

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
THE DETROIT EDISON COMPANY)	Case No. U-12478
for a financing order.)	
_____)	

At the February 20, 2004 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. J. Peter Lark, Chair
Hon. Robert B. Nelson, Commissioner
Hon. Laura Chappelle, Commissioner

OPINION AND ORDER

In the November 2, 2000 order in this proceeding, the Commission authorized The Detroit Edison Company (Detroit Edison) to securitize up to \$1,774,202,000 of regulatory assets and other qualified costs. Among other issues addressed by the order, the Commission concluded that there must be periodic true-ups of the securitization bond and tax charges to ensure that the amounts collected are sufficient to service the securitization bonds and to recover the associated tax liability. The Commission stated:

The record clearly shows that not only are periodic securitization and tax charge true-ups necessary, but (to provide the certainty needed to obtain a AAA bond rating) they need to be undertaken in a way that allows for their swift and certain resolution. For this reason, the Commission finds that Detroit Edison’s proposal for a true-up mechanism should be approved, but with two relatively minor changes. First, the utility as servicer should be limited to undertaking no more than one routine true-up per year until 12 months prior to the last expected maturity date of the securitization bonds. . . . Second, Detroit Edison, in its role as servicer of the securitization bonds, should initiate each routine true-up pursuant to Section 10k(3) of Act 142 [MCL 460.10k(3)] by filing a request for adjustment that (1) explains how its

proposed revision of the securitization and tax charges will ensure the expected recovery of amounts sufficient to timely provide all payments of debt service and other required amounts and charges in connection with the securitization bonds, (2) shows the computation of the proposed adjustments to the securitization charge and the tax charge currently in place, and (3) seeks Commission review and approval—on an expedited basis—of the arithmetic computations contained in the proposed adjustments before they can be implemented. All reviews conducted by the Commission of the computations shall be consistent with the requirements of Section 10k(3) of Act 142 for a true-up mechanism. This review must be completed regarding the servicer's request for adjustments to the securitization charge and the tax charge pursuant to a routine true-up within 45 days after Detroit Edison as servicer files its request for an adjustment. The determination of the Commission in response to a request for adjustment shall be provided by the Commission to the servicer within the aforementioned 45-day period. The adjustments by the Commission will be to the securitization charge and the tax charge in effect prior to the filing of the request for adjustment and those charges shall remain in place until the adjustments have become effective and are being billed to customers.

November 2, 2000 order, Case No. U-12478, pp. 37-38 (footnote omitted).

Detroit Edison filed a routine true-up adjustment report on January 15, 2004. Detroit Edison requests an increase in the bond principal and interest securitization surcharge, from 3.36 mills (0.336 cents) per kilowatt-hour (kWh) to 3.74 mills (0.374 cents) per kWh for the period of March 1, 2004 through February 28, 2005. It requests an increase in the tax surcharge for the same period from 0.88 mills (0.088 cents) per kWh to 0.99 mills (0.099 cents) per kWh. The tax surcharge increase results from the under-recovery of sales forecasted from the prior year, as well as the annual increase in the bond principal payment. The bond principal payment will increase each year and is not tax deductible, thereby increasing the tax charge.

The Commission Staff (Staff) reviewed the proposed adjustments, and in a memorandum to the Commission dated January 29, 2004, concluded that the adjustments are routine, the calculations are accurate, and the proposed adjustment conform to the methodology approved by the Commission. The Staff thus recommended that the Commission approve the true-up adjustments to take effect on March 1, 2004.

After considering Detroit Edison's filing and the Staff's review, the Commission agrees that the proposed adjustments are routine, the calculations are accurate, and the proposed adjustments conform to the approved methodology. Detroit Edison should therefore be authorized to implement the adjustments as of March 1, 2004.

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, 1999 AC, R 460.17101 et seq.

b. Detroit Edison should be authorized to implement its proposed true-up adjustments.

THEREFORE, IT IS ORDERED that, as of March 1, 2004, The Detroit Edison Company is authorized to increase the bond principal and interest securitization surcharge from 3.36 mills per kilowatt-hour to 3.74 mills per kilowatt-hour and to increase the tax surcharge from 0.88 mills per kilowatt-hour to 0.99 mills per kilowatt-hour.

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/ J. Peter Lark
Chair

(S E A L)

/s/ Robert B. Nelson
Commissioner

/s/ Laura Chappelle
Commissioner

By its action of February 20, 2004.

/s/ Mary Jo Kunkle
Its Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

Commissioner

Commissioner

By its action of February 20, 2004.

Its Executive Secretary

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Suggested Minute:

“Adopt and issue order dated February 20, 2004 approving routine true-up adjustments to The Detroit Edison Company’s securitization and tax charges, as set forth in the order.”