

STATE OF MICHIGAN
MICHIGAN OFFICE OF ADMINISTRATIVE HEARINGS AND RULES
FOR THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the Application of)	
DTE Gas Company for a Gas Cost)	
Recovery Reconciliation proceeding)	Case No. U-21065
for the 12 months ending March 31, 2023.)	
_____)	

NOTICE OF PROPOSAL FOR DECISION

The attached Proposal for Decision is being issued and served on all parties of record in the above matter on March 28, 2025.

Exceptions, if any, must be filed with the Michigan Public Service Commission, 7109 West Saginaw Hwy, Lansing, Michigan 48917, and served on all other parties of record on or before April 18, 2025, or within such further period as may be authorized for filing exceptions. If exceptions are filed, replies thereto may be filed on or before May 2, 2025.

At the expiration of the period for filing exceptions, an Order of the Commission will be issued in conformity with the attached Proposal for Decision and will become effective unless exceptions are filed seasonably or unless the Proposal for Decision is reviewed by action of the Commission. To be seasonably filed, exceptions must reach the Commission on or before the date they are due.

MICHIGAN OFFICE OF ADMINISTRATIVE
HEARINGS AND RULES
For the Michigan Public Service Commission

**Katherine E.
Talbot**

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March 28, 2025
Lansing, Michigan

Katherine E. Talbot
Administrative Law Judge

STATE OF MICHIGAN
MICHIGAN OFFICE OF ADMINISTRATIVE HEARINGS AND RULES
FOR THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the Application of)
DTE Gas Company for a Gas Cost)
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for the 12 months ending March 31, 2023.)
_____)

Case No. U-21065

PROPOSAL FOR DECISION

I.

PROCEDURAL HISTORY

On June 28, 2023, DTE Gas Company (DTE Gas or the Company) filed an Application, with supporting testimony and exhibits, pursuant to Public Act 304 of 1982 (Act 304),¹ requesting approval of its proposed reconciliation of its Gas Cost Recovery (GCR) Plan for the 12-month period April 1, 2022 through March 31, 2023.²

A prehearing conference was held, before ALJ Katherine Talbot (ALJ), on August 24, 2023, at which time DTE Gas and the Commission Staff appeared. The ALJ acknowledged intervention by the Michigan Attorney General and granted a Petition to Intervene filed by the Retail Energy Supply Association (RESA). The parties stipulated to a schedule and to the issuance of a Protective Order.

¹ MCL 460.6h

² June 28, 2023, Application, pp 1-3.

On March 26, 2024, DTE Gas filed the Revised Direct Testimony of Joseph P. Madigan along with Revised Exhibit A-30. The parties agreed to a new schedule and requested an extension. The ALJ granted the request and issued a new scheduling memo on March 29, 2024.

Consistent with the established schedule, the Staff and the Attorney General filed testimony and supporting exhibits on May 1, 2024. On May 30, 2024, DTE Gas filed rebuttal testimony with supporting exhibits.

An evidentiary hearing was held before the ALJ on July 9, 2024, at which time the parties stipulated to bind in of all testimony and to admission of proposed exhibits, without the need for witnesses to appear. The record in this matter consists of 212 pages of transcript and 45 exhibits admitted into evidence, with some of that evidence marked as confidential.

On August 14, 2024, the Company, the Staff, and the Attorney General filed initial briefs. The same parties filed reply briefs on September 5, 2024.

II.

LEGAL FRAMEWORK

Public Act 304 1982 (Act 304) provides a basis for the Commission's regulation of gas utilities by providing the authority to "incorporate a gas cost recovery clause in the rates or rate schedule of a gas utility."³ To implement such a clause, the gas utility must annually file a gas cost recovery plan for a 12-month period that includes, inter alia, a proposed gas cost recovery factor and 5-year forecast of its customers' gas

³ MCL 460.6h(2).
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requirements.⁴ After reviewing the projections and proposals in the plan under a reasonable and prudent standard, and evaluating the forecast, the Commission accepts, rejects, or modifies the factors proposed in the plan.⁵ DTE Gas is currently operating under a Commission approved gas cost recovery clause and GCR Plan for the 12-month reconciliation period.⁶

Subsequent to the approval of a gas cost recovery plan, Act 304 provides for a reconciliation proceeding where:

[T]he commission shall reconcile the revenues recorded pursuant to the gas cost recovery factor and the allowance for cost of gas included in the base rates established in the latest commission order for the gas utility with the amounts actually expensed and included in the cost of gas sold by the gas utility. The commission shall consider any issue regarding the reasonableness and prudence of expenses for which customers were charged if the issue could not have been considered adequately at a previously conducted gas supply and cost review.⁷

If the reconciliation proceeding establishes the net amount recovered during the period exceeds the amount of actually expensed for gas sold (over-recovery), a refund or credit shall be disbursed to customers.⁸ Conversely, if costs exceed the recovery under the approved GCR factor (under-recovery), Act 304 provides:

For excess costs incurred through actions contrary to the commission's gas supply and cost review order, the commission shall authorize a utility to recover costs incurred for gas sold in the 12-month period in excess of the amount recovered over the period only if the utility demonstrates by clear and convincing evidence that the excess expenses were beyond the ability of the utility to control through reasonable and prudent actions. For excess costs incurred through actions consistent with commission's gas supply and cost review order, the commission shall authorize a utility to recover costs incurred for gas sold in the 12-month period in excess of the amount

⁴ MCL 460.6h(3) and (4).

⁵ MCL 460.6h(6) and (7).

⁶ See October 12, 2023, Order in Case No. U-21064.

⁷ MCL 460.6h(12).

⁸ MCL 460.6h(12 and (13).

recovered over the period only if the utility demonstrates that the excess expenses were reasonable and prudent. Such amounts in excess of the amounts actually recovered by the utility for gas sold shall be apportioned among and charged to the customers of the utility utilizing procedures that the commission determines to be reasonable. The commission may adopt different procedures with respect to customers served under the various rate schedules of the utility and may, in appropriate circumstances, order charges to be made in proportion to the amounts which would have been paid by such customers if the amounts in excess of the amounts actually recovered by the utility for gas sold had been included in the gas cost recovery factors with respect to such customers during the period covered. Charges for such excess amounts shall be spread over a period that the commission determines to be appropriate.⁹

As noted by the Company, it is well-settled that the reasonable and prudent determination under Act 304 is made in light of existing conditions at the time the decision to purchase the gas was made.¹⁰ Accordingly, under the applicable provisions of Act 304 and the interpretation of those provisions, the Company's claimed revenues and expenses between April 1, 2022 and March 31, 2023, any under- or over-recovery and interest calculations for GCR and GCC customers will be examined.

III.

OVERVIEW OF THE RECORD

A. DTE Gas

DTE Gas present the testimony of five witnesses.

Lucian Bratu, Senior Gas Supply and Planning Analyst in Gas Supply and Planning for DTE Gas,¹¹ presented the Company's actual operations data for the reconciliation period and compared it to projected operations as filed in the GCR Plan case (Case No. U-21064). He provided an overview of the GCR Plan and the expectations for the Plan

⁹ MCL 460.6h(14).

¹⁰ See *Attorney General v Public Service Commission*, 161 Mich App 506, 517 (1984).

¹¹ Mr. Bratu's Direct testimony is transcribed at 2 Tr 18-40. He sponsored Exhibits A-8 to A-13 and A-29.

Year overall. And he described operational challenges during the Plan year and actions taken by the Company to implement the Plan. Mr. Bratu then provided specifics related to DTE Gas operations for the time frames from April to October and from November to March; noting the Company's actions to meet required design day standards. And Mr. Bratu explained the purchase of a Gas Supply Physical Call Option to mitigate the reduction in storage deliverability in the event of a potential failure of the dehydration unit at Bell River storage field.

Andrea R. Hardy, a Principal Project Manager within Regulatory Affairs for DTE Energy Corporate Services, LLC (DTE Energy)¹², provided testimony related to the change in the method used to calculate a contingency mechanism approved by the Commission in Case No. U-21064. She performed and explained a "back-test analysis" which compared the prior methodology with the changed method of calculating the mechanism.

Timothy J. Krysinski, Principal Project Manager in the Regulatory Affairs Gas Strategy Group for DTE Energy,¹³ presented an overview of federal regulatory issues related to the Company's efforts to minimize costs for gas transportation under its interstate pipeline transportation agreements. He addressed DTE Gas's interaction with federal regulatory policies related to pipeline transporters and federal proceedings affecting transportation costs. Mr. Krysinski addressed variations in pipeline reservation rates from the GCR Plan forecast related to federal regulatory filings and orders. Using Exhibit A-14, he provided the applicable rates for pipeline transportation, specifically from

¹² Ms. Hardy's Direct testimony is transcribed at 2 Tr 42-49. She sponsored Exhibits A-20 and A-21.

¹³ Mr. Krysinski's Direct testimony is transcribed at 2 Tr 51-68. He sponsored Exhibit A-14.

ANR Pipeline Company, Viking, Great Lakes Gas Transmission Limited, Panhandle Eastern Pipeline Company, NEXUS, Vector Pipeline, and DTM Michigan Gathering Company.¹⁴

Gandolfo LoRe, a manager supporting DTE Gas for the Controller's Organization, for DTE Energy,¹⁵ provided testimony on the cost for gas actually incurred, the over/under recovery of net recoverable costs, and the applicable interest expense for the months of April 2022 through March 2023.

Joseph P. Madigan, a Senior Gas Supply and Planning Analyst for DTE Gas,¹⁶ described the Company's implementation of the GCR Plan. He addressed gas supply purchases and testified actual purchases were lower than projected in the GCR Plan primarily due to lower gas prices than forecasted. Mr. Madigan testified the Company achieved the planned fixed-price purchase target of 75% and provided details regarding the number, timing, and size of the fixed-price purchases. And he testified that purchases from affiliates were generally consistent with the Plan. Mr. Madigan addressed interstate transportation costs, testifying they were approximately \$7.1 million lower than the Plan, largely due to lower rates on the ANR pipelines than forecasted. In addressing issues surrounding the NEXUS transportation contract and amendments, he testified,

In response to the Commission's Order initially in case U-20544 and 20816, the Company is no longer providing detailed testimony for the NEXUS transportation contract and amendments.¹⁷

¹⁴ Exhibit A-14.

¹⁵ Mr. LoRe's Direct testimony is transcribed at 2 Tr 70-80. He sponsored Exhibits A-15 to A-19.

¹⁶ Mr. Madigan's Revised Direct testimony is transcribed at 2 Tr 83-124 and his Rebuttal testimony is transcribed at 2 Tr 125-138. He sponsored Exhibits A-1 to A-7; A-28; and A-30 Revised.

¹⁷ 2 Tr 88.

Mr. Madigan also testified to support the purchase of Responsibly Sourced Gas (RSG), asserting that both the premium and commodity costs were reasonable and prudent.

Mr. Madigan was the only witness to provide rebuttal testimony. He testified to refute proposed disallowance of costs related to the NEXUS transportation contracts proposed by Attorney General witness Coppola. And he argued the disallowance of costs for RSG purchases, recommended by both Mr. Coppola and Staff witness Quilico, should be rejected.

B. Staff

Staff present the testimony of two witnesses.

Diane M. Martin, an Auditing Specialist in the Energy Cost Recovery Reconciliations Section in the Regulated Energy Division of the MPSC,¹⁸ provided testimony to support Staff's adjustments to the Company's net cumulative GCR over/under recovery calculations, including interest. She testified Staff agree with the GCC Reservation Charge reconciliation provided by the Company and recommend approval of an adjusted GCR under-recovery of \$5,402,757 be used as DTE Gas's beginning balance in the 2023-2024 GCR recovery calculations.¹⁹

Nora B. Quilico, Manager of the Energy Cost Recovery & Generation Operations Section within the Energy Operations Division of the MPSC,²⁰ compared the Company's Plan case and the actual operational decisions made during the Plan year. Her review included the current market price of gas, storage inventory levels, weather experienced up to that point, current weather, prospective weather forecasts, the Company's peak day

¹⁸ Ms. Martin's Direct testimony is transcribed at 2 Tr 140-147. She sponsored Exhibit S-1.

¹⁹ 2 Tr 147.

²⁰ Ms. Quilico's Direct testimony is transcribed at 2 Tr 149-160. She sponsored Exhibits S-4 to S-9.

requirements, and the current availability and cost of pipeline supply. Ms. Quilico detailed Staff's recommendation to disallow the premium amount paid by DTE Gas for the purchase of RSG, including how Staff calculated the proposed disallowance.

C. Attorney General

The Attorney General presented the testimony of one witness, Sebastian Coppola, an independent business consultant.²¹ He presented an analysis of DTE Gas's proposed reconciliation for the GCR period and made recommendations on two specific issues.

First, Mr. Coppola asserted that NEXUS transportation costs, totaling \$7.5 million, from the Kensington and Clarington gas supply areas were imprudently incurred and should be disallowed.

Secondly, he argued that DTE Gas did not make a compelling and convincing case that purchasing RSG is in the best interest of customers. Mr. Coppola asserted the premium paid above the base cost of gas, in the amount of \$35,524, should be disallowed. He also argued that the commodity charge paid for the RSG, as compared with non-RSG was too high, and DTE Gas did not present sufficient evidence to support the basis differential paid for the RSG. He recommended the Commission disallow \$936,657 of the purchase costs for the RSG purchased by DTE Gas.

IV.

DISCUSSION

The Company requests the Commission approve a net under-recovery of \$6.1 million for GCR customers, with total revenues of \$638.2 million and net costs of \$642.9

²¹ Mr. Coppola's Direct testimony is transcribed at 2 Tr 163-185. He sponsored Exhibit AG-1 to AG-8.
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million, including \$49.9 million under-recovery related to 2021-2022 plan year, and \$1.4 million of interest from 2022-2023 GCR year. And DTE Gas requests the Commission approve a net over-recovery for GCC customers of \$0.3 million, including Reservation Charge revenues of \$3.26 million, \$4.8 million in reservation expense, the roll-in of approximately \$1.8 million related to the GCC customers' 2021-2022 reconciliation, and \$0.06 million of interest expense.²²

Based on proposed disallowances associated with the purchase of RSG, Staff recommends the Commission approve a total GCR under-recovery of \$4,441,455, including interest.²³ And based on proposed disallowances associated with supply transported on NEXUS and the purchase of RSG, the Attorney General recommends the Commission approve an over-recovery balance of \$3,180,371, including interest. Neither party took issue with the Company's proposed GCC over-recovery of \$0.3 million or the inclusion of a \$49.9 million under-recovery from the 2021-2022 plan year.

In its brief, DTE Gas proposes six findings of fact. The PFD addresses each in the context of this discussion.

A. Legal and Regulatory Actions

DTE Gas requests the Commission find that it took appropriate legal and regulatory actions during the 2022-2023 GCR year to minimize the cost of purchased gas.²⁴ Mr. Krynski testified that “[i]t is DTE Gas’s policy to monitor and review all rate-related applications filed at the FERC and participate in proceedings that may impact DTE

²² DTE Gas brief, 23. DTE Gas reply brief, 9-10.

²³ Staff brief, 12.

²⁴ DTE Gas brief, 6. This section of the Company’s brief focused on Federal Regulatory proceedings.

Gas's cost of gas transportation."²⁵ The Company also monitors FERC rulemaking proceedings and other activities that might affect its pipeline transporters.²⁶ He testified DTE Gas intervened and actively participated in rate cases for the Panhandle Eastern Pipeline Company (Panhandle) and the ANR Pipeline Company (ANR).²⁷ He also detailed a settlement reached in the case involving Great Lakes Gas Transmission Limited (Great Lakes). Mr. Krysinski testified that DTE Gas customers received a refund as a result of a settlement in the ANR case.²⁸ Using Exhibit A-14, Mr. Krysinski detailed the rates charged by Interstate pipeline transporters and explained the basis for the charges billed to DTE Gas.²⁹ And Mr. Krysinski explained the variations between actual costs and the forecasted costs filed in the GCR Plan.³⁰

DTE Gas argues that "Mr. Krysinski's direct testimony and supporting exhibits are un rebutted" and therefore requests a finding that DTE gas "took all appropriate legal and regulatory actions to minimize the cost of purchased gas during the GCR Plan year."³¹ However, the PFD finds the request to be too broad as the other parties disputed NEXUS transportation costs and the purchase of RSG (addressed below). But there is no dispute with the evidence provided by Mr. Krysinski. Accordingly, this PFD recommends that the Commission find that DTE Gas appropriately intervened and monitored federal and other regulatory proceedings that could affect its natural gas costs.

²⁵ 2 Tr 56.

²⁶ DTE Gas brief, 6. 2 Tr 55-56.

²⁷ 2 Tr 56-64.

²⁸ 2 Tr 66.

²⁹ 2 Tr 67-68.

³⁰ 2 Tr 68.

³¹ DTE Gas brief, 8. Finding of Fact No. 1.

B. Actual System Operations

Based on the testimony of Mr. Bratu, DTE Gas requests that the Commission find its operations during the GCR year and resulting changes from the GCR Plan are reasonable and prudent. Mr. Bratu testified,

[M]ultiple factors during the 2022-23 GCR Plan year caused DTE Gas to adjust its operational plan. Warmer-than-normal weather, especially through the winter months, combined with lower company use and losses caused sendout to decrease by 5.8 Bcf below Plan for the 2022-23 Plan year. Combined, these factors contributed to approximately 7.5 Bcf in lower requirements for the Plan year. DTE Gas responded to this decrease in requirements by decreasing GCR/GCC supply by 3.0 Bcf. This resulted in 4.5 Bcf more gas in storage than projected by the end of the Plan year.³²

He explained variances in supply, and opined actual sendout was lower primarily due to lower market demand.³³ He detailed the overall GCR Plan year and provided detailed operations, storage balances, and monthly sendout for the periods April through October and November through March.³⁴ Mr. Bratu also explained the Company's Gas Supply Physical Call Option which was implemented to ensure reliability in the event of a failure of equipment at the Belle River storage facility.³⁵

The Company contends that Mr. Bratu established its operations during the GCR plan year met operational challenges while assuring supply requirements, and requests let the Commission find its operations purchase decisions and gas costs were reasonable and prudent.³⁶ DTE Gas requests the Commission find that its "actual system operations for the April 2022 through March 2023 GCR Year were reasonable and prudent."³⁷

³² 2 Tr 23.

³³ 2 Tr 26-28. See Exhibits A-8 and A-9.

³⁴ 2 Tr 24-34. See Exhibits A-9, A-11, and A-13.

³⁵ 2 Tr 34-40.

³⁶ DTE Gas brief, 10.

³⁷ DTE Gas brief, 9. Finding of Fact No.2.

Neither the Attorney General nor Staff took issue with the system operations detailed in Mr. Bratu's testimony. Accordingly, this PFD recommends that the Commission find DTE gas operations were reasonable and prudent.

1. Contingency Mechanism Back-test Analysis

In its ruling on the GCR Plan, the Commission approved an alternative method of calculating a contingency mechanism.³⁸ The Company requested a change to the contingency mechanism which would reduce the evaluation period from 24 months to 21 months.³⁹ On behalf of DTE Gas, Ms. Hardy confirmed that back-test was performed. She detailed the contingency multiplier and how it is calculated and provided the results of the test. After correcting an error affecting the contingency factor matrix, Ms. Hardy used Exhibits A-20 and A-21 to compare and contrast the results. She testified "the under-recovery for the last two GCR periods has shown to be less under the new calculation."⁴⁰

Neither the Attorney General nor Staff disputed the back-test results presented by the Company. Accordingly, this PFD recommends the Commission find DTE Gas complied with the Commission's directive.

C. Gas Supply Decisions

The Company requests the Commission find its "gas supply decisions for the April 2022 through March 2023 GCR reconciliation period were reasonable and prudent."⁴¹

Based on Mr. Madigan's testimony, DTE Gas stated its actual purchase price was

³⁸ October 12, 2023, Order in Case No. U-21064, p 18.

³⁹ October 12, 2023, Order in Case No. U-21064, p 16.

⁴⁰ 2 Tr 49.

⁴¹ DTE Gas brief, 11. 2 Tr 92. See Finding of Fact No. 3.

approximately \$6.15 per Dth, which is \$1.27 lower than the forecasted level of \$7.24 per Dth in the Plan case.⁴² Mr. Madigan explained DTE Gas revised its plan case in May 2022, after a steep rise in natural gas prices, but there was a significant decrease in NYMEX prices after the revision.⁴³ He testified delivered volume was “139 Bcf of gas at a total cost of \$616 million, or 4.42 per Mcf per day delivered, including transportation costs.”⁴⁴ This is approximately 1.5 Bcf, and \$4.15 million lower than projected in the plan case.⁴⁵ He testified the lower actual deliveries were primarily the result of lower than planned market demand.⁴⁶

In the GCR Plan, the Company forecast 107 MMDth of fixed price supply natural gas purchases using the Volume Cost Averaging (VCA) method for a total cost of \$279 million and an average price of \$2.61 per Dth.⁴⁷ Mr. Madigan testified that 106 MMDth of fixed price supply was delivered during the reconciliation period, at a total cost of \$177 million and an average price of \$2.63 per Dth. He testified, “[t]he actual purchased volume, costs and average price were nearly identical to the plan except for some minor relocation of delivery points due to unforeseen pipeline outages.”⁴⁸ And he asserted that if the Company had not utilized the VCA method, the cost of gas excluding transportation, would have been \$6.15 per Dth, rather than \$4.23 per Dth, approximately 45% higher.⁴⁹

⁴² 2 Tr 92.

⁴³ 2 Tr 92-93. Exhibit A-4

⁴⁴ 2 Tr 93.

⁴⁵ 2 Tr 93. Exhibit A-4.

⁴⁶ 2 Tr 94.

⁴⁷ 2 Tr 94.

⁴⁸ 2 Tr 94.

⁴⁹ 2 Tr 96.

DTE Gas forecasted it would purchase 42.8 MMDth of gas using spot market purchases, at a cost of \$317 million, and an average price of \$7.42 per Dth.⁵⁰ Mr. Madigan testified actual spot market purchases totaled 40.6 MMDth, at a total cost of \$266 million and an average price of \$6.55 per Dth, which was approximately 2.2 MMDth lower volume and \$50.9 million less than projected, with an average purchase price that was approximately \$0.87 per Dth lower than projected in the revised Plan case.⁵¹

Mr. Madigan testified that the Company received approximately \$0.3 million of cash out credits, which offsets other costs, during the GCR plan period which represent monetary settlements for imbalances contained in tariffs.⁵² He also testified that the Company made several purchases from affiliated companies during the GCR year. He testified DTE gas utilized internal and external oversight procedures in the conduct of its business and detailed some of the transactions.⁵³

1. Transportation Costs

Mr. Madigan testified the actual transportation costs were \$61.0 million which is \$7.1 million less than the \$68.1 million amount forecasted in the GCR Plan case.⁵⁴ He testified this resulted primarily from the fact that rates in the plan were forecast to be significantly higher than actual rates charged due to adjustments to the ANR pipeline rate and other pipeline credits totaling \$0.8 million.⁵⁵ The Attorney General disputes the reasonableness of costs paid for natural gas supply transported on the Nexus pipeline.⁵⁶

⁵⁰ 2 Tr 101. Exhibit A-10.

⁵¹ 2 Tr 101. Exhibit A-3.

⁵² 2 Tr 108. Exhibit A-6.

⁵³ 2 Tr 110-111. Exhibit A-7.

⁵⁴ 2 Tr 106. Exhibit A-4 and A-5.

⁵⁵ 2 Tr 107.

⁵⁶ Attorney General brief, 5-11.

a. NEXUS Transportation and Supply Costs

Mr. Krynski provided actual rates assessed by the Company's interstate pipeline transporters using A-14, and testified they are the basis for the charges paid by DTE gas during the GCR year.⁵⁷ Among these transportation costs are those associated with the NEXUS pipeline contract and the subsequent TEAL amendments.⁵⁸ Mr. Madigan testified that DTE Gas and NEXUS have discussed and negotiated on multiple projects, but the Company did not participate because none made economic sense for the Company and its customers.⁵⁹ And he pointed to the decision in Case No. U-20544 where the Commission held "the simple fact that no renegotiation during the GCR period does not provide grounds for disallowance."⁶⁰

Based on the testimony of Mr. Coppola, the Attorney General disputes costs related to the NEXUS pipeline agreements, and recommends the Commission disallow approximately \$7.5 million of the related costs,⁶¹ or approximately \$13.8 million under an alternative analysis.⁶² Using Exhibit AG-1 Mr. Coppola testified the overall cost of fixed gas supply purchases for NEXUS, including transportation, is significantly higher than the other major gas supply sources.⁶³ He disputed that his analysis compared long term prices and gas supply costs for NEXUS against short term prices and supply costs for other pipelines and maintained his comparison involved purchases under the same type

⁵⁷ 2 Tr 67.

⁵⁸ The Company entered into the original NEXUS agreement in July of 2014 and the contract was amended in October 2018 to add an additional receipt point; known as the TEAL amendment. 2 Tr 168.

⁵⁹ 2 Tr 103.

⁶⁰ 2 Tr 103. Referencing December 9, 2022, Order in Case No. U-20544, p 13.

⁶¹ Attorney General brief, 5

⁶² Attorney General brief, 11-12.

⁶³ 2 Tr 170-171.

of contractual arrangements with fixed price purchases that were entered into years before delivery.⁶⁴ Using Exhibit AG-2, Mr. Coppola calculated the incremental cost of the NEXUS gas supply versus similar purchases delivered through other pipelines and opined that use of NEXUS gas supply increased GCR gas costs by approximately \$7.5 million in the GCR year.⁶⁵

The Attorney General states that DTE Gas framed her argument erroneously.⁶⁶ The Attorney General states she has been clear that she is not attempting to relitigate the decision to enter into NEXUS but rather the decisions DTE made with regard to sourcing and transportation of gas supply in the GCR Plan Year. She argues it is appropriate to examine these decisions in any given case. The Attorney General also states DTE's decisions related to the pipeline NEXUS has proven to be uneconomical for customers and projected savings have failed to materialize.⁶⁷ The Attorney General argues “the Commission indicated that the amounts associated with the NEXUS agreement and DTE's decision in any given year to take service from NEXUS will need to be adequately supported as reasonable and prudent by DTE in each reconciliation.”⁶⁸

In reply, DTE Gas first argues that the costs shown in Exhibit AG-1 include fixed transportation demand costs, or sunk costs that are incurred whether or not gas is transported, and argued use of the variable cost, excluding transportation, is the

⁶⁴ 2 Tr 172-173.

⁶⁵ 2 Tr 173.

⁶⁶ Attorney General reply brief, 4. As part of her argument, the Attorney General refers to erroneous language quoted by the Company as fabricated. This PFD notes the referenced quote is clearly inaccurate.

⁶⁷ Attorney General reply brief, 5-6.

⁶⁸ Attorney General reply brief, 7. Referencing May 8, 2020, Order in Case No. U-20235, p 6.

appropriate measure when comparing rates to determine the lowest cost option.⁶⁹ The Company also argues that the Attorney General's analysis ignores the benefits associated with holding firm transportation and its approved method for evaluating gas purchase requirements.⁷⁰

As the Company correctly noted the Commission has consistently rejected the Attorney General's arguments.⁷¹ "The Commission has repeatedly rejected proposed disallowances related to DTE Gas's decisions to enter the original NEXUS agreement and amendments in subsequent proceedings after initially finding those decisions to be reasonable and prudent at the time they were made" ⁷² While the Attorney General indicates she is not challenging the decision to enter into the NEXUS agreement, her arguments are intrinsically tied to that decision. Based on Mr. Coppola's testimony the Attorney General submits that gas supply costs for natural gas acquired via other transporters are lower than those associated with NEXUS. But DTE Gas correctly responds that the transportation costs associated with Nexus are sunk costs and will be incurred even if gas is not transported. While the Attorney General asserts Mr. Coppola's comparison with other potential supply sources is correct, this PFD does not find the comparison to be persuasive and recommends the Commission reject the Attorney General's arguments.

The Commission has addressed the NEXUS agreement and subsequent TEAL amendments in prior cases. For example, the Commission held:

⁶⁹ DTE Gas reply brief, 3.

⁷⁰ DTE Gas reply brief, 3-4.

⁷¹ DTE Gas brief, 16.

⁷² January 18, 2024, Order in Case No. U-20817, p 10.

As noted in the October 5, 2022 order in Case No. U-20826 (October 5 order), relating to similar NEXUS-related issues in DTE Electric's PSCR plan for the 12 months ending December 31, 2021, "the Commission acknowledges that issues relating to the contractual arrangements involving the utilization of the NEXUS pipeline by both DTE Electric and DTE Gas have been heavily litigated over the past several years." October 5 order, p. 20. Further, as noted in both the October 5 order and the February 7, 2019 order in Case No. U-18403 (February 7 order), the Commission has repeatedly found "that the NEXUS precedent agreement and its subsequent amendments 'were reasonable and prudent at the time they were made.'" Id. (quoting the February 7 order, p. 46). **The Commission again affirms that determination here, and that the Commission's previous determinations on this point should be given preclusive effect and that the company is not required to relitigate the original NEXUS agreement in each subsequent GCR and PSCR case.** Id. (emphasis added)⁷³

And in the GCR Plan case that is the subject of this reconciliation, the Commission held that a Section 7 warning was not appropriate for NEXUS purchases, finding:

The TEAL Amendments are proffered evidence of negotiation, and DTE Gas provided evidence that NEXUS and the TEAL Amendments provided cost savings. Thus, the Commission ultimately agrees with the ALJ that "the NEXUS agreement continues to provide benefits to ratepayers." (citation omitted).⁷⁴

This PFD finds that DTE gas has established its supply acquisitions under the Nexus agreement to be reasonable under the circumstances. Accordingly, this PFD does not recommend accepting the attorney general's proposed disallowance of approximately \$7.5 million.

This PFD also recommends the Commission reject the Attorney General's alternative disallowance of approximately \$13.8 million related to the NEXUS capacity contract. Mr. Coppola provided the calculation of this alternative based on a comparison

⁷³ October 27, 2022, Order in Case No. U-20816, p 20.

⁷⁴ October 12, 2023, Order in Case No. U-21064, p 6.

of Nexus gas supply costs to the total cost of all other gas supply purchased during the GCR period. He opined that this alternative comparison could be used by the Commission to disallow approximately \$13.8 million.⁷⁵ The Attorney General argues for this disallowance should the Commission reject the proposed \$7.5 million disallowance.

In response the Company argues that the NEXUS contract has resulted in diversity of supply and lower cost supply and that the projected benefits of NEXUS have materialized.⁷⁶

This PFD does not find the comparison made by Mr. Coppola to be persuasive as it appears to attempt to broadly compare all sources of supply with that procured under the NEXUS agreement.⁷⁷ Given the number of potential variables, this is not an appropriate comparison. Accordingly, this PFD recommends the Commission also reject the alternative disallowance proposed by the Attorney General related to the NEXUS agreement.

D. Responsibly Sourced Gas (RSG)

Based on the testimony of Mr. Madigan, the DTE Gas states that “RSG is natural gas that has been verified by a third party to have met specified environmental targets during production.”⁷⁸ The Company asserts it is committed to reducing greenhouse gas emissions from its operations and suppliers to net zero by 2050 and maintains that the procurement of RSG is one step in the Company’s decarbonization effort.⁷⁹ Mr. Madigan

⁷⁵ 2 Tr 176.

⁷⁶ DTE Gas reply brief, p 5. Referencing December 9, 2022, Order, in Case No. U-20544, p13.

⁷⁷ The Attorney General did not make this argument in her reply brief.

⁷⁸ DTE Gas brief, 20. 2 Tr 111.

⁷⁹ DTE Gas brief, 20-21. 2 Tr 112-113.

stated the Company will only utilize certifications that verify lower methane-emitting natural gas production for its RSG purchases. He testified:

Reducing methane intensity of our 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 the Company's customers.⁸⁰

Mr. Madigan testified that the Company met with several industry peers and other participants to gather information on RSG and the various certification methods, and concluded this is an emerging space with a variety of requirements. He testified most utilities believe that third party certification should be required, and he confirmed that DTE Gas agreed.⁸¹

Mr. Madigan testified that DTE Gas issued a request for information (RFI) regarding RSG in 2022 in order to obtain information. As a result of responses received, the Company purchased 1,134,200 Dth of gas categorized as RSG at a cost of \$7,858,562, which includes a commodity cost of \$7,821,754 and a premium of \$36,808.⁸² Based on Mr. Madigan's testimony, DTE Gas argues recovery of the commodity cost for the RSG supply purchase is fully recoverable as a reasonable and prudent gas supply purchase.⁸³ The Company argues it "is entitled to recovery of the commodity cost and associated premium for the purchase of [RSG]"⁸⁴ and is requesting recovery of both in this GCR reconciliation.⁸⁵

⁸⁰ 2 Tr 114.

⁸¹ 2 Tr 115.

⁸² 2 Tr 121. Exhibit A-30 Revised.

⁸³ DTE Gas brief, 22. 2 Tr 122.

⁸⁴ DTE Gas brief, 20. Finding of Fact No. 6.

⁸⁵ DTE Gas brief, 22.

Both Staff and the Attorney General dispute the Company's recovery of some of the RSG costs, including the premium paid and a portion of the commodity costs.⁸⁶ First both parties point out that the Commission considered whether payment of the RSG premium was reasonable and prudent in its order approving the GCR Plan⁸⁷ and, as a result, issued a Section 7 warning to the Company that the RSG premium may not be recoverable.⁸⁸ The Commission held:

While the Commission recognizes the 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. However, this decision is based on the lack of support on the record for this purchase and is not an indication that all RSG procurement is imprudent. The Commission's finding that a Section 7 warning is warranted does not preclude DTE Gas from requesting recovery of the expense as part of a future rate case or expedited pilot case, or from providing additional support for the requested premium as part of the reconciliation of costs in the instant case.⁸⁹

Staff point out that the Commission specifically held that "the premium of \$36,808 paid for responsibly sourced gas may not be recoverable in future reconciliation cases without first providing evidence of how responsibly sourced gas delivers a benefit to customers."⁹⁰

Ms. Quilico testified the certification process for RSG designation lacks sufficient standards and the Company did not demonstrate that the RSG designation provided value to its customers.⁹¹ Based on this testimony, Staff argues that DTE Gas did not provide evidence of any measurable benefit to customers.⁹² And, the Attorney General

⁸⁶ Staff brief, 6-8. Attorney General brief, 12-14.

⁸⁷ Staff brief, 4. 2 Tr 158. Attorney General brief, 12.

⁸⁸ See October 12, 2023, Order in Case No. U-21064 p 17.

⁸⁹ October 12, 2023, Order in Case No. U-21064 p 17.

⁹⁰ October 12, 2023, Order in Case No. U-21064 p 19.

⁹¹ 2 Tr 160.

⁹² Staff brief, 5-6.

argues DTE Gas generally repeats the same arguments as in the GCR Plan case and there is nothing in this record to change the Commission's original analysis that the RSG premium is not reasonable and prudent.⁹³ Both Staff and the Attorney General argue the Commission should disallow recovery of the RSG premium, consistent with the Section 7 warning issued previously.⁹⁴

This PFD agrees with Staff and the Attorney General that the payment of the RSG premium should be disallowed. The Commission found DTE Gas did not provide adequate support to justify the payment of the premium in the plan case. This PFD finds that the support provided in this case is substantially the same as provided in the plan case and therefore agrees that DTE has not justified payment of the RSG premium. Accordingly, this PFD recommends the Commission disallow the costs associated with the RSG premium.

However, the record in this case contains conflicting information and several calculations of the actual amount paid for the RSG premium. DTE gas requests recovery of the RSG premium in the amount of \$36,808.⁹⁵ Staff reviewed conflicting exhibits provided by the Company and recommend a premium amount of \$26,251.⁹⁶ And based on Mr. Coppola's testimony the Attorney General argues the total amount of the RSG premium is \$35,524.⁹⁷

Staff begin by comparing Revised Exhibit A-30, sponsored by Mr. Madigan, showing the Company spent \$36,808 for two purchases involving RSG, with Exhibit A-

⁹³ Attorney General brief, 12.

⁹⁴ Staff brief, 6. Attorney General brief, 12.

⁹⁵ DTE Gas brief, 22.

⁹⁶ Staff brief, 7.

⁹⁷ Attorney General brief, 12,14. 2 Tr 180-181.

16, sponsored by Mr. LoRe, indicating that the total RSG premium paid equals \$26,251.

Staff inquired about the discrepancy in a discovery and the Company responded with:

The \$36,808 of RSG premiums stated in my testimony reference the original deals contracted with Supplier A and B for 1,134,200 Dth of RSG to be flowed during the summer of 2022. There were operational cuts during the summer of 2022 on the pipelines that affected the final RSG premiums paid. The \$26,251 in Exhibit A-16 refers to the actual amount paid in premiums due to actual gas flowed under each of the deals.⁹⁸

Relying on this information Staff conclude that the total RSG premium equals \$26,251.⁹⁹

However, Staff note that this indicates there was no premium paid for the RSG purchase at the Falcon location which conflicts with the information on Revised Exhibit A-30.¹⁰⁰

Staff could not resolve the conflict.

The Attorney General relied on Mr. Coppola's analysis of Bid/Purchase information for two transactions involving RSG provided by the Company in discovery. The documentation shows two purchases, Deal # 9434966 and Deal # 9435051.¹⁰¹ After noting some of the same discrepancies discovered by Staff, Mr. Coppola calculated the RSG premium based on the information provided.¹⁰² He testified:

Deal #9434966 was for 3,150 Dth/day of RSG supply for the April 1 to October 31, 2022 period. This translates to 674,100 Dth (3,150 x 214 days) of RSG purchases, on which the Company paid a \$0.04/Dth of RSG premium, or \$26,964. For Deal #9435051, the source bid/purchase sheet shows the purchase of 2,000 Dth/day for the same April 1 to October 31 period for a total purchase of 428,000 Dth. The bid/purchase sheet shows that the Company would pay a \$0.02 per Dth RSG premium for this purchase, or \$8,560. Therefore, the total amount of RSG premiums paid by the Company for the two purchase transactions was \$35,524. This amount is different than what the Company reported in Mr. Maddigan's direct testimony, its exhibits, and discovery responses. Unless there is some error

⁹⁸ Exhibit S-5, p 10.

⁹⁹ Staff brief, 7.

¹⁰⁰ Staff brief, 7.

¹⁰¹ Exhibit AG-6.

¹⁰² See Exhibit AG-6.

in the bid/purchase sheets source documents, the correct amount that the Company paid in RSG premiums for the 2022-2023 GCR year was \$35,524. (citation omitted)¹⁰³

Unlike Staff's analysis, Mr. Coppola's calculation accounts for the payment of the RSG premium for both purchases using the information in Revised Exhibit A-30. However, his calculations show a total volume purchased at the Clarion point to be 674,100 Dth, while the Company's Revised Exhibit A-30 shows a total volume of 706,200 Dth.

After informing Staff that the actual amount of RSG premium paid is \$26,251, the Company continues to argue that the appropriate total is \$36,808.¹⁰⁴ The Company also provided conflicting information when attempting to refute the other parties.¹⁰⁵ This PFD notes that the Company could have provided information to clarify the premium amount paid for the RSG but did not. After analyzing the calculations proffered by Staff and the Attorney General, this PFD finds it is appropriate to use the amount requested by DTE Gas for a total RSG premium of \$36,808. In this case, it is reasonable to rely on the information supplied by the Company regarding the amount of natural gas actually received under the two RSG contracts and the amount of premium paid for each transaction. And Staff's calculation does not account for any RSG premium for the Falcon purchases. Mr. Madigan testified there was a premium paid for this transaction, and Revised Exhibit-30 provides the means to calculate the amount. Accordingly, this PDF recommends the Commission disallow the RSG premium, Consistent with its Section 7 warning, in the amount of \$36,808.

¹⁰³ 2 Tr 180-181. See Exhibit AG-6.

¹⁰⁴ DTE Gas brief, 22.

¹⁰⁵ See DTE Gas reply brief, 7.

The Attorney General and Staff also dispute a portion of the \$7,821,754 in commodity costs paid for the RSG purchases. Noting the Company did not provide contemporaneous bids for non RSG purchases at the same locations, both Staff and the Attorney General argue that the commodity costs paid by DTE Gas for the RSG are higher than non-RSG.

Based on Mr. Coppola's analysis, the Attorney General argues that \$936,657 of the commodity cost for the RSG purchases should be disallowed by the Commission.¹⁰⁶ Mr. Coppola testified the price paid for RSG, excluding the premium, was not competitive with other non RSG purchases.¹⁰⁷ He compared the basis adder for the RSG purchases between April and October at the Clarion location with other purchases on Exhibit A-1. He determined that other purchases at the Clarion location were made with a negative basis or discount ranging from (\$0.936) to (\$2.498), which is much lower than the positive basis of \$0.11 paid in the transaction for the purchase of the RSG.¹⁰⁸ And, Mr. Coppola compared the basis adder for the RSG purchases at the Falcon location with a proxy using rates for the Panhandle Eastern Pipeline (PEPL).¹⁰⁹ He testified that the basis on the PEPL from April to October 2022 were also negative, ranging from (\$0.551) to (\$2.108).¹¹⁰ As with the Clarington purchases, Mr. Coppola maintained, the actual basis adder at the Falcon location was significantly lower than the (\$0.010) basis paid for the RSG.¹¹¹

¹⁰⁶ Attorney General brief, 14.

¹⁰⁷ 2 Tr 182.

¹⁰⁸ 2 Tr 182.

¹⁰⁹ 2 Tr 183. Mr. Coppola testified the RSG volumes were transported to the Falcon location on the PEPL and used the basis adder from April to October provided associated with the PEPL.

¹¹⁰ 2 Tr 183.

¹¹¹ 2 Tr 183.

Mr. Coppola testified the Attorney General requested clarification, but the Company did not “adequately explain the large difference in basis and could not supply any supporting evidence about the reasonableness of the purchase price excluding the RSG premium.”¹¹² Mr. Coppola calculated what he asserted were appropriate commodity costs. He testified:

I propose that a portion of the cost paid for the RSG purchases, separate from the certification premium disallowance, be removed from the gas purchase costs that the Company seeks to recover in this reconciliation case. To give the Company the most favorable pricing, I recommend using the lowest negative basis for Clarington of \$(0.936) and of \$(0.551) for PEPL-Falcon from Exhibit A-1 versus the \$0.1100 adder and \$(0.0100) basis shown in Revised Exhibit A-30. The difference between the two sets of basis is a price reduction of \$1.046 for the Clarington RSG purchases and \$0.541 for the Falcon purchases. By applying the \$1.046 price reduction to the Clarington purchases of 674,100 Dth (per the bid/purchase sheet), the result is a disallowance of \$705,109. Similarly, for the Falcon purchases of 428,000 Dth at a price reduction of \$0.541, the resulting disallowance is \$231,548. In total, I recommend that the Commission remove \$936,657 of excess gas purchase costs in addition to the RSG certification premium of \$35,524.

The Attorney General argues the Commission should rely on Mr. Coppola’s calculations and disallow \$936,657 of the commodity costs for the RSG purchases.¹¹³

Staff also recommend the Commission disallow a portion of the commodity costs for the RSG.¹¹⁴ Noting that DTE Gas responded in discovery that RSG premiums were lower in Exhibit A-16 than Revised Exhibit A-30 due to lower actual gas flow, Staff state the volume may be inaccuracy as the Company did not revise its total volume in Revised Exhibit A-30. And Staff argue that the commodity price paid is elevated when compared to the NYMEX market price for the RSG purchases identified in Revised Exhibit A-30.

¹¹² 2 Tr 182.

¹¹³ Attorney General brief, 14.

¹¹⁴ Staff brief, 8.

Staff requested information regarding the purchase price for the RSG and was informed that “the pricing was based on the NYMEX summer index plus a basis adder.”¹¹⁵ And, after the Company provided the NYMEX summer strip averages on the two RSG deal dates, Staff concluded “the RSG purchases made on the corresponding dates were imprudent and should not be recovered in rates.”¹¹⁶ Staff also note that DTE Gas does not have contemporaneous bids for non-RSG purchases to support its contention that the amount it paid for RSG gas is comparable.¹¹⁷ Staff adopted the Attorney General’s proposed disallowance and state:

Review of the Attorney General’s direct testimony does demonstrate a discrepancy between the basis adder for the RSG purchases and non-RSG purchases made at the same or similar location throughout the summer. The Attorney General’s recommended commodity disallowance of \$936,657 represents a fair assessment of the excess gas purchase costs related to RSG. Bid sheets provided by the Company do not demonstrate proper price discovery was executed by the Company and the basis adders agreed to do not conform with other purchases made at the same or a similar location. (Exhibit AG-10.) For these reasons, Staff supports the Attorney General’s commodity disallowance of \$936,657 for the RSG purchases made for the 2022-2023 plan period.

Using Mr. Coppola’s calculation, Staff also argues the Commission should disallow \$936,657 of the commodity costs for the RSG purchases.

In reply DTE Gas argues the assertion that it did not pay a competitive amount for the RSG purchases is misplaced and should be rejected by the Commission.¹¹⁸ Mr. Madigan asserted that Mr. Coppola’s calculations were invalid because they used the NYMEX basis provided in Exhibit A-1, which differs from specific point indices in the deal

¹¹⁵ Staff brief, 8. Exhibit S-5, p 4.

¹¹⁶ Staff brief, 9.

¹¹⁷ Staff brief, 9. See Exhibit AG-10.

¹¹⁸ DTE Gas reply brief, 6. See 2 Tr 137.

sheets for the two RSG purchases. Mr. Madigan testified that “[t]hese basis cannot be used interchangeably” and therefore the purported large differences do not establish the Company paid a higher price for the RSG than non-RSG.¹¹⁹

The Company attached four tables to its reply brief which it asserts represent a compilation of the record evidence.¹²⁰ After summarizing the information in the tables, DTE Gas states: “In addition to seeking recovery for the \$34,811 RSG premium (Col.h, Line 11), the Company seeks to recover the total commodity cost of \$7,159,039 (Col. g, line 11).”¹²¹ This PFD notes these figures differ from those originally provided by the Company and there is no change in the net recoverable costs requested in this matter.¹²² The Company did not explain the variance.

DTE Gas argues that calculations using Mr. Coppola's methodology results in higher costs than the Company actually paid for the RSG transactions and asserts this shows the Company's decisions were reasonable and prudent.¹²³ The Company argues the commodity costs should be recoverable as the purchases reflected volumetric needs and asserts, all factors being equal, the same purchases would result in the same commodity costs whether the gas was RSG or not.¹²⁴ DTE Gas also asserts the fact that it did not have contemporaneous bids for non RSG purchases is irrelevant because based on the Attorney General's calculations, it actually paid lower commodity costs than what the Attorney General and Staff apparently considered to be reasonable and prudent.¹²⁵

¹¹⁹ 2 Tr 137.

¹²⁰ DTE Gas reply brief, 6 and Attachment A.

¹²¹ DTE Gas reply brief, 7.

¹²² DTE Gas reply brief, 9-10. See DTE Gas brief, 22-23.

¹²³ DTE Gas reply brief, 7-8. See Attachment A.

¹²⁴ DTE Gas reply brief, 8.

¹²⁵ DTE Gas reply brief, 9.

In its reply brief Staff repeats its reasoning for the conclusion that the commodity prices paid for the RSG are inflated.¹²⁶ Staff again note that the Company did not address the discrepancy between the discovery responses provided to Staff and those provided to the Attorney General. And Staff argue DTE gas failed to evaluate any alternative to non RSG purchases noting the company confirmed it did not have contemporaneous bids for non RSG purchases.¹²⁷ In her reply brief, the Attorney General repeats her arguments that the Commission should disallow recovery of commodity costs in the amount of \$936,657.¹²⁸

This PFD finds the arguments made by the Attorney General and Staff to be more persuasive. DTE Gas did not establish the commodity costs paid for the RSG was reasonable and prudent. Mr. Coppola established the basis paid for the RSG was significantly higher than similar purchases. While DTE Gas argued Mr. Coppola's calculations were erroneous, this PDF finds DTE Gas did not refute his assertions. And Staff also found the RSG commodity costs were too high but based on the lack of information supplied in discovery, Staff was unable to make a correction. Staff found Mr. Coppola's calculations to be reasonable. Accordingly, this PDF recommends the Commission disallow \$936,657 of the commodity costs paid for RSG supply. In total, this PFD recommends the Commission disallow \$973,465 of the total costs associated with the purchase of RSG, including the premium amount of \$36,808 and the excessive commodity costs of \$936,657.¹²⁹

¹²⁶ Staff reply brief, 5.

¹²⁷ Staff reply brief, 6-7.

¹²⁸ Attorney General reply brief, 9-10.

¹²⁹ This conclusion results in a rejection of DTE Gas's requested Finding of Fact No. 6.

E. Reconciliation Balances

For simplification purposes, this PFD combines two of DTE Gas's proposed findings of fact under one heading.¹³⁰

1. Gas Customer Choice (GCC) Over-recovery

DTE Gas requests the Commission approve a net over-recovery for GCC customers of \$0.3 million, in the GCR plan period from April 2022 through March 2023, including Reservation Charge revenues of \$3.26 million, \$4.8 million in reservation expense, the roll-in of approximately \$1.8 million related to the GCC customers' 2021-2022 reconciliation, and \$0.06 million of interest expense.¹³¹

Mr. LoRe testified:

The GCC reservation charge percentage, which was 8.14% for the period, was calculated by dividing the total GCC sales volumes by the total of GCR and GCC sales volumes and then multiplying that amount by 70%, to calculate the 30% discount allocation factor to GCC customers. The GCC customer percentage is then multiplied by the total pipeline reservation charge (net of credits) to get the total annual charge for GCC customers.¹³²

Neither the Attorney General nor Staff disputed DTE Gas's calculation of the GCC over-recovery. Accordingly, this PFD recommends the Commission approve the Company's \$0.3 million over-recovery for GCC reservation charge during the GCR plan year.¹³³

2. GCR Under-recovery

DTE Gas requests approval of a net under-recovery of \$6.1 million for GCR customers, with total revenues of \$638.2 million and net costs of \$642.9 million, including \$49.9 million under-recovery related to 2021-2022 plan year, and \$1.4 million of interest

¹³⁰ Attorney General brief, 18, 20; Finding of Fact No. 4 and Finding of Fact No. 5 respectively.

¹³¹ DTE Gas brief, 23. DTE Gas reply brief, 9-10. See Exhibit A-19.

¹³² 2 Tr 79-80.

¹³³ This conclusion results in affirmation of DTE Gas's requested Finding of Fact No. 5.

from 2022-2023 GCR year.¹³⁴ Staff and the Attorney General recommended changes to DTE Gas's proposed reconciliation GCR balance. As noted above, no party disputed the inclusion of the approximately \$49.9 million under-recovery related to 2021-2022 GCR reconciliation or the propriety of interest, therefore the only dispute involves the amount of the under-recovery.

Staff recommends the Commission approve a total GCR under-recovery of \$4,441,455, including interest based its proposed disallowances associated with the purchase of RSG.¹³⁵ The Attorney General recommends the Commission approve an over-recovery balance of \$4,391,176 before interest, and \$3,180,371 including interest, based on her proposed disallowances associated with NEXUS transportation costs and the purchase of RSG.¹³⁶

As noted above, this PFD recommends the Commission approve disallowances associated with the purchase price of RSG in the amount of \$973,465, including the premium of \$36,808 and commodity costs of \$936,657. This amount differs from those proposed by the Attorney General and Staff and therefore differs from the total under-recovery proposed by any party. Accordingly, this PFD recommends the Commission approve a net under-recovery consistent with this disallowance, inclusive of the approximately \$49.9 million under-recovery related to 2021-2022 GCR reconciliation, and interest.¹³⁷

¹³⁴ DTE Gas brief, 18-19

¹³⁵ Staff brief, 12.

¹³⁶ Attorney General brief, 14.

¹³⁷ This conclusion results in a rejection of DTE Gas's requested Finding of Fact No. 5.

V.

CONCLUSION

Based upon the findings and conclusions above, this PFD recommends that the Commission:

- (1) Reject the Attorney General's proposed disallowances, in the amounts of approximately \$7.5 million or \$13.8 million, for costs related to transportation of natural gas supply on the NEXUS pipeline.
- (2) Adopt a disallowance of a total of \$973,465 for costs associated with the purchase of RSG, including a premium of \$36,808 and commodity costs of \$936,657.
- (3) Approve a net GCR customer under-recovery for the April 2022 through March 2023 GCR reconciliation period consistent with the above disallowances, inclusive of the approximately \$49.9 million under-recovery related to 2021-2022 GCR expenses, and the flow through effects of interest.
- (4) Approve a net GCC customer over-recovery of \$0.3 million for the April 2022 through March 2023 GCR reconciliation period, inclusive of the approximately \$49.9 million under-recovery related to 2021-2022 GCR expenses, and interest.

MICHIGAN OFFICE OF ADMINISTRATIVE
HEARINGS AND RULES
For the Michigan Public Service Commission

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Issued and Served:
March 28, 2025

Katherine E. Talbot
Administrative Law Judge