

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 accounting ) Case No. U-14201  
approval for certain business system costs. )  
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At the April 28, 2005 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

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

**ORDER APPROVING SETTLEMENT AGREEMENT**

On July 13, 2004, The Detroit Edison Company (Detroit Edison) filed an application requesting accounting authority to capitalize certain business system costs resulting from the replacement of various financial, supply chain, human resources, and work management systems which are at or near their end life. Detroit Edison has stated that all DTE Energy companies will use these new business systems; however, the new business systems will primarily benefit Detroit Edison.

Pursuant to due notice, a prehearing conference was held on September 9, 2004, before Administrative Law Judge Daniel E. Nickerson, Jr. Detroit Edison, the Commission Staff (Staff), the Association of Businesses Advocating Tariff Equity, and Attorney General Michael A. Cox (Attorney General) participated in the proceedings. Detroit Edison, the Attorney General, and the Staff filed testimony and exhibits in the proceeding. All testimony and exhibits were bound into

the record on January 19, 2005, and the parties agreed to waive cross-examination. Subsequently, the parties submitted a settlement agreement resolving all issues in this case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that authority should be granted to Detroit Edison to account for its enterprise business systems assets, as set forth in the settlement agreement.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1939 PA 3, as amended, MCL 460.1 *et seq.*; 1909 PA 106, as amended, MCL 460.551 *et seq.*; 1919 PA 419, as amended, MCL 460.51 *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. The settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that the settlement agreement, attached as Exhibit A, is approved.

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  
Chairman

( S E A L )

/s/ Robert B. Nelson  
Commissioner

/s/ Laura Chappelle  
Commissioner

By its action of April 28, 2005.

/s/ Mary Jo Kunkle  
Its Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

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Chairman

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Commissioner

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Commissioner

By its action of April 28, 2005.

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Its Executive Secretary

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Case No. U-14201

**STIPULATION AND SETTLEMENT**

Pursuant to Rule 333 of the Michigan Public Service Commission's ("Commission") Rules of Practice and Procedure, R 460. 17333, the Michigan Attorney General ("AG"), the Association of Businesses Advocating Tariff Equity ("ABATE"), the MPSC Staff, ("Staff") and The Detroit Edison Company ("Company," or "Edison") stipulate and agree to settle the captioned proceeding. In support, the parties to this Stipulation and Settlement state as follows:

1. This proceeding was commenced by the July 13, 2004 Application of Edison requesting that the Commission grant Edison authority to account for certain assets as described in its Application related to Edison's Enterprise Business System ("EBS"). The EBS is a set of business systems designed to replace the financial, supply chain (purchasing), human resources and work management information systems, which are at, or near their end of life. Edison has stated that the EBS will be used by all DTE Energy companies, and the primary beneficiary is Edison.

2. Edison filed direct testimony on October 14, 2004. Both the AG and the Staff filed testimony on December 3, 2004. Edison filed its rebuttal testimony on December

17, 2004. A hearing was held on January 19, 2005, at which the parties agreed to waive cross-examination of all witnesses and bind into the record the testimony and admit the exhibits of the witnesses in this proceeding.

3. The parties agree to the following:

- a) Edison has followed and will continue to follow the accounting for computer software costs set forth in American Institute of Certified Public Accountants Statement of Position ("SOP") 98-1 "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use" through December 31, 2005.
- b) Computer software costs expensed pursuant to SOP 98-1 through December 31, 2005 will not be capitalized, thus precluding future recognition in rate base.
- c) For Enterprise Business System costs incurred beginning January 1, 2006 through the completion of the EBS implementation project, Edison is granted accounting authority to defer computer software costs normally expensed pursuant to SOP 98-1, as a regulatory asset pursuant to Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation".
- d) Costs to be deferred as a regulatory asset are defined as all EBS costs incurred after January 1, 2006 that would normally be capitalized under the MPSC uniform system of accounts plant instructions and expensed under SOP 98-1, including overheads.
- e) The amount of costs to be deferred pursuant to subparagraph (d) shall not exceed \$60 million. Nothing herein shall prevent Edison from seeking recovery of EBS project costs in excess of any amounts deferred under subparagraph (d) above in a future rate case.
- f) Prudently incurred costs included within the EBS regulatory asset amount will be recovered by Edison as a part of its electric rates approved in Edison's first general rate case order effective after January 1, 2006. The amortization period of the EBS regulatory asset will be consistent with its authorized recovery.

- g) The EBS costs capitalized to plant account 303 "Miscellaneous Intangible Plant" will be amortized over a 15 year period commencing as each discrete unit of plant is placed into service.

4. The parties to this proceeding agree that this Settlement Agreement is reasonable and prudent and should be approved by the Commission, subject to the conditions set forth herein.

5. This Settlement Agreement has been made for the sole and express purpose of reaching a compromise and an accommodation among the parties to this case. This Settlement Agreement shall not in any way prejudice any of the parties' right to take new and/or different positions in any other proceeding. All offers of settlement and discussion 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 the Settlement Agreement, or the order approving it as 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 this Settlement Agreement and the order approving it.

6. This Settlement Agreement is intended for final disposition of the issues in this proceeding and the parties hereto join in respectfully requesting the Commission to grant its prompt approval. It is the opinion of the signatories hereto that this Settlement Agreement will result in the expeditious conclusion of this case and minimize the expenditures of resources which would otherwise have to be devoted to this matter by the Commission and the parties.

7. Each signatory hereto agrees not to appeal, challenge or contest the Commission order approving this settlement if the Commission approves this Settlement Agreement without modification.

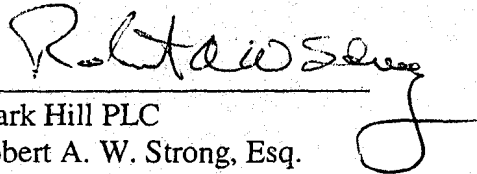
8. Section 81 of the Administrative Procedures Act of 1969 is waived by the parties.

9. This Settlement Agreement will become binding on the parties only if the Commission accepts it without modification. If the Commission does not accept this Settlement Agreement without modification, it shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any purpose whatsoever.

ASSOCIATION OF BUSINESSES  
ADVOCATING TARIFF EQUITY

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COMMISSION STAFF

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