



**BRUBAKER & ASSOCIATES, INC.**

1215 Fern Ridge Parkway, Suite 208  
St. Louis, Missouri 63141  
Tel. (314) 275-7007  
Fax (314) 275-7036  
E-Mail: bai@consultbai.com  
Website: <http://www.consultbai.com>

**Via: E-Mail**

May 16, 2006

Robert A. W. Strong, Esq.  
Clark Hill  
255 S Woodward Avenue, Suite 301  
Birmingham, MI 48009

**Re: Cost of Service Study Collaborative**

Dear Bob:

Brubaker & Associates, Inc. (BAI) has reviewed the cost of service models developed by The Detroit Edison Company (DECo) and Consumers Energy Company (Consumers) in connection with a collaborative initiated by the Michigan Public Service Commission (MPSC) to develop a uniform cost of service model that could be used in future electric rate proceedings. Both DECo and Consumers have provided cost of service models. However, the models are identical except for the applicable rate classes.

The cost of service models that were provided seem quite workable. The models have features that make them easy to work with and understand. Because the models are quite large, it was not possible at this time to test for accuracy. It would be more cost effective for this to be done in connection with a rate proceeding.

The cost of service models appear to be flexible, which would permit changes to the allocation factors used to assign plant to various rate classes. However, it is important that the cost of service model contain all the necessary load data or allocation factors so that it is possible to select or develop the appropriate allocation factor from the provided data. It should be noted that it appears the models do have this flexibility.

Based on BAI's review of the model, I provide the following recommendations.

1. Any links to any other spreadsheet should be eliminated or provided with the model. The provided copy of the model includes a link to another spreadsheet that was not provided.
2. The models should have the ability to change the title of the case study, and the title should appear on all of the pages. There does not appear to be an easy way to change the description of the allocation method that is utilized in the cost of service study for production and/or distribution plant.



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3. The model has a switch to utilize either a 4 CP allocation or a Staff method allocation for purposes of allocating production plant. The allocation method that is utilized to allocate production plant should be an input on one of the two input spreadsheets that are provided in the cost of service model.

In summary, it appears that the cost of service models provided by DECo and Consumers (which appear to be identical) are workable. This of course assumes that all formulae are provided in the cells.

If you have any questions about this letter or any of the information contained in it, please do not hesitate to call me.

Sincerely,

BRUBAKER & ASSOCIATES, INC.

James T. Selecky

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