STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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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-21860

At the July 16, 2026 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair
Hon. Katherine L. Peretick, Commissioner
Hon. Shaquila Myers, Commissioner

ORDER

History of Proceedings

On April 24, 2025, DTE Electric Company (DTE Electric) filed an application in this docket requesting authority to increase its retail rates by approximately $574.1 million, effective as early as February 24, 2026. DTE Electric also requested other forms of regulatory relief, including approval to amend its rate schedules and rules governing the distribution and supply of electric energy and the approval of several pilots and various accounting proposals.

On April 25, 2025, Administrative Law Judge Sally L. Wallace (ALJ) adopted a protective order for use in this matter.

On May 22, 2025, the ALJ conducted a prehearing conference at which the ALJ recognized the intervention of the Michigan Department of Attorney General (Attorney General) and granted petitions to intervene filed by numerous intervenors, including the Michigan Environmental Council (MEC). DTE Electric and the Commission Staff (Staff) also participated in the proceeding. The ALJ established a schedule for the case in accordance with the 10-month timeframe set forth in MCL 460.6a(5).

On June 19, August 15, and September 18, 2025, DTE Electric filed revised direct testimony and exhibits. On August 21 and 22, 2025, direct testimony and exhibits were filed by, among others, the Staff, the Attorney General, and MEC. On August 22 and September 17, 2025, the Attorney General filed confidential direct testimony and exhibits. On September 2, 17-19, and 24-25, 2025, the Attorney General, DTE Electric, the Staff, and others filed revised direct testimony and exhibits. On September 12, 2025, DTE Electric, the Staff, and several intervenors filed rebuttal testimony and exhibits. On September 22, 2025, DTE Electric filed a motion to file surrebuttal testimony and an exhibit. The ALJ granted the motion on September 22, 2025. On September 24, 2025, DTE Electric filed surrebuttal testimony and an exhibit. Evidentiary hearings were held on September 24-26, and 30, 2025, wherein testimony and exhibits were bound into the record and cross-examination took place.

The Staff, the Attorney General, and several intervenors filed initial briefs on October 24, 2025. DTE Electric filed public and confidential initial briefs on October 24, 2025. DTE Electric, the Staff, and several intervenors filed reply briefs on November 14, 2025. The Attorney General filed public and confidential reply briefs on November 14, 2025.

On December 22, 2025, the ALJ issued a proposal for decision (PFD) in this matter. Exceptions were filed by DTE Electric, the Staff, the Attorney General, and several intervenors on January 9, 2026. Replies to exceptions were filed by DTE Electric, the Staff, the Attorney General, and several intervenors on January 22, 2026.

On February 19, 2026, the Commission issued an order in this docket (February 19 order) approving authority for DTE Electric to implement rates that increased its annual electric revenues. Of importance to this order, the February 19 order also modified and extended DTE Electric's infrastructure recovery mechanism (IRM).[1] Specifically, the Commission modified the company's 2026 IRM to include $200 million in pole top maintenance and modernization (PTMM) spending and incremental expenditures for distribution automation totaling $68.9 million. February 19 order, p. 384. The Commission further extended DTE Electric's IRM spending levels through 2027 for the breaker replacement, substation redesign and rebuild, underground residential distribution replacement, distribution automation, and PTMM programs. *Id*., p. 386.

On March 4 and 13, 2026, the Commission filed errata to the February 19 order.

On March 23, 2026, MEC filed a petition for rehearing (petition) seeking rehearing on the Commission's February 19 order. On April 3, 2026, the Attorney General filed a response concurring with MEC's petition. On April 13, 2026, the Staff filed an answer to MEC's petition (Staff's answer) and DTE Electric filed an answer to MEC's petition (DTE Electric's answer) and a separate answer to the Attorney General's concurrence.

On April 8, 2026, DTE Electric filed an amended 2026 IRM plan in this docket. *See*, Case No. U-21860, filing #U-21860-0610.

Petition for Rehearing and Answers

[1] Throughout the years, IRMs have been defined by various persons as infrastructure recovery mechanisms, infrastructure renewal mechanisms, and investment recovery mechanisms. However coined, the Commission considers them interchangeable and meaning the same thing—a regulatory tool designed to track specified, ring-fenced investments.

In its petition, MEC argues that Mich Admin Code R 792.10437 (Rule 437) and MCL 460.351 require rehearing on the February 19 order because the Commission's decision to expand and extend DTE Electric's IRM, coupled with forthcoming and recent Commission orders, creates unintended consequences regarding the IRM regulatory process that MEC purports is harmful to ratepayers. Petition, pp. 1-3.

MEC first argues that there are minimal safeguards within the IRM process to protect against imprudent spending. It asserts that the traditional IRM framework outlined in Case No. U-21297 provides limited opportunity for meaningful regulatory scrutiny of IRM projects and their associated safety and reliability benefits. *Id*., pp. 8-9. Further, MEC contends that, although IRM reconciliations are meant to provide an opportunity to review the reasonableness and prudence of IRM expenditures, the PFD issued in Case No. U-21845 limited review to an evaluation of whether approved amounts were spent and whether the company followed its approved IRM plan. *Id*., p. 10. Accordingly, MEC advocates for the Commission to clarify the scope of review for IRM reconciliations and to determine whether DTE Electric needs to file an updated 2026 IRM plan since the company's current IRM plan does not include projects and costs for expanded PTTM and distribution automation spending authorized in the February 19 order. *Id*., pp. 11-12.

MEC next argues that it was error for the Commission to expand DTE Electric's IRM to 2027 if IRM reconciliations are merely a "perfunctory administrative exercise" that compare planned and actual costs up to approved IRM spending levels. *Id*., p. 13. If IRM reconciliations have this limited review, MEC asserts that the IRM "fails to safeguard ratepayers against unreasonable and imprudent spending, and it should not be continued in 2027 without reform." *Id*.

Additionally, MEC argues that the Commission erred by extending the IRM to 2027 despite DTE Electric failing to establish a comprehensive plan for its IRM investments. MEC asserts that preapproved spending is unwarranted and premature because the efficacy of IRM programs is unknown, and it further argues that the Commission's rationale for limiting IRM extensions in Case Nos. U-21297 and U-21534 remains applicable in this case. *Id*., pp. 15-17. MEC also notes that the company's upcoming distribution system plan (DSP) will provide opportunities to analyze safety and reliability and to adjust IRM spending and that the Commission has previously recognized the necessity of reassessing reliability investments by integrating learnings from performance based ratemaking efforts as well as the Liberty Consulting Group audit. *Id*., pp. 15-16. As such, MEC argues that extension of the IRM to 2027 prior to DTE Electric's development of a clear and comprehensive safety and reliability plan effectively "puts the cart before the horse," and therefore constitutes an error that requires rehearing. *Id*., p. 17.

Finally, MEC asserts that recent Commission orders have shifted the evaluation of DTE Electric's distribution prioritization, reliability modeling, program effectiveness, and audit compliance away from the contested case process and into non-contested, non-approvable DSP proceedings. *Id*., pp. 17-19. According to MEC, the DSP process lacks key regulatory mechanisms to provide meaningful oversight, such as discovery, intervenor testimony, and cross examination. *Id*., pp. 20-21. As such, it argues that IRM reconciliations will become the only remaining contested proceeding to protect ratepayers from unreasonable expenses, the scope of which MEC maintains is uncertain. Consequently, MEC urges the Commission to clarify the IRM regulatory process, particularly with respect to the role of DSPs and IRM plans, as well as the scope of IRM reconciliations. *Id*., p. 21.

In closing, MEC advocates for the Commission to amend the February 19 order to clarify the IRM reconciliation process and the applicable standards, especially in light of recent Commission orders. Furthermore, MEC requests that the Commission order DTE Electric to update its 2026

IRM plan and to reject the extension of the IRM to 2027 as premature. It concludes that, if IRM reconciliations are not a robust evaluation of the reasonableness and prudency of project-level IRM spending, the IRM extension fails to adequately protect ratepayers. *Id*., p. 22.

The Attorney General responds and concurs with MEC's petition, including the specific relief sought by MEC in its petition. Attorney General's answer, pp. 1-2.

DTE Electric argues that the Commission should deny MEC's petition on the basis that it exceeds the scope of rehearing permitted under Rule 437. Specifically, DTE Electric maintains that the Commission's prior orders establish that the IRM reconciliation process is a straightforward proceeding that is limited to determining whether the company has spent authorized funds consistently with its approved IRM plan. DTE Electric's answer, pp. 7-8. As such, DTE Electric asserts that there is no statutory basis for MEC's demand that IRM reconciliations must provide an exhaustive review of IRM expenditures and further argues that there is no legal right to challenge IRM expenditures at the project-level and that the Commission has previously declined to adopt such a level of review. *Id*., pp. 8-10 (citing December 1, 2023 order in Case No. U-21297, pp. 287-288). Moreover, DTE Electric contends that MEC's petition merely repeats MEC's arguments from past cases and collaterally attacks the Commission's prior orders concerning IRM extensions, both of which the company maintains are strictly outside the scope of rehearing permitted under Rule 437. DTE Electric's answer, pp. 10-12.

Additionally, DTE Electric asserts that MEC's petition fails on the merits, alleging that MEC's arguments concerning the lack of cohesion between the company's 2026 IRM plan and the Commission's expansion of 2026 IRM spending levels are moot given that the company has since filed an updated 2026 IRM plan in this docket. *Id*., pp. 13-14. Further, the company maintains that the current IRM process ensures reasonable and prudent IRM spending. According to DTE Electric:

> [t]he IRM reconciliation effectively provides an annual review of the Company's planned IRM expenditures, which originally derive from general rate cases at a programmatic level and are refined at the project level in IRM Plans, compared to the Company's actual IRM expenditures. Thus, there is a systematic, workable, and effective three-step process: first at the programmatic level in rate cases such as this one, then in the IRM Plan review and forum processes which, to date, MEC has chosen not to participate in, and then again in the IRM reconciliation case. This methodical approach provides multiple levels of review, and by the time the process reaches the IRM reconciliation phase, only downward adjustments may result.

Id., pp. 14-15.

Consequently, DTE Electric asserts that MEC's petition lacks merit and urges the Commission to deny it. *Id*., p. 16.

The Staff contends that the February 19 order was well-grounded in the record evidence and therefore asserts that MEC's arguments to the contrary should be rejected. Staff's answer, p. 3. Additionally, the Staff argues that the question of whether DTE Electric should amend its 2026 IRM plan can be addressed in Case No. U-21845 or in a future rate case. *Id*., pp. 3-4. Citing its replies to exceptions in Case No. U-21845, the Staff clarifies that its preference is to conduct detailed prudency reviews in future rate cases. As the Staff states:

> the electric distribution IRM is a new mechanism that may need to be modified from time to time to fix procedural issues as they arise, as is the case with any regulatory mechanism. Modification and changes can be proposed in future rate cases and these may or may not be adopted by the Commission. A rehearing of a past rate case is not the appropriate venue to address these potential issues.

Id., p. 4.

Accordingly, the Staff argues that the Commission should deny MEC's petition. *Id*., p. 5.

<u>Discussion</u>

Rule 437 provides that a petition for rehearing may be based on claims of error, newly discovered evidence, facts or circumstances arising after the hearing, or unintended consequences resulting from compliance with the order. Rule 437(1). The Commission has consistently held that a petition for rehearing is not merely another opportunity for a party to argue a position or to express disagreement with the Commission's decision. Unless 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. *See*, June 11, 2026 order in Case No. U-21870.

The Commission finds that MEC's petition fails to meet the threshold standard set forth in Rule 437, and, therefore, that rehearing is not warranted. In its petition, MEC largely repeats many of the same arguments against the expansion and extension of DTE Electric's IRM that MEC previously asserted in the direct case for this matter. *See*, Case No. U-21860, filing #U-21860-0563, pp. 173, 175-177 and #U-21860-0586, pp. 14-15. Accordingly, the Commission finds that granting rehearing would merely provide another opportunity for MEC to reargue its prior positions and to express continued disagreement with the Commission's underlying decision, an opportunity that Rule 437 does not permit.

Furthermore, the Commission finds that MEC has not demonstrated that the February 19 order is incorrect or improper due to purported errors, newly discovered evidence, or any unintended consequences of the Commission's decision. The Commission disagrees with MEC's assertion that the decision to extend the IRM to 2027 constitutes an error based on a purported lack of meaningful opportunities for regulatory review. The Commission notes that it has clarified the IRM reconciliation process in the July 16, 2026 order issued in Case No. U-21845 (July 16 order), which is being issued concurrently with this order. In that concurrent order, the Commission found that the review of DTE Electric's 2024 IRM expenditures for reasonableness and prudence was explicitly deferred to the 2024 IRM reconciliation proceeding. July 16 order, p. 18. Additionally, the Commission found that, given the misalignment and disagreement behind the value of IRMs and the intention of the current IRM reconciliation process, along with the Commission's concerns about the future of IRMs, the long-term goal is to complete reasonableness and prudency reviews of expenditures, IRM or otherwise, in rate cases moving forward. Importantly, however, the Commission stated:

> [t]o the extent future IRM expenditures have not yet been subject to an in-depth review in a corresponding rate case though, the Commission finds IRM reconciliation cases to be the appropriate forum to do such evaluations. This way, the intended value and fairness behind IRMs and the IRM reconciliation process—to ensure approved dollars are only spent for specific reasonable and prudent investments and refunded to customers to the extent not used for that intended purpose—can be maintained.

Id., p. 19.

As such, to the extent that interested persons believe that the expansion of the 2026 IRM spending levels for the PTMM and distribution automation programs was not subject to an in-depth review during this proceeding, those interested parties can properly raise those arguments in the associated 2026 IRM reconciliation proceeding. Similarly, the same review opportunities apply to the extension of IRM expenditures to 2027. Accordingly, the Commission finds that meaningful opportunities exist for the review of the reasonableness and prudency of the IRM, and, therefore, that the Commission's decision to expand and extend the IRM was not made in error.

Finally, the Commission finds that DTE Electric's filing of an amended 2026 IRM plan to account for PTMM and distribution automation spending renders MEC's arguments on this issue moot. The Commission agrees with the Staff and finds that this rate case is not the appropriate forum for determining specific challenges to the 2026 IRM plan and that such issues can be addressed in future proceedings.

THEREFORE, IT IS ORDERED that Michigan Environmental Council's petition for rehearing is denied.

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 sheac1@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

Shaquila Myers, Commissioner

By its action of July 16, 2026.

Lisa Felice, Executive Secretary

P R O O F   O F   S E R V I C E

STATE OF MICHIGAN)

Case No. U-21860

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on July 16, 2026 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 16th day of July 2026.

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

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