

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission’s own)
motion, regarding regulatory reviews,)
revisions, determination and/or approvals) Case No. U-20713
necessary for regulated electric providers)
to comply with Section 61 of 2016 PA 342.)

In the matter of **DTE ELECTRIC**)
COMPANY’S application for regulatory)
reviews, revisions, determinations, and/or) Case No. U-20851
approvals necessary to fully comply with)
Public Act 295 of 2008)

SETTLEMENT AGREEMENT

Pursuant to MCL 24.278 and Rule 431 of the Rules of Practice and Procedure before the Michigan Public Service Commission (“MPSC” of the “Commission”), the undersigned parties agree as follows:

WHEREAS on August 31, 2020 DTE Electric Company (“DTE Electric” or the “Company”) filed its Application for Approval of its biennial voluntary green pricing (“VGP”) review pursuant to MCL 460.1061, supported by testimony and exhibits.

WHEREAS on August 31, 2020 DTE Electric filed its Ex Parte Application to Amend its Renewable Energy Plan (“REP”) supported by affidavits.

WHEREAS on October 27, 2020 the cases were consolidated.

WHEREAS on November 30, 2020, DTE Electric filed an Ex Parte Application for Approval of the Freshwater Solar Build-Transfer Agreement, White Tail Solar Build-Transfer

Agreement (“BTAs”), and Calhoun County Solar Power Purchase Agreement (“PPA”) supported by affidavits.

WHEREAS, the initial prehearing conference in this proceeding was held on October 27, 2020 before Administrative Law Judge Martin D. Snider. A second prehearing conference was held in the consolidated proceedings on December 17, 2020. The parties to the case are DTE Electric, the Commission Staff (“Staff”), the City of Ann Arbor (“Ann Arbor”), Michigan Municipal Association for Utility Issues, Energy Michigan Inc., Advanced Energy Economy, Institute for Energy Innovation, Michigan Energy Innovation Business Council, Association of Businesses Advocating Tariff Equity, Soulardarity, The Ecology Center, Vote Solar, Environmental Law & Policy Center, Michigan Environmental Council, Natural Resources Defense Council, Pine Gate Renewables LLC, and Great Lakes Renewable Energy Association (“GLREA”).

WHEREAS DTE Electric filed testimony, affidavits, and exhibits requesting approval of its voluntary green pricing (“VGP”) MIGreenPower program, conversion of its Large Customer MIGreenPower Pilot from a pilot to a program, certain revisions to its Rider 17 and Rider 19 tariffs, approval of its VGP build plan, approval of tax equity as a possible form for transactions and corresponding accounting treatment, a financial compensation mechanism, amendment of its approved REP to incorporate its VGP build plan, approval of the Freshwater Solar BTA, White Tail Solar BTA and Calhoun County Solar PPA, and seeking various other forms of relief, and the MPSC Staff and intervening parties filed testimony and exhibits addressing various issues.

NOW THEREFORE, for purposes of settlement of Case No. U-20713 and Case No. U-20851, the undersigned Parties agree as follows:

1. The settlement will be a full settlement of Case No. U-20851 and partial settlement of Case No. U-20713; this agreement does not address the financial compensation mechanism (“FCM”), and the Commission will be asked to decide whether to grant DTE Electric’s requested FCM following briefing on that topic only by the Parties.
2. The Parties agree on the following VGP build plan:¹ 2022: 420 MW; 2023: 62 MW to 162 MW (including small scale solar procurement); 2024: 183 MW to 623 MW;² and 2025: 132 MW. These amounts are as proposed in DTE Electric’s Application for Approval of its biennial voluntary green pricing review except where otherwise specifically noted in this Agreement.
3. DTE Electric will include an updated sales forecast in the second quarter and fourth quarter filings of its semi-annual VGP report. The report will include data related to the weighted average contract length and current total MW subscribed. DTE Electric will also make the subscribed MW by forecast year available for Staff review.
4. Tax equity financing is an allowable utility financing structure available as an option for all future BTAs and self-developed projects including those currently submitted for review in U-20851, as proposed in the Company’s Applications including relevant accounting treatment, with the following clarifications:
 - 4.1. Tax equity partners will not be DTE affiliates;

¹ The build plan does not include customer-requested projects with the exception of the Ann Arbor landfill solar project discussed below in section 9.1.3.2. DTE Electric does not need to adjust the current build plan to accommodate this project.

² The increase of 440 MW from what DTE Electric requested in its Application is dependent upon execution of a contract with Ann Arbor for a 440 MW customer-requested project. DTE Electric commits to work with Ann Arbor to maximize tax credits for the proposed landfill solar project, and also to explore maximizing tax credits for the build plan set forth in section 2, through various start-of-construction methodologies.

- 4.2.** When ranking request for proposal (“RFP”) bids, any tax equity costs will be added to BTA bids and DTE Electric self-developed projects so that the bid amount used for comparison with PPAs is an all-in number; and
- 4.3.** In its annual REP reconciliation cases, DTE Electric will include an updated analysis, comparable to DTE Electric’s Exhibit A-44 filed in this proceeding, demonstrating the expected total cost of the Freshwater Solar Build-Transfer and White Tail Solar Build-Transfer using tax equity financing compared with other short listed projects with CODs in the same year responsive to DTE Electric’s 2019 RFP for VGP projects (see Exhibit A-6 filed in this proceeding). If additional VGP projects used to meet DTE Electric’s build plan as filed in this case will be financed using a tax equity structure DTE Electric will include similar analyses and comparisons in its annual REP reconciliation cases demonstrating the expected total cost of the project(s) using tax equity financing compared with other short listed projects with CODs in the same year responsive to DTE Electric’s relevant RFPs for VGP projects. The updated analyses described herein are limited to one post-contracting analysis for each project after all the terms are set.
- 5.** The Parties agree that the REP will be amended as proposed in DTE Electric’s application in U-20851, except the recovery of all costs associated with the REP (including the costs of unsubscribed VGP resources included in the REP) will be consistent and comply with the relevant provisions of 2008 PA 295 (MCL 460.1001 et seq). No REP costs recovered through the power supply cost recovery (“PSCR”) factor will exceed the relevant Transfer Price applicable to each REP resource. All costs in excess of the relevant Transfer Price associated with those REP resources will be recovered by drawing down the Company’s REP regulatory liability. In the event that drawing down the Company’s REP regulatory liability exhausts that

regulatory liability, the Company will not be required to institute a surcharge unless the regulatory asset is projected to continue for more than 12 months. In the event the regulatory liability is exhausted and DTE Electric's regulatory asset is projected to continue for less than 12 months, DTE Electric will immediately notify the Commission per MCL 460.1047(4), and DTE Electric will not collect any costs in excess of the relevant Transfer Price associated with its unsubscribed VGP and REP resources through its PSCR factor or any other retail rate charge and will instead maintain an accounting of said costs until it acquires a REP regulatory liability from which to draw those costs, or otherwise elects or is required to institute a REP surcharge. Parties reserve their rights to further address unsubscribed VGP and REP cost recovery in future proceedings.

6. The Parties agree that the Commission should approve the White Tail Solar BTA, Freshwater Solar BTA, and Calhoun County Solar PPA Contracts, as proposed in the ex parte application filed in docket U-20851.

7. DTE Electric's Rider 17, as proposed in its application and modified below, including the new fixed-price offering and all tariff sheet amendments, meets the requirements of MCL 460.1061.

The following modifications are made to DTE Electric's Rider 17 program:

7.1. DTE Electric will revise its proposed MIGreenPower Low-Income Donation Pilot to allow donations from DTE customers and non-DTE customers, not just Rider 17 subscribers.

7.2. Going forward, Rider 17 and Rider 19 programs will not have separate projects; the Rider 17 and Rider 19 programs will be supported by the same pool of combined VGP projects.

Doing this will eliminate the need for the wind-only and solar-only products. The project merger will occur as follows:

- 7.2.1. Pinnebog wind park and the Lapeer and O'Shea solar parks (72.65 MW) will move out of Rider 17 and into the REP as compliance projects. Assembly solar park PPA (79 MW), planned originally as a compliance project, will move to the VGP, and DTE Electric will not seek an FCM on Assembly.
- 7.2.2. Energy and capacity credit methodology will be based upon a version of the current Rider 19 credit structure and will take into account existing contractual obligations to Rider 19 customers. DTE Electric will work with Staff to finalize energy and capacity credit calculations.
- 7.2.3. Customers seeking to enroll 2,500 MWh or greater on an annual basis will be required to sign at least a five-year contract. Customers seeking to enroll less than 2,500 MWh annually must participate in a month-to-month subscription.
- 7.2.4. DTE Electric expects that changes will be effective by the second quarter of 2022.
- 8.** DTE Electric's Rider 19, as proposed in its application and as modified in section 7.2 above, including the Flexible Pre-Payment Option, use of net premium as the evaluation basis for cost-averaging new renewable energy projects into the program, and all tariff sheet amendments, meets the requirements of MCL 460.1061.
- 8.1.1. DTE Electric will work with Staff and intervenors on potential incentives for customers to enter into contracts that are 10 years or longer.
- 8.1.1.1. DTE Electric commits to filing an ex parte tariff amendment to amend the Rider 19 tariff to add these incentives if the parties have reached agreement on them within six months of a Commission order approving the settlement agreement.

9. DTE Electric will include a Customer-Requested offering in its VGP program according to the following terms:

9.1. Ahead-of-meter customer-requested offering:

9.1.1. These will be individual special contracts, included in the VGP and in the REP, and these contracts will be brought before the Commission on an ex parte basis along with ex parte amendment of the REP to add the contracts. These projects may be customer sited.

9.1.2. The projects associated with customer-requested projects shall utilize a specialized competitive bidding process for all contracts above \$100,000 other than a contract with the anchor tenant. The details of the competitive process will be agreed upon with the customer and will incorporate any competitive bidding rules specific to the customer. Competitive bidding for customer-requested projects remains subject to Commission Staff audit.

9.1.3. DTE Electric will offer an Anchor Tenant Pilot as part of the ahead-of-meter customer-requested offering. Any Anchor Tenant Community Solar offering within the pilot with a project of more than 1 MW will be implemented as either its own tariff sheet or a separate pricing tranche within MIGreenPower by amending the Rider 17/19 tariffs to include the pilot, allowing easy participation by any DTE Electric customer.

9.1.3.1. These special contracts will be brought before the Commission on an ex parte basis along with ex parte amendment of the REP to add the contracts. These projects may be customer sited.

9.1.3.2. DTE Electric and Ann Arbor commit to work together on a potential landfill solar project according to the terms of the contemporaneously executed Memorandum of Understanding between DTE Electric and Ann Arbor.

9.1.3.3. The intent is that the Ann Arbor landfill solar project will be such a project and will be a DTE-owned asset. Both DTE Electric and Ann Arbor commit to work in good faith to implement the Anchor Tenant Pilot for the landfill solar project (24 MW) with the goal of ensuring the project would be eligible for the 26% ITC (i.e., would need to begin construction before the end of 2022).

9.1.3.4. Anchor Tenant Community Solar pilot:

9.1.3.4.1. In this offering, there will be a levelized subscription fee and corresponding Rider 19-based credit that is reflective of the benefits of the project, calculated as set out under section 7.2.2.

9.1.3.4.2. The Anchor Tenant will be a “subscriber of last resort.” A “subscriber of last resort” is a party who agrees, in the Special Contract, to bear all costs and receive all benefits (including RECs and credits) for the portions of the project for which there is not another participant during the life of the project.

9.1.3.4.3. An Anchor Tenant is required to meet certain criteria, including but not limited to: 1) being credit-worthy; and 2) signing a long-term contract with acceptable terms for the life of the asset with a termination clause. Before entering into a contract with a potential Anchor Tenant, DTE Electric shall consult with Staff.

- 9.1.3.4.4. MWhs from the project could be subscribed to by other participants (through DTE Electric), which would proportionately displace Anchor Tenant subscription costs and associated credits and RECs for the amount of MWh subscribed. If subscription terminates, anchor tenant's responsibility for those MWhs resumes.
- 9.1.3.5. The pilot will not require special contracts be executed by any participant other than the Anchor Tenant. However, participants enrolling at 2,500 MWh annually may be required to sign a traditional MIGreenPower contract with DTE Electric.
- 9.1.3.5.1. DTE Electric will work with the pilot anchor tenant and Staff to develop a low-income option within the program that can be implemented while minimizing IT costs. DTE Electric will work with Staff for the appropriate cost recovery of any IT costs.
- 9.1.3.6. DTE Electric will hold at least one information session prior to filing an ex parte application for a customer-requested project. If the project has an anchor tenant, the Anchor Tenant shall be consulted prior to scheduling any meeting regarding the project to ensure the Anchor Tenant is able to attend.
- 9.1.3.7. Any marketing materials for the program must be approved for legal compliance by both DTE Electric and the Anchor Tenant prior to use.
- 9.1.3.8. DTE Electric will not be doing any specific marketing for the anchor tenant project; the Anchor Tenant would have full responsibility for that specific activity subject to DTE Electric's review and approval for legal compliance. DTE Electric will, however, make subscription to the Anchor Tenant's project

an option available for customers to select when choosing VGP options on DTE's web site.

9.2. Behind-the-meter customer-sited offering:

9.2.1. For the Ann Arbor landfill solar pilot only, Ann Arbor may offset on-site electricity use from the project assuming it is connected behind the meter.

9.2.2. DTE Electric will wait for the conclusion of the MPSC MI Power Grid New Technologies and Business Models collaborative and may address behind-the-meter customer-sited offerings in a future regulatory proceeding thereafter.

10. DTE Electric will conduct a Low-Income Solar Pilot as follows:

10.1. DTE Electric will use reasonable efforts to construct and launch three projects with commercial operation dates in 2022 thru 2024. DTE Electric will target one project per year. DTE Electric's commitment depends upon the availability of suitable projects that meet minimum requirements.

10.2. The pilot will focus on delivering benefits to low-income customers and low-income communities. Low-income is defined as persons who are at or below 200% of the federal poverty level.

10.3. During 2023 and 2024, DTE Electric will analyze the data and will file a case with the MPSC no later than the first quarter of 2025 in which DTE Electric will propose either termination of the pilot, commencement of a low-income solar program, or continuation of the pilot on different terms.

10.4. Pilot Terms:

10.4.1. The pilot projects will be constructed in Detroit, River Rouge, and Highland Park.

10.4.2. The pilot projects will be a minimum of 250 kW per project.

10.4.3. DTE Electric will form a Low-Income Solar Council according to the terms of the contemporaneously executed Memorandum of Understanding amongst the interested parties.

10.4.4. Project funding

10.4.4.1. DTE Electric will agree to provide 30% of the upfront capital funding for one project per year of the pilot, 2022-2024, up to \$300,000 per project, for a total of \$900,000. DTE Electric will not earn a return of or on this investment. DTE Electric's investment must be used to fund the engineering, procurement, and construction of a solar array.

10.4.4.2. Voluntary contributions made via the MIGreenPower Low-Income Donation Pilot (see 7.1 above), up to 25% of total contributions, can be routed to fund subscriptions to locally sited arrays in communities of need. These voluntary contributions may only be used to fund the engineering, procurement, and construction of a solar array as well as the ongoing operation, maintenance, and any other cost incurred by DTE Electric required for the projects.

10.4.4.3. The remainder of the required funds will come from direct donations, grants, or other sources of funding that do not include any form of ratepayer subsidization of the projects.

10.4.4.4. Costs for feasibility or interconnection studies will be paid by project dollars collected as set forth in 10.4.4.2-10.4.4.3. DTE Electric will charge no more than its actual costs for any such necessary studies.

10.4.4.5. DTE Electric will work with the Staff on the treatment of costs associated with upfront IT/billing requirements.

10.4.5. DTE Electric will own the three pilot projects. Other ownership models will be considered for future projects after conclusion of the pilot.

10.4.6. DTE Electric will conduct RFPs on the same terms as applied to customer-sited projects, and DTE Electric will meet with the three pilot cities to make sure that local RFP requirements are met if the cities will be providing any funding.

10.4.6.1. DTE Electric will be responsible for final selection of the winning bid and will oversee construction.

10.4.7. Bill credits

10.4.7.1. Credits to low-income participants in the projects will be calculated based upon LMP and PRA, reflecting the same general terms as the new Rider 17/Rider 19 credit mechanism, which DTE Electric anticipates would result in a \$25-\$30 credit on each monthly bill.

10.4.7.2. For the first project, no additional benefit will be available.

10.4.7.3. For the second project, participants will be required to agree to participate in a free energy assessment. With this agreement, customers will receive a monthly participation benefit, the additional benefit will be funded from donation dollars.

10.4.7.3.1. DTE Electric will work with the council to determine the appropriate amount of the benefit given the amount of donations received, so long as addition of the monthly participation benefit does not cause the total of the credit and benefit to exceed 80% of the customer's bill.

10.4.7.3.2. The volumetric LMP + PRA credit will not change even if it alone exceeds the 80%.

10.4.7.4. For the third project, participants will be required to agree to receive and to install a free energy data device and install the free DTE Insight App. With this agreement, customers will receive a monthly participation benefit, and the additional benefit will be funded from donation dollars.

10.4.7.4.1. DTE Electric will work with the council to determine the appropriate amount of the benefit given the amount of donations received, so long as addition of the monthly participation benefit does not cause the total of the credit and benefit to exceed 80% of the customer's bill.

10.4.7.4.2. The volumetric LMP + PRA credit will not change even if it alone exceeds the 80%.

10.4.7.5. DTE Electric will consider other market-based credit valuation models for inclusion in future projects after the conclusion of this pilot.

10.4.8. DTE Electric will be responsible for subscribing participants to the project and providing on-bill credits.

10.4.9. It is intended that low-income individuals, once subscribed, may remain subscribed even if they move and transfer their service to another address, so long as they do not move out of the city and they remain low-income.

11. RFP Methodology for upcoming VGP build plan:

11.1. DTE Electric will arrange all VGP resources, including utility self-build projects, procured through 2025 as a result of approvals in Case No. U-20851, through competitive procurement.

11.1.1. Bidding processes may be tailored based on the specific energy resource purpose or need.

11.1.2. Customer-requested projects shall be competitively bid according to the process set forth in section 9.

11.1.3. The small-scale solar procurement will not be governed by these terms, but rather by the terms set forth below in section 12.

11.2. DTE Electric commits to open, non-discriminatory treatment of resources:

11.2.1. DTE Electric will conduct an open, non-discriminatory procurement process that fairly considers different ownership structures, VGP qualifying resource types, sizes/capacities, and locations with transparency on how they will be evaluated (see minimum requirements below).

11.2.2. Bidding will be open to all VGP qualifying resources and solutions that can meet relevant system and program needs (e.g., fuel source, Renewable Energy Credits (RECs), etc.)

11.2.3. DTE Electric will not set a minimum project size threshold.

11.3. DTE Electric will provide the minimum RFP requirements and specification of evaluation criteria:

11.3.1. The RFP will set forth minimum eligibility requirements for bidders and resources.

11.3.2. Price and non-price factors and weighting to be used for project selection (RFP to include scoring sheets with applicable weighting of evaluation factors). Price factors should include energy, capacity, RECs, and interconnection costs to include reimbursable and non-reimbursable expenses. Non-price factors may include

consideration of bonus factors like ancillary environmental and community benefits (brownfield redevelopment, pollinator habitat, local jobs, etc.)

11.3.2.1. Each non-price factor and its criteria, value, score, quantification, relative importance, or weighting must be, to the extent possible, standardized, determined, and clearly specified, defined, and explained before bidding begins such that respondents to a request for proposal (RFP) are advised of the criteria on which their bids will be evaluated.

11.3.2.2. If DTE Electric utilizes non-price factors beyond those intended to measure safety and quality, project management abilities, creditworthiness, financial strength, and experience of a developer or the feasibility and technological quality of a project, or similar, the utility will designate these factors as bonus factors. In the RFP documents, the utility must describe in detail how each non-price bonus factor provides an observable or identifiable ratepayer benefit. In the absence of such description the applicable non-price factor may not be used in evaluating and selecting competitive solicitation responses.

11.3.3. Pro forma PPA and BTA contracts with terms and conditions.

11.3.4. As applicable, identify the parameters for inclusion of any financial compensation mechanism approved by the Commission prior to issuance of RFP, terminal value analysis or any other adjustment factor for all projects.

11.3.4.1. DTE Electric will notify participants that it will conduct a terminal value analysis unless the developer submits a bid for a for a 35-year PPA.

11.3.4.2. DTE Electric will calculate terminal value for each project using the simple average of the following items:

11.3.4.2.1. At least three forward curves estimating MISO market clearing prices for energy and capacity from third-party market sources that are publicly available,

11.3.4.2.2. A NREL (or similar publicly available 3rd party source) renewables replacement value calculation, and

11.3.4.2.3. The LCOE price of the project bid in the RFP (similar to Colorado Annuity method).

11.3.4.3. DTE Electric will provide developers with the terminal value calculations for 11(c)(iv)(2)(a) and (b) with the RFP materials.

11.3.5. As applicable, assumptions for federal tax credit treatment for all projects (i.e. ITC eligibility and amount);

11.3.6. To the degree practical, the terms and conditions for PPA bids should mirror those for BTA contracts or utility self-build projects.

11.3.7. The RFP and PPA will not include terms and conditions which would violate code of conduct rules against undue discrimination in favor the utility's or its affiliate's competing projects.

11.4. Oversight and independence of bidding process:

11.4.1. DTE employees and affiliates who have responsibility for bidding projects will be held separate from the group who will be involved in designing the RFP, conducting the RFP and evaluating the bids, and bidder information will not be shared with those employees or affiliates.

- 11.4.2. DTE Electric will host a pre-RFP meeting with Staff to lay out the timeline associated with each solicitation and provide Staff an opportunity to review and comment on RFPs prior to public release.
- 11.4.3. DTE Electric shall provide Staff access to all proposals, score sheets, justification for deviations from scoring, and any other information necessary for Staff to audit the process.
- 11.4.4. DTE Electric will use an independent third-party evaluator to oversee the competitive solicitation process if utility self-build or affiliate project bids or proposals will be considered for the utility's competitive solicitation.
- 11.4.5. If utility self-build or affiliate project bids or proposals will not be considered and an evaluator is not utilized, DTE Electric will adhere to the Commission's December 12, 2008 Order in Case No. U-18500, Attachment D, *Guidelines for Competitive Request for Proposal for Renewable and Advanced Cleaner Energy*, in particular Section 4 titled "Each Provider shall develop a bid evaluation methodology in consultation with the Commission Staff to evaluate proposals received"
- 11.4.6. When an independent third-party evaluator is used, the following shall apply:
- 11.4.6.1. Consistent with the oversight principles set out in *Allegheny Energy Supply Co, LLC*, 108 FERC 61082 (2004), the independent evaluator will (1) work with DTE Electric to design the solicitation, (2) oversee administration of the bidding, and (3) evaluate bids for minimum qualifications as described in the RFP documents, prior to DTE Electric's selection.
- 11.4.6.2. DTE Electric shall arrange a post-RFP meeting between Staff and the independent evaluator in which the selection process is detailed.

11.4.6.3. DTE Electric will provide access to all information for the independent evaluator to effectively carry out its roles and responsibilities.

11.4.6.4. Independent evaluator will be available and responsive to Staff throughout the process.

11.4.6.5. The independent evaluator will oversee DTE Electric's assessment and scoring of the proposals to ensure it complies with selection criteria described in Section 3 - "Minimum RFP requirements and specification of evaluation criteria."

11.4.6.6. Should DTE Electric deviate from the prespecified minimum RFP requirements and specifications of evaluation criteria it shall state the reason(s) for the deviation.

11.4.7. At the completion of the competitive solicitation the independent evaluator will deliver to the Commission a report that summarizes the solicitation process to include the level of DTE Electric's adherence to the RFP pre-specifications, and any exceptions to the pre-specifications.

11.5. DTE Electric will comply with the Code of conduct:

11.5.1. All code of conduct rules shall be followed. DTE Electric shall document compliance with the Code of Conduct for any award to an affiliate and shall include such documentation when it files for approval.

11.5.2. RFP clearing price shall be used to determine "market price" in affiliate transactions for resource supply pursuant to MPSC code of conduct rules.

11.6. MPSC Staff and stakeholder involvement:

11.6.1. Prior to conducting an RFP, DTE Electric will work with Staff and stakeholders as follows:

11.6.1.1. At least 45 days before the competitive solicitation is issued DTE Electric will conduct pre-RFP conference in which it will present draft solicitation documents (including an explanation of each non-price factor to be considered as well as its definition, criteria, value, score, quantification, relative importance, or weighting) and allow developers, Staff and stakeholder to ask questions of the utility and provide comments or suggested edits to the solicitation documents. DTE Electric will consider refinements to the RFP suggested by Staff and stakeholders.

11.6.2. DTE Electric will consider refinements to the bidding processes over time based on feedback from bidders, the Commission, and stakeholders

12. DTE Electric Small-Scale Solar Procurement:

12.1. DTE Electric will solicit 100 MWac of small-scale solar (less than 25 MWac and greater than 550kWac) build-transfer projects and will acquire projects that meet the guidelines set forth below.

12.2. Participation in the procurement will be limited to projects with a pending interconnection application as of the date the Commission approves the settlement agreement. No projects by DTE or its affiliates may participate.

12.3. Small-Scale Solar Procurement Process:

12.3.1. Within 30 days following Commission approval of the settlement agreement, DTE Electric will send non-disclosure agreements to all developers with a pending interconnection application for a project of appropriate size.

12.3.2. Within 65 days following Commission approval of the settlement agreement, DTE Electric will conduct an informal developer meeting, which may be attended by any developer who has executed a non-disclosure agreement.

12.3.2.1. Five (5) days before the informal developer meeting, DTE Electric will provide the following information to all developers who have executed a non-disclosure agreement:

12.3.2.1.1. Maximum possible price for BTAs is equal to the highest bid selected in the Fall 2019 RFP, which was \$53 per MWh, plus an additional \$1 per MWh for network upgrade costs, for a total maximum MWh price of \$54.

12.3.2.1.2. LCOE plug-in model for developers to use in calculating bids, which will at a minimum include a confidential portion that applies DTE Electric's estimated tax equity benefits (net of tax equity costs) and O&M assumptions.

12.3.2.1.3. Standard contract.

12.3.2.1.4. Prequalification requirements.

12.3.2.1.5. Competitive bid details, including bid evaluation criteria.

12.3.2.1.6. Batch-study costs.

12.3.2.1.7. Technical specifications and standard of work requirements.

12.3.3. Following the informal developer meeting, developers will have 30 days to provide prequalification documentation in Power Advocate.

12.3.4. Following the informal developer meeting, developers will have 30 days to update their applications in Powerclerk under the developer's existing DE number. Project

changes will be limited to updating equipment information (e.g., change in inverter models).

12.3.4.1. Existing applications will all be updated to the current Interconnection application form, which will retain data that was previously entered where form fields have not changed, but will also require some new information to conform to the requirements for any new application submitted.

12.3.4.2. All developers who want to have their projects included in this small-scale solar procurement process will have to check a box on their applications indicating they want to proceed in this process.

12.3.5. Following the application update period, DTE Electric will conduct an initial review over the next 45 days, which will include review of updated applications choosing to participate and prequalification documents. Developers will be given one opportunity to cure any defects identified by DTE Electric and answer any questions DTE Electric may have within 5 days of notification via email. This may but need not include individual meetings (virtual) with developers at DTE Electric's request.

12.3.5.1. If there are more than 100 projects, DTE Electric will have an additional 15 days for each 50 additional projects.

12.3.6. Following the initial review, DTE Electric will provide each developer that indicated it wanted to proceed in this process, and who met all prequalification requirements, with a high-level estimate of minimum interconnection costs for each developer/project via email. This may but need not include meetings (virtual) with developers at DTE Electric's request.

12.3.7. Following communication of high-level minimum interconnection cost estimates, the developers will have 21 days to make further changes to their applications, which will be limited to the following:

12.3.7.1. Developer may reduce the size of the proposed project; and

12.3.7.2. Developer may respond to any option provided by DTE Electric in the high-level estimate.

12.3.8. Bids, in the form of the completed LCOE plug-in model, will be due immediately following the 21-day change period. Bids should include all project costs except interconnection and network costs.

12.3.9. Following submission of bids, DTE Electric will identify its short list and notify bidders of the results within 14 days. During this period DTE Electric may, but is not required to, reach out to any developer if DTE Electric has a question regarding any of the developer's LCOE inputs.

12.3.10. DTE Electric will shortlist 150 MWac-200 MWac to allow for projects that may drop out during the study period. If more than 50MWac drop out during the study process or exceed the price cap once costs are known, DTE Electric will not include additional projects that were not included in the study process.

12.3.11. Payment of the study fee is due within 14 days of short list notification.

12.3.12. DTE Electric will begin the batch study 15 days after announcing the results of the bid selection and will include short listed projects that have paid the study fee.

12.3.12.1. Sixty³ (60) business days into the study, DTE Electric will provide preliminary information regarding any grid impacts identified during the study, interactions with other projects, and the likelihood of substantial upgrades.

12.3.12.1.1. Developers will have 14 business days to determine whether they wish to withdraw from the study. A developer who withdraws from the study will be refunded 30% of the study fee paid.

12.3.12.1.2. If the study has identified non-interconnection costs that are the developer's responsibility, the developer may update its LCOE plug-in model and resubmit to DTE Electric within the 14-day withdrawal period.

12.3.12.2. The study will be completed within 134 business days, after which DTE Electric will provide a redacted Final Study Report and Network Costs within 14 days. If the number of projects exceeds 50, then 30 days will be added to the timeline for each additional 50 projects, with 15 additional days added to each study period.

12.3.12.3. If a project triggers an affected system study (ITC/MISO), the project will be removed from this process if ITC/MISO determines the project has to go through the MISP Definitive Planning Phase (DPP) or if the affected system indicates there is a study required that will exceed 30 days.

12.3.12.4. Network Costs will be allocated as proposed by Staff in the new rules. DTE Electric will provide allocated and potential total costs.

³ Presumes 50 projects. If the number of projects exceeds 50, then 15 days will be added for each additional 50 projects.

12.3.13. In order to comply with existing interconnection rules, DTE Electric will provide all projects with construction agreements for interconnection costs within 14 days after providing the study results. Provision of a construction contract does not indicate a winning bid, but rather acknowledges that a developer may wish to develop its project even if it does not receive a contract via this procurement process.

12.3.14. DTE Electric will rank the projects on the basis of LCOE incorporating study estimated interconnection cost, network costs and bid price on a per MW basis and announce winning bids within 14 days.

12.3.14.1. In the case of a tie, equal bids will be selected in the order of application date, with the earliest application dates being selected first for the purpose of breaking any ties.

12.3.15. Following announcement of winning bids, DTE Electric will work with winning developers to get contracts signed and any necessary additional documents completed so DTE Electric may submit the executed contracts for approval to the Commission, ex parte.

12.4. The MPSC Staff will be provided access to all information related to the small-scale solar procurement process, including access to the confidential portion of the LCOE plug-in model.

13. DTE Electric will participate in a Carbon Offset and Reduction Work Group, wherein DTE Electric commits to work with Ann Arbor, MI-MAUI, Staff and other interested stakeholders to evaluate potential carbon offset and reduction products, including for example Virtual Power Reduction, with the goal of proposing such products in the Voluntary Green Power filing in 2022.

- 14.** DTE Electric will report on its pilots approved in this case as follows: In the February 8, 2021 Order in Case No. U-20645, the Commission provided guidance to utilities relative to criteria that will be used to evaluate proposed pilots submitted to the Commission for funding approval. DTE Electric commits to reporting in this docket consistent with the Commission's guidance for the pilots included in this settlement for which ratepayer funding is requested, and also for the low-income solar pilot.
- 15.** This Settlement Agreement is entered into for the sole and express purpose of reaching a compromise among the parties. All offers of settlement and discussions relating to this settlement are, and shall be considered, privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, neither the parties to this Settlement Agreement nor the Commission shall make any reference to, or use, this Settlement Agreement or the order approving it, as a reason, authority, rationale, or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided, however, such references may be made to enforce or implement the provisions of this Settlement Agreement and the order approving it.
- 16.** This Settlement Agreement is based on the facts and circumstances of this case and is intended as the final disposition of all issues in Commission Case No. U-20851 and all issues other than DTE Electric's financial compensation mechanism request before the Commission in Case No. U-20713. So long as the Commission approves this Settlement Agreement without any modification, the parties agree not to appeal, challenge, or otherwise contest the Commission order approving this Settlement Agreement. The Parties agree and understand that this Settlement Agreement does not limit any party's right to take new and/or different positions on similar issues in other administrative proceedings, or related appeals.

17. This Settlement is not severable. Each provision of the Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. Failure to comply with any provision of this Settlement Agreement constitutes failure to comply with the entire Settlement Agreement. If the Commission rejects or modifies this Settlement Agreement or any provision of the Settlement Agreement, this Settlement Agreement shall be deemed to be withdrawn, shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall be without prejudice to the pre-negotiation positions of the parties.
18. The parties agree that the approval of this Settlement Agreement by the Commission would be reasonable and in the public interest.
19. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969 (MCL 24.281), as it applies to the issues resolved in this Settlement Agreement, if the Commission approves this Settlement Agreement without modification.
20. This Settlement Agreement may be executed in any number of counterparts and by the parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but such counterparts together shall constitute one and the same instrument.

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

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