File #: 25-1557, **Version:** 1

Resolution to Approve the Proposed Settlement Agreement in Michigan Public Service Commission Case No. U-21909 Regarding Implementation of a Performance Based Ratemaking Mechanism for DTE Electric Company
The attached resolution seeks approval of the proposed Settlement Agreement in the Michigan Public Service Commission ("MPSC") Case No. U-21909. This is the proceeding in which DTE Electric Company ("DTE") filed an application for approval of a performance based ratemaking ("PBR") mechanism in response to an order and guidance from the MPSC in Case No. U-21400.

The City intervened in the case after a review of DTE's application led to the conclusion that DTE's proposed PBR mechanism did not comply with the MPSC order in Case No. U-21400 and violated the Service Quality and Reliability Standards for Electric Distribution Systems. Four other parties intervened as well.

After several months of settlement discussions, in which intervenors were generally aligned on most disputed issues, DTE presented a version of a proposed Settlement Agreement that was amenable to all parties.

The proposed Settlement Agreement will result in the implementation of a PBR mechanism that complies with the MPSC's previous order and fulfills the purpose of PBR - penalizing performance that falls short of targets and incentivizing performance that is significantly better than targets. Importantly, the proposed Settlement Agreement also includes a jury waiver and a requirement for DTE to perform an internal audit of the data gathering and calculation processes underlying the PBR metrics.

DTE and all other intervening parties have indicated their intention to execute the Settlement Agreement as proposed.

City staff and the City Attorney's Office recommend approval of the proposed Settlement Agreement and note that it is likely to be as favorable - or even more so - to the City, intervening parties, and ratepayers than an MPSC order that would result from the full litigation of this case.
Prepared by: Valerie Jackson, Assistant City Attorney
Reviewed by: Missy Stults, Sustainability and Innovations Director
Approved by: Milton Dohoney Jr., City Administrator
Whereas, The City intervened in MPSC Case No. U-21909 to express concerns with DTE Electric Company's proposed performance based ratemaking mechanism and to advocate for a performance based ratemaking mechanism that complies with the Michigan Public Service Commission's prior guidance and the Service Quality and Reliability Standards for Electric Distribution Systems;

Whereas, After several months of settlement discussions among DTE Electric Company, the City, and other intervening parties, DTE Electric Company proposed settlement terms that were amenable to all parties;

Whereas, the proposed Settlement Agreement represents the culmination of such settlement discussions;

Whereas, The proposed Settlement Agreement will result in a performance based ratemaking mechanism that complies with the Michigan Public Service Commission's guidance, as well as the Service Quality and Reliability Standards for Electric Distribution Systems, and is aligned with the purposes of performance based ratemaking; and

Whereas, City staff and the City Attorney's Office recommend settlement of this case on the terms contained in the proposed Settlement Agreement;

RESOLVED, That City Council authorize the settlement of Michigan Public Service Commission Case No. U-21909;

RESOLVED, That City Council approve the attached proposed Settlement Agreement in Michigan Public Service Commission Case No. U-21909;

RESOLVED, That the Mayor, Clerk, City Administrator, and City Attorney be authorized to execute such settlement documents and take such other actions as are consistent with the purposes of this resolution; and

RESOLVED, That the City Administrator be authorized to take all necessary actions to implement this resolution.