

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of )  
**THE DETROIT EDISON COMPANY** for authority to )  
amend its standard contract rider No. 10 to include an )  
optional market-based pricing provision. )  
\_\_\_\_\_ )

Case No. U-13229

At the February 25, 2002 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Laura Chappelle, Chairman  
Hon. David A. Svanda, Commissioner  
Hon. Robert B. Nelson, Commissioner

**ORDER**

On December 14, 2001, The Detroit Edison Company (Detroit Edison) filed an application for authority to amend its existing standard contract Rider No. 10 (R10). The rider was approved by the Commission on May 21, 1992 in Case No. U-10090 as a demand-side option to allow Detroit Edison to more effectively manage peak demands. Rider R10 incorporated an innovative hourly power supply cost mechanism, which provided customers the ability to more effectively manage their costs of operation. Customers are provided with an hourly real-time price signal based on Detroit Edison's generating resources or power purchases designated to serve R10 loads.

According to Detroit Edison, through approximately the first six years of R10's existence, the hourly power supply cost charge for such service was both reasonably stable and predictable. In the past few years, however, with the evolution of the competitive wholesale power market, R10's hourly prices have become more volatile and less predictable. During this time, Detroit Edison

states that it has held numerous discussions with R10 customers regarding hourly power supply prices and that customers have requested that Detroit Edison consider alternative pricing schemes to address their concerns regarding both stability and predictability of prices.

Detroit Edison asserts that in response to its customers, it evaluated alternative pricing options and concluded that a market-based pricing mechanism would provide customers with the much-needed predictability of price to better manage their operations. According to Detroit Edison, use of a market-based pricing mechanism will benefit customers by increasing price transparency and predictability, which will enable customers to make more cost-effective operating decisions, and by providing more meaningful price information for evaluating customer choice options.

Therefore, Detroit Edison proposes to amend its existing R10 to include an optional market-based pricing provision. Charges under the market-based provision will replace the charges currently provided under the hourly power supply cost charge provision of R10. Detroit Edison states that the market-based provision will be optional and that customers not electing that option will continue to be billed under the existing hourly power supply cost charge provision.

Detroit Edison also represents that the market-based provision should also be made available to the company's special manufacturing contract (SMC) and large customer contract (LCC) customers because a number of its SMC and LCC customers currently take a portion of their loads under the interruptible provision of their contracts, which is similar to R10.

Detroit Edison states that the market-based provision will be in effect through December 31, 2003, which coincides with the price freeze period provided for in Section 10d(1) of 2000 PA 141, MCL 460.10d(1). Once a customer elects the market-based provision, the customer must remain under the provision through the end of 2003. The electing customer is also required to purchase its total R10 interruptible service requirements from Detroit Edison through December 31, 2003.

Detroit Edison states that the market-based provision contains specific pricing conditions for both on-peak and off-peak energy consumption. On-peak prices are based on the Cinergy Daily Index price and include adders for load following, losses, and transmission to the Detroit Edison electrical system. The Cinergy Daily Index is a volume weight-average of all reported power transactions through the Cinergy hub for next day's power supply. Customers utilizing the market-based provision will be able to more effectively determine their R10 power supply prices. Off-peak prices are based on reported power transactions through the Northern East Central Area Reliability (NECAR) hub and include adders for load following and losses. These prices are currently available on a daily basis to the public in a number of widely recognized publications. On-peak hours are between 7:00 a.m. and 11:00 p.m., Monday through Friday, excluding legal holidays.

On January 9, 2002, Attorney General Jennifer M. Granholm (Attorney General) filed a notice of intervention and request for hearing. In so doing, the Attorney General contended that approval of the new pricing option will violate the provision of MCL 460.10d(1) because it would enable R10, SMC, or LCC customers to pay a different rate than the one in effect for such customers on the effective date of that statute.

On January 11, 2002, Energy Michigan filed a petition to intervene and request for hearing.

On January 16, 2002, the Association of Businesses Advocating Tariff Equity (ABATE) filed a petition to intervene. In its petition, ABATE supports ex parte approval of the application.

On February 15, 2002, representatives of Detroit Edison, Energy Michigan, the Attorney General, and ABATE submitted a settlement agreement that resolves all issues in the case. According to the settlement agreement, attached as Appendix B, Energy Michigan, the Attorney General, and ABATE agreed to support the issuance of an order approving the application in

return for Detroit Edison's assurance that Detroit Edison would not propose ex parte approval of any further applications seeking changes to its R10 tariff, SMC contract prices, or LCC contract prices during the remainder of the rate freeze imposed pursuant to MCL 460.10d.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACRS, R 460.17101 et seq.

b. The settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Appendix B, is approved.

B. The Detroit Edison Company is authorized to amend its standard contract rider No. 10 as described in its December 14, 2001 application.

C. The revised tariff sheets that reflect the authority granted by this order, attached as Appendix A, are approved. The Detroit Edison Company shall file amended tariff sheets within 30 days.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ Laura Chappelle  
Chairman

( S E A L )

/s/ David A. Svanda  
Commissioner

/s/ Robert B. Nelson  
Commissioner

By its action of February 25, 2002.

/s/ Dorothy Wideman  
Its Executive Secretary

**STANDARD CONTRACT RIDER No. 10  
INTERRUPTIBLE SUPPLY RIDER--CONTINUED**

5. The unit's monthly cost of fuel (\$) for electric generation will be divided by the unit's net generation (MWh) to determine the hourly power supply cost (\$/MWh) for the month.
- For R10 energy supplied by purchased power, the hourly power supply cost charge will be calculated by dividing the total cost for the resource (excluding any costs allocated to the R10 customer via the monthly capacity charge) by the total energy for the resource.

**MONTHLY CAPACITY CHARGE:** The monthly capacity charge for fixed purchased power costs associated with power purchased for capacity deficiency reasons will be determined as follows:

- When power is purchased to meet a capacity deficiency and that purchase is identified as serving R10 load, the fixed purchase costs associated with the power transaction shall be borne by R10 customers. The amount of the fixed purchased costs, including any minimum purchase costs, charged to each R10 customer shall be determined by multiplying the fixed purchase costs, expressed in \$/MW, by the greater of either the scheduled R10 load (MW) or the actual load (MW) for each customer for the period during which the power was purchased to serve R10 load.

**Optional Market Based Pricing Provision:** This option is available to Rider 10 customers desiring alternative power supply cost pricing based on market based power supply indices. Charges under this provision shall replace the charges provided for under the "Hourly Power Supply Cost Charge" provision of Rider 10. Customers electing this optional service shall do so no later than 30 days following Michigan Public Service Commission approval of this provision. Customers must transfer 100% of their R10 requirements to this provision and must remain on this provision through December 31, 2003. The customer is also required to purchase its total Rider 10 interruptible service requirements from Detroit Edison through December 31, 2003. This option expires on December 31, 2003. The charges are as follows:

**On-Peak Energy Charge:**

- (CDI plus Load Following plus Losses) plus 0.45¢/kWh applied to all primary on-peak kWh.
- (CDI plus Load Following plus Losses) plus 0.45¢/kWh applied to all subtransmission on-peak kWh.
- (CDI plus Load Following plus Losses) plus 0.45¢/kWh applied to all transmission on-peak kWh.

**Off-Peak Energy Charge:**

- (NECAR plus Load Following plus Losses) applied to all primary off-peak kWh.
- (NECAR plus Load Following plus Losses) applied to all subtransmission off-peak kWh.
- (NECAR plus Load Following plus Losses) applied to all transmission off-peak kWh.

**For the above charges:**

- CDI = the Cinergy Daily Index price as reported in Megawatt Daily or successor publication.
- NECAR = the Northern ECAR price as reported in Megawatt Daily or successor publication.
- 0.45¢/kWh = American Electric Power (AEP) on-peak transmission to Michigan.
- Load Following = 10%.
- Losses = 2% for energy delivery to Michigan, plus losses for delivery to the customer of 8% for primary, 3% for subtransmission, and 1% for transmission.
- On-peak hours are the hours between 0700 and 2300 each day, Monday through Friday, legal holidays excluded.

**SUBSTATION CREDIT:** Available to customers where service at subtransmission voltage level or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of \$.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of .040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

(Continued on next sheet)

M/155

Issued: \_\_\_\_\_  
By: Robert J. Buckler  
President and Chief Operating Officer  
DTE Energy Distribution

Effective for service rendered on  
and after \_\_\_\_\_ under  
authority of order of the Michigan  
Public Service Commission in Case

STANDARD CONTRACT RIDER No. 10  
INTERRUPTIBLE SUPPLY RIDER--CONTINUED

**BASE RATE REDUCTION:** A credit of 3.227% applied to the service charge, maximum demand charge, non-power supply cost charge, and substation credits (if applicable) plus an energy credit of:

0.06435¢ per kWh for all Primary Voltage kWh  
0.06137¢ per kWh for all Subtransmission Voltage kWh  
0.06018¢ per kWh for all Transmission Voltage kWh

**POWER SUPPLY COST RECOVERY:** Service provided under this rider is not subject to the provisions of Schedule Designation B-4.6. However, for purposes of power supply cost reconciliation, the Company's total power supply costs and kWh sales will be reduced by the hourly power supply cost charges, the monthly capacity charges, the voltage level service adder, and the kWh sales associated with service under this rider.

**SURCHARGES AND CREDITS:** As approved by the Commission. See schedule designation B-4.9.

**5% SECURITIZATION REDUCTION:** A credit of 5% applied to the base bill and surcharges.

**LATE PAYMENT CHARGE:** See Schedule Designation B-2.10.

**MINIMUM CHARGE:** The Service Charge plus the Maximum Demand Charge, plus all applicable energy charges.

**MAXIMUM DEMAND:** The maximum demand shall be the highest 30-minute demand created during the previous 12 billing months, including the current month but not less than 50% of the contract capacity. This clause is applicable to each voltage level served.

**POWER FACTOR CLAUSE:** Shall be the Power Factor Clause as defined in the Primary Supply Rate (D6).

**SPECIAL TERMS AND CONDITIONS:** Customer-owned equipment must be operated so the voltage fluctuations on the primary distribution system of the Company shall not exceed permissible limits.

The customer will own and maintain the necessary equipment to separate the interruptible load from the firm power load. This equipment must meet the Company standards. The customer must also provide space for the separate metering of the interruptible load.

The interruptible load shall not be served from firm power circuits at any time. Violations of this provision will result in a charge of \$50 per kilowatt per month applied to the interruptible load determined to have been served from firm power circuits.

In order to implement Company initiated interruptions, the Company shall install and maintain, at the customer's expense, any equipment necessary to permit the Company to control interruptions of the customer's load and any facilities necessary to transmit and receive information regarding hourly energy costs and real-time monitoring of the customer's load. The Company will conduct at least once a year a physical test of this equipment to verify that it is functioning properly. The customer is also required to provide the Company with an hourly schedule of expected customer loads. These hourly schedules will be delivered to the Company weekly and no later than Thursday for estimates for the following week.

Electric energy from any source, other than the Company's, will be used to first reduce sales on this rider. Standby service will not be billed at this rider, but must be taken under Riders No.3, No.5, or No.6.

M/156

Issued: \_\_\_\_\_  
By: Robert J. Buckler  
President and Chief Operating Officer  
DTE Energy Distribution  
2000 Second Avenue  
Detroit, Michigan 48226

Effective for service rendered on  
and after \_\_\_\_\_ under  
authority of order of the Michigan  
Public Service Commission in Case  
No. U-13229 dated \_\_\_\_\_.

THE DETROIT EDISON COMPANY  
 M.P.S.C. No. 9  
 (To capture overflow from previous sheet)

Original Sheet No. R10d

STANDARD CONTRACT RIDER No. 10  
 INTERRUPTIBLE SUPPLY RIDER--CONTINUED

**CUSTOMER RELIABILITY OPTION:** This option is available to Rider No. 10 customers desiring to arrange for the Company to contract with a third party electricity supplier for back-up power in the event an interruption is requested by the Company. Back-up power shall be from sources under arrangements not otherwise available to the Company to provide service to its firm load customers. This option is available for the period of May 15 - September 15 and this Customer Reliability Option expires on December 31, 2001.

The customer is responsible for all costs associated with contracting for supplemental purchases from a third party supplier and delivery of such power purchases to the Michigan Electric Coordinated Systems (MECS) transmission system. All Rider No. 10 charges shall apply to power delivered under this option except for the hourly power supply cost charge. All power purchases must be scheduled with the Company.

If for any reason such purchases are deemed not to be delivered to the designated MECS point of interconnection the customer shall be subject to interruption. In order to maintain service to its firm load customers, if such service is jeopardized by constraints on the transmission system, customers electing this option will be subject to interruption before firm load customers.

**CONTRACT TERM:** The contract term is 8 years, extending thereafter from month-to-month until terminated by 5 years written notice by either party, which may be given at any time after the third year of the contract. Once notice of termination is given by the customer, such notice cannot be withdrawn without full permission of the Company. For the first year of service under this rider, the customer shall have the right to terminate the contract and return to service under the Company's rates for firm service by paying an amount equal to the D6 on-peak billing demand charge times the contract capacity for the number of months served under this rider.

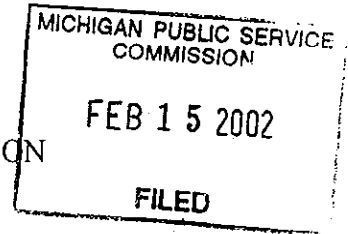
M/157

Issued: \_\_\_\_\_  
 By: Robert J. Buckler  
 President and Chief Operating Officer  
 DTE Energy Distribution  
 2000 Second Avenue  
 Detroit, Michigan 48226

Effective for service rendered on  
 and after \_\_\_\_\_ under  
 authority of order of the Michigan  
 Public Service Commission in Case  
 No. U-13229 dated \_\_\_\_\_.

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of THE DETROIT  
EDISON COMPANY for authority to amend its  
Standard Contract Rider No. 10 to include an optional  
market-based pricing provision

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MPSC No. U-13229

**Settlement Agreement**

On December 14, 2001, The Detroit Edison Company (DECo or the Company) filed in this case an "Application to Amend Standard Contract Rider No. 10."

DECo's application describes previous cases in which the Michigan Public Service Commission (MPSC or Commission) examined and approved Standard Contract Rider No. 10 and indicates that DECo provides interruptible electric service to over 70 large manufacturing customer sites, including customers served under the provisions of the Company's Special Manufacturing Contracts (SMC) and Large Customer Contracts (LCC).

DECo's application proposes to amend its existing Contract Rider No. 10 to include an "Optional Market Based Pricing Provision" that will replace those charges currently provided for under the "Hourly Power Supply Cost Charge" provision of Rider No. 10. The proposed provision is entirely optional, and customers not electing this option will continue to be billed under the existing "Hourly Power Supply Cost Charge" provision. The proposed "Optional Market Based Pricing Provision" will also be made available to the Company's SMC and LCC customers. The proposed "Optional Market Based Pricing Provision" will be in effect from the date of approval by the MPSC only through December 31, 2003, and the proposed, revised Rider

No. 10 tariff sheets are attached to DECo's application. DECo's application also states that no other customer rates will be affected by the proposed amendment because under the provisions of 2000 PA 141 rates are frozen during the term of the "Optional Market Based Pricing Provision."

Attorney General Jennifer M. Granholm has filed a Notice of Intervention and Request for Hearing. Energy Michigan has filed a Petition for Leave to Intervene and Request for Hearing, and the Association of Businesses Advocating Tariff Equity (ABATE) filed a Petition to Intervene.

Pursuant to MCL 24.278 and Rule 333 (1992 AACS, R 460.17333) of the Commission's Rules of Practice and Procedure, the undersigned parties agree to resolve this case on the following basis:

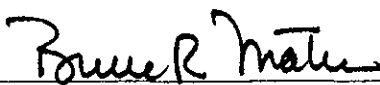
1. The parties agree to approval of the proposed tariff amendment based upon the representations presented in DECo's application.
2. The parties agree that MPSC approval of the proposed tariff amendment shall be subject to the condition that during the rate freeze imposed by MCL 460.10d no additional amendments of DECo's R10 tariff, SMC contract pricing, and/or LCC contract pricing will be proposed without notice and an opportunity for hearing.
3. So long as the MPSC approves this settlement agreement without any modification, the parties waive their rights under Section 81 of the Administrative Procedures Act (MCL 24.281).

4. So long as the MPSC approves this settlement agreement without any modification, the parties agree they will not appeal or contest the order approving this settlement agreement.

5. This settlement agreement has been made for the sole and express purpose of reaching a compromise among the positions of the signatories without prejudice to their rights to take new and/or different positions in other proceedings. All offers of settlement and discussions relating to this settlement agreement 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 or use may be made to enforce the agreement and order.

6. This settlement agreement 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 this settlement agreement, this settlement agreement shall be withdrawn and shall not constitute any part of the record of this proceeding or be used for any other purpose.

THE DETROIT EDISON COMPANY

  
\_\_\_\_\_  
Bruce R. Maters  
Attorney for Detroit Edison Company

Dated: 2/13/02

ATTORNEY GENERAL JENNIFER M. GRANHOLM

Donald E. Erickson  
Donald E. Erickson  
Assistant Attorney General

Dated: 2-14-02

ASSOCIATION OF BUSINESSES ADVOCATING TARIFF EQUITY

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Dated: 2/14/02

ENERGY MICHIGAN

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Attorneys for Energy Michigan

Dated: 2/14/02