

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)	Case No. U-14399
for jurisdictional retail sales of electricity.)	
_____)	

In the matter of the application of)	
CONSUMERS ENERGY COMPANY for authority to)	
increase its rates for the generation and distribution)	Case No. U-14347
of electricity and other relief.)	
_____)	

At the March 21, 2007 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, The Detroit Edison Company’s (Detroit Edison) proposal to unbundle and realign rates; and an order in the Consumers Energy Company’s (Consumers) rate case. Both orders directed the Commission Staff (Staff) to conduct a collaborative process with Detroit Edison, Consumers, and other interested parties for the purpose of developing a Cost of Service Study (COSS) model. Order,

Case No. U-14399, p. 37; Order, Case No. U-14347, pp. 75-76. On February 26, 2007, the Staff filed its report on the results of the COSS collaborative.¹

The collaborative had 30 participants, including representatives from Detroit Edison, Consumers, the Association of Businesses Advocating Tariff Equity (ABATE), Energy Michigan, Constellation New Energy, Inc., The Kroger Company, Dow Corning/Hemlock Semiconductor, and WalMart, as well as the Staff and Attorney General Michael A. Cox (Attorney General). Active participants in the formulation of the COSS model were the Staff, Detroit Edison, Consumers, ABATE, and the Attorney General.

The Staff reports that its goal was to develop an electric COSS model that would be used by Detroit Edison and Consumers in their next general rate cases (both of which will be filed this year), and would meet the following criteria:

1. In order to facilitate the free exchange of information, the COSS model would not be proprietary.
2. The COSS model would permit all parties to view the data and the formulae in electronic format.
3. The COSS model would run on a personal computer using Excel-based software, but would not require the latest version of Excel in order to be executed.
4. The COSS model would have sufficient flexibility to permit any party to run the model as filed by the utility, or with different assumptions such as different cost or allocation methodologies.
5. The COSS models for Detroit Edison and Consumers would be standardized to the maximum extent possible, recognizing that some variation is necessary due to the differences in the two companies, such as different rate classes.

The Staff reports that the parties actively involved in the collaborative agreed that all of the above criteria had been met. In addition, both Detroit Edison and Consumers have agreed to use

¹Due to its length, the Staff report is not attached to this order but is available electronically on the Commission's website.

the models in their next rate case filings. The Staff reports that the recommended COSS models will facilitate the exchange of information and formulae and enable all parties with a reasonable level of expertise to modify the models based on a variety of assumptions, and compare the results. The models can be opened and modified with a standard version of Excel. The Staff states, “The key result of this process is not the models so much as it is the establishment of the principle that Edison and Consumers should be required to provide a fully loaded, working copy of their COSS in electronic format, without any proprietary constraints.” Staff’s Report, p. 7. The Commission commends the parties for reaching this goal.

The Commission wishes to thank the Staff and the participants for their cooperation in the collaborative. As the Staff notes, the contributions of the parties were critically important to the successful completion of this process. The Commission finds that Detroit Edison and Consumers have complied with the Commission’s directive to collaborate on the development of a standardized COSS model, and the COSS collaborative is closed. Detroit Edison and Consumers are directed to utilize the COSS models developed in the collaborative in their next general rate case filings, and to make them available to all parties in electronic format, along with supporting documentation. This represents the first step of a process that will continue to evolve, which may include addressing some issues left outstanding.

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. Detroit Edison and Consumers have complied with the Commission's directive to collaborate on the development of a standardized COSS model, and the COSS collaborative should be closed.

c. Detroit Edison and Consumers should utilize the COSS models developed in the collaborative in their next general rate case filings, and make them available to all parties in electronic format, along with supporting documentation.

THEREFORE, IT IS ORDERED that:

A. The Cost of Service Study collaborative is closed.

B. The Detroit Edison Company and Consumers Energy Company are directed to utilize the Cost of Service Study models developed in the collaborative in their next general rate case filings, and to make them available to all parties in electronic format, along with supporting documentation.

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 March 21, 2007.

/s/ Mary Jo Kunkle
Its Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

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Commissioner

By its action of March 21, 2007.

Its Executive Secretary