

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of	)	
<b>DTE ELECTRIC COMPANY</b>	)	
for approval of a one-time regulatory	)	Case No. U-20921
liability and other one-time accounting	)	
authority.	)	
_____	)	

At the December 9, 2020 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair  
Hon. Sally A. Talberg, Commissioner  
Hon. Tremaine L. Phillips, Commissioner

**ORDER**

On October 26, 2020, DTE Electric Company (DTE Electric) filed its *ex parte* application, with a supporting affidavit, requesting accounting relief. DTE Electric’s application seeks approval of a one-time regulatory liability and one-time accounting authority for DTE Electric related to the unusual and unprecedented electric sales patterns during 2020 associated with the COVID-19 pandemic. DTE Electric explains that the total impact of these unusual and unprecedented electric sales patterns to DTE Electric’s margin is a net increase compared to expectations under normal circumstances.

DTE Electric informs the Commission that the company does not know the final impact of these unusual sales patterns through December 2020. However, based on the company’s forecast, it is committing to non-precedential, one-time actions that will mitigate future cost increases for

customers. These actions include: (1) elimination of the company's regulatory asset for 2020 deferred uncollectible expense, which is estimated to be at least \$10 million by year-end;<sup>1, 2</sup>; (2) accrual of a \$30 million voluntary refund obligation recorded in account 229, Accumulated Provision for Rate Refunds, with a corresponding debit to account 449.1, Provision for Rate Refunds<sup>3</sup> to be amortized beginning January 1, 2022 through the earlier of the implementation of new base rates or December 31, 2022; and (3) the company delaying application for new base rates until at least May 1, 2021.

On November 18, 2020, the Commission received comments regarding DTE Electric's application from the City of Ann Arbor. On November 23, 2020, the Highland Park COVID-19 Just Recovery Task Force (Task Force) also filed comments. Both sets of comments recommend protections for residential ratepayers during the COVID-19 pandemic. Specifically, the comments recommend suspension of all utility service shut-offs for residential customers and forbearance of delinquent utility accounts; utility notification to local governments on utility shut-offs, shut-off notices, and delinquencies by zip code on a monthly basis; and ensuring the \$30 million refund is proportionally beneficial to each rate class's contribution, with emphasis in the residential class to ensuring access to energy by low-income and senior customers. Furthermore, the comments suggested postponing any rate increases until after the pandemic and to decline to permit the future classification and recovery of delinquent accounts as a regulatory asset. In its comments, the Task

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<sup>1</sup> The Commission authorized DTE Electric to accrue this regulatory asset for uncollectible expense in Case No. U-20757.

<sup>2</sup> DTE Electric provides that it will resume the uncollectible expense deferral beginning in January 2021 and continue such deferral until further notice from the Commission.

<sup>3</sup> DTE Electric states that amortization of the regulatory liability will be used to offset the cost of service related to new plant in 2022. The \$30 million regulatory liability will be amortized to income beginning January 1, 2022 through the earlier of the implementation of new base rates or December 31, 2022.

Force also recommended adopting reliability performance and outage compensation standards to improve reliability and affordability for all ratepayers and fully compensate those impacted by outages. In addition, the Task Force recommends that the Commission order utilities to provide ratepayers with delinquent accounts with descriptions and contact details for programs serving low-income and senior customers.

The Commission finds that DTE Electric's proposals are reasonable and in the public interest in light of the unique and unprecedented circumstances resulting from the COVID-19 pandemic. Residential customer energy usage during 2020 has been higher than typical due in part to the significant number of households working from home. Because revenue from rates charged to residential customers are primarily based on kilowatt-hour usage, as opposed to kilowatt demand or other billing determinants more commonly used for other customer classes, the higher electricity usage associated with weather and work-at-home patterns among residential customers led to company revenues exceeding the projected revenue amount on which rates were formulated. From a traditional regulatory standpoint, revenues in excess of those expected under normal circumstances would likely go to the company's shareholders and would not provide a benefit to customers. Under DTE Electric's proposal, excess revenues will be used to: (1) enable the elimination of the uncollectible expense regulatory asset for 2020 authorized by the Commission in April 2020, which is likely to amount to at least \$10 million that DTE Electric will not seek to recover from customers in the future; and (2) maintain DTE Electric's capital investment programs designed to improve the safety and reliability of the electric system while postponing a new application for an increase in rates. These actions will directly benefit DTE Electric customers in an equitable manner given the unique circumstances. The Commission acknowledges the recommendations from the comments submitted that the benefits from the additional revenues

should flow back directly to those customers who contributed to such revenues. With this in mind, the Commission finds that the proposal does provide for such linkage in how the funds are applied and benefits residential customers in a fair and efficient manner. Specifically, uncollectible expense included in rates is allocated based on customer class and the residential class has traditionally made up the overwhelming majority of this expense.<sup>4</sup> Thus, mitigating the accumulation of additional uncollectible expense will directly benefit residential customers. Moreover, continued capital investment should improve system performance for customers without raising rates. Although this will benefit all customers, residential customers have traditionally experienced a higher impact from rate increases on a proportional basis due to the nature of capital investments and how residential customers use the electric system. Case Nos. U-18255, U-20162, and U-20561. Therefore, if this trend continues in future rate cases, residential customers would be expected to benefit the most from the delayed filing.

While the Commission is not in a position to suspend consideration of rate case applications during the pandemic as the comments suggest, the Commission finds that DTE Electric's application is beneficial in this regard by extending the planned filing of a new rate case while continuing to focus on needed infrastructure, safety, and reliability investment programs in the interim. And recognizing the uncertainty associated with the pandemic, the availability of federal assistance, and overall economic conditions, the Commission finds that it prudent to permit DTE Electric to track and account for uncollectible expense beginning in 2021 pursuant to guideline previously provided. Indeed, this accounting function does not constitute Commission approval for any such expenses to be recovered.

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<sup>4</sup> For example, 2018 net write-offs, used to allocate uncollectible expense in DTE Electric's rate case, Case No. U-20162, were approximately 88% residential. *See* Exhibit A-16, Schedule F1.2.

Turning to the issues related to utility service shut-offs and the proposed notifications and reporting by the utility to local governments and customers, the Commission appreciates the input from the City of Ann Arbor and the Task Force. Throughout this pandemic, the Commission has refrained from instituting a disconnection moratorium but has worked collaboratively with utilities in the suspension of disconnection activities during critical periods over the past year. Moreover, the Commission has been working to improve the timeliness and content of utility reporting of shut-offs, delinquent accounts, enrollment in energy assistance programs, and other data during the pandemic pursuant to the Commission's April 15, 2020 and July 23, 2020 orders issued in Case No. U-20757. The reporting by utilities to local governments as recommended in the comments is substantial, and would need far more input to address legal, cost, privacy, and other issues. These recommendations are outside the scope of the issues presented in DTE Electric's application and would be more appropriately addressed as the Commission considers updates to its customer protection rules in the future.

With respect to utilities' communications to end use customers facing shut-off or delinquent accounts, under Commission rules, regulated gas and electric utilities must annually inform each residential customer of the energy assistance and shutoff protections available for Michigan residents. The information may be transcribed through a customer's bill, bill insert, website or other means. Beyond compliance with this rule requirement, the Commission observes that utilities have employed a variety of communication strategies to inform customers of available assistance programs through billings, special notices including public service announcements, outbound telephone calls, e-mails, and in some cases, home wellness visits. In addition, in response to the pandemic, utilities, the Department of Health and Human Services, the Commission, and others have undertaken extensive communications and outreach efforts to inform

customers of available financial assistance and other programs to help customers with utility bills. A discussion of some of these efforts is included in the Commission's July 23, 2020 order in Case No. U-20757. The Commission stresses that continued diligence and attention to customer outreach will be essential as we move into the heating season and potentially inclement weather. Again, the Commission appreciates the input from the City of Ann Arbor and the Task Force to reinforce the importance of these issues.

Finally, the Commission finds that the regulatory liability and accounting authority requested by the company will not cause alteration or amendment to DTE Electric's current rates or rate schedules or result in an increase in the cost of service to the company's customers. The Commission also finds that *ex parte* review and approval are appropriate because the regulatory requests will not increase the cost of service to customers. *See*, MCL 460.6a(3). Thus, the application and company proposals may be authorized and approved without notice or hearing, and the Commission reiterates its conclusion that the application and the Company's proposals are otherwise reasonable, in the public interest, and should be approved and without modification.

THEREFORE, IT IS ORDERED that:

A. DTE Electric Company is authorized to implement the one-time accounting and one-time regulatory liability proposals as set forth in the company's application.

B. DTE Electric Company is authorized to eliminate its regulatory asset for 2020 deferred uncollectible expense that was approved in Case No. U-20757, but shall resume the uncollectible expense deferral beginning on January 1, 2021 and continue such deferral until further notice from the Commission.

C. DTE Electric Company is authorized to accrue a \$30 million voluntary refund obligation recorded in account 229, Accumulated Provision for Rate Refunds, with a corresponding debit to

account 449.1, Provision for Rate Refunds. Amortization of the regulatory liability shall be used to offset the cost of service related to new DTE Electric Company plant in 2022. The \$30 million regulatory liability shall be amortized to income beginning January 1, 2022, through the earlier of the implementation of new base rates or December 31, 2022.

D. DTE Electric Company shall delay application for new base rates until, at least, May 1, 2021.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel.

Electronic notifications should be sent to the Executive Secretary at [mpscedockets@michigan.gov](mailto:mpscedockets@michigan.gov) and to the Michigan Department of the Attorney General – Public Service Division at [pungpl@michigan.gov](mailto:pungpl@michigan.gov). In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General – Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

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Daniel C. Scripps, Chair

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Sally A. Talberg, Commissioner

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Tremaine L. Phillips, Commissioner

By its action of December 9, 2020.

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Lisa Felice, Executive Secretary




# PROOF OF SERVICE

STATE OF MICHIGAN )

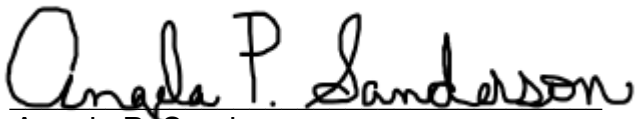
Case No. U-20921

County of Ingham )

Brianna Brown being duly sworn, deposes and says that on December 9, 2020 A.D. she electronically notified the attached list of this **Commission Order via e-mail transmission**, to the persons as shown on the attached service list (Listserv Distribution List).

  
Brianna Brown

Subscribed and sworn to before me  
this 9<sup>th</sup> day of December 2020.



Angela P. Sanderson  
Notary Public, Shiawassee County, Michigan  
As acting in Eaton County  
My Commission Expires: May 21, 2024

**Service List for Case: U-20921**

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**Name**

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**Email Address**

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DTE Electric Company  
Jon P. Christinidis

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