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February 21, 2025

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

RE: In the matter of the Application of **DTE ELECTRIC COMPANY** for authority to increase its rates, amend its rate schedules and rules governing the distribution and supply of electric energy, and for miscellaneous accounting authority
MPSC Case No. U-21534

Dear Ms. Felice:

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

Very truly yours,

Andrea E. Hayden

AEH/erb
Attachments

cc: Service List

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of)
DTE ELECTRIC COMPANY)
for authority to increase its rates, amend)
its rate schedules and rules governing the)
distribution and supply of electric energy,)
and for miscellaneous accounting authority)
_____)

Case No. U-21534

DTE ELECTRIC COMPANY'S
PETITION FOR REHEARING

Dated: February 21, 2025

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I. INTRODUCTION AND LEGAL STANDARD

On January 23, 2025, the Commission issued a final order in this case (“January 23 Order”). DTE Electric Company (“DTE Electric,” or the “Company”) now seeks rehearing pursuant to Rule 437 of the Commission’s Rules of Practice and Procedure, R 792.10437, which provides:

“(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.”¹

II. DISCUSSION

A. Uncollectible Expense (UCX) Should Include Power Supply Cost Recovery (PSCR) Revenue.

DTE Electric originally projected \$50.9 million of uncollectible expense based on a three-year average of actual uncollectible expense for 2020-2022 (Sparks, 6T 2374-77; Exhibit A-13, Schedule C5.8, page 1, line 1, column (g)). Staff projected \$41.0 million (\$9.8 million less than the Company’s original request) based on a three-year average of actual uncollectible expense for 2021-2023, using projected revenue at current rates instead of projected revenue at proposed rates, and excluding PSCR revenue² (Rueckert, 6T 4991-92). The Company disagreed with the use of projected revenue at current rates and the exclusion of PSCR revenue, but modified its original request using a three-year average of net write-offs to revenues, updated to include 2023 in the

¹ DTE Electric maintains its prior positions, but will not belabor them for purposes of seeking rehearing. DTE Electric, of course, maintains all of its appellate rights.

² The “PSCR revenue” referred to in the disallowance and in this brief is PSCR factor revenue and does not include PSCR base revenue that is included in base rates.

three-year average. Attorney General (AG) witness Coppola utilized the Company's approach by including projected revenue, including PSCR, and updating the three-year average to 2021-2023, resulting in a \$47.0 million projection (\$3.8 million less than the Company's original request). (Coppola, 6T 3693). The Company agreed with this methodology and result, which increases Staff's projection by \$6.0 million (Sparks, 6T 2383; Exhibit A-41, Schedule FF1). (See also generally, DTE Electric's Initial Brief, p 236, and Reply Brief, p 85; Staff's Initial Brief, pp 94-95; AG's Initial Brief, pp 67-68).

More specifically, Staff took the "position that PSCR revenue should be excluded as it is not present on the Company's exhibits and audited by Staff in this general rate case," without further explanation (Rueckert, 6T 4991). The Commission agreed with Staff (January 23 Order, pp 233-35). The Company maintains its position, but focuses on PSCR revenue for purposes of this petition for rehearing.³ The exclusion of PSCR revenue results in a \$2,728,000 million decrease to uncollectible expense without any mechanism to recover this amount (See Attachment A). Reconsideration of the Commission's decision would avoid the presumably-unintended consequence of precluding any cost recovery of UCX associated with PSCR expense.

B. The Decision to Exclude PSCR Revenue in the Calculation of Uncollectible Expense was in Error and Creates Unintended Consequences.

The Company maintains that excluding PSCR revenue is unjust because 1) it is based on an incorrect assumption that PSCR revenue was not included in the Company's exhibits, and 2) it creates the unintended consequence of prohibiting the Company from recovering a significant portion of uncollectible costs (Sparks, 6T 2381-82).

³ The PSCR revenue does not change whether present revenues or proposed revenues are utilized in the UCX calculation.

The reasoning that PSCR revenue should be “removed from the UCX calculation because it is not listed on the company’s exhibit” (January 23 Order, p 235) is simply not accurate. PSCR revenue was included in the Company’s projected UCX expense exhibit (See Exhibit A-13, Schedule C5.8). The exhibit Staff refers to when arguing PSCR revenue “is not listed” is Exhibit A-16, Schedule F2 which shows base rate revenues, but the Company did not use those values to calculate UCX. Exhibit A-13, Schedule C5.8 provides the Company’s UCX calculation and that exhibit includes PSCR revenue as shown in Exhibit A-41, Schedule FF1-2. Schedule FF1-2 explains that the difference between the total revenues shown on Exhibit A-13, Schedule C5.8 and total revenues shown on Exhibit A-16 Schedule F2 is attributable to PSCR revenue (it also provides an updated estimate of PSCR factor revenue). The total projected test year revenues shown on Exhibit A-41 schedule FF1-2 include PSCR and equal \$6,399,006. Both the Company and the AG used this number in their UCX calculations (Sparks, 6T 2383; Exhibit A-41, Schedule FF1, page 2, line 7; Exhibit AG-41, line 5).

Separately, the exclusion of PSCR revenue from projected UCX creates unintended consequences by foreclosing recovery of a significant portion of uncollectible expense. Utilities have constitutional protections against “takings” and confiscatory rates under the Fifth Amendment to the U.S. Constitution, which is applicable to the states through the Fourteenth Amendment. Similarly, Mich Const 1963, art 10, § 2 provides in part, “Private property shall not be taken for public use without just compensation therefore being first made or secured in a manner prescribed by law.” These constitutional protections have been recognized and applied to public utility rates in well-established case law.⁴ UCX is a function of a customer’s entire bill and not

⁴ See generally, *Missouri ex rel Southwestern Bell Telephone Co v Public Service Comm of Missouri*, 262 US 276; 43 S Ct 544; 67 L Ed 981 (1923); *Federal Power Comm v Natural Gas Pipeline*, 315 US 575; 62 S Ct 736; 86 L Ed 1037 (1942); *Duquesne Light Co v Barasch*, 488 US 299; 109 S Ct 609; 102 L Ed 2d 646 (1989). See also, *Northern*

just distribution costs (versus commodity costs and other charges). The inability to recover UCX tied to the commodity portion of a customer's bill creates a regulatory gap with no uncollectible PSCR revenue recovery allowed in base rates, while also not authorizing the recovery of power supply cost uncollectible expense in a PSCR proceeding. Such a recovery is not currently feasible in PSCR proceedings under present practice. The Company believes that recovering UCX is most appropriate in base rates as has been done in the past. Moreover, the Commission has also previously reasoned that uncollectible expense should be allocated generally across all customers (e.g., November 18, 2022 Order in Case No. U-20836, p 385). To the extent that portions of UCX recovery shifts to an alternative process this should be done with adequate notice to allow such costs to be moved to another regulatory proceeding without a gap in recovery.

Therefore, the Commission should grant rehearing and include PSCR revenue in the uncollectible expense methodology, resulting in a \$2,728,000 increase in uncollectible expense.

III. REQUEST FOR RELIEF

DTE Electric respectfully requests that the Commission grant rehearing and provide the additional relief discussed above.

Michigan Water Co v Public Service Comm, 381 Mich 340; 161 NW2d 584 (1968); *Consumers Power Co v Public Service Comm*, 415 Mich 134; 327 NW2d 875 (1982); *ABATE v Public Service Comm*, 430 Mich 33; 420 NW2d 81 (1988).

Dated: February 21, 2025

Respectfully submitted,

DTE ELECTRIC COMPANY
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**Estimate of UCX Impact due to PSCR factor
(000's)**

Ln	Description		Source
1	Planned PSCR Factor Revenue 2025	\$ 381,269	Case U-21354 Exhibit A-41, Schedule FF1-2
2	3-Year Average Net Write-Offs to Revenue 2021-2023	<u>0.72%</u>	Case U-21534, Exhibit A-41, Schedule FF1, line 8, column (e)
3	Estimated UCX Impact of Excluding PSCR Factor	<u>\$ 2,728</u>	

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Case No. U-21534

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

ESTELLA R. BRANSON states that on February 21, 2025, she served a copy of DTE Electric Company's Petition of Rehearing in the above captioned matter, via electronic mail upon the persons listed on the attached service list.

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MPSC Case No. U-21534

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