MI Power Grid Competitive Procurement Workgroup

Meeting #2

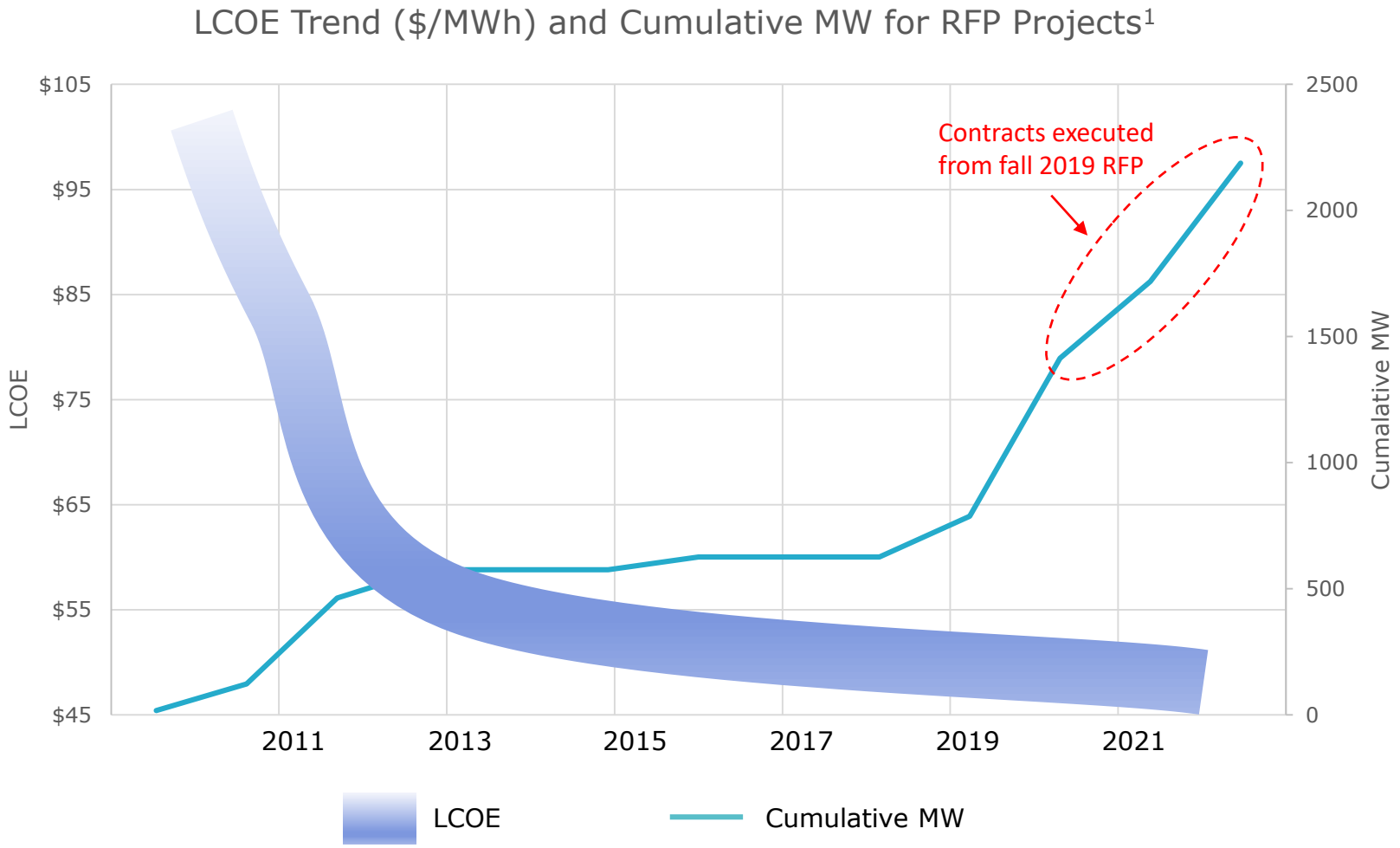
October 22, 2020

DTE Electric has been conducting successful renewable resource requests for proposals (RFP) for over a decade

Case No.	DTE Filing	Contracts Resulting & Approved from RFPs
U-15806	2009 Renewable Energy Plan (REP)	Tuscola Bay PPA (120 MW) Thumb Wind Farms (110.4 MW) Gratiot Wind Park PPA (110.4 MW) Gratiot Wind Park (102.4 MW) L'Anse Warden PPA (17 MW) Landfill Gas PPA (3.2 MW)
U-16582	2011 Amended REP	Echo Wind Park (112 MW)
U-17793	2015 Amended REP	Pinnebog Wind Park (51 MW)
U-18111	2016 Amended REP	Pine River Wind Park (161.3 MW) Polaris Wind Park (168 MW)
U-18232	2018 Amended REP	Fairbanks Wind Park (73 MW) Isabella I & II Wind Parks (385 MW)
U-18232	2020 March Amended REP	Meridian Wind Park (225 MW) Assembly Solar PPA (79 MW) River Fork PPA (49 MW)
U-20851	2020 August Amended REP*	Solar BTAs (320 MW) Solar PPA (100 MW)

DTE Electric has utilized statutory language (i.e. PA295 and PA342) and regulatory orders (U-15800) to guide our approach on competitive solicitations

The LCOE of projects has decreased with each competitive solicitation process completed by DTE Electric



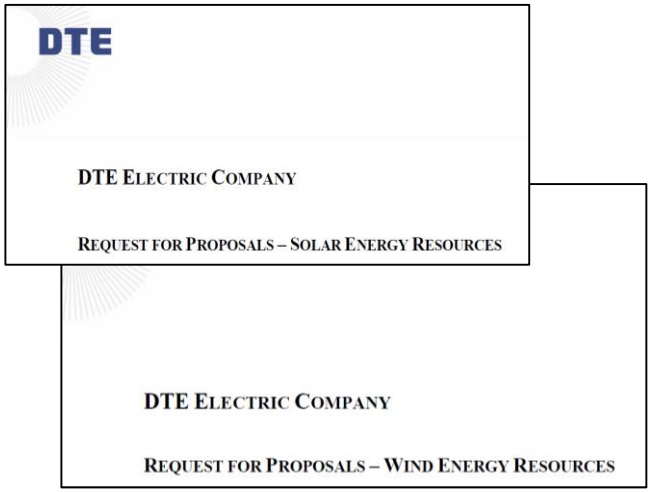
1. Illustrative of decrease in LCOE over time

The DTE Electric 2019 Renewable Energy RFP requested both wind and solar resources, in addition to varying ownership structures

- New wind and solar renewable sources were identified to meet renewable portfolio standards and voluntary green pricing future needs, which led to DTE Electric issuing the 2019 Renewables RFP
- The 2019 Renewable Energy RFP included the following:
  - RFP documentation for a Build-Transfer Agreement (BTA) and a Purchase Power Agreement (PPA), which described the purpose and scope of the RFP
  - A description of the evaluation process and economic and non-economic criteria
  - Pro forma contracts (template contracts) for a BTA and a PPA; specific to BTAs, supporting documents such as technical specifications and scope of work

Required information in RFPs should clearly communicate factors taken into consideration when evaluating bids

- Through our experience issuing RFP's and reviewing bid responses we believe there is an appropriate amount of information necessary to enable bidders to make reasonable and honest proposals
- The detail provided in our 2019 RFP resulted in over 180 unique bids evaluated
- We agree there are potential areas of improvement to be discussed regarding increased transparency in evaluating future RFPs. For example, in addition to what was shared in the 2019 RFP:
  - Provide the overall weighting of economic and non-economic factors
  - State the public sources of post-PPA market curves that will be used in the terminal value analysis
  - Describe how an approved financial compensation mechanism would be applied in evaluating PPAs



DTE Electric Renewable RFP documents have been reviewed by MPSC Staff with the most recent 2019 RFP also incorporating an independent advisor

- The current DTE Electric RFP process includes MPSC Staff review of RFP bid documents and scoresheets in advance of issuance with feedback provided by Staff for inclusion in the documents
- The 2019 Renewable Energy RFP also incorporated an independent advisor, Navigant, to:
  - Review the RFP bid documents, scoresheets and associated weighting
  - Benchmarking against other utility RFP best practices
  - Participate in scoring the bid responses
  - Participate in meetings with MPSC Staff
  - Support the regulatory process through an affidavit and report
- The process also included MPSC Staff review and audit of detailed bid proposals and associated scoring

DTE Electric is preparing to implement lessons learned from the 2019 Renewable Energy RFP and is reviewing industry best practices for future solicitations

- Review and audit by MPSC Staff and an independent advisor has worked well and should continue
- However, sharing bid details with other third parties is inconsistent with the confidentiality that bidders expect and would be counter to running an effective and robust RFP
- Our learnings from the 2019 Renewable Energy RFP include earlier engagement of the independent advisor to ensure all current best practices are incorporated and to potentially facilitate pre- and/or post-RFP stakeholder meetings and pre-qualification of bids
- With these adjustments, we believe our RFP process would be consistent with the four pillars of the Allegheny Standard

DTE Electric issued a Renewable Energy RFP following the 2018 Amended REP

- In the DTE Electric 2018 Amended REP, new renewable sources were identified to meet both renewable portfolio standards and voluntary green pricing future needs
  - Led the company to issue a Renewables RFP in 2019 to obtain solar and wind bids and resulted in the successful negotiation of several projects
  - Approved renewable resources projects were included in the 2019 revised integrated resource (IRP) plan filed in March 2020

Conclusion

- DTE Electric has over a decade of experience in issuing Renewable Energy RFP solicitations with demonstrated success in executing contracts that create the best outcome for our customers
- The LCOE of projects continues to decrease over time with each successful competitive solicitation process completed by DTE Electric
- The 2019 Renewable Energy RFP was the result of learnings and improvements from previous RFPs and resulted in numerous contracts being executed - 770 MW across eight contracts, and over 40% increase in the Renewables portfolio
- DTE Electric works in consultation with MPSC Staff throughout the entire RFP process in developing the RFP and scorecards and reviewing responses and this should continue
- An independent advisor was beneficial in ensuring the RFP process aligned with best practices, providing objective oversight, and ensuring the quality and integrity of results
- DTE Electric is committed to working with stakeholders to improve the RFP process while maintaining flexibility so that the Company can react to and plan around evolving customer demands, market conditions, emerging technologies, and regulatory constructs

Questions?