

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
OFFICE OF THE DIRECTOR

In the matter of administrative proceedings)
against **DTE ELECTRIC COMPANY**, a)
corporation organized under the laws of the)
State of Michigan and doing business at)
3500 East Front Street, City of Monroe,)
County of Monroe, State of Michigan)
)

AQD No. 26-2015

SRN: B2816

STIPULATION FOR ENTRY OF FINAL ORDER
BY CONSENT

This proceeding resulted from allegations by the Michigan Department of Environmental Quality (MDEQ) Air Quality Division (AQD) against DTE Electric Company (Company), a Michigan corporation located at 3500 East Front Street in the City of Monroe, County of Monroe, State of Michigan, with State Registration Number (SRN) B2816. The MDEQ alleges that the Company is in violation of Permit to Install (PTI) No. 27-13 Special Condition I.2 for Emission Unit (EU)-Unit1-S1, EU-Unit3-S1 and EU-Unit4-S1; and Special Condition VIII for EU-LIMESTONE-S1 and EU-HYDRATEDLIME-S1. Specifically, the MDEQ alleges that the Company exceeded the emission limit for Particulate Matter (PM) for EU-Unit4-S1 during a stack test on September 10, 2013; exceeded the emission limit for PM for EU-Unit1-S1 during a stack test on July 8, 2014; exceeded the emission limit for PM for EU-Unit3-S1 during a stack test on July 9, 2014, and failed to install the stacks for EU-LIMESTONE-S1 and the EU-HYDRATEDLIME-S1 at the minimum height of 145 feet above the ground, as cited herein and in the Violation Notices dated December 2, 2013, March 14, 2014 and August 25, 2014. The Company and MDEQ stipulate to the termination of this proceeding by entry of this Stipulation for Entry of a Final Order by Consent (Consent Order).

The Company and MDEQ stipulate as follows:

1. The Natural Resources and Environmental Protection Act, 1994 PA 451 (Act 451), MCL 324.101 *et seq.* is an act that controls pollution to protect the environment and natural resources in this State.
2. Article II, Pollution Control, Part 55 of Act 451 (Part 55), MCL 324.5501 *et seq.* provides for air pollution control regulations in this State.

3. The MDEQ was created as a principal department within the Executive Branch of the State of Michigan pursuant to Executive Order 2011-1 and has all statutory authority, powers, duties, functions and responsibilities to administer and enforce all provisions of Part 55.

4. The Director has delegated authority to the Chief of the AQD (AQD Chief) to enter into this Consent Order.

5. The termination of this matter by a Consent Order pursuant to Section 5528 of Part 55 is proper and acceptable.

6. The Company and the MDEQ agree that the signing of this Consent Order is for settlement purposes only and does not constitute an admission by the Company that the law has been violated.

7. This Consent Order becomes effective on the date of execution (effective date of this Consent Order) by the AQD Chief.

8. The Company shall achieve compliance with the aforementioned regulations in accordance with the requirements contained in this Consent Order.

COMPLIANCE PROGRAM AND IMPLEMENTATION SCHEDULE

9. A. Permit

1. On and after the effective date of this Consent Order, the Company shall comply with the emission limit for PM for EU-Unit1-S1; EU-Unit2-S1; EU-Unit3-S1, and EU-Unit 4-S1 pursuant to PTI No. 27-13A; Special Conditions I.2 for EU-Unit1-S1 through EU-Unit4-S1, and any subsequent permit revision. The PTI No. 27-13A is an enforceable part of the Consent Order.

2. Upon the issuance of the ROP that incorporates the conditions of PTI No. 27-13A, the Company shall fully comply with the emission limits for PM for the Emission Unit1-S1 through Unit4-S1 in the ROP, and any subsequent ROP revisions. Upon issuance of the ROP, the ROP is an enforceable part of the Consent Order.

3. On or after the effective date of this Consent Order, the Company shall comply with the stack heights for EU-LIMESTONE-S1 and the EU-HYDRATEDLIME-S1 pursuant to PTI No. 27-13A.

SUPPLEMENTAL ENVIRONMENTAL PROJECT

10. In addition to the civil fine in this Consent Order, the Company agrees to undertake the Supplemental Environmental Project (SEP) described in Exhibit A which is attached, incorporated by reference, and made an enforceable part of this Consent Order. Performance of the SEP will benefit the environment and the Company agrees to implement the SEP in accordance with the details specified in Exhibit A and in accordance with the following terms and conditions below:

A. The total expenditure for the SEP shall not be less than \$98,000.00. All costs of the SEP shall be the responsibility of the Company. The Company certifies that any economic benefit, including tax abatement(s), tax credit(s), or similar tax relief, that the Company will realize as a result of the SEP(s) is detailed in Exhibit A. If, after the SEP is fully and completely implemented, the actual expenditures for the SEP totals less than \$98,000.00, the Company shall pay to the MDEQ as a stipulated penalty, within thirty (30) days of submission of the SEP certificate of completion required in subparagraph G below, the difference between the actual expenditures and the amount of the monetary shortfall. Payment of any stipulated penalty shall be made as outlined in Paragraph 14.

B. The plan included as Exhibit A contains schedules, including specific dates for the implementation of the SEP. The Company shall fully implement all aspects of the SEP within the specified schedules.

C. The Company further certifies that the Company has not received, and is not presently negotiating to receive, a credit for the SEP as part of any other enforcement action or any grant from the State of Michigan, the U.S. Environmental Protection Agency (U.S. EPA) or any other entity. The Company also certifies that the Company will not seek tax benefits following completion of the SEP.

D. Disputes between the MDEQ and the Company regarding the SEP costs, mitigation amounts, and fulfillment of the SEP obligations under Exhibits A are not subject to dispute resolution.

E. In the event the Company fails to fully and completely implement the SEP as provided herein to the reasonable satisfaction of the MDEQ, the MDEQ will provide written notice to the Company describing the nature of the deficiency. The Company shall have thirty (30) days from receipt of the notice to submit documentation to the AQD Jackson District Supervisor demonstrating that the deficiency has been corrected. In the event the deficiency is not corrected to the satisfaction of the MDEQ, the Company will be notified and the Company shall be in violation of this Consent Order and required to pay a stipulated penalty of up to \$35,198.00 to the MDEQ within thirty (30) days of

notification from the MDEQ. The amount of the stipulated penalty may be reduced or waived by the MDEQ if the Company made good faith and timely efforts to complete the project. Payment of stipulated penalties under the terms of this paragraph shall satisfy the Company's obligation to complete the SEP(s) under this Consent Order. Payment of any stipulated penalty shall be made as outlined in Paragraph 14.

F. The Company agrees that any public statement, oral or written, making reference to the SEP shall include the following language: "This project was undertaken in connection with the settlement of an enforcement action taken by the MDEQ for violations of air quality law."

G. After the effective date of this Consent Order, until the completion of all activities specified in Exhibit A, the Company shall provide the AQD Jackson District Supervisor with a progress report every three months. Each progress report shall include a description of the SEP activities the Company has completed in the prior three months.

H. No later than thirty (30) days after the completion of all activities specified in Exhibit A, the Company shall submit written certification of completion of the SEP to the AQD Jackson District Supervisor demonstrating that all SEP activities specified in Exhibit A have been completed in accordance with the terms and conditions of this Consent Order and Exhibit A. The certification shall be accompanied by appropriate documentation (such as invoices, receipts, or tax statement) to verify the total expenditure made by the Company as a result of implementing the activities specified under Exhibit A. It shall be the sole determination of the MDEQ whether the Company has completely implemented the activities specified in Exhibit A of this Consent Order.

GENERAL PROVISIONS

11. This Consent Order in no way affects the Company's responsibility to comply with any other applicable state and federal, or local laws or regulations, including without limitation, any amendments to the federal Clean Air Act, 42 USC 7401 *et seq.*, Act 451, Part 55 or their rules and regulations, or to the State Implementation Plan.

12. This Consent Order constitutes a civil settlement and satisfaction as to the resolution of the violations specifically addressed herein; however, it does not resolve any criminal action that may result from these same violations.

13. Within thirty (30) days after the effective date of this Consent Order, the Company shall pay to the General Fund of the State of Michigan, in the form of a check made payable to the "State of Michigan" and mailed to the Michigan Department of Environmental Quality, Accounting Services Division, Cashier's Office, P.O. Box 30657, Lansing, Michigan 48909-8157, a settlement amount of \$16,619.00, which includes AQD costs for investigation and enforcement. This total settlement amount shall be paid within thirty (30) days of the effective date of this Consent Order. To ensure proper credit, all payments made pursuant to this Consent Order shall include the "Payment Identification Number AQD40099" on the front of the check and/or in the cover letter with the payment. This settlement amount is in addition to any fees, taxes, or other fines that may be imposed on the Company by law.

14. On and after the effective date of this Consent Order, if the Company fails to comply with paragraph 9.A of this Consent Order, the Company is subject to a stipulated fine of up to \$10,000.00 per violation. The amount of the stipulated fines imposed pursuant to this paragraph shall be within the discretion of the MDEQ. Stipulated fines submitted under this Consent Order shall be by check, payable to the State of Michigan within thirty (30) days of written demand and shall be mailed to the Michigan Department of Environmental Quality, Accounting Services Division, Cashier's Office, P.O. Box 30657, Lansing, Michigan 48909-8157. To ensure proper credit, all payments shall include the "Payment Identification Number AQD40099-S" on the front of the check and/or in the cover letter with the payment. Payment of stipulated fines shall not alter or modify in any way the Company's obligation to comply with the terms and conditions of this Consent Order.

15. The AQD, at its discretion, may seek stipulated fines or statutory fines for any violation of this Consent Order which is also a violation of any provision of applicable federal and state law, rule, regulation, permit, or MDEQ administrative order. However, the AQD is precluded from seeking both a stipulated fine under this Consent Order and a statutory fine for the same violation.

16. To ensure timely payment of the settlement amount assessed in paragraph 13 and any stipulated fines assessed pursuant to paragraph 14 of this Consent Order, the Company shall pay an interest penalty to the State of Michigan each time it fails to make a complete or timely payment under this Consent Order. The interest penalty shall be determined at a rate of twelve percent (12%) per year compounded annually, using the full increment of amount due as principal, calculated from the due date specified in this Consent Order until the date that delinquent payment is finally paid in full. Payment of

an interest penalty by the Company shall be made to the State of Michigan in accordance with paragraph 14 of this Consent Order. Interest payments shall be applied first towards the most overdue amount or outstanding interest penalty owed by the Company before any remaining balance is applied to subsequent payment amount or interest penalty.

17. The Company agrees not to contest the legal basis for the settlement amount assessed pursuant to paragraph 13. The Company also agrees not to contest the legal basis for any stipulated fines assessed pursuant to paragraph 14 of this Consent Order, but reserves the right to dispute in a court of competent jurisdiction the factual basis upon which a demand by MDEQ of stipulated fines is made. In addition, the Company agrees that said fines have not been assessed by the MDEQ pursuant to Section 5529 of Part 55 and therefore are not reviewable under Section 5529 of Part 55.

18. This compliance program is not a variance subject to the 12 month limitation specified in Section 5538 of Part 55.

19. This Consent Order shall remain in full force and effect for a period of at least three (3) years. Thereafter, the Consent Order shall terminate only upon written notice of termination issued by the AQD Chief. Prior to issuance of a written notice of termination, the Company shall submit a request, to the AQD Chief at the Michigan Department of Environmental Quality, Air Quality Division, P.O. Box 30260, Lansing, Michigan 48909-7760, consisting of a written certification that the Company has fully complied with all the requirements of this Consent Order and has made all payments including all stipulated fines required by this Consent Order. Specifically, this certification shall include: (i) the date of compliance with each provision of the compliance program and the date any payments or stipulated fines were paid; (ii) a statement that all required information has been reported to the AQD Jackson District Supervisor; (iii) confirmation that all records required to be maintained pursuant to this Consent Order are being maintained at the facility; and, (iv) such information as may be requested by the AQD Chief.

20. In the event the Company sells or transfers the facility, with SRN B2816, it shall advise any purchaser or transferee of the existence of this Consent Order in connection with such sale or transfer. Within thirty (30) calendar days, the Company shall also notify the AQD Jackson District Supervisor, in writing, of such sale or transfer, the identity and address of any purchaser or transferee, and confirm the fact that notice of this Consent Order has been given to the purchaser and/or transferee. As a condition of the sale, the Company must obtain the consent of the purchaser and/or transferee, in writing, to assume all

of the obligations of this Consent Order. A copy of that agreement shall be forwarded to the AQD Jackson District Supervisor within thirty (30) days of assuming the obligations of this Consent Order.

21. Prior to the effective date of this Consent Order and pursuant to the requirements of Sections 5511 and 5528(3) of Part 55, the public was notified of a 30-day public comment period and was provided the opportunity for a public hearing.


22. Section 5530 of Part 55 may serve as a source of authority but not a limitation under which the Consent Order may be enforced. Further, Part 17 of Act 451 and all other applicable laws and any other legal basis or applicable statute may be used to enforce this Consent Order.

23. The Company hereby stipulates that entry of this Consent Order is a result of an action by MDEQ to resolve alleged violations of its facility located at 3500 East Front Street, in the City of Monroe, County of Monroe, State of Michigan. The Company further stipulates that it will take all lawful actions necessary to fully comply with this Consent Order, even if the Company files for bankruptcy in the future. The Company will not seek discharge of the settlement amount and any stipulated fines imposed hereunder in any future bankruptcy proceedings, and the Company will take necessary steps to ensure that the settlement amount and any future stipulated fines are not discharged. The Company, during and after any future bankruptcy proceedings, will ensure that the settlement amount and any future stipulated fines remain an obligation to be paid in full by the Company to the extent allowed by applicable bankruptcy law.

The undersigned certifies that he/she is fully authorized by the Company to enter into this Consent Order and to execute and legally bind the Company to it.

DTE ELECTRIC COMPANY

FRANKLIN D. WARREN VP FOSSIL GENERATION
Print Name and Title

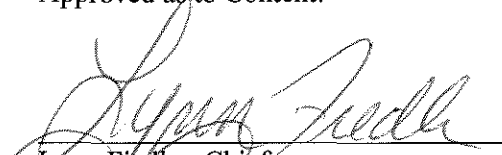
 Date: 9-14-2015
Signature

The above signatory subscribed and sworn to before me this 14 day of September, 2015.

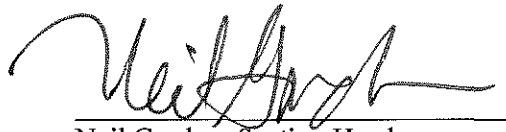
KAREN VUCINAJ
NOTARY PUBLIC, STATE OF MI
COUNTY OF MACOMB
MY COMMISSION EXPIRES NOV 3, 2016
ACTING IN COUNTY OF


Notary Public

Approved as to Content:


Lynn Fredler, Chief
AIR QUALITY DIVISION
DEPARTMENT OF
ENVIRONMENTAL QUALITY

Approved as to Form:


Neil Gordon, Section Head
ENVIRONMENTAL REGULATION SECTION
ENVIRONMENT, NATURAL RESOURCES,
AND AGRICULTURE DIVISION
DEPARTMENT OF ATTORNEY GENERAL

Dated: 9/18/15

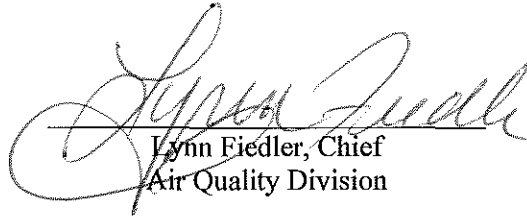
Dated: 9/17/15

FINAL ORDER

The Chief of the Air Quality Division having had opportunity to review the Consent Order and having been delegated authority to enter into Consent Orders by the Director of the Michigan Department of Environmental Quality pursuant to the provisions of Part 55 of Act 451 and otherwise being fully advised on the premises,

HAS HEREBY ORDERED that the Consent Order is approved and shall be entered in the record of the MDEQ as a Final Order.

MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY


Lynn Fiedler, Chief
Air Quality Division

Effective Date: 9/18/15

Exhibit A
Supplemental Environmental Project

Name & Location

DTE Electric Company – Monroe Power Plant (SRN: B2816)
3500 East Front Street
Monroe County
Monroe, MI 48161

Summary of Violations

Failed particulate matter (PM) stack tests September 2013 & July 2014 outlined in Violation Notices (VN) issued by MDEQ.

Project Name

Fuel Supply LED Lighting Upgrade

General Project Information

The project work will be managed by the Fuel Supply group at Monroe Power Plant. Environmental Management & Resources organization (EM&R) within DTE Energy will track progress and provide updates to DEQ as required and/or requested. This project involves replacing inefficient lighting with more efficient LED lighting in Transfer House 9 at Monroe Power Plant. The project is an energy efficiency project under the Pollution Prevention category outlined by DEQ SEP. The project will include internal and external resources.

Project Description

This project involves replacing inefficient lighting in Transfer House 9 in the Fuel Supply area of Monroe Power Plant. Approximately 70 inefficient lights will be replaced with high-efficiency LED lights. The lights being replaced are area lighting, high bay lighting and building lighting. The lights are inside and outside of the building.

The project involves scaffolding and electrical work as well as light replacement. Qualified contractors will be used as needed for scaffolding and other work which cannot be performed by plant personnel. Plant personnel may be used in certain functions associated with the project.

Expected Benefits

The benefit of this project is to increase the efficiency of the lighting in Transfer House 9. There is an added personnel safety benefit as the LED lighting provides better lighting than the existing lights. The increased efficiency will require significantly less energy to operate the LED lights

than the existing lights resulting in less electricity needing to be produced to power the lights. This results in less emissions.

Project Budget

The anticipated cost for the Transfer House 9 lighting upgrade is approximately \$98,700. A general approximate breakdown of the costs is as follows:

• Initial Costs	\$ 50,600.00 (Fixtures – Capital)
	\$ 48,100.00 (Labor)
	<hr/>
Total	\$ 98,700.00
• Useful Life	10 years (minimum)
• One-time, non-depreciable costs	\$ 48,100.00 (Labor & Disposal)
• Annual Operation Costs	\$ 0 for 10 years
• Projected annual savings	\$ 3,500.00

The projected annual savings is calculated based on 10% of the 70 lights needing repair or replacement each year, needing four hours of work in each instance and at a cost of \$125.00 per hour (7 lights per year X 4 hours per light X \$125.00 per hour = \$3,500.00).

There is no energy savings attributable to the Company. Any energy savings is a benefit to DTE Electric Company customers. The mechanism for this customer savings is outlined below (Source: Raymond Seidl, Manager – Regulatory Affairs, DTE Energy).

Energy efficiency at the plant lowers the loss factor related to Power Supply Cost Recovery (PSCR) expense charged to the customer. The loss factor is lowered due to a lower percentage of energy generated at the plant being lost to internal or “parasitic” load. The end result of energy efficiency at the plant is that the same amount of energy can be provided to the end user (customer) with less fuel consumption. The customer shares in that reduction in fuel consumption. Overall PSCR expenses are adjusted using the loss factor to calculate the final customer costs. The lower loss factor results in a lower customer cost.

Project Schedule

The lighting project will begin once this SEP and associated Consent Order are final. The project will be complete in by fall 2015 depending on the date of finalization.

Accounting

Funding for this project will be assigned to a specific work order and purchase order within the DTE Energy work management and accounting structure. Any charges associated with this project will be charged to these orders. Work done internally will be charged to the work order and outside services will be assigned a purchase order. Invoices received from any of the contractor(s) associated with this project will be kept as record of work done and charges made to this purchase order.

Reporting

DTE Energy EM&R will provide MDEQ with periodic updates on project progress throughout the duration of the project. Before and after photographs of the areas will also be taken to document progress.

Prior Commitments/Regulatory Requirements

There are no prior commitments or regulations which currently require this project.