a fixed percentage of the principal amount of bonds issued, subject to certain minimums and maximums.

Line 6: Auditor Fees/Accounting Fees are for the Company's independent auditor, and include the costs of accounting, tax, and regulatory advice as it relates to the securitization bonds. These costs are based on experience and anticipated work by the Company's independent auditor.

Line 7: Detroit Edison (U-12478) did not provide detail on the breakdown of Financial Advisory fees.

Line 8: Printing fees for DTE Electric (U-21015) securitization financing are lower than Detroit Edison (U-12478) due to a smaller size transaction and advancements in electronic delivery.

Line 9: Trustee Fees and Expenses are fees and expenses charged by the indenture trustee. These estimated expenses are based on other recent securitizations, recent Company debt transactions, and anticipated work by the securitization trustee.

Line 10: Blue Sky fees are an estimate to cover the costs of complying with the securities registration requirements of various states. Detroit Edison (U-12478) does not have detail on the breakdown of Blue Sky fees.

Line 11: Detroit Edison (U-12478) does not have detail on the breakdown of SPE Organizational Costs. DTE Electric (U-21015) expenses include preparation and filing of the SPE organizational documents. They are not duplicative with other legal costs and are consistent with recent securitizations.

Line 12: Original Issue Discount is the positive difference, if any, between the principal amount of the securitization bonds and the price at which the securitization bonds are initially sold to investors. This estimate is based upon the Company's previous issuance experience.

Line 13: DTE Electric (U-21015) estimated Costs of Commission are consistent with recent securitizations.

Line 14: These include any costs that have not been identified at this time and are consistent with prior securitization filings.

Attachments: None

MPSC Case No.: U-21015

Requestor: AG

Question No.: AGDE-2.46

Respondent: E.J. Solomon

Page: 1 of 1

Question: Refer to the response to AGDE-1.25a. Please explain what the \$529,700 Commission costs were for.

Answer: To the best of my knowledge and belief, the Company did not retain the records for the detail of Commission costs in Case No. U-12478.

Attachments: None

MPSC Case No.: U-21015

Requestor: AG

Question No.: AGDE-1.21

Respondent: E.J. Solomon

Page: 1 of 1

Question: Refer to page 13, lines 6-8, of Mr. Solomon's direct testimony. Who will be doing this work, how many hours have been forecasted, and at what hourly rate?

Answer: SPE Organizational Costs expenses include but are not limited to the preparation and filing of the SPE organizational documents. The work associated with setting up the SPE will be conducted by DTE Electric Legal, Finance, and Accounting staff as well as external legal counsel and our financial advisor. The legal fees associated with setting up the SPE are not duplicative with other external legal costs. The process of setting up the SPE has not been started and we do not have an estimate of hours or hourly rate.

Attachments: None

MPSC Case No.: U-21015

Requestor: AG

Question No.: AGDE-1.34b

Respondent: E. J. Solomon

Page: 1 of 1

Question: Refer to Exhibit A-6. Please:

- b. Explain if a DTE employee with expertise in financial analysis validated and verified the assumptions, source data and calculations underlying the amounts shown on pages 1-3 of the exhibit. If yes, please identify the employee and his/her qualifications. If no, explain why not.

Answer: Witness Lunde did use the source data and assumptions provided and supported by Witness Solomon to develop his exhibits. In addition, Witness Solomon used Witness Lunde's output from Exhibit A-6 in his analysis. Since Witness Solomon is a witness in this case, his qualifications can be found in his direct testimony.

Attachments: None

MPSC Case No.: U-21015**Requestor:** AG**Question No.:** AGDE-2.50**Respondent:** E.J. Solomon**Page:** 1 of 1

Question: Refer to the response to AGDE-1.34b. The answer is not responsive to the question. From the answer provided it is the AG's conclusion that neither Mr. Solomon nor any other DTEE employees has verified and validated in detail the calculations performed by Mr. Lunde. If this conclusion is incorrect, please provide evidence otherwise.

Answer: The Attorney General's conclusion that Mr. Solomon nor any DTE Electric employees have verified and validated in detail the calculations performed by Mr. Lunde is incorrect. Mr. Solomon and DTE Electric staff at the direction of Mr. Solomon developed the inputs and reviewed the output schedules and methodology for the calculations in Exhibit A-6 (SL-1) for reasonableness; please see attachment U-21015 AGDE-2.49 Exhibit A-6 for reference to the outputs and methodology reviewed with Mr. Lunde. The calculations for Exhibit A-6 (SL-1) are derived by our Financial Advisor from a very complex proprietary optimization model. The output of the model which includes a) debt service payments (interest and principal on the bonds issued) and b) the adjustments to the total cash requirements for servicing and expenses and the impact of the collection curve (time lag between invoicing and collection) is reasonable based on the model assumptions. Mr. Solomon and the DTE Electric staff at the direction of Mr. Solomon are responsible for all the financing activities at DTE Electric and its affiliates and are experienced in all aspects of issuing bonds including analyses and valuation, documentation, marketing, and execution. See also the qualifications of Mr. Solomon in his direct testimony.

Attachments: None

MPSC Case No.: U-21015**Requestor:** AG**Question No.:** AGDE-1.16a**Respondent:** E.J. Solomon**Page:** 1 of 1

Question: Refer to page 10, lines 14-25, of Mr. Solomon's direct testimony.

- a. Has the Company already contracted with Citigroup to be the main underwriter and financial advisor? If yes, did the Company conduct a competitive bidding process? If no, will the Company conduct a competitive bidding process to minimize underwriter fees? How will the Company ensure that underwriter fees have been minimized?

Answer: The Company has appointed Citigroup as the financial advisor and lead underwriter for the securitization financing. The Company did not conduct a competitive bidding process for this appointment but made the decision based on Citigroup's extensive experience as an industry leader in securitizations including involvement in all of DTE Electric's as well as Consumers Energy's prior securitizations filings. Citigroup's fee was reviewed and negotiated by the Company and is consistent with prior securitizations. The Company, at its option, may appoint additional underwriters to the securitization financing.

Attachments: None

MPSC Case No.: U-21015

Requestor: AG

Question No.: AGDE-2.48

Respondent: S. Lunde

Page: 1 of 1

Question: Refer to Table A on pages 13 and 14. Please provide the name of the lead underwriter for each of the securitization transactions.

Answer: Please see attachment U-21015 AGDE-2.48 Historical Utility Securitization Lead Underwriters.

Attachments: U-21015 AGDE-2.48 Historical Utility Securitization Lead Underwriters.

U-21015 AGDE-2.48 Historical Utility Securitization Lead Underwriters

State	Utility	Pricing Date	Issuance (\$mm)	Citi Role	Underwriting Group
California	Southern California Edison	2/11/2021	\$558	--	Barclays, RBC
Texas	AEP Texas	9/11/2019	\$235	Jt. Books	GS, Citi
New Hampshire	Public Service Company of New Hampshire	5/1/2018	\$636	Jt. Books	GS, Citi
New York	Long Island Power Authority	10/25/2017	\$569	Jt. Books	RBC, Barclays, BofAML, Citi
New York	Long Island Power Authority	8/11/2016	\$469	Str. Lead	Citi, RBC, Barclays, BofAML
Florida	Duke Energy Florida	6/15/2016	\$1,294	--	RBC, Gugg
New York	Long Island Power Authority	3/2/2016	\$637	Jt. Books	Barclays, RBC, BofAML, Citi
New York	Long Island Power Authority	10/16/2015	\$1,002	Jt. Books	BofAML, Citi, Barclays, RBC
Louisiana	Entergy New Orleans	7/14/2015	\$99	Sole Books	Citi
Hawaii	Hawaiian Electric; Maui Electric	11/4/2014	\$150	Co-Books	GS, Citi
Louisiana	Entergy Gulf States Louisiana	7/29/2014	\$71	Sole Books	Citi
Louisiana	Entergy Louisiana	7/29/2014	\$244	Sole Books	Citi
Michigan	Consumers Energy	7/14/2014	\$378	Str. Lead	Citi, GS
New York	Long Island Power Authority	12/12/2013	\$2,022	Co-Manager	MS, GS
West Virginia	Appalachian Power	11/6/2013	\$380	--	RBS, MS
Ohio	Ohio Power	7/23/2013	\$267	Str. Lead	Citi, RBC
Ohio	Cleveland Electric Illuminating; Ohio Edison; Toledo Edison	6/12/2013	\$445	Str. Lead	Citi, Credit Agricole, GS
Texas	AEP Texas Central	3/7/2012	\$800	Jt. Books	MS, Barclays, Citi
Texas	CenterPoint Energy	1/11/2012	\$1,695	Jt. Books	GS, Citi, MS
Louisiana	Houston Electric	9/15/2011	\$207	Jt. Books	Citi, MS
Arkansas	Entergy Arkansas	8/11/2010	\$124	--	MS
Louisiana	Entergy Gulf States Louisiana	7/15/2010	\$244	Jt. Books	Citi, JPM
Louisiana	Entergy Louisiana	7/15/2010	\$469	Jt. Books	Citi, JPM
West Virginia	Monongahela Power	12/16/2009	\$64	--	Jeff, Williams
West Virginia	Potomac Edison	12/16/2009	\$22	--	Jeff, Williams
Texas	CenterPoint Energy	11/18/2009	\$665	Jt. Books	GS, Citi
Texas	Houston Electric	10/29/2009	\$546	Jt. Books	MS, Citi
Louisiana	Entergy Texas	8/20/2008	\$278	Jt. Books	Citi, JPM
Louisiana	Entergy Louisiana	7/22/2008	\$688	Jt. Books	Citi, JPM
Louisiana	Cleco Power	2/28/2008	\$181	--	CS
Texas	CenterPoint Energy	1/29/2008	\$488	Jt. Books	Citi, CS, MS
Texas	Houston Electric	6/22/2007	\$330	--	MS
Maryland	Entergy Gulf States	6/22/2007	\$623	Jt. Books	Barclays, Citi, MS, RBS
Florida	Baltimore Gas and Electric	5/17/2007	\$652	--	Wachovia
Florida	Florida Power & Light	4/3/2007	\$344	--	First Albany, Loop
West Virginia	Monongahela Power	4/3/2007	\$115	--	First Albany, Loop
West Virginia	Potomac Edison	10/4/2006	\$1,740	--	CS, JPM, RBS
Texas	AEP Texas Central	8/4/2006	\$182	Jt. Books	GS, MS, Citi
New Jersey	Jersey Central Power & Light	12/9/2005	\$1,851	--	CS, Lehman, RBS
Texas	CenterPoint Energy	11/3/2005	\$844	Jt. Books	MS, Barclays, Citi
California	Houston Electric	9/22/2005	\$115	--	CS
Pennsylvania	Pacific Gas and Electric	9/9/2005	\$103	--	CS, Barclays
Pennsylvania	West Penn Power				
New Jersey	Public Service Electric and Gas				

U-21015 AGDE-2.48 Historical Utility Securitization Lead Underwriters

Massachusetts	Boston Edison; Commonwealth Electric	2/15/2005	\$675	--	GS, Lehman
California	Pacific Gas and Electric	2/3/2005	\$1,888	Jt. Books	MS, Citi, Lehman
New Jersey	Rockland Electric	7/28/2004	\$46	Jt. Books	Citi, GS
Connecticut	Connecticut Light and Power	6/23/2004	\$205	N/A	N/A
Texas	Oncor Electric Delivery	5/28/2004	\$790	--	ML, Wachovia
New Jersey	Atlantic City Electric	12/18/2003	\$152	--	MS
Texas	Oncor Electric Delivery	8/14/2003	\$500	--	Lehman, MS
New Jersey	Atlantic City Electric	12/11/2002	\$440	--	MS
New Jersey	Jersey Central Power & Light	6/4/2002	\$520	--	GS
Texas	Central Power and Light	1/31/2002	\$797	Co-Manager	GS
New Hampshire	Public Service of New Hampshire	1/16/2002	\$50	Jt. Books	Citi
Michigan	Consumers Energy	10/31/2001	\$469	--	MS
Texas	Reliant Energy	10/17/2001	\$749	--	ML
Massachusetts	Western Massachusetts Electric	5/14/2001	\$155	Jt. Books	Lehman, Citi
New Hampshire	Public Service of New Hampshire	4/20/2001	\$525	Jt. Books	Citi, BS
Connecticut	Connecticut Light and Power	3/27/2001	\$1,438	Jt. Books	Lehman, Citi
Michigan	Detroit Edison	3/2/2001	\$1,750	Jt. Books	Citi
Pennsylvania	PECO Energy	2/15/2001	\$805	Jt. Books	Citi
New Jersey	Public Service Electric and Gas	1/25/2001	\$2,525	Co-Manager	Lehman
Pennsylvania	PECO Energy	4/27/2000	\$1,000	Jt. Books	Citi
Pennsylvania	West Penn Power	11/3/1999	\$600	--	MS
Pennsylvania	PP&L	7/29/1999	\$2,420	Co-Manager	MS
Massachusetts	Boston Edison	7/26/1999	\$725	Co-Manager	Lehman, GS
California	Sierra Pacific Power	4/8/1999	\$24	--	GS
Pennsylvania	PECO Energy	3/18/1999	\$4,000	Jt. Books	Citi
Montana	Montana Power	12/22/1998	\$63	--	GS
Illinois	Illinois Power	12/10/1998	\$864	Jt. Books	ML, Citi
Illinois	Commonwealth Edison	12/7/1998	\$3,400	Sr. Co-Manager	GS/ML/Citi
California	Southern California Edison	12/4/1997	\$2,463	Jt. Books	Citi, Lehman
California	San Diego Gas & Electric	12/4/1997	\$658	Co-Manager	MS, Lehman
California	Pacific Gas and Electric	11/25/1997	\$2,901	--	MS, Lehman
Washington	Puget Sound Power & Light	11/20/1997	\$55	N/A	N/A
Washington	Puget Sound Power & Light	6/8/1995	\$202	Jt. Books	Citi, Chemical Securities

**

Pre-2008 deals are Salomon when referred to as Citi

MPSC Case No.: U-21015

Requestor: AG

Question No.: AGDE-1.15b

Respondent: E.J. Solomon

Page: 1 of 1

Question: Refer to page 7 of Mr. Solomon's direct testimony. Please:

- b. Provide the monthly short-term debt balance that DTEE had outstanding under its bank line of credits and commercial paper borrowings for each month from January 2017 to March 2021 in Excel.

Answer: Attached in Excel (file U-21015 AGDE-1.15b-01 Short Term Balances) are the monthly short-term borrowings for DTE Electric from January 31, 2017 to March 31, 2021.

Attachments: *U-21015 AGDE-1.15b-01 Short Term Balances*

DTE Electric Short-Term Borrowings
January 31, 2017 through March 31, 2021
\$'s in millions

Monthly Amounts from DTEE transpose to calculated Annual Averages per AG

Date	Total Short-Term Borrowings		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Average
January 31, 2017	\$ 335														
February 28, 2017	273	2017	\$ 335	273	265	433	374	404	451	317	377	419	368	354	\$ 364
March 31, 2017	265	2018	533	432	522	558	51	205	193	180	194	236	538	250	\$ 324
April 28, 2017	433	2019	533	59	51	196	214	295	429	473	480	518	373	452	\$ 339
May 31, 2017	374	2020	724	334	210	307	307	307	310	305	308	295	105	101	\$ 301
June 30, 2017	404	2021	268	283	78										\$ 210
July 31, 2017	451														
August 31, 2017	317														
September 29, 2017	377	Average Debt		\$ 364	\$ 324	\$ 339	\$ 301	210							
October 31, 2017	419														
November 30, 2017	368														
December 29, 2017	354														
January 31, 2018	533														
February 28, 2018	432														
March 30, 2018	522														
April 30, 2018	558														
May 31, 2018	51														
June 29, 2018	205														
July 31, 2018	193														
August 31, 2018	180														
September 28, 2018	194														
October 31, 2018	236														
November 30, 2018	538														
December 31, 2018	250														
January 31, 2019	533														
February 28, 2019	59														
March 29, 2019	51														
April 30, 2019	196														
May 31, 2019	214														
June 28, 2019	295														
July 31, 2019	429														
August 30, 2019	473														
September 30, 2019	480														
October 31, 2019	518														
November 29, 2019	373														
December 31, 2019	452														
January 31, 2020	724														
February 28, 2020	334														
March 31, 2020	210														
April 30, 2020	307														
May 29, 2020	307														
June 30, 2020	307														
July 31, 2020	310														
August 31, 2020	305														
September 30, 2020	308														
October 30, 2020	295														
November 30, 2020	105														
December 31, 2020	101														
January 29, 2021	268														
February 26, 2021	283														
March 31, 2021	78														

Source: DTEE response to DR AGDE-1.15b

MPSC Case No.: U-21015**Requestor:** AG**Question No.:** AGDE-2.42bi**Respondent:** E.J. Solomon**Page:** 1 of 1

Question: Refer to the response to AGDE-1.15c. Please:

b. For the period from January 2017 to March 2021, please provide the following monthly information in Excel:

i. The balance of long-term debt.

Answer: Please refer to attachment U-21015 AGDE-2.42b-01 Balance Sheet Items.**Attachments:** U-21015 AGDE-2.42b-01 Balance Sheet Items**MPSC Case No.:** U-21015**Requestor:** AG**Question No.:** AGDE-2.42bii**Respondent:** E.J. Solomon**Page:** 1 of 1

Question: Refer to the response to AGDE-1.15c. Please:

b. For the period from January 2017 to March 2021, please provide the following monthly information in Excel:

ii. The amount of new long-term debt issued and the amount retired.

Answer: Please refer to attachment U-21015 AGDE-2.42b-01 Balance Sheet Items.**Attachments:** U-21015 AGDE-2.42b-01 Balance Sheet Items

MPSC Case No.: U-21015**Requestor:** AG**Question No.:** AGDE-2.42biii**Respondent:** E.J. Solomon**Page:** 1 of 1

Question: Refer to the response to AGDE-1.15c. Please:

b. For the period from January 2017 to March 2021, please provide the following monthly information in Excel:

iii. The balance of common equity.

Answer: Please refer to attachment U-21015 AGDE-2.42b-01 Balance Sheet Items.

Attachments: U-21015 AGDE-2.42b-01 Balance Sheet Items

MPSC Case No.: U-21015**Requestor:** AG**Question No.:** AGDE-2.42biv**Respondent:** E.J. Solomon**Page:** 1 of 1

Question: Refer to the response to AGDE-1.15c. Please:

b. For the period from January 2017 to March 2021, please provide the following monthly information in Excel:

iv. The amount of equity injections received and dividends paid to the parent company.

Answer: Please refer to attachment U-21015 AGDE-2.42b-01 Balance Sheet Items

Attachments: U-21015 AGDE-2.42b-01 Balance Sheet Items

DTE Electric Balance Sheet - Selected Items

January 31, 2017 through March 31, 2021

\$'s in millions

Case: U-21015

AGDE-2.42(b)

Date	Long-Term Debt*	Long-Term Debt Issuances**	Long-Term Debt Retirements	Equity	Common Dividends	Equity Contributions from DTE Energy	Equity %
January 31, 2017	\$ 5,889	\$ -	\$ -	\$ 5,929	\$ (108)	\$ -	50%
February 28, 2017	5,888	-	-	5,962	-	-	50%
March 31, 2017	5,887	(0)	-	5,994	-	-	50%
April 30, 2017	5,887	-	-	5,910	(108)	-	50%
May 31, 2017	5,887	-	-	5,955	-	-	50%
June 30, 2017	5,887	-	-	6,023	-	-	51%
July 31, 2017	5,886	-	-	6,011	(108)	-	51%
August 31, 2017	6,022	436	(300)	6,085	-	-	50%
September 30, 2017	6,022	(1)	-	6,134	-	-	50%
October 31, 2017	6,022	-	-	6,060	(108)	-	50%
November 30, 2017	6,023	-	-	6,106	-	-	50%
December 31, 2017	6,023	-	-	6,265	-	100	51%
		435	(300)		(432)	100	
January 31, 2018	6,022	-	-	6,202	(115)	-	51%
February 28, 2018	6,021	-	-	6,246	-	-	51%
March 31, 2018	6,020	-	-	6,290	-	-	51%
April 30, 2018	6,020	-	-	6,206	(115)	-	51%
May 31, 2018	6,540	520	-	6,258	-	-	49%
June 30, 2018	6,539	(0)	-	6,338	-	-	49%
July 31, 2018	6,539	-	-	6,350	(115)	-	49%
August 31, 2018	6,538	-	-	6,466	-	-	50%
September 30, 2018	6,538	(0)	-	6,527	-	-	50%
October 31, 2018	6,538	-	-	6,430	(115)	-	50%
November 30, 2018	6,549	-	-	6,456	-	-	50%
December 31, 2018	6,549	(0)	-	6,793	-	325	51%
		519	-		(461)	325	
January 31, 2019	6,549	-	-	6,717	(124)	-	51%
February 28, 2019	7,188	644	-	6,753	-	-	48%
March 31, 2019	7,188	(0)	-	6,816	-	-	49%
April 30, 2019	7,187	-	-	6,710	(124)	-	48%
May 31, 2019	7,186	-	-	6,739	-	-	48%
June 30, 2019	7,186	(1)	-	6,826	-	-	49%
July 31, 2019	7,186	-	-	6,836	(124)	-	49%
August 31, 2019	7,186	-	-	6,951	-	-	49%
September 30, 2019	7,187	(0)	-	7,010	-	-	49%
October 31, 2019	7,187	-	-	6,911	(124)	-	49%
November 30, 2019	7,188	-	-	7,142	-	180	50%
December 31, 2019	7,188	-	-	7,195	-	-	50%
		643	-		(494)	180	
January 31, 2020	7,188	-	-	7,100	(135)	-	50%
February 28, 2020	8,279	1,392	(300)	7,142	-	-	46%
March 31, 2020	7,977	(300)	(0)	7,154	-	-	47%
April 30, 2020	8,572	594	0	7,024	(135)	-	45%
May 31, 2020	8,572	-	-	7,040	-	-	45%
June 30, 2020	8,572	-	-	7,203	-	-	46%
July 31, 2020	8,255	(0)	(332)	7,465	(135)	200	47%
August 31, 2020	8,253	(2)	-	7,614	-	-	48%
September 30, 2020	8,253	(0)	-	7,868	-	200	49%
October 31, 2020	8,254	-	-	7,769	(135)	-	48%
November 30, 2020	8,254	-	-	8,042	-	236	49%
December 31, 2020	8,255	-	0	8,070	-	-	49%
		1,683	(632)		(539)	636	
January 31, 2021	8,255	-	(0)	7,995	(147)	-	49%
February 28, 2021	8,254	-	-	8,072	-	-	49%
March 31, 2021	9,243	989	-	8,131	-	-	47%
		\$ 989	\$ (0)		\$ (147)	\$ -	
		\$ 4,270	\$ (932)		\$ (2,073)	\$ 1,242	

*Includes current portion of long-term debt and capitalized leases

**Net proceeds after original issuance discount and underwriting fees and other issuance expenses

MPSC Case No.: U-21015

Requestor: AG

Question No.: AGDE-1.35b

Respondent: C. Serna

Page: 1 of 1

Question: Refer to page 10, lines 10-23, of Mr. Lunde's direct testimony. Please:

- b. Explain why the Company has not included the O&M expense and property taxes in the calculation of the Bill Credit given that these costs will no longer be incurred once the plant assets are retired.

Answer: The proposed bill credit reflects the costs related to the securitized portion of the River Rouge generation site included in current base rates. O&M expense and property taxes are not included in the securitization financing request.

Attachments: None

MPSC Case No.: U-21015

Requestor: AG

Question No.: AGDE-2.51

Respondent: T.M. Uzenski

Page: 1 of 1

Question: Refer to the response to AGDE-1.35a. Please provide the actual O&M costs and property taxes for River Rouge for 2018. If actual costs are not available, provide an estimate for those costs.

Answer: O&M costs including benefits for the River Rouge site in 2018 were approximately \$22 million. The estimated property tax expense for the River Rouge site was approximately \$8 million in 2018.

Attachments: None

The Michigan Public Service Commission
DTE Electric Company

Exhibit: AG-10
Case No: U-21015
May 6, 2021
Page 1 of 1

Calculation and Allocation of Bill Credit Revenue Requirement - Revised
Power Supply (River Rouge)
\$000

(a)		
<u>Line #</u>	<u>Total Electric</u>	<u>Source</u>
1 Average Test Year Rate Base	\$ 74,502	Ex. AG-11 Att. L. 4, col. (i)
2 Pre-Tax Rate of Return	6.794%	Case No. U-20561
3 Return on Rate Base	\$ 5,062	Line 1 x Line 2
4 Test Year Depreciation Expense	6,794	Ex. AG-11 Att. L. 3, col. (g)
5 O&M Expense	22,000	Ex, AG-9
6 Property Taxes	8,000	Ex, AG-9
7 Power Supply Bill Credit Revenue Requirement	\$ 41,856	Line 4 to Line 6
8 Amount Calculated by DTEE	11,635	Ex. A-19, line 5
9 Incremental Reduction in Revenue Requirement	\$ 30,221	Line 7 - Line 8

MPSC Case No.: U-21015**Requestor:** AG**Question No.:** AGDE-1.13a**Respondent:** T.M. Uzenski**Page:** 1 of 1

Question: Refer to Exhibit A-2. Please:

- a. For lines 1 and 3, please provide a bridge reconciliation between the amounts in column (h) and the amounts on lines 1 and 3 of Exhibit A-1. Explain why the Plant in Service amount of \$245,669,000 does not match the \$250,927,000 on line 1 of Exhibit A-1 given that this amount reflects the write-down of the disallowed capital expenditures and no additional expenditures were approved by the Commission.

Answer: Two items drive the difference in the plant in service variance. First, on Exhibit A-2, I subtracted the disallowance amount of \$10.2 million ordered by the Commission in Case No. U-20561 on May 8, 2020. However, that figure included \$2.4 million of projected costs that were not in the beginning balance. I have updated the exhibit in the file attached to reflect the correction. Second, Staff's workpapers supporting the May 8, 2020 Order assumed that all the write-offs would be a reduction to gross plant. However, \$2.3 million of the Company's capital expenditures was for removal costs which are charged against the net salvage component of accumulated depreciation. This component of accumulated depreciation is not part of the proposed securitization transactions. Therefore, this amount did not reduce the plant-in-service gross balance or net book value on Exhibit A-2.

Attachments: U-21015 AGDE-1.13a Updated Exhibit A-2

DTEE Response to discovery request AGDE-1.13a

[illegible]

PROOF OF SERVICE - U-21015

The undersigned certifies that a copy of the *Attorney General's Testimony and Exhibits of Sebastian Coppola* was served upon the parties listed below by e-mailing the same to them at their respective e-mail addresses on the 6th day of May 2021.

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