STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the approval of THE DETROIT EDISON COMPANY for authority to recover retail access program implementation costs and for approval of a true-up mechanism in connection with the recovery of stranded costs.	)	Case No. U-11956

<u>MOTION *TO THE COMMISSION* FOR STAFF AUDIT</u>

NOW COMES the Association of Businesses Advocating Tariff Equity ("ABATE") by its attorneys, Clark Hill P.L.C., and presents this Motion ***to the Commission*** for an Order directing its Staff to perform an audit of the books and records of The Detroit Edison Company ("Edison") with respect to Edison's alleged Retail Open Access ("ROA") Program implementation costs. In support of this motion, ABATE represents to the Commission as follows:

1. On March 31, 1999, Edison filed with the Commission its Application for True-Up of Stranded Costs. In its Application, Edison alleged that it has incurred and booked approximately $10 million for implementation costs during 1998, and approximately $4 million of such costs during the first quarter of 1999. Edison has requested that the Commission approve recovery of such implementation costs which, as a result of this proceeding, may be determined to have been prudently incurred.

2. Although the precise detail of such implementation costs is not contained in Edison's Application, it can reasonably be assumed that many, if not most, of such costs will fall within the

categories of customer billing systems, energy scheduling, system planning, employee training customer information, regulatory, and the like.

3. Edison's base rates for electric service were last established in Case U-10102, utilizing a 1994 test year. The operating expenses reflected in such test year included expenses relating to many of the same categories of expenses with respect to which Edison now seeks recovery of implementation costs.

4. Accordingly, an immediate and fundamental issue which must be determined in this case is whether, and to what extent, during 1998 and the first quarter of 1999 Edison has incurred any ***incremental*** costs in any of these expense categories; *i.e.*, costs which were over and above the provision for such expenses already reflected in Edison's base rates.

5. As alleged in ABATE's Complaint for Reduction of Rates filed in Case U-11495, and as evidenced by the Financial Statistic Report dated March 8, 1999, issued to the Commission by the Supervisor, Financial Analysis Section of the MPSC Staff, during 1998, Edison earned substantially in excess of its authorized return on investment. ABATE believes that Edison continued to earn substantially in excess of its authorized return on investment during the first quarter of 1999.

6. Accordingly, another immediate and fundamental issue which arises in connection with Edison's proposed recovery of implementation costs during 1998 and the first quarter of 1999 is whether it should be permitted to recover ***any*** such costs at the same time that it was already recovering from its customers excess earnings which were significantly greater than its alleged implementation costs.

7. As Edison has acknowledged in its Application, in any event, recoverable implementation costs must have been prudently incurred.

8. The first step in the process of verifying such prudency (as well as determining the extent, if at all, that any implementation costs exceeded base rate allowance for such expenses or excess earnings) should be through an audit of Edison's books and records relating to such expenses.

9. The Commission has previously ruled that an audit should be conducted in connection with the proposed recovery of implementation costs. Specifically, in its Order dated October 29, 1997 in Case Nos. U-11451 and U-11452, page 14, the Commission stated:

> ". . . the Commission previously held that although implementation costs may be recovered from open access customers at some time in the future, ***they must be audited, verified*** and examined for prudence 'prior to including them in rates.' June 5 Order, p. 14." (emphasis added)

10. While the Commission did not specify who should perform such an audit and verification, it is obvious that such responsibilities would most appropriately fall within those of the Staff of the MPSC.

WHEREFORE, ABATE requests that the Commission issue an Order directing the Staff of the Commission to conduct an audit of the books and records of Edison to:

A. Determine and verify the extent to which Edison's alleged implementation costs have exceeded, if at all, the allowances for the various categories of such costs in its base rates during 1998 and the first quarter of 1999.

B. Determine the extent to which, if at all, any remaining implementation costs were more than Edison's excess earnings during such period.

C. Present a report and recommendation, based upon such audit, of the prudency of such costs.

Respectfully submitted,

CLARK HILL P.L.C.

By: ______________________

Douglas H. West (P22205)
Attorneys for the Association of Businesses Advocating Tariff Equity
255 South Old Woodward - Third Floor
Birmingham, MI 48009
(248) 642-9692

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