

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
DTE GAS COMPANY for approval of a)	
gas cost recovery plan and recovery factors)	Case No. U-21439
for the 12 months ending March 31, 2025.)	
_____)	

At the February 27, 2025 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair
Hon. Katherine L. Peretick, Commissioner
Hon. Alessandra R. Carreon, Commissioner

ORDER

Procedural History

On December 21, 2023, DTE Gas Company (DTE Gas) filed an application, with supporting testimony and exhibits, pursuant to Section 6h of Public Act 304 of 1982 (Act 304), MCL 460.6h, requesting approval of a gas cost recovery (GCR) plan and factors for the 12-month period ending March 31, 2025. Application, pp. 1-3. DTE Gas also requested, *inter alia*, that its five-year forecast from April 2024 to March 2029 be accepted. *Id.*

A prehearing conference was held on February 8, 2024, before Administrative Law Judge Lesley C. Fairrow (ALJ). At the prehearing conference, the ALJ recognized the intervention of the Michigan Department of Attorney General (Attorney General)¹ and granted intervenor status

¹ 1 Tr 4; MCL 14.28, MCL 14.101.

to the Retail Energy Supply Association. DTE Gas and the Commission Staff (Staff) also participated in the proceeding.

On May 16, 2024, a protective order for use in the matter was entered. On August 30, 2024, an evidentiary hearing was held before the ALJ, during which all testimony and exhibits were bound into the record.

On September 27, 2024, DTE Gas, the Attorney General, and the Staff filed initial briefs. On October 21, 2024, DTE Gas, the Attorney General, and the Staff filed reply briefs. On November 8, 2024, the ALJ issued a Proposal for Decision (PFD). On December 2, 2024, DTE Gas filed exceptions to the PFD, while the Attorney General and the Staff filed letters stating that they would not be filing exceptions to the PFD. On December 16, 2024, the Attorney General and the Staff filed replies to DTE Gas's exceptions. The Staff filed an amended reply to DTE Gas's exceptions on December 17, 2024.

The record in this matter consists of 213 pages of testimony and 40 exhibits admitted into evidence, with some of that evidence marked as confidential.

Proposal for Decision

The ALJ provided a thorough overview of the record on pages 2-20 of the PFD, which will not be repeated here. The ALJ identified that the sole contested issue was DTE Gas's proposed purchase of responsibly sourced gas (RSG) at a premium above the base cost of gas. PFD, pp. 22-25.

The Commission finds the ALJ's analysis and recommendations related to the uncontested issues in this proceeding to be well-reasoned and supported in the record. *See, id.*, pp. 21-22, 25. Therefore, the Commission adopts the ALJ's recommendations on the uncontested issues. The contested issue, objected to in exceptions, is discussed in detail below.

Discussion

As part of its 2024-2025 GCR plan, DTE Gas seeks recovery of a premium expense of \$180,000 for the projected purchase of 4,000,000 dekatherms (Dth) of RSG gas at a premium price of \$0.045 per Dth. 2 Tr 144; DTE Gas's initial brief, pp. 21.

DTE Gas's witness, Mr. Joseph Madigan, testified that "[t]he procurement of RSG is one of many steps [DTE Gas] is taking to be an active participant in the decarbonization [and the reduction of greenhouse gas emissions] effort, and an area where the Company can have a direct impact by reducing the methane intensity of the portfolio by quantifiable amounts."² 2 Tr 132. Mr. Madigan explained that:

[r]educing methane intensity of [DTE Gas's] supply portfolio through the purchase of RSG for a modest premium benefits the Company's customers by reducing the direct methane emissions occurring at the point of production and thereby reducing the impact of those avoided emissions on climate change, which impacts all of [DTE Gas's] customers.

2 Tr 132-133.

DTE Gas believes that "recovery of both the commodity cost and the RSG premium should be approved as part of DTE[Gas]'s annual GCR filing."³ 2 Tr 141; DTE Gas's initial brief, p. 23.

Mr. Madigan explained that "[t]he commodity cost would have been incurred whether the gas was traditional or RSG since the gas is needed to meet the Company's supply requirements[, and t]he premium is incremental and is becoming a new industry standard for lower methane gas requirements." 2 Tr 142. Mr. Madigan further testified that it is DTE Gas's position "that as the

² Mr. Madigan explained that "RSG is natural gas that has been verified by a third party to have met specified environmental targets during production. . . . Because of [DTE Gas's] commitment to reduce greenhouse gas emissions, only certifications that verify lower methane-emitting natural gas production will be considered for its . . . RSG purchases." 2 Tr 130.

³ DTE Gas is also "seeking recovery for both the commodity cost of \$7,821,754 and the [RSG] premium of \$36,808" in its 2022-23 GCR plan, and recovery of a premium of "\$29,853 for the RSG gas purchased in 2023" in its 2023-24 GCR plan. 2 Tr 141.

industry has evolved, premiums paid for RSG attributes are reasonable and prudent[, and] similar to other environmental costs, which are recoverable.” 2 Tr 143.

Both the Attorney General and the Staff objected to DTE Gas’s proposed RSG premium. The Attorney General relied on her witness, Mr. Sebastian Coppola, to object to DTE Gas’s proposed RSG premium. Mr. Coppola testified that DTE Gas “has not made a compelling and convincing case that purchasing RSG is in the best interest of customers or that it will make a significant difference in reducing greenhouse gas emissions.” 2 Tr 173-174. Mr. Coppola highlighted the testimony of DTE Gas’s witness, Mr. Madigan, who admitted in direct testimony that “the purchase of RSG is still a nascent issue within the natural gas industry and gas utilities serving consumers.” 2 Tr 178. Mr. Coppola pointed out that “[t]here are no laws or regulatory mandates that require producers to implement the business practices that RSG certification attempts to ascertain.”

2 Tr 178. Mr. Coppola also pointed out that:

there are no common or fully establish[ed] standards for producers to adhere to or for [DTE Gas] to make a reasonable determination that there is a difference in the methane intensity of RSG gas, for which it is paying a premium, from non-RSG when receiving gas supply from the same producer or other gas suppliers comingling their gas supply from different sources.

2 Tr 181-182. Additionally, Mr. Coppola testified that DTE Gas “confirmed that [it] still ha[s] not surveyed its customers to see if they would be willing to pay a premium for RSG[.]” 2 Tr 183.

In relying on her witness Mr. Coppola, the Attorney General opined in her initial brief that:

While DTE [Gas] has continued to put forth requests to recover RSG costs in subsequent cases,^[4] it has failed to provide facts and record support to show that its requested cost recovery is reasonable and prudent. The national landscape of this product is still changing and uncertain, DTE [Gas] has not actually determined that this is something customers want *and* are willing to pay extra for, and it is unclear how much CO₂ [carbon dioxide] reduction customers could actually expect from the additional expenditure, or how trustworthy the certification process is at this point.

⁴ “As noted in Mr. Coppola’s testimony, DTE[Gas]’s testimony in this case generally mirrors its testimony in Case Nos. U-21271 and U-21065, as well as U-21064 and U-21291.” Attorney General’s initial brief, p. 3.

Attorney General’s initial brief, p. 5 (emphasis in original). Additionally, the Attorney General recommended in her initial brief that “a warning [be issued] to [DTE Gas] under Section 7 of Act 304 that payments for RSG premiums may be not recoverable in future GCR reconciliations.”⁵ *Id.*, p. 6.

The Staff relied on its witness, Ms. Nora Quilico, to object to DTE Gas’s proposed RSG premium. Ms. Quilico pointed out that “there is no legal requirement directing regulated utilities to take any action to reduce or limit greenhouse gas emissions” and that “[b]ased on Staff’s reading of [Act 304], RSG purchases that come with a certification premium do not comply with Act 304.” 2 Tr 223-224. Ms. Quilico also pointed out that in the Commission’s October 12, 2023 order in Case No. U-21064 (October 12 order) the Commission found that:

should [DTE Gas] seek to recover all or a portion of RSG premiums in its reconciliation case or in future filings, it will need to see fuller support for the expected benefits to its customers compared to the additional costs incurred from emergent third party certifications such as those verifying RSG. However, the record evidence in this case does not provide sufficient information on how RSG will benefit DTE Gas’s customers, including potential cost savings from supply chain emissions reductions achieved by monitoring and certifying responsibly sourced and lower methane intensity natural gas. ([Case No.] U-21064 [October 12] Order-p 17).

2 Tr 224 (emphasis in original).

In relying on its witness Ms. Quilico, the Staff in its initial brief opined that:

[t]he record in this case demonstrates that DTE Gas has not surveyed customers to determine if there is a willingness or desire to pay an additional incremental amount for gas supply that has been certified by a third-party. The Company has not identified if there is any monetary value to customers of using certified RSG. Additionally, although certification premiums for RSG are variable, the Company has not identified a maximum RSG premium that it would [be] willing to pay or find reasonable and prudent to pass on to customers. The Company has stated that there is

⁵ Section 7 of Act 304, MCL 460.6h(7), provides that the Commission “shall evaluate the decisions underlying the 5-year forecast filed by a gas utility pursuant to subsection (4). The commission may also indicate any cost items in the 5-year forecast that on the basis of present evidence, the commission would be unlikely to permit the gas utility to recover from its customers in rates, rate schedules, or gas cost recovery factors established in the future.” This is also known as a “Section 7 warning.”

no standardized criteria for the production of RSG. Thus, DTE [Gas] has not provided the requisite evidence to demonstrate that RSG provides a benefit to customers.

Staff’s initial brief, p. 7 (citations omitted). Additionally, the Staff recommended in its initial brief that another Section 7 warning under Act 304 be issued to “recover RSG premiums from customers in its rates unless [DTE Gas] can demonstrate value to its customers or, in the alternative, demonstrate the customers’ need for this premium product.”⁶ Staff’s initial brief, p. 6.

In the PFD, the ALJ “agree[d] with the arguments of the [Attorney General] and Staff that a Section 7 warning be issued indicating that recovery of the RSG premiums may be denied[,]” finding that:

Act 304 specifically requires that a utility ‘has taken all appropriate legal and regulatory actions to minimize the cost of purchased gas[.]’ . . . Despite the Commission directing it to do so multiple times,^[7] [DTE Gas] has not yet presented evidence of the correlation between the costs of RSG with the benefit to DTE Gas customers that would support the expense be included in customer rates. Instead, the Company presents self-serving testimony from Witness Madigan that the purchases would possibly prevent approximately 4,000 to 8,000 metric tons of CO₂e [Carbon Dioxide Equivalent] from being released to the atmosphere without any evidence of

⁶ “The Commission issued a Section 7 warning and provided guidance on premiums associated with RSG in its October 12 Order in Case No. U-21064, DTE Gas’s GCR case for the plan year ending March 31, 2023.” Staff’s initial brief, p. 6.

⁷ In the PFD, the ALJ notes:

in the 2022-2023 GCR case [Case No. U-21064], while the Commission found [in the October 12, 2023 order] that the costs of RSG premiums could be recovered as part of GCR costs, the Commission also directed [DTE Gas] to provide “fuller support for the expected benefits to customers compared to the additional costs incurred from emergent third-party certifications such as those verifying RSG.” The Commission found the Company’s application at that time lacked sufficient information on how RSG would benefit DTE Gas’s customers, including potential cost savings from supply chain emissions reductions achieved by monitoring and certifying responsibly sourced and lower methane intensity natural gas. In the 2023-2024 GCR case [Case No. U-21271], the Commission again found [in the September 26, 2024 order that] DTE Gas “failed to provide sufficient evidence on the record to demonstrate the benefits to its customers of its RSG purchasing strategy.”

PFD, pp. 23-24 (footnotes omitted).

how this makes a significant reduction in greenhouse gas emissions.

PFD, p. 24. The ALJ also agreed with the Attorney General and the Staff on “DTE Gas’s RSG proposal [being] premature given the current state of the RSG issue within the natural gas industry, the lack of industry standards for all participants to adhere to as part of routine business operations, and legislative and EPA [U.S. Environmental Protection Agency] initiatives on methane reductions in gas production areas.” *Id.*

In its exceptions to the PFD, DTE Gas argues that “it has complied with Act 304 and the Commission’s directives.” DTE Gas’s exceptions, p. 2. Specifically, DTE Gas asserts that the plain language of MCL 460.6h(6), which requires the Commission to “‘evaluate the reasonableness and prudence of the decision underlying the gas cost recovery plan . . . [and to] consider whether the utility has taken all appropriate legal and regulatory actions to minimize the cost of purchased gas[,]’ . . . does not require cost to be the only consideration.” *Id.* DTE Gas also asserts that “any implication that the Company is ignoring the Commission’s directives in this regard is inconsistent with the record in this proceeding” and provides a table that lays out a “sampling of the record evidence that speaks to the benefits of RSG compared to the minimal and reasonable cost incurred in purchasing RSG.” *Id.* DTE Gas finds the ALJ’s characterization of the “Company’s RSG presentation as merely being ‘self-serving testimony’” is unclear and points out that it has:

provided evidence establishing 1) RSG’s benefits to customers[,] and 2) the reasonableness of the RSG premiums[, and] . . . has provided evidence of its corporate goals, evidence of its extensive research on RSG and the certification process, evidence from the U.S. Department of Energy, evidence from the New York Public Service Commission and evidence of the de minimis nature of the RSG premium[.]

DTE Gas’s exceptions, p. 5.

In her replies to DTE Gas’s exceptions, the Attorney General argues that DTE Gas’s “presentation in exceptions adds nothing new to the discussion[.]” Attorney General’s replies to

exceptions, p. 3. The Attorney General points out that the testimony excerpts listed in the table DTE Gas provides in its exceptions that lays out a sampling of the record evidence “were fully considered by the ALJ and dismissed as unsupportive[, and] . . . predominantly reiterate[d] DTE[Gas]’s vague, self-serving corporate goals, which are untethered from any actual, quantifiable metrics[.]” *Id.*, p. 4. The Attorney General also points out that “DTE[Gas]’s position that the record ‘speaks to the benefits of the RSG compared to the minimal and reasonable cost’ of purchasing that RSG is conclusory and unhelpful.” *Id.*

The Attorney General also asserts that “[c]onspicuously absent from DTE[Gas]’s ‘record evidence’ and its exception is any actual attempt at an objective, empirical comparison or benefit-cost analysis that might be considered to provide support for the Company’s request.” Attorney General’s replies to exceptions, p. 4. The Attorney General points out that:

the numbers provided by DTE [Gas] underscore the uncertain and evolving nature of this field. The difference in saved CO₂e cited by DTE [Gas] is 100% (4,000 vs. 8,000 tons). Clearly, DTE [Gas] is unsure what kind of carbon-reduction effect could actually be expected from RSG. DTE [Gas] also makes no attempt to frame what customers can expect for their additional monetary outlay. There is no explanation of what 4,000-8,000 metric tons of CO₂e represents, and no explanation of other areas of the Company that could achieve similar or better results for less money.

Id., p. 5.

In its amended replies to DTE Gas’s exceptions, the Staff “maintains that the premiums related to RSG as presented by [DTE Gas] in [its] plan do not qualify for cost recovery under Act 304, as they do not provide a measurable customer or environmental benefit at this point, nor do they reasonably minimize the cost of gas.” Staff’s amended replies to exceptions, p. 2. The Staff points out that:

[w]hile the consideration of environmental attributes related to gas commodity is not explicitly prohibited in Act 304, evidence of the correlation between the added cost of RSG and the benefit to DTE Gas customers that would support the expense being recovered through the GCR process was not adequately provided. It is clear

from the PFD that the ALJ understood DTE Gas's arguments and chose not to agree with them, based on the record evidence.

Id. The Staff also points out that “[c]urrently, there are no state or federal mandates requiring specific percentages of a regulated gas utility’s supply come with environmental certification.”

Id., p. 3. The Staff also asserts that “it remains unclear whether or not, and to what extent, RSG actually benefits the environment, how that benefit would be accurately and consistently quantified, and if quantifiable, what its monetary worth is to DTE Gas’s GCR customers.” *Id.*, pp. 2-3.

While the Commission continues to recognize there may be potential value in RSG, it agrees with the ALJ, the Attorney General, and the Staff, and finds that a Section 7 warning should be issued for the premium payment for RSG. Similar to its conclusions in the September 26, 2024 order in Case No. U-21271 (September 26 order) and the October 12, 2023 order in Case No. U-21064 (October 12 order), the Commission here again finds that DTE Gas has failed to provide sufficient evidence on the record to demonstrate or quantify the benefits to customers who pay a premium for its RSG purchasing strategy, including potential cost savings from supply chain emissions reductions achieved by monitoring and certifying responsibly sourced and lower methane intensity natural gas. This does not preclude DTE Gas from requesting recovery of the expense in a future rate case or expedited pilot case. While the question of “whether the utility has taken all appropriate legal and regulatory actions to minimize the cost of purchased gas” is just one of the statutory factors to be considered by the Commission under MCL 460.6h(6) when evaluating the reasonableness and prudence of a utility’s GCR plan, the Commission again finds that the purported benefits of RSG must be tied to benefits the Commission has the statutory authority to consider. As the Commission found in the October 12 order and reiterated in the September 26 order, “should the company seek to recover all or a portion of RSG premiums in its

reconciliation case or in future filings, [the Commission] will need to see fuller support for the expected benefits to [the company's] customers compared to the additional costs incurred from emergent third-party certifications such as those verifying RSG.” October 12 order, p. 17; September 26 order, pp. 16-17.

THEREFORE, IT IS ORDERED that:

A. DTE Gas Company's application for its gas cost recovery plan for the twelve months ending March 31, 2025, is approved, as described in this order.

B. DTE Gas Company's five-year forecast is approved subject to the MCL 460.6h(7) warning issued below.

C. DTE Gas Company is authorized to implement a maximum gas cost recovery factor of \$3.77 per thousand cubic feet, which may be adjusted consistent with the simplified contingent factor mechanism shown in Exhibit A-23 of its application.

D. DTE Gas Company is authorized to include a supplier of last resort charge of \$0.35 per thousand cubic feet for gas cost recovery customers and a reservation charge of \$0.24 per thousand cubic feet for gas customer choice customers to be reflected in the company's monthly billings.

E. DTE Gas Company's premium costs associated with responsibly sourced gas will be decided upon in its gas cost recovery reconciliation case for the period ending March 31, 2025.

F. A warning, pursuant to MCL 460.6h(7), is issued to DTE Gas Company that the responsibly sourced gas premiums may not be recoverable in the company's future reconciliation cases without first providing and quantifying evidence of how responsibly sourced gas delivers a benefit to its customers and that such costs are reasonable and prudent.

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 LARA-MPSC-Edockets@michigan.gov and to the Michigan Department of Attorney General - Public Service Division at sheacl@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

Katherine L. Peretick, Commissioner

Alessandra R. Carreon, Commissioner

By its action of February 27, 2025.

Lisa Felice, Executive Secretary


PROOF OF SERVICE

STATE OF MICHIGAN)

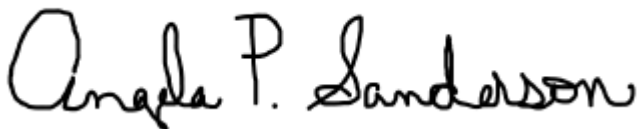
Case No. U-21439

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on February 27, 2025 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 27th day of February 2025.



Angela P. Sanderson
Notary Public, Shiawassee County, Michigan
As acting in Eaton County
My Commission Expires: May 21, 2030

Service List for Case: U-21439

Name	On Behalf Of	Email Address
Anna B. Stirling	MPSC Staff	stirlinga1@michigan.gov
Carlton D. Watson	DTE Gas Company	carlton.watson@dteenergy.com
DTE Gas Company	DTE Gas Company	mpscfilings_account@dteenergy.com
Heather M.S. Durian	MPSC Staff	durianh@michigan.gov
Jennifer U. Heston	Retail Energy Supply Association	jheston@fraserlawfirm.com
Joel B. King	Department of Attorney General	kingj38@michigan.gov
Lesley C. Fairrow	ALJs - MPSC	fairrowl1@michigan.gov