



Carlton D. Watson
(313) 235-6648
carlton.watson@dteenergy.com

December 6, 2024

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

RE: In the matter of the application of **DTE GAS COMPANY** for authority to increase its rates, amend its rate schedules and rules governing the distribution and supply of natural gas, and for miscellaneous accounting authority
MPSC Case No. U-21291

Dear Ms. Felice:

Attached for electronic filing in the above captioned matter is DTE Gas Company's Petition for Rehearing. Also attached is the Proof of Service.

Very truly yours,

Carlton D. Watson

CDW/erb
Attachments

cc: Service List

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

In the matter of the application of)
DTE GAS COMPANY for authority to)
increase its rates for the distribution)
of natural gas and for other relief)
_____)

Case No. U-21291

DTE GAS COMPANY'S PETITION FOR REHEARING

Dated: December 6, 2024

I. TABLE OF CONTENTS

I. INTRODUCTION 1

II. ARGUMENT 2

**A. The Commission’s Cost of Gas Rate Calculation Omitted an Adjustment
 Agreed to by Staff. 2**

**B. The Commission Should Correct the Uncollectible Expense Methodology to
 Avoid the Unintended Consequences of Staff’s Asymmetric Uncollectible
 Expense Reductions. 3**

III. REQUEST FOR RELIEF 6

I. INTRODUCTION

On November 7, 2024, the Michigan Public Service Commission (MPSC or Commission) issued a final order in this case (November 7, 2024 Order). DTE Gas Company (DTE Gas or the Company) seeks rehearing on two narrow issues. First, the Commission adopted Commission Staff's (Staff) recommended adjustment for Lost and Unaccounted for (LAUF) and Company Use (CU) gas but omitted the adoption of Staff's position that Gas In Kind revenue (GIK) must also be recalculated. In addition, the Commission found the Company's projected uncollectible expense to be "inflated." In turn, the Commission concluded that "Staff's calculation [was] most accurate and reasonable [...]" without regard to the unintended legal and practical ramifications. For the reasons set forth below, and otherwise within the record, both findings warrant rehearing.

Accordingly, DTE Gas seeks rehearing pursuant to Rule 437 of the Commission's Rules of Practice and Procedure, R 792.10437, which provides, in pertinent part, as follows:

- (1) A petition for rehearing after a decision or order of the commission shall be filed with the commission within 30 days after service of the decision or order of the commission unless otherwise specified by statute. A petition for rehearing based on a claim of error shall specify all findings of fact and conclusions of law claimed to be erroneous with a brief statement of the basis of the error. A petition for rehearing based on a claim of newly discovered evidence, on facts or circumstances arising subsequent to the close of the record, or on unintended consequences resulting from compliance with the decision or order shall specifically set forth the matters relied upon. The petition shall be accompanied by proof of service on all other parties to the proceeding.

The Commission has stated that "an application for rehearing is not merely another opportunity for a party to argue a position or to express disagreement with the Commission's decision." (August 1, 2005 Commission Order in Case No. U-13917, p. 4). Additionally, the Commission has stated that "[u]nless a party can show the decision to be incorrect or improper because of errors, newly discovered evidence, or unintended consequences of the decision, the

Commission will not grant a rehearing.” (October 14, 2004 Commission Order in Case No. U-13716, p. 2).

II. ARGUMENT

A. The Commission’s Cost of Gas Rate Calculation Omitted an Adjustment Agreed to by Staff.

The Commission’s Order approved \$22.151 million for LAUF gas and \$18.31 million for CU gas. This finding was based upon Staff’s original recommended calculation. (November 7, 2024 Order, p. 189) The Company seeks rehearing on this issue to correct a clear omission contained in Staff’s original recommendation, as adopted by the Commission (this omission was recognized by Staff in briefing).

Staff’s original recommendation adjusted the cost of gas rate used in the LAUF and CU calculations from \$4.3812 per Mcf to \$4.1015 per Mcf. (See November 7, 2024 Commission Order, p. 121) However, Staff did not include the corresponding and requisite adjustment to GIK. GIK revenue is calculated to recover costs related to LAUF and CU Gas. Therefore, there is no question that any changes to those costs must be reflected in adjustments to GIK revenue. Staff ultimately acknowledged and agreed with this principle. (“Staff recommends that the dollar amounts for LAUF, CU, and GIK be recalculated for the final order based on those decisions.”) (Staff Replies to Exceptions, p. 6) Nonetheless, in carrying over these adjustments in the calculation of the Company’s revenue deficiency, the GIK credit method calculation incorrectly retained the original \$4.3812 per Mcf projected cost of gas rate, resulting in a final projected GIK revenue credit that does not align with the updated expense amount.

The cost of gas rate must be used consistently in calculating LAUF, CU, and GIK. Accordingly, the Commission should grant rehearing and correct the GIK credit calculation to use

a projected cost of gas rate of \$4.1015 per Mcf, resulting in a reduced GIK revenue of \$26,823 and a \$1.8 million reduction in the GIK revenue credit that was omitted in the Commission's Order.

B. The Commission Should Correct the Uncollectible Expense Methodology to Avoid the Unintended Consequences of Staff's Asymmetric Uncollectible Expense Reductions.

In this proceeding, the Company applied the direct write-off method to project its uncollectible expense (UCX). This method was utilized by Staff and adopted by the Commission in the Company's last gas rate case (Case No. U-20940). In utilizing this method, the Company used a historical three-year average of actual net write-offs plus direct expenses for 2020–2022, adjusted for revenue growth. The Company's methodology resulted in a final uncollectible account expense of \$35.149 million. Although the Company used the direct write-off method, Staff argued throughout this proceeding that the Company's UCX calculation was "inflated." In turn, Staff recommended disallowing \$14.47 million in UCX, of which \$9.13 million relates to a change of three-year average from 2020-2022 to 2021-2023 and \$5.36 million relates to Staff's recommended changes in test year revenues.

The Company only seeks rehearing with respect to a portion of Staff's recommended changes, specifically the exclusion of test year revenues that are attributable to Energy Waste Reduction (EWR), cost of gas, the Company's Home Protection Plan (HPP), and miscellaneous revenue.¹ The sole basis provided by Staff for excluding these revenues is that "[i]t is Staff's position that projected revenue amounts not included, or subject to audit, in this general rate case should not be included in the UCX projection." (Staff Initial Brief p. 64) The exclusion of these revenues in the test year, despite their inclusion in historical revenues used to calculate the average net write-offs to revenue, resulted in an unsupported \$3.96 million disallowance of uncollectible

¹ The exclusion of the EWR, gas cost, HPP, and other revenues makes up \$3.96 million of Staff's overall \$5.36 million recommendation related to test year revenues. The Company is not seeking rehearing on the remaining \$1.4 million.

expense. (4 T 2248) The Administrative Law Judge (ALJ) agreed with Staff's overall recommended disallowance but did not address the practical impacts of excluding these revenues from the UCX calculation or the appropriateness of excluding these revenues from projected revenues while leaving them in historic revenues. (PFD, p. 305) The Commission agreed with the ALJ's recommendation, but again without addressing why the exclusion of these revenues is reasonable or feasible. (November 7, 2024 Commission Order, p. 192)

The Company has notable concerns with the adoption of Staff's proposed disallowance that results from the exclusion of these revenues from the uncollectible expense calculation as it results in significant, unintended consequences and merits rehearing by the Commission. First, Staff's only support for its recommendation to remove EWR, gas cost, HPP and miscellaneous revenues from the uncollectible expense calculation is a conclusory, and otherwise unsupported, statement in testimony. (See 4T 1651) To the contrary, a variety of uncollectible amounts are properly included in uncollectible expense and write offs when calculating projected uncollectible expense in a rate case, regardless of where the surcharges are calculated. Removal of these costs from a general rate case forecloses any opportunity by the Company to recover those portions of uncollectible expense because there are simply no other forums to do so. (4T 2247) As an example, Staff's recommended disallowance, as adopted by the Commission, legally forecloses the Company's ability to recover uncollectible expense associated with EWR revenues. (See June 2, 2009 Commission Order in Case No. U-15890, pp. 11-12 finding that uncollectible expenses should not be included in an Energy Optimization Plan and directing that these costs be addressed in the next general rate case). This is because only direct charges are included for purposes of calculating the Company's EWR surcharge. However, uncollectible expense is an indirect expense. (4T 2246- 2248) Therefore, the Company cannot recover its uncollectible EWR expenses unless

future changes are implemented to the EWR surcharge allowing for the recovery of indirect, uncollectible expenses.

Similarly, there are no alternative forums to recover the portion of uncollectible expense associated with gas cost revenues and HPP revenues.² The Commission has not authorized recovery of gas cost uncollectible expense in a Gas Cost Recovery (GCR) proceeding; therefore, recovery in a GCR proceeding is not currently feasible. With respect to HPP revenues, a general rate case is the only forum available to recover this portion of uncollectible expense. Removing HPP revenue from the uncollectible expense calculation assumes that the Company incurs no uncollectible expense related to HPP, which is not accurate. Importantly, as the incremental margin resulting from HPP reduces the overall cost of service to DTE Gas's customers, it is incongruous to prevent recovery of uncollectible expense attributable to the program.

Due to the legal and practical implications preventing recovery of uncollectible expense in alternate forums, the Company requests that the Commission grant rehearing on this issue and include the EWR, gas cost, HPP, and other revenues into the net write off methodology. This will result in an increase in uncollectible expense of \$3.96 million. Alternatively, while the Company does not believe it is appropriate to exclude these revenues from the UCX calculation, if they are to be excluded, then they should be removed across the entire calculation rather than selectively removed only from the projected revenue portion of the uncollectible expense calculation. Although Staff removed EWR, cost of gas, HPP and miscellaneous revenue from their projected revenue, Staff included them in the historical revenues used to calculate the write off as a percentage of revenue. The one-sided inclusion of these revenues to calculate the write off

² In fact, the Commission has found that the appropriate place for the collection of uncollectible expense is in a general rate case. See DTE Electric's 2009 Commission Order in Case No. U-15806, p. 33 (finding that uncollectible expenses should not be included in a Renewable Energy Plan and that these costs are more appropriately addressed in a general rate case).

percentage results in an improper and artificial decrease to the Company's projected uncollectible expense – at the very least the methodology used in the calculations should be consistent.

As such, DTE Gas seeks rehearing to clarify and correct the uncollectible expense methodology so that historical revenue used to calculate the historical write off percentage and the projected revenue that the write off percentage is applied to are calculated on the same basis (and with the same exclusions applied). Specifically, the Company requests that the Commission adjust Staff's methodology consistent with DTE Gas's Exhibit A-33, Schedule W1 so that Staff's historical revenue also excludes revenue categories consistent with Staff's projected revenue exclusions. This adjustment results in a \$3.96 million increase in the Company's projected uncollectible expense, as reflected on Page 2, Line 11, column (d) of DTE Gas's Exhibit A-33, Schedule W1.

III. REQUEST FOR RELIEF

Accordingly, DTE Gas respectfully requests that the Commission grant rehearing and provide the additional relief as discussed above.

Respectfully submitted,

DTE GAS COMPANY

Dated: December 6, 2024

By: _____
Its Attorney
Carlton D. Watson (P77857)
One Energy Plaza, 1635 WCB
Detroit, Michigan 48226
(313) 235-6648

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE GAS COMPANY for authority)
to increase its rates, amend its rate)
schedules and rules governing the)
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and for miscellaneous accounting authority)
_____)

Case No. U-21291

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

ESTELLA R. BRANSON states that on December 6, 2024, she served a copy of DTE Gas Company's Petition for Rehearing in the above captioned matter, via electronic mail, upon the persons listed on the attached service list.

ESTELLA R. BRANSON

**MPSC Case No. U-21291
Service List**

ADMINISTRATIVE LAW JUDGE

Hon. Jonathan F. Thoits
Administrative Law Judge Division
7109 West Saginaw Hwy
Lansing, MI 48917
thoitsj@michigan.gov

ABATE

Michael J. Pattwell
Clark Hill, PLC
212 East César E. Chávez Avenue
Lansing, MI 48906
mpattwell@clarkhill.com

Stephen A. Campbell
Clark Hill, PLC
500 Woodward Avenue, Ste. 3500
Detroit, MI 48226
scampbell@clarkhill.com

Consultant:

Jim Dauphinais
jdauphinais@consultbai.com

ATTORNEY GENERAL (ENRA)

Joel King
Assistant Attorney General
G. Mennen Williams Bldg.
525 W. Ottawa Street, 6th Floor
P.O. Box 30755
Lansing, MI 48909
kingj38@michigan.gov
ag-enra-spec-lit@michigan.gov

Seb Coppola, Consultant
sebcoppola@corpolytics.com

**BILLERUD AMERICAS
CORPORATION**

Tim Lundgren
Justin K. Ooms
Potomac Law Group
120 N. Washington Square, Suite 300
Lansing, MI 48933
tlundgren@potomaclaw.com
jooms@potomaclaw.com

**CITIZENS UTILITY BOARD OF
MICHIGAN; MICHIGAN
ENVIRONMENTAL COUNCIL;
NATURAL RESOURCES DEFENSE
COUNCIL; SIERRA CLUB**

Christopher M. Bzdok
Holly L. Hillyer
Troposphere Legal, PLC
420 East Front Street
Traverse City, MI 49686
chris@tropospherelegal.com
Holly@tropospherelegal.com

Breanna Thomas
breanna@tropospherelegal.com

SIERRA CLUB

Nihal Schrinath
nihal.shrinath@sierraclub.org

CITY OF ANN ARBOR

Valerie J.M. Brader
Rivenoak Law Group PC
3331 W. Big Beaver Rd., Suite 109
Troy, MI 48084
valerie@rivenoaklaw.com
ecf@rivenoaklaw.com

Valerie Jackson
Assistant City Attorney
City of Ann Arbor
Guy C. Larcom City Hall
301 E. Huron, 3rd Floor ·
Ann Arbor MI 48104
vjackson@a2gov.org

**DEARBORN INDUSTRIAL
GENERATION, L.L.C.**

Sean P. Gallagher
Fraser Trebilcock Davis & Dunlap
124 West Allegan Street, Suite 1000
Lansing, MI 48933
sgallagher@fraserlawfirm.com

**MPSC Case No. U-21291
Service List**

**THE ECOLOGY CENTER, THE
ENVIRONMENTAL LAW & POLICY
CENTER, UNION OF CONCERNED
SCIENTISTS, AND VOTE SOLAR**

Nicholas Wallace
Daniel Abrams
William Kenworthy
Boratha Tan
James Gignac
Lee Shaver
Alexis Blizman
Saad Siddique
Charles Griffith
Shubha Harris
Environmental Law & Policy Center
35 E Wacker Dr., Ste. 1600
Chicago, IL 60601
dabrams@elpc.org
bklein@elpc.org
will@votesolar.org
btan@votesolar.org
jgignac@ucsusa.org
lshaver@ucsusa.org
alexis@ecocenter.org
ssiddique@elpc.org
charlesg@ecocenter.org
shubha.m.harris@gmail.com

Carolyn Boyce, Paralegal
Alondra Estrada, Legal Assistant
cboyce@elpc.org
aestrada@elpc.org
MPSCDocket@elpc.org

**MICHIGAN POWER LIMITED
PARTNERSHIP; RETAIL ENERGY
SUPPLY ASSOCIATION**

Jennifer Utter Heston
Fraser Trebilcock Davis & Dunlap, P.C.
124 W. Allegan, Ste. 1000
Lansing, MI 48933
jheston@fraserlawfirm.com

Michigan Power LP Consultants:

Nick Phillips
Brian Collins
Donna Fricke

nphillips@consultbai.com
bcollins@consultbai.com
dfricke@consultbai.com

MPSC STAFF

Heather MS. Durian
Michael J. Orris
Monica M. Stephens
Anna B. Stirling
Public Service Division
7109 West Saginaw Hwy, 3rd Floor
Lansing, MI 48917
durianh@michigan.gov
orrism@michigan.gov
stephensm11@michigan.gov
stirlinga1@michigan.gov

Lori Mayabb, Case Manager
mayabbl@michigan.gov

**SOULARDARITY; WE WANT GREEN,
TOO; URBAN CORE COLLECTIVE**

Mark Templeton
Amanda Urban
Jacob Schuhardt
Sam Heppell
Andrew Obeso
Zara Salman
Andrew Kieffer
Claire Black
Elizabeth Maltby
Eliza Martin
Joseph Amdur
Jason Frey
Michelle David
University of Chicago Law School
Abrams Environmental Law Clinic
6020 South University Avenue
Chicago, IL 60637
templeton@uchicago.edu
t-9aurba@lawclinic.uchicago.edu
jschuhardt@uchicago.edu
heppell@uchicago.edu
obeso@lawclinic.uchicago.edu
zysalman@lawclinic.uchicago.edu
akieffer@lawclinic.uchicago.edu
claireblack@uchicago.edu

MPSC Case No. U-21291
Service List

emaltby@lawclinic.uchicago.edu
elizamartin@lawclinic.uchicago.edu
jamdur@lawclinic.uchicago.edu
jmfrey@lawclinic.uchicago.edu
madavid@uchicago.edu
aelc_mpsc@lawclinic.uchicago.edu

Madison S. Wilson, Legal Assistant
madisonswilson@uchicago.edu