

1445
Anthony J. Warley, Jr.
Chairman and Chief Executive Officer

The Detroit Edison Company
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Tel: 313.235.8000

September 1, 1999

Detroit Edison

Hon. John Strand, Chairman
Michigan Public Service Commission
6545 Mercantile Way
Lansing, Michigan 48909-7721



Re: **Customer Choice Program; MPSC Case No. U-I 1290 et. al.**

Dear Chairman Strand:

On August 17, 1999 the Commission issued an Opinion and Order setting forth its interpretation of the effects of the Michigan Supreme Court's recent ruling on electric restructuring in Michigan. The Commission, specifically at page 32 of its Order, indicates that if The Detroit Edison Company voluntarily agrees to implement the Customer Choice Program approved by the Commission, it should provide appropriate assurance.

On January 15, 1999 I agreed to six conditions imposed by the Commission in Case No. U-I 1726 which the Commission required as a condition of its authorization for the accelerated amortization of the Fermi 2 nuclear plant.

By this letter and on behalf of its Board of Directors, I am reaffirming Detroit Edison's decision to continue to implement its Customer Choice Program pursuant to all the rates, terms, and conditions approved by the Commission in its restructuring Orders of June 5, 1997, October 29, 1997, January 14, 1998, February 11, 1998, March 8, 1999 and August 17, 1999 in Case Nos. U-I 1290, U-I 1449, U-I 1452 and U-I 1454; its December 28, 1998 and March 8, 1999 Orders in Case Nos. U-8789 and U-10840; and its December 28, 1998 and March 8, 1999 Orders in Case No. U-I 1726. Our commitment is made in reliance on the fundamental proposition embodied in these orders that Detroit Edison is entitled to stranded cost recovery and the recovery of implementation costs.

Thus, we are expeditiously moving ahead with the voluntary implementation of Customer Choice, including the solicitation of bids pursuant to the schedule established by the Commission. As you know, however, not all issues relating to the Customer Choice Program are fully resolved.

A fundamental issue that must be addressed is the integration of the Customer Choice Program with the existing PSCR process. The timing for opening the system to Customer Choice creates a dilemma involving supply requirements for the summer of 2000 and beyond. Detroit Edison will not know the full extent of customer participation in Customer Choice until after contracts for system supply and transmission for the summer of 2000 are required to be in place. In order to assure that the State of Michigan has an adequate electric supply, Detroit Edison must contract for Summer 2000 supply and transmission assuming that no customers leave the system.

Since capacity and transmission purchase decisions must be made beginning in early autumn of 1999, it is important that the Commission quickly establish a procedure to 1) identify system capacity displaced by the phase-in of retail access sales, 2) determine the actual value from this displaced capacity, and 3) develop a method to separate such value (revenue from off-system sales or savings from reductions in fuel or annual purchased power expense) from the PSCR process to insure that neither the Company nor its customers are financially penalized in the annual PSCR review. It is my expectation that this issue will be addressed in both the pending true-up proceeding, Case No. U-I 1956, and the 2000 PSCR Plan case to be filed by September 30, 1999.

Finally, in order for Detroit Edison's Customer Choice Program to be successful, the Commission needs to define and implement a fair and workable true-up procedure to address, among other fundamental issues, how to incorporate the mitigation concept discussed above. This true-up process needs to be consistent with the principles set out in the Commission's restructuring orders.

Detroit Edison pledges its support and cooperation in the coming months to the fair and equitable resolution of these issues and continuation toward the goal of a fully competitive electric market in Michigan.

Very truly yours,


Anthony F. Earley, Jr.

Detroit Edison



Christopher C. Nern
Vice President
and General Counsel

September 2, 1999

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Assistant Vice President,
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Associate General Counsel

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Ms. Dorothy Wideman
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, Michigan 48909-7721

Re: MPSC Case Nos. U-I 1290

Dear Ms. Wideman:

Enclosed please find the original and two copies of The Detroit Edison Company's Proof of Service regarding Anthony Earley's letter to the Michigan Public Service Commission dated, filed and served on September 1, 1999. The extra copies are to be time-stamped and returned in the envelope provided.

Thank you.

Very truly yours,

Bruce R. Maters

BRM/sb
Enclosure

A DTE Energy Company

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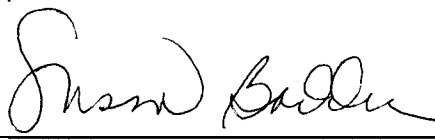
STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion)
to consider the restructuring of the electric) Case No. U-I 1290
utility industry)

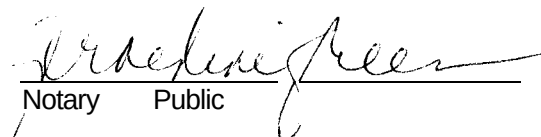
PROOF OF SERVICE

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

SUSAN BADDER, being first duly sworn, deposes and says that on the 1st day of September, 1999, she served a copy of **Anthony Earley's letter to the Michigan Public Service Commission dated September 1, 1999** upon the parties listed on the attached Service List, a copy of which is attached hereto, by depositing the same in a properly addressed sealed envelope into the United States mail with postage fully prepaid thereon.



SUSANBADDER



Notary Public

GERALDINE GREEN
Notary Public, Oakland County, MI
My Commission Expires Sept. 22, 2001

SERVICE LIST
MPSC Case Nos. U-I 1290, U-I 1449, U-I 1451, U-1 1452, U-I 1454

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SERVICE LIST
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New Service list