

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of )  
**THE DETROIT EDISON COMPANY** )  
to unbundle and realign its rate schedules )  
for jurisdictional retail sales of electricity. )  
\_\_\_\_\_ )

Case No. U-14399

At the April 13, 2006 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. J. Peter Lark, Chairman  
Hon. Laura Chappelle, Commissioner  
Hon. Monica Martinez, Commissioner

**ORDER**

On December 22, 2005, the Commission issued an order approving, with modifications,  
Detroit Edison’s proposal to unbundle and realign rates, and directing Detroit Edison to prepare  
and file tariffs in accordance with the order.

On January 23, 2006, The Detroit Edison Company (Detroit Edison), the Association of  
Businesses Advocating Tariff Equity (ABATE), and Energy Michigan filed petitions for rehearing  
and clarification. On January 25, 2006, Energy Michigan filed a request to withdraw its petition.  
On February 13, 2006, the Commission Staff (Staff) and Energy Michigan filed responses to  
Detroit Edison’s and ABATE’s petitions, and Detroit Edison filed a response to ABATE’s  
petition.

### Detroit Edison's Petition for Rehearing and/or Clarification

In its petition for rehearing and/or clarification, Detroit Edison argues that the Staff has improperly instructed the company to file tariffs reflecting application of the residential rate subsidy to retail open access (ROA) residential customers. Detroit Edison argues that this conflicts with the December 22 order and will result in unintended consequences, thus requiring rehearing and/or clarification pursuant to 1999 AC R 460.17403 (Rule 403). Detroit Edison contends that the Staff's interpretation of the December 22 order creates a new subsidy for residential ROA customers and implements a different set of rate design parameters for residential and commercial and industrial (C&I) customers.

In response to Detroit Edison's petition, Energy Michigan points out that no residential customers of Detroit Edison are currently receiving ROA service, making this rehearing exercise purely academic; and further argues that the petition should be rejected because Detroit Edison has not provided sufficient evidence to determine the consequences of the tariff change that the company seeks.

The Staff argues that the December 22 order made clear that the responsibility for the residential subsidy lay fully with the full service C&I class. The Staff points out that the Commission's order did not distinguish between ROA and full service residential customers with respect to the subsidy. The Staff contends that the Commission did not intend that the ROA residential customer should pay more for distribution service than the full service residential customer.

The Staff is correct. The December 22 order states that "The responsibility for the residential subsidy will remain with the C&I full service customers." Order, p. 33. Thus, the only class of customer that should be paying the residential subsidy is that class. If an ROA residential

customer paid distribution rates solely on the cost-to-serve without the benefit of the subsidy, that customer's rates would, however infinitesimally, lower the amount of the subsidy that the C&I full service class would otherwise be paying, and would constitute an intra-class subsidy in the sense that the ROA residential customer would be subsidizing the full service residential customer.

While the Commission agrees that the point is an academic one, the Commission wishes to make clear that it did not intend for the ROA residential customer to subsidize the full service residential customer by being deprived of the subsidy, and that it intends for there to be a single distribution rate applicable to the residential class. Thus, the Commission denies the relief requested in Detroit Edison's petition for rehearing and/or clarification.

#### ABATE's Petition for Rehearing and/or Clarification

In its petition for rehearing and/or clarification, ABATE points out that the tariffs filed by Detroit Edison show that Rate D6 full service customers will receive an increase of 0.6%. *See*, p. 25 of 34 of the rate design workpapers filed by Detroit Edison on January 10, 2006. ABATE argues that this increase demonstrates that the December 22 order was not revenue neutral, and that this will result in unintended consequences, thus requiring rehearing and/or clarification pursuant to Rule 403. ABATE urges the Commission to redesign Rate D6 to make it revenue neutral.

ABATE further argues that the Commission should have taken additional actions to move rates closer to the cost of service. ABATE argues that all parties to this case supported the elimination of the residential subsidy, and that the Commission did not cite any record evidence to support its decision not to deskew. ABATE contends that the Commission abdicated its responsibility to approve rates that are consistent with promoting competition. Additionally, ABATE argues that the December 22 order failed to recognize and address the ratemaking

implications of ROA customers returning to full service and the alleged resulting windfall to Detroit Edison. Finally, ABATE argues that the Commission should allocate securitization costs on the basis of cost causation rather than through a uniform mills per kilowatt hour surcharge.

In response to ABATE's petition, Energy Michigan points out that the December 22 order did in fact move several rate elements closer to cost of service. In relation to the issue of returning choice customers, Energy Michigan argues for the recognition of stranded benefits.

In response to ABATE's petition, Detroit Edison argues that the intent of the December 22 order was to maintain revenue neutrality on both a total rate class and total company basis. Detroit Edison contends that revenue neutrality is shown by Exhibit A-26, which demonstrates that class revenue neutrality consistent with the November 23 order has been maintained. Detroit Edison contends that the 0.6% increase was necessary in order to maintain that neutrality, and that the full service rate increase was equal to the ROA rate decrease for Rate D6. This resulted from the Commission's decision that the residential subsidy should be reflected in full service distribution rates only, which resulted in a slight cost-based distribution rate decrease to Rate D6 choice customers. Detroit Edison argues that that slight decrease of \$3.2 million had to be recovered from full service Rate D6 customers in order to maintain overall class revenue neutrality.

Detroit Edison agrees with ABATE's request for the Commission to take further action to eliminate subsidies inherent in existing rate schedules. However, Detroit Edison disagrees with ABATE's request to address changing revenue requirements associated with a return of ROA customers to full service, and with ABATE's request to reallocate securitization charges.

In its response to ABATE's petition, the Staff argues that the tariffs that Detroit Edison filed conform to the December 22 order and are revenue neutral for all rate classes, as they were required to be. The Staff refers to Exhibit A-28, page 25 of 34. The Staff points out that the

revenue requirement approved in the Commission's November 23, 2004 order in Case No. U-13808 for Rate D6 is exactly what the unbundled full service and choice rates for this class generate.

Further, the Staff points out that it is incorrect to say that all parties to this proceeding agreed that subsidies should be eliminated, because the Attorney General testified otherwise. Finally, the Staff notes that ABATE's argument regarding securitization costs has been addressed by the Commission repeatedly and ABATE has stated no new arguments.

The Commission's directive in the December 22 order to set C&I ROA distribution rates based on cost of service, and to assign the responsibility for the residential subsidy to the C&I full service class, meant that a small increase to the Rate D6 full service rate was necessary. There were analogous full service rate decreases in other classes, such as Rates D3 and D4, for which ABATE does not seek clarification. *See*, pp. 15, 18 of 34 of the rate design workpapers filed by Detroit Edison on January 10, 2006. Detroit Edison was correct to maintain revenue neutrality within rate classes, and this has resulted in some increases or decreases in the full service and ROA segments of the rate classes, depending upon how each segment was affected by the December 22 order. Thus, the Commission denies the relief requested in ABATE's petition for rehearing and/or clarification. The Commission finds that Detroit Edison has properly interpreted the December 22 order to require revenue neutrality within rate classes.

Turning to ABATE's argument regarding recognition of the movement of customers from ROA to full service, the Commission indicated in the March 23, 2006 order in Case Nos. U-13808, U-14522, and U-14838 that it intends to address this concern in the show cause matter commenced by that order.

The Commission finds that the remaining issues addressed in ABATE's petition do not meet the standard for rehearing. Rule 403 provides that a petition for rehearing may be based on claims of error, newly discovered evidence, facts or circumstances arising after the hearing, or unintended consequences resulting from compliance with the order. A petition for rehearing is not merely another opportunity for a party to argue a position or to express disagreement with the Commission's decision. Unless a party can show the decision to be incorrect or improper because of errors, newly discovered evidence, or unintended consequences, the Commission will not grant a rehearing. ABATE's arguments regarding deskewing and reallocation of securitization costs were dealt with in the December 22 order (and other orders as well), and ABATE has presented no convincing claim of error, newly discovered evidence, or unintended consequence.

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.*; 1982 PA 304, as amended, MCL 460.6h *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 relief requested in the petition for rehearing and/or clarification filed by Detroit Edison should be denied.
- c. The relief requested in the petition for rehearing and/or clarification filed by ABATE should be denied.

THEREFORE, IT IS ORDERED that:

- A. The relief requested in the petition for rehearing and/or clarification filed by The Detroit Edison Company is denied.

B. The relief requested in the petition for rehearing and/or clarification filed by the Association of Businesses Advocating Tariff Equity is denied.

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/ Laura Chappelle

Commissioner

/s/ Monica Martinez

Commissioner

By its action of April 13, 2006.

/s/ Mary Jo Kunkle

Its Executive Secretary

B. The relief requested in the petition for rehearing and/or clarification filed by the Association of Businesses Advocating Tariff Equity is denied.

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

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Chairman

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Commissioner

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Commissioner

By its action of April 13, 2006.

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Its Executive Secretary