

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 )  
reconciliation of its power supply cost ) Case No. U-14702-R  
recovery plan for the 12-month period ended )  
December 31, 2006. )  
\_\_\_\_\_ )

In the matter of the application of )  
**THE DETROIT EDISON COMPANY** to ) Case No. U-15259  
reconcile its pension equalization mechanism )  
for the 12-month period ended December 31, 2006. )  
\_\_\_\_\_ )

At the April 22, 2008 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Orjiakor N. Isiogu, Chairman  
Hon. Monica Martinez, Commissioner  
Hon. Steven A. Transeth, Commissioner

**FINDINGS OF FACT**

Procedural History

On March 30, 2007, The Detroit Edison Company (Detroit Edison) filed an application with supporting testimony and exhibits requesting approval of its power supply cost recovery (PSCR) reconciliation for the 12-month period ended December 31, 2006 (Case No. U-14702-R), and reconciliation of its pension equalization mechanism (PEM) for the 12-month period ended December 31, 2006 (Case No. U-15259). On May 10, 2007, a prehearing conference was held before Administrative Law Judge Daniel E. Nickerson, Jr. (ALJ), and the two cases were consolidated.

At the prehearing, the ALJ granted petitions to intervene filed by Attorney General Michael A. Cox (Attorney General), the Association of Businesses Advocating Tariff Equity (ABATE), and the Michigan Environmental Council and Public Interest Research Group in Michigan (MEC/PIRGIM). The Commission Staff (Staff) also participated in the proceedings.

An evidentiary hearing was held on September 11, 2007, at which the parties agreed to bind pre-filed testimony into the record and to waive cross examination. Detroit Edison, ABATE, the Staff, and the Attorney General timely filed initial briefs and the Attorney General and Detroit Edison filed reply briefs on October 17, 2007. The record consists of 168 pages of transcript and 31 exhibits.

The ALJ issued a Proposal for Decision (PFD) on December 14, 2007. On January 4, 2008, the Attorney General and MEC/PIRGIM filed exceptions.<sup>1</sup> On January 14, 2008, Detroit Edison filed a reply to the Attorney General's exceptions.

#### 2006 PSCR Reconciliation

James H. Byron, Detroit Edison's Manager of Generation Optimization-Power Supply Planning, testified regarding the utility's 2006 power supply system operations, including the company's system generation and purchases and third party wholesale sales of power. Mr. Byron testified that Detroit Edison served a record peak demand of 12,364 megawatts (MW) and that there were no interruptions of customer load due to generation supply or transmission limitations. 2 Tr 37, 48. According to Mr. Byron, the average generation unit fuel cost of Detroit Edison's generation resources was \$15.21 per megawatt-hour (MWh), which was \$28 per MWh below the market price of power. In addition, Mr. Byron testified that Detroit Edison made over 3,200

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<sup>1</sup>MEC/PIRGIM's exception was to the misidentification of two of the attorneys in the case. On January 10, 2008, the ALJ issued an erratum correcting the error.

gigawatt-hours (GWh) of third party wholesale power sales, with associated gross revenue of \$169 million. 2 Tr 48. Mr. Byron testified that during the summer of 2006, the company's industrial interruptible customers were not required to curtail their interruptible load and that Detroit Edison reliably served its customers by acquiring and utilizing a summer purchase power portfolio at a reasonable cost. Id.

John C. Dau, Production Manager of Detroit Edison's Belle River Power Plant, presented the 2006 actual periodic maintenance at the company's fossil generation power plants and discussed the differences from the 2006 planned maintenance schedule. Mr. Dau opined that Detroit Edison's actual and planned maintenance and repair activities were reasonable and prudent. 2 Tr 68.

Steven M. Digaetano, Supervisor of Financial Management for Detroit Edison, testified that the company had a total booked cost for purchased power of \$529,572,572 and a total net transmission expense of \$192,476,582 in 2006. 2 Tr 73, 76; Exhibit A-12. Mr. Digaetano testified that Detroit Edison had a total fuel expense of \$736,137,280, including Sulfur dioxide (SO<sub>2</sub>) and oxides of Nitrogen (NO<sub>x</sub>) allowance expense, and including nuclear fuel expense of \$31,128,481. 2 Tr 77-78; Exhibits A-13 and A-14.

David Hicks, Supervisor of Detroit Edison's Fuel Resources-Fuel Supply Department, testified that the actual unit cost of fuels was lower than planned in the company's 2006 PSCR plan and that the actual cost of fuel was 171¢ per million British thermal units (MMBtu) compared to a planned cost of 181¢ per MMBtu. Mr. Hicks opined that Detroit Edison's 2006 fuel expenses were reasonable and the result of prudent procurement policies. 2 Tr 86-87.

Kenneth D. Johnston, Detroit Edison's Principal Project Manager, Regulatory Affairs, sponsored Exhibit A-17, which shows Detroit Edison's PSCR reconciliation monthly over (under) recovery and calculates a total underrecovery of \$50,890,282, including interest for 2006.

The Attorney General presented the testimony of Seth W. Brown, Principal Manager of Transmission Services at GDS Associates. Mr. Brown testified that a transformer at Detroit Edison's Belle River Unit No. 2 failed and caused an outage from September 10, 2006, through October 5, 2006, and that the transformer failure could have been prevented if the company had followed standard industry practices or its own guidelines for the inspection of transformers. According to Mr. Brown, the outage increased Detroit Edison's PSCR costs by \$6.34 million. 2 Tr 157.

Mr. Brown testified that the bushing that failed has a typical failure mode and that Detroit Edison could have returned the transformer to service in a much shorter period of time if the company had replaced the bushing before it failed. 2 Tr 159-160. Mr. Brown testified that Detroit Edison has a testing plan that calls for testing every 3 to 4 years during planned system outages, but that Detroit Edison had failed to follow its plan and had last tested the transformer bushing in 2002. According to Mr. Brown, Detroit Edison's testing plan is inadequate because the testing interval should not exceed 24 months. 2 Tr 161-162. Mr. Brown calculated a recommended disallowance of \$6,340,409. 2 Tr 164. ABATE agreed with the Attorney General's position but argued that the disallowance should be adjusted for an emission allowance expense of approximately \$900,000 and that the adjustment should be based on the incremental fuel cost instead of the booked average cost of fuel, which reduced the proposed disallowance by \$1,026,728. ABATE recommended that the disallowance be reduced to \$4,409,297.

In response, Donald C. Anderegg, a Principal Engineer of Engineering Equipment Performance and Predictive Maintenance for Detroit Edison, testified that the company's actions with respect to testing, maintenance, and evaluation of the Belle River Unit #2 main unit transformer were reasonable and prudent, and did not cause or prolong the generator outage. 2 Tr 152. According to Mr. Anderegg, even if a power factor test had been performed during the last planned outage at Belle River Unit #2, it could not be concluded that such a test would have predicted a bushing failure a year later. In support of his position, Mr. Anderegg presented a case study of a similar bushing that went from a good to a seriously deteriorated condition within a few hours. *See*, Exhibit A-24.

Mr. Anderegg testified that although Detroit Edison did not perform a power factor test on the Belle River Unit #2 transformer in 2005, Detroit Edison contracted with the Electric Power Research Institute (EPRI) to evaluate the Belle River Unit #2 transformer before September 2006. *See*, Exhibits A-25; A-26; and A-27. EPRI determined that the Belle River Unit #2 main unit transformer's general condition was acceptable based on the testing performed a few months before the transformer failed. 2 Tr 151; Exhibit A-27. According to Mr. Anderegg, EPRI's 2006 determination demonstrated that, even if Detroit Edison had inspected the Belle River Unit # 2 transformer in 2005, the inspection would not have revealed that the transformer was going to fail. Mr. Anderegg concluded that a routine power factor test was not correlated to the bushing failure at Belle River Unit #2.

Mr. Byron explained that there should be no disallowance for the generator outage at Belle River Unit #2; however, if the Commission were to find that a disallowance was appropriate, the following adjustments to Mr. Brown's calculations should apply:

- (1) An 83% capacity factor that reflects the actual operation of the Belle River Unit #2 generation unit in 2006, rather than the 90% factor suggested by Mr. Brown, should be used to calculate the incremental energy cost expense.
- (2) The incremental SO<sub>2</sub> and NO<sub>x</sub> emissions allowance expense that would have been incurred for generation at Belle River Unit #2 should be omitted.
- (3) The incremental fuel cost should be used in the calculation, rather than the average as-consumed fuel cost.
- (4) The outage time that would have been required to replace the transformer bushing should be accounted for in the calculation.

2 Tr 51-58.

With these adjustments, the correct amount of the disallowance would be \$2.7 million, according to Mr. Byron. Exhibit A-28.

The Staff stated that it had reviewed and audited Detroit Edison's PSCR revenues and expenses and recommended that the Commission find that the company experienced an underrecovery in 2006 of \$50,890,282, including interest, for all customers. The Staff observed that Detroit Edison is currently recovering the underrecovery as part of their 2007 PSCR factor pursuant to the Commission's December 21, 2006 order in Case No. U-15002.

#### 2006 Pension Equalization

Teresa M. Uzenski, Manager of Financial Planning for Detroit Edison, testified concerning the company's calculation of the annual PEM. The PEM was established in Case No. U-13808 and requires Detroit Edison to annually defer the difference in pension expenses included in rates and the actual pension expense recorded pursuant to Financial Accounting Standard No. 87. If the annual pension expense is greater than that included in rates, then the difference is recognized as a regulatory asset for future recovery. If the actual pension expense is less than that included in rates, then Detroit Edison recognizes the difference as a regulatory liability to be distributed to

customers. 2 Tr. 140. Ms. Uzenski testified that the 2006 regulatory PEM liability, before carrying charges, was \$20.2 million. Exhibit A-23.

Mr. Johnston calculated the total amount for the 2006 PEM overcollection after interest at the end of 2006 in the amount of \$20,821,666. He provided various interest calculations according to the month of the refund approved as well as the customer class to which the PEM refund is recommended to be allocated. Exhibit A-19.

The Staff recommended that the Commission find that the PEM operated to create a \$20.2 million overrecovery and that this amount should be refunded to customers, with interest, the month following the Commission's approval in this order.

#### Proposal for Decision

The ALJ found that, except for the disallowance proposed by the Attorney General and ABATE for the outage at Belle River Unit #2, the remainder of Detroit Edison's PSCR and PEM reconciliation calculations were unopposed. The ALJ observed that there was a marked difference of opinion between Mr. Anderegg's testimony and that of the Attorney General's witness, Mr. Brown. According to the ALJ, it is Mr. Brown's view that there is an industry standard for power testing of transformers and bushings that should not exceed 24 months when connected to a large base load power plant. In contrast, Mr. Anderegg testified that there was no industry standard for such testing and that under Detroit Edison's inspection program, the transformer and bushing are tested every 3 to 4 years or during planned outages. The ALJ further found that there was no power factor test performed in 2005 during the plant's last planned outage, but that other tests were performed before the outage occurred.

The ALJ noted that Detroit Edison had the burden to show that its actions before and after the outage were reasonable and that the Attorney General and ABATE argued that by failing to follow

its own inspection program, or the industry standard testified to by Mr. Brown, Detroit Edison had failed to meet its burden. The ALJ indicated that while he was concerned with Detroit Edison's failure to perform the inspection as required by its guidelines, he was persuaded by the company's testimony that the testing would not have revealed the problem with the bushing. The ALJ determined that he could find no reasonable cause and effect relationship between the failure to inspect and test the transformer and bushing and the subsequent plant outage. The ALJ recommended that the Commission reject the Attorney General's and ABATE's proposed disallowances.

The ALJ found that if the Commission decides that a disallowance is appropriate, the capacity factor used in calculating the disallowance should be the 83% annual capacity factor proposed by Detroit Edison. The ALJ observed that the reconciliation period under MCL 460.6j(12) is 12 months and that adopting the capacity factor over a more limited period, as supported by the Attorney General and ABATE, would result in an unreasonable penalty for Detroit Edison. The ALJ also recommended that the Commission reject the disallowance for the period when the bushing was replaced, as advocated by the Attorney General and ABATE. The ALJ found that because the problem with the bushing was not reasonably detectible during the planned outage in 2005 and because replacement of the bushing without some indication of impending failure would have been imprudent, Detroit Edison should not be penalized for actions taken to replace the bushing.

The ALJ found that Detroit Edison had a net overrecovery of its PEM of \$20,821,666, including interest, and recommended that the Commission approve this amount for refund according to the method the company proposed.

## Exceptions and Replies

In his first exception, the Attorney General argues that the ALJ erred in finding that Detroit Edison's failure to inspect the transformer at Belle River Unit #2, in violation of industry practice and its own inspection program, was reasonable. The Attorney General claims that if the inspection had been performed as scheduled, Detroit Edison would have discovered the faulty bushing and the outage could have been prevented.

In his second exception, the Attorney General urges the Commission to adopt Mr. Brown's calculation of the disallowance with two of the adjustments proposed by Mr. Byron. The Attorney General argues that Mr. Brown's use of a 90% capacity factor was reasonable, if not conservative, because the Belle River Unit #2 capacity factors in the months preceding and following the September-October outage were 94% and 95%. Therefore, the Commission should reject the capacity factor adjustment of 83% recommended by Mr. Byron. In addition, the Attorney General claims that because the bushing should have been replaced during the 2005 planned outage, the time required to replace the bushing should be included in the calculation of the disallowance and that the adjustment proposed by Detroit Edison should thus be rejected. The Attorney General admits that the other two adjustments, for the incremental cost of fuel and to account for NO<sub>x</sub> and SO<sub>2</sub> emission allowances, should be accepted. The Attorney General therefore recommends that the Commission disallow \$4,409,297 from Detroit Edison's 2006 PSCR reconciliation.

In its reply to the Attorney General, Detroit Edison reiterates that no disallowance is warranted for the unplanned outage at the Belle River #2 unit. According to Detroit Edison, the Attorney General's assertion—that the outage could have been prevented with an additional inspection—is entirely speculative and was refuted by Mr. Anderegg.

In the event that the Commission finds that some disallowance is appropriate, Detroit Edison asserts that the Attorney General's recommended disallowance calculation is still erroneous and that the correct capacity factor that the Commission should use is 83%, not the 90% proposed by the Attorney General. Moreover, Detroit Edison argues that the ALJ correctly found that the costs associated with outage time required to replace the bushing should be subtracted from the disallowance.

### **CONCLUSIONS OF LAW**

MCL 460.6j(12) requires that, not less than once a year and not later than three months after the end of the 12-month period covered by a utility's PSCR plan, the Commission shall commence a PSCR reconciliation proceeding as a contested case. In the course of that proceeding, the Commission reconciles the revenues recorded under the PSCR factor and the allowance for cost of power supply included in the base rates with the amounts actually expensed and included in the cost of power supply by the utility.

MCL 460.6j(13)(c) provides that in its PSCR reconciliation order, the Commission shall disallow net increased costs attributable to a generating plant outage of more than 90 days in duration unless the utility demonstrates by clear and satisfactory evidence that the outage, or any part of the outage, was not caused or prolonged by the utility's negligence or by unreasonable or imprudent management.

MCL 460.6j(15) provides that in its PSCR reconciliation order, the Commission shall authorize the utility to recover from its customers any net amount that was less than the amount actually charged by the utility for power supply, provided that the additional amount was incurred through reasonable and prudent actions not precluded by the Commission's order in the PSCR plan case. This subsection further provides that for excess costs incurred through actions contrary

to the order issued in the plan case, the Commission shall authorize the recovery of costs incurred for power supply during the 12-month period in excess of the amount recovered over that period only if the utility demonstrates by clear and convincing evidence that the excess expenses were beyond the ability of the utility to control through reasonable and prudent actions.

MCL 460.6j(16) provides the method for the calculation of interest if the Commission orders refunds or credits pursuant to subsection 6j(14) or additional charges to customers under subsection 6j(15) as part of its final order in a PSCR reconciliation.

The Commission finds the PFD well reasoned and adopts its recommendations. The only contested issue in this case was whether the 26-day outage at Belle River Unit #2 was the result of unreasonable and imprudent actions on the part of Detroit Edison, which then required the company to purchase replacement power at a higher cost than generated power. The Commission finds that although Detroit Edison should have run a power factor test in accordance with its own maintenance procedures during the planned outage in 2005, there is uncertainty whether performing the test would have determined that the bushing was likely to fail. As Detroit Edison's evidence showed, a bushing can deteriorate from an acceptable condition to failure within a matter of hours and an inspection almost one year before the failure was unlikely to predict a problem. The Attorney General's assertion, that "but for" the company's failure to inspect and replace the bushing in 2005, the outage would not have occurred, is speculative at best. Detroit Edison provided evidence of additional studies and inspections at Belle River Unit #2 that might have detected problems with the bushing but did not. However, Detroit Edison did not provide its rationale for doing these inspections rather than performing a power factor test during the 2005 planned outage. While the Commission is persuaded that the studies and inspections were an adequate substitute in this instance, that may not be the case if the company deviates from its own

guidelines in the future. Detroit Edison is put on notice that the Commission expects, at a minimum, that the company follow its own inspection and testing plan. The Commission finds that the disallowance of \$4,409,297 recommended by the Attorney General and ABATE should be rejected and that Detroit Edison should be authorized to recover an underrecovery of \$50,890,282 as part of their 2007 PSCR factor.

The Commission also finds that Detroit Edison's reconciliation of its PEM was appropriate and that the company should be authorized to refund the PEM overrecovery, with appropriate interest, in accordance with the method and allocations shown in Exhibit A-19.

THEREFORE, IT IS ORDERED that:

A. The Detroit Edison Company's 2006 power supply cost recovery reconciliation, and 2006 pension equalization mechanism reconciliation are approved.

B. Within 30 days, The Detroit Edison Company shall file with the Commission tariff sheets that shall be effective for service rendered on and after the date of this order. The tariff sheets shall be essentially the same as those attached to this order as Attachment A.

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, under MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

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Orjiakor N. Isiogu, Chairman

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Monica Martinez, Commissioner

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Steven A. Transeth, Commissioner

By its action of April 22, 2008.

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Mary Jo Kunkle, Executive Secretary

*Changes made to reflect implementation of the Pension Equalization Mechanism (PEM) Credit*

(Continued from [Sheet No. B4-5](#))

**B-4.9 SURCHARGES AND CREDITS  
 APPLICABLE TO DELIVERY SERVICE:**

**(7) CHOICE INCENTIVE MECHANISM (CIM):**

- (a) On August 31, 2006 in its Order in Case No. U-14838 the MPSC authorized the establishment of a Choice Incentive Mechanism (CIM). The CIM will determine the change in total non-fuel revenue associated with increases or decreases in annual choice sales from a total "base" choice sales level of 3,400 GWH for the period commencing January 1, 2007 and continuing until the latter of March 31, 2008 or twelve months from the date of filing of the general electric rate case ordered by the Commission in MPSC Case No. U-14399. The first CIM filing will be filed on or before March 31, 2008.
- (b) In the event of a decrease in total non-fuel revenue, the total decrease in non-fuel revenue will first be reduced by a "deadband" modifier equal to \$8 million. Recoverable non-fuel revenue is limited to 90% of this adjusted amount and shall not exceed \$70.8 million. Recoverable non-fuel revenue will be allocated in the same manner that the full service rate reduction was allocated to full-service customers in Case No. U-14838. Tariff specific surcharges apply only to full-service customers and will be based on a cents per kWh basis for metered customers and on a percent basis for unmetered customers. If the surcharges result in an over or under recovery of recoverable non-fuel revenues such over or under recovery will be deferred and included in the following CIM reconciliation filing.
- (c) In the event of an increase in total non-fuel revenue, the total increase in non-fuel revenue will first be reduced by a "deadband" modifier equal to \$8 million. The balance will be used to reduce unrecovered regulatory asset balances related to the RARS mechanism (Section 10d(4) costs).
- (d) Changes in non-fuel revenue will be determined as follows:

	(a) Actual Choice Sales (GWH)	(b) Base Choice Sales (GWH)	(c) Choice Sales Change (GWH)	(d) Non-Fuel Price (/kWh)	(e) Increase/ (Decrease) in Non-Fuel Revenue
• Residential	TBD	0	a-b	3.1	-c*d
• Commercial	TBD	2,100	a-b	4.2	-c*d
• Primary (excl. Rate D7)	TBD	1,300	a-b	3.8	-c*d
• Rate No. D7	<u>TBD</u>	<u>0</u>	<u>a-b</u>	<u>2.1</u>	<u>-c*d</u>
• Total	TBD	3,400	a-b	NA	Total

- (1) In the event of a decrease in total non-fuel revenue, recoverable non-fuel revenue will be determined as described in paragraph (b).
- (2) In the event of an increase in total non-fuel revenue, the adjusted increase in non-fuel revenue available to reduce the regulatory asset balances related to the RARS mechanism (Section 10d(4) costs) will be determined as described in paragraph (c).

**(8) PENSION EQUALIZATION MECHANISM (PEM) CREDIT:** *On \_\_\_\_\_, the MPSC issued an order in Case No. U-15259 which approved the reconciliation of Detroit Edison's 2006 Pension Equalization Mechanism (PEM) and authorized a one month PEM Credit to be applied to Residential, Commercial, Industrial and Governmental tariff customers for the \_\_\_\_\_ bill cycle. A PEM Credit of -0.719 cents per kWh will be applied to full service metered Residential tariff customers, -0.534 cents per kWh will be applied to full service metered Commercial, Industrial and Governmental tariff customers, -6.79% will be applied to unmetered customers, and -0.158 cents per kWh will be applied to Electric Choice customers.*

(Continued on [Sheet No. B4-5b](#))

ISSUED \_\_\_\_\_  
 D. G. BRUDZYNSKI  
 VICE PRESIDENT  
 REGULATORY AFFAIRS  
 DETROIT, MICHIGAN

EFFECTIVE FOR BILLS RENDERED ON  
 AND AFTER \_\_\_\_\_  
 UNDER AUTHORITY OF ORDER OF THE  
 MICHIGAN PUBLIC SERVICE COMMISSION  
 DATED \_\_\_\_\_  
 IN CASE NO. U-15259

Changes made to reflect implementation of the Pension Equalization Mechanism (PEM) Credit

(Continued From Sheet No. B4-5a)

**B-4.9 SURCHARGES AND CREDITS APPLICABLE TO DELIVERY SERVICE: (Continued)**

**(8) SUMMARY OF SURCHARGES AND CREDITS:** Summary of surcharges and credits including PSCR, pursuant to sub-rules (1), (2), (3), (4), (5) and (6) of this rule. (Cents per kilowatthour or percent of base bill, unless otherwise noted)

	<u>NDS (1) (2)</u> (¢/kWh)	<u>SBC (4)</u> (¢/kWh)	<u>SBTC (4)</u> (¢/kWh)	<u>CIS</u> (¢/kWh)	<u>U-14838</u> <u>RRC</u> <u>(5)(6)</u> (¢/kWh)	<u>PEM</u> <u>Credit (7)</u> (¢/kWh)	<u>Total</u> <u>Delivery</u> <u>Charges</u> (¢/kWh)
<b>Residential</b>							
D1 Residential	0.1234	0.371	0.131	0.05	(0.0963)	(0.719)	(0.1399)
D1a Farm	0.1234	0.371	0.131	0.05	(0.0978)	(0.719)	(0.1414)
D1.1 Int. Space Conditioning	0.1234	0.371	0.131	0.05	(0.0863)	(0.719)	(0.1299)
D1.2 Time-of-Day	0.1234	0.371	0.131	0.05	(0.0891)	(0.719)	(0.1327)
D1.3 Senior Citizen	0.1234	0.371	0.131	0.05	(0.0821)	(0.719)	(0.1257)
D1.4 Time-of-Day	0.1234	0.371	0.131	0.05	(0.0803)	(0.719)	(0.1239)
D1.5 Supp. Space Heating	0.1234	0.371	0.131	0.05	(0.0803)	(0.719)	(0.1239)
D1.7 Time-of-Day	0.1234	0.371	0.131	0.05	(0.0518)	(0.719)	(0.0954)
D2 Space Heating	0.1234	0.371	0.131	0.05	(0.0869)	(0.719)	(0.1305)
D2a Farm	0.1234	0.371	0.131	0.05	(0.0864)	(0.719)	(0.1300)
D5 Water Heating	0.1234	0.371	0.131	0.05	(0.0614)	(0.719)	(0.1050)
D9 Outdoor Lighting	0.331%	see note (3)	see note (3)	NA	(0.881%)	(6.79%)	
<b>Commercial</b>							
D1.1 Int. Space Conditioning	0.1234	0.371	0.131	0.05	(0.0751)	(0.534)	0.0663
D1.7 Space Conditioning	0.1234	0.371	0.131	0.05	(0.0485)	(0.534)	0.0929
D3 General Service	0.1234	0.371	0.131	0.05	(0.2596)	(0.534)	(0.1182)
D3.1 Unmetered	0.848%	see note (3)	see note (3)	NA	(2.781%)	(6.79%)	
D3.3 Interruptible	0.1234	0.371	0.131	0.05	(0.2396)	(0.534)	(0.0982)
D3.4 Time-of-Day	0.1234	0.371	0.131	0.05	(0.2811)	(0.534)	(0.1397)
D4 Large General Service	0.1234	0.371	0.131	0.05	(0.2264)	(0.534)	(0.0850)
D5 Water Heating	0.1234	0.371	0.131	0.05	(0.0591)	(0.534)	0.0823
D9 Outdoor Lighting	0.331%	see note (3)	see note (3)	NA	(0.881%)	(6.79%)	
D10 Schools	0.1234	0.371	0.131	0.05	(0.2558)	(0.534)	(0.1144)
R3 Standby (Secondary)	0.1234	0.371	0.131	0.05	(0.0638)	(0.534)	0.0776
R7 Greenhouse Lighting	0.1234	0.371	0.131	0.05	(0.1689)	(0.534)	(0.0275)
R8 Space Conditioning	0.1234	0.371	0.131	0.05	(0.2728)	(0.534)	(0.1050)
<b>Industrial</b>							
D6 Primary Supply	0.1234	0.371	0.131	0.05	(0.2041)	(0.534)	(0.0627)
D6.1 Alternative Primary	0.1234	0.371	0.131	0.05	(0.1659)	(0.534)	(0.0245)
D7 Transitional Primary	0.1234	0.371	0.131	0.05	(0.0491)	(0.534)	0.0923
D8 Interruptible Primary	0.1234	0.371	0.131	0.05	(0.1927)	(0.534)	(0.0513)
R1.1 Metal Melting	0.1234	0.371	0.131	0.05	(0.0641)	(0.534)	0.0773
R1.2 Electric Process Heating	0.1234	0.371	0.131	0.05	(0.0614)	(0.534)	0.0800
R3 Standby (Primary)	0.1234	0.371	0.131	0.05	(0.0638)	(0.534)	0.0776
R10 Interruptible Supply	0.1234	0.371	0.131	0.05	(0.3687)	(0.534)	(0.1050)
<b>Governmental</b>							
E1 Streetlighting	0.265%	see note (3)	see note (3)	NA	(0.881%)	(6.79%)	
E1.1 Energy Only	0.1234	0.371	0.131	0.05	(0.0517)	(0.534)	0.0897
E2 Traffic Lights	1.427%	see note (3)	see note (3)	NA	(0.881%)	(6.79%)	
E5 Secondary Pumping	0.1234	0.371	0.131	0.05	(0.0864)	(0.534)	0.0897
<b>Electric Choice</b>							
EC2 Retail Access	0.1234	0.371	0.131	0.05		(0.158)	
<b>Special Contracts</b>							
LCC	Per LCC	0.371	0.131	0.05		NA	

Notes: (1) % applied to \$ amount of base bill; (2) NDS as approved in U-10102, Exhibit B, Final Order dated January 1, 1994 and subsequently adjusted by Residential 5% rate reduction; balance is nuclear site security; (3) The SBC and SBTC are included in this tariff's base rates and will be separately accounted for by Detroit Edison for remittance to the Detroit Edison Securitization Funding L.L.C.; (4) Pursuant to MPSC Order in Case No. U-12478; (5) The above U-14838 Rate Reduction Credits (RRC) for the rate classes indicated will be applied to Electric Choice distribution customers according to each customer's distribution rate class; (6) For unmetered rate classes, % applied to total bill **excluding PEM and taxes**; (7) For **unmetered classes, % applied to total bill net of taxes.**

(Continued on Sheet No. B4-5c)

ISSUED \_\_\_\_\_  
D. G. BRUDZYNSKI  
VICE PRESIDENT  
REGULATORY AFFAIRS

DETROIT, MICHIGAN

EFFECTIVE FOR BILLS RENDERED ON  
AND AFTER \_\_\_\_\_  
UNDER AUTHORITY OF ORDER OF THE  
MICHIGAN PUBLIC SERVICE COMMISSION  
DATED \_\_\_\_\_  
IN CASE NO. U-15259