

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
CONSUMERS ENERGY COMPANY and)	
DTE ELECTRIC COMPANY requesting that the)	Case No. U-20844
Commission grant accounting approval of)	
depreciation practices for the Ludington Pumped)	
Storage Plant.)	
_____)	

At the February 4, 2021 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair
Hon. Tremaine L. Phillips, Commissioner
Hon. Katherine L. Peretick, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On July 10, 2020, Consumers Energy Company and DTE Electric Company filed a joint application, with supporting testimony and exhibits, requesting the Commission grant accounting and ratemaking approval of proposed depreciation rates for the Ludington Pumped Storage Plant pursuant to MCL 460.1 *et seq.* and various Commission orders.

On August 19, 2020, a prehearing conference was held before Administrative Law Judge Sharon L. Feldman, at which the Association of Businesses Advocating Tariff Equity was granted intervention. The Commission Staff also participated in the proceeding. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

The Commission has reviewed the settlement agreement and finds that the public interest is adequately represented by the parties who entered into the settlement agreement. The Commission

further finds that the settlement agreement is in the public interest, represents a fair and reasonable resolution of the proceeding, and should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. The new annual depreciation rates for the Ludington Pumped Storage Plant, as shown in Attachment 1 to the settlement agreement, will be effective from January 1, 2021, and will be included in base rates in Consumer Energy Company's and DTE Electric Company's next electric rate cases following Case No. U-20697 for Consumers Energy Company and Case No. U-20561 for DTE Electric Company.

C. Consumers Energy Company and DTE Electric Company must file a depreciation case for the Ludington Pumped Storage Plant no later than January 1, 2027.

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 and to the Michigan Department of the Attorney General - Public Service Division at 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

Daniel C. Scripps, Chair

Tremaine L. Phillips, Commissioner

Katherine L. Peretick, Commissioner

By its action of February 4, 2021.

Lisa Felice, Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
CONSUMERS ENERGY COMPANY)	
and DTE ELECTRIC COMPANY)	
Requesting that the Commission Grant)	Case No. U-20844
Accounting Approval of Depreciation)	
Practices for the Ludington Pumped)	
Storage Plant.)	
<hr/>)	

SETTLEMENT AGREEMENT

Pursuant to MCL 24.278 and Rule 431 of the Michigan Administrative Hearing System’s Rules of Practice and Procedure before the Michigan Public Service Commission (“MPSC” or “Commission”), Mich Admin Code, R 792.10431, the undersigned parties agree as follows:

WHEREAS, on July 10, 2020 Consumers Energy Company (“Consumers Energy”) and DTE Electric Company (“DTE”) filed an Application requesting approval of revised depreciation rates for the Ludington Pumped Storage Plant. Consumers Energy and DTE filed testimony and exhibits in support of their joint positions concurrently with their Application.

WHEREAS, the initial prehearing conference in this proceeding was held on August 19, 2020 before Administrative Law Judge Sharon L. Feldman. The parties to the case are Consumers Energy, DTE, the Commission Staff, and the Association of Businesses Advocating Tariff Equity (“ABATE”).

NOW THEREFORE, for purposes of settlement of Case No. U-20844, the undersigned parties agree as follows:

1. The parties agree that the Commission should approve the depreciation rates shown on Attachment 1 to this Settlement Agreement. The parties agree that, in accordance with the

depreciation rates identified on Attachment 1 to this Settlement Agreement, the depreciation rates will result in a decrease in the annual Ludington Pumped Storage Plant depreciation expense allowance of approximately \$9.4 million for Consumers Energy and approximately \$8.4 million for DTE based on December 31, 2019 depreciable plant balances. The parties further agree that the new annual depreciation rates agreed to in this Settlement Agreement shall become effective on January 1, 2021. The new annual depreciation rates approved in this settlement will be included in base rates effective with the final order in each Company's next respective general rate case following Case No. U-20697 for Consumers Energy and Case No. U-20561 for DTE.

2. The parties agree that Consumers Energy and DTE shall file the next depreciation case for the Ludington Pumped Storage Plant no later than January 1, 2027.

3. The parties agree that, in their next depreciation case for the Ludington Pumped Storage Plant, Consumers Energy and DTE shall file a newly-created depreciation study that includes use of an escalation factor that is based on a 50%/50% blend of the Consumer Price Index and Producer Price Index to calculate depreciation rates. The filing will also include an updated demolition/decommissioning cost study conforming to the following parameters:

- a. The study can be an update of the study from this Case No. U-20844;
- b. The updated demolition/decommissioning cost study should clearly identify, define, justify, and support all underlying cost assumptions; and
- c. The updated cost study should be in current (at the time of filing the study) dollars/costs.
- d. The Companies, in their next depreciation rate case filing will use actual interim retirement activity for the Ludington Pumped Storage Plant to study the life characteristics of each account and calculate rates. The parties also agree that

Consumers and DTE may also choose to include the interim retirement rates calculated for Consumers' other hydroelectric facilities and fully justify and support their position.

4. Staff represents that it has thoroughly reviewed Consumers Energy and DTE's initial filing, including the direct testimony and exhibits of the Companies' witnesses, and received and reviewed responses of discovery and audit requests from the Companies. Staff represents that it has examined the positions maintained and used by the Companies' witnesses in the calculation of its proposed depreciation rates including all underlining assumptions relied on. Staff represents that its review and analyses included the study of the Ludington Pumped Storage Plants actual mortality characteristics of plant assets.

5. Current depreciation rates for the Ludington Plant for Consumers Energy and DTE Electric were established by the Commission's July 12, 2017 Order Approving Settlement Agreement in Case No. U-18195 ("U-18195 Settlement Agreement"). For purposes of this settlement in Case No. U-20844, Staff's review shows that Consumers Energy and DTE have complied with the directives set in Commission's July 12, 2017 Order approving settlement in Case No. U-18195.

6. This settlement is entered into for the sole and express purpose of reaching a compromise among the parties. All offers of settlement and discussions relating to this settlement are, and shall be considered, privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, neither the parties to this Settlement Agreement nor the Commission shall make any reference to, or use, this Settlement Agreement or the order approving it as a reason, authority, rationale, or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided, however, such

references may be made to enforce or implement the provisions of this Settlement Agreement and the order approving it.

7. This Settlement Agreement is based on the facts and circumstances of this case and is intended for the final disposition of Case No. U-20844. So long as the Commission approves this Settlement Agreement without any modification, the parties agree not to appeal, challenge, or otherwise contest the Commission order approving this Settlement Agreement. The parties agree and understand that this Settlement Agreement does not limit any party's right to take new and/or different positions on similar issues in other administrative proceedings, or appeals related thereto.

8. This Settlement Agreement is not severable. Each provision of the Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. Failure to comply with any provision of this Settlement Agreement constitutes failure to comply with the entire Settlement Agreement. If the Commission rejects or modifies this Settlement Agreement or any provision of the Settlement Agreement, this Settlement Agreement shall be deemed to be withdrawn, shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall be without prejudice to the pre-negotiation positions of the parties.

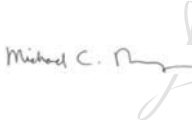
9. The parties agree that approval of this Settlement Agreement by the Commission would be reasonable and in the public interest.

10. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969 (MCL 24.281), as it applies to the issues resolved in this Settlement Agreement, if the Commission approves this Settlement Agreement without modification.

11. This Settlement Agreement may be executed in multiple counterparts.

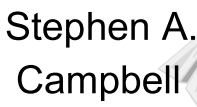
WHEREFORE, the undersigned parties respectfully request the Michigan Public Service Commission to approve this Settlement Agreement on an expeditious basis and to make it effective in accordance with its terms by final order.

CONSUMERS ENERGY COMPANY

By:  Digitally signed by
Michael C. Rampe
Date: 2021.01.20
10:36:27 -05'00'

Michael C. Rampe (P58189)
Gary A. Gensch, Jr. (P66912)
Attorneys for Consumers Energy
Company
One Energy Plaza
Jackson, Michigan 49201

ASSOCIATION OF BUSINESSES
ADVOCATING TARIFF EQUITY

By:  Digitally signed by: Stephen A.
Campbell
DN: CN = Stephen A. Campbell
email = scampbell@clarkhill.com
C = US O = Clark Hill PLC
Date: 2021.01.21 14:51:41 -05'00'


Stephen A. Campbell
Michael Pattwell (P72419)
Stephen A. Campbell (P76684)
Clark Hill PLC
212 East Cesar E. Chavez Avenue
Lansing, MI 48906

MICHIGAN PUBLIC SERVICE
COMMISSION STAFF

By:  Digitally signed by
Monica M. Stephens
Date: 2021.01.21
09:16:51 -05'00'

Monica M. Stephens
Heather M.S. Durian (P67587)
Monica M. Stephens (P73782)
Assistant Attorneys General
Public Service Division
7109 West Saginaw Highway
Post Office Box 30221
Lansing, MI 48909

DTE ELECTRIC COMPANY

By:  Digitally signed by
Jon P. Christinidis
Date: 2021.01.21
17:57:34 -05'00'

Jon P. Christinidis (P47352)
One Energy Plaza, 1635 WCB
Detroit, MI 48226

Attachment 1

CONSUMERS ENERGY COMPANY

Ludington Pumped Storage Facility
Comparison of Depreciation Rates
as of December 31, 2019

(1) Acct. No.	(2) Description	(3) Plant Balance	(4) Existing Rate	(5) Existing Expense	(6) Settlement Rate	(7) Settlement Expense	(8) Increase or (Decrease)
<u>Hydro Production Plant</u>							
331.0	Structures & Improvements	30,773,516	4.32%	1,329,416	2.22%	683,172	(646,244)
332.0	Reservoirs, Dams, Waterways	98,776,659	3.07%	3,032,443	1.46%	1,442,139	(1,590,304)
333.0	Waterwheels, Turbines, Gen	276,130,283	5.20%	14,358,775	3.15%	8,698,104	(5,660,671)
334.0	Accessory Electric Equip	66,532,262	5.01%	3,333,266	3.35%	2,228,831	(1,104,436)
335.0	Misc. Power Plant Equip	9,121,098	7.74%	705,973	3.24%	295,524	(410,449)
336.0	Roads, Railroads & Bridges	1,522,254	2.90%	44,145	1.30%	19,789	(24,356)
	Total	482,856,073	4.72%	22,804,019	2.77%	13,367,559	(9,436,460)

DTE ELECTRIC COMPANY

Ludington Pumped Storage Facility
Comparison of Depreciation Rates
as of December 31, 2019

(1) Acct. No.	(2) Description	(3) Plant Balance	(4) Existing Rate	(5) Existing Expense	(6) Settlement Rate	(7) Settlement Expense	(8) Increase or (Decrease)
<u>Hydro Production Plant</u>							
331.0	Structures & Improvements	32,915,697	3.98%	1,310,045	2.19%	720,854	(589,191)
332.0	Reservoirs, Dams, Waterways	118,979,947	2.78%	3,307,643	1.49%	1,772,801	(1,534,841)
333.0	Waterwheels, Turbines, Gen	292,900,184	4.78%	14,000,629	3.03%	8,874,876	(5,125,753)
334.0	Accessory Electric Equip	62,063,715	4.33%	2,687,359	3.24%	2,010,864	(676,494)
335.0	Misc. Power Plant Equip	9,779,310	7.30%	713,890	3.18%	310,982	(402,908)
336.0	Roads, Railroads & Bridges	1,862,785	2.66%	49,550	1.32%	24,589	(24,961)
	Total	518,501,637	4.26%	22,069,115	2.65%	13,714,966	(8,354,149)


PROOF OF SERVICE

STATE OF MICHIGAN)

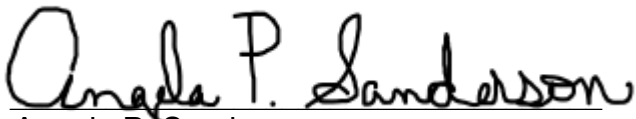
Case No. U-20844

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on February 4, 2021 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 4th day of February 2021.



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

Service List for Case: U-20844

Name	Email Address
Consumers Energy Company 1 of 2	mpsc.filings@cmsenergy.com
Consumers Energy Company 2 of 2	michael.torrey@cmsenergy.com
DTE Electric Company	mpscfilings@dteenergy.com
Gary A. Gensch Jr.	gary.genschjr@cmsenergy.com
Heather M.S. Durian	durianh@michigan.gov
Jon P. Christinidis	jon.christinidis@dteenergy.com
Michael C. Rampe	michael.rampe@cmsenergy.com
Michael J. Pattwell	mpattwell@clarkhill.com
Monica M. Stephens	stephensm11@michigan.gov
Sharon Feldman	feldmans@michigan.gov
Stephen A. Campbell	scampbell@clarkhill.com