

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 authority )  
to increase its rates, amend its rate schedules and )  
rules governing the distribution and supply of )  
electric energy, and for miscellaneous accounting )  
authority. )  
\_\_\_\_\_ )  
)

Case No. U-15244

In the matter of the application of )  
**THE DETROIT EDISON COMPANY** for )  
the authority to implement cost-based rates )  
for educational institutions and associated )  
recovery surcharges or regulatory asset. )  
\_\_\_\_\_ )  
)

Case No. U-15751

In the matter of the application of )  
**THE DETROIT EDISON COMPANY** for )  
authority to increase its rates, and amend its rate )  
schedules and rules governing the distribution and )  
supply of electric energy. )  
\_\_\_\_\_ )  
)

Case No. U-15768

At the September 15, 2009 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

**ORDER**

On September 11, 2009, The Detroit Edison Company (Detroit Edison) filed a motion seeking guidance from the Commission regarding whether the utility should commence the next phase of its rate realignment on October 1, 2009.

On September 14, 2009, the Association of Businesses Advocating Tariff Equity (ABATE) filed a response to Detroit Edison's motion urging the Commission to direct Detroit Edison to commence the next phase of the rate realignment process on October 1, 2009.

### Discussion

On October 6, 2009, 2008 PA 286 (Act 286) became effective. Among other things, Section 11(1) of Act 286, MCL 460.11(1), requires that the retail rates for electric utilities in Michigan based on the cost to serve be phased in over a five-year period beginning January 1, 2009, and ending five years from the date of enactment, or October 6, 2013. The impact on residential and industrial metal melting rates may not exceed 2.5% per year. MCL 460.11(2).

In Detroit Edison's most recently completed general rate case proceeding, Case No. U-15244, the Commission made the following provision for implementation of Section 11(1) of Act 286:

After January 1, 2009, the Commission will continue the rate realignment effort through the annual 1.7% realignment on October 1 of each year, beginning October 1, 2009, reflected on Exhibit A, unless modified by a future rate filing.

December 23, 2008 order, Case No. U-15244, p. 82.

Detroit Edison filed another rate case on January 26, 2009 in Case No. U-15768. On July 26, 2009, Detroit Edison utilized another new provision added by Act 286 to self-implement a rate increase of \$280 million that employed the rate design included in the utility's January 26, 2009 application.

An issue of the intent of the Commission's Case No. U-15244 statement set forth above has arisen in Case No. U-15768. In his testimony on behalf of Detroit Edison, Timothy A. Bloch, a Principal Financial Analyst - Pricing in Detroit Edison's Regulatory Affairs Department, stated:

If the Commission issues a final order in this case after October 1, 2009, the Company will implement the Rate Realignment Adjustment Surcharges/Credits approved in Case No. U-15244 beginning October 1, 2009; until a final order is issued in this proceeding. If the Commission issues a final order in this

proceeding prior to October 1, 2009, the Company will not implement the October 1, 2009 Rate Realignment Surcharge/Credit approved in Case No. U-15244.

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However, in his testimony in Case No. U-15768, Daniel J. Blair, the Manager of the Rates and Tariffs Section of the Commission's Regulated Energy Division, testified as follows with regard to the Commission Staff's interpretation of the passage from Case No. U-15244:

Q. Does Staff agree with Mr. Bloch's interpretation of the Case No. U-15244 Order requiring the Company to implement the next phase of rate realignment on October 1, 2009?

A. (Mr. Blair) No, an important sentence in the discussion dealing with rate realignment on page 84 of the Order states as follows:

“After January 1, 2009, the Commission will continue the rate realignment effort through the annual 1.7 percent realignment on October 1 of each year, beginning October 1, 2009, reflected on Exhibit A, unless modified by a future rate filing.” [Emphasis in original].

It is Staff's position that the Company's filing in this case is the modifier anticipated in the later part of the sentence in the Order. It specifies that a filing, not a rate order is what modifies or resets the rate realignment process. The filing in this case included updated expenses and revenues, as well as, sales forecasts, all of which in turn led to differing results when the Company ran its COSS model. The amount of residential rate subsidy left to eliminate in Case No. U-15244 final order was \$156 million, while the Company, in this case, has filed exhibits detailing an amount of \$152 million.

The Commission finds that Mr. Blair's testimony more accurately reflects the intent of the Commission. For that reason, the Commission concludes that Detroit Edison should be directed not to implement the rate realignment adjustment on October 1, 2009 that were provisionally allowed for in the December 23, 2008 order in Case No. U-15244.

THEREFORE, IT IS ORDERED that The Detroit Edison Company shall not implement the rate realignment adjustment surcharges/credits on October 1, 2009 that were provisionally allowed for in the December 23, 2008 order in Case No. U-15244.

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 September 15, 2009.

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Mary Jo Kunkle, Executive Secretary