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VIA FEDERAL EXPRESS

January 24, 2000

MICHIGAN PUBLIC SERVICE
COMMISSION

JAN 25 2000

FILED

Ms. Dorothy Wideman
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, MI 48911

Re: Case No. U-12266
Petition Of PG&E Corporation For Leave To Intervene and Request for a Contested Case Hearing

Dear Ms. Wideman:

Enclosed herewith for filing in the above-captioned proceeding are the original and 17 copies of the Petition Of PG&E Corporation For Leave To Intervene and Request for a Contested Case Hearing.

Please datestamp two copies of the Petition and return them together with proof of service upon parties on the service list to my Evanston office in the enclosed Federal Express envelope.

If you have any questions or comments, please do not hesitate to contact me.

Very truly yours,

Freddi L. Greenberg

Freddi L. Greenberg

FLG:kef
Enclosures

MICHIGAN PUBLIC SERVICE COMMISSION

JAN 25 2000

FILED

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of The Detroit Edison Company for certain determinations pursuant to Sections 32(c) and (d) of the Public Utility Holding Company Act of 1935 and for Accounting Approval for the transfer of Certain Assets	Case No. U-12266

PETITION TO INTERVENE AND
REQUEST FOR A CONTESTED CASE HEARING
PG&E CORPORATION

PG&E Corporation ("PG&E Corp.") hereby presents its Petition to Intervene and Request for a Contested Case Hearing ("Request") to the Michigan Public Service Commission ("Commission") in the captioned docket. In support of this Request, PG&E Corp. states as follows:

DESCRIPTION OF PG&E CORPORATION

1. PG&E Corp. is one of the nation's largest diversified energy holding companies with more than $33 billion in assets, and is one of the nation's largest natural gas and electricity suppliers. PG&E Corp. is the parent company of four competitive business units and of the Pacific Gas and Electric Company, an electric and gas utility regulated by the California Public Utilities Commission which serves retail customer in northern and central California. Through its four competitive business units, PG&E Energy Services, PG&E Energy Trading, PG&E Generating and PG&E Gas Transmission, PG&E Corp. provides a broad range of energy services nationwide. These services range from retail energy services and wholesale energy trading to power generation and natural gas

transmission. PG&E Corp. has a strong interest in expanding its services to customers in Michigan. For example, PG&E Corp.'s competitive generation affiliate, PG&E Generating Company, is proposing to build a 1,000 MW combined-cycle natural gas-fired generating plant in Covert Township, Michigan. In addition, PG&E Energy Trading provides wholesale services to utilities in Michigan. Both PG&E Energy Trading and PG&E Generating have offices in Michigan.

DETROIT EDISON COMPANY'S APPLICATION

2. On January 12, 2000, the Detroit Edison Company ("Edison") filed its Application for certain determinations pursuant to Section 32(c) and (d) of the Public Utility Holding Company Act of 1935 and for Accounting Approval for the transfer of Certain Assets ("Application") in the captioned proceeding seeking Commission action with respect to a proposed sale of the River Rouge Unit No.1 Power Plant ("Rouge 1") by Edison to DTE River Rouge No. 1 LLC, an affiliated company ("DTE River Rouge"). In its Application, Edison requested that the Commission grant the Application promptly to ensure that the peaking capacity of transferred plant is available before the summer and that the Commission find that the public interest will be adequately protected without the time and expense of a hearing.

3. In its Application, Edison asks the Commission to issue those determinations required pursuant the Public Utility Holding Company Act so that DTE River Rouge can own Rouge 1 as an Exempt Wholesale Generator for the following reasons:

a. There is an immediate need for in-state peaking capacity for the summer of 2000 and Edison received no bids for in-state peaking generation for summer 2000 other than from DTE River Rouge. The restart of Rouge 1 will provided additional needed in-state capacity for summer 2000 and DTE River Rouge will assume the risk of recovery of the investment needed to return Rouge 1 to service.

b. The sale of Rouge 1 output to electric retailers for the Michigan electric market could jump-start Michigan's Electric Choice Program.

4. In its Application, Edison also seeks approval of proposed accounting treatment for the transfer of Rouge 1 to DTE River Rouge for consideration of approximately $6.6 million, which is equal to twice the net book value of Rouge 1.

5. Finally, Edison asks the Commission to promptly grant the relief requested in its Application so that the peaking capacity of Rouge 1 is available before summer 2000.

PETITION TO INTERVENE

6. PG&E Corp. hereby requests leave to intervene in this proceeding. As shown above, PG&E Corp. will be directly affected by any action taken by the Commission in response to Edison's Application. If the Commission grants PG&E Corp.'s request for a contested case hearing, PG&E Corp. intends to participate in this proceeding to the extent it deems necessary to protect its interest. As a participant in this proceeding, PG&E Corp. anticipates that it would respond to the Application and, where PG&E Corp. deems appropriate, present alternatives to the proposed transfer.

THE PROPOSED PRICE FOR ROUGE 1 IS NOT NECESSARILY REASONABLE

7. Edison claims that $6.6 million (twice book value) is a reasonable price for Rouge 1. In an affidavit attached to Edison's application, David B. Harwood, Edison's Director, Power Generation, sets out several reasons why the proposed price is fair and reasonable. Among those reasons are statements that (a) there is little market value for a 43 year old asset that has not operated

since 1980 and he knows of no comparable sales; (b) the current condition of Rouge 1 is such that significant capital investment is required to return it to active service; and (c) current environmental permit applications limit plant operations to approximately 2150 hours of full load operation annually.

Mr. Harwood states that transfers of operating units have recently been approved by several state regulatory commissions at net book value. While that may be correct, Mr. Harwood has failed to note that, on at least twelve occasions during the last two years, utility generating assets have been sold for prices in excess of two times book value, with a high price of 7 times book value. (See Attachment 1 which details recent sales of utility generating assets.) Edison has failed to distinguish the proposed sale of Rouge 1 from those instances during the last two years in which utilities have sold generating assets for more than two times book value.

There is no reason to assume that another purchaser would not have paid a higher price without testing the market through a competitive solicitation process. It is especially important to allow the market to set the price for Rouge 1 in this case where the proposed sale is to an affiliate to ensure that the affiliate is not being treated preferentially. One way to achieve this result would be to require Edison to utilize a competitive bidding process in connection with the sale of Rouge 1. An alternative approach to valuing Rouge 1 would be to obtain an appraisal from an independent third party.

APPROVAL OF THE PROPOSED SALE IS NOT THE ONLY MEANS OF ENSURING THAT ROUGE 1 IS AVAILABLE FOR SUMMER 2000

8. Edison states that prompt Commission action is necessary so that Rouge 1 can obtain EWG status in time to be in service for the upcoming summer. Here again, Edison has failed to

present the appropriate alternatives. The preferred alternative would be for Edison to make the necessary capital expenditures to return the plant to active service before selling the plant. Logic suggests that the price at which rouge 1 is sold could then be adjusted to reflect those expenditures. This approach would allow time for a competitive process to ensure that Edison does not sell the plant at an artificially low price, while allowing the plant to be available to meet summer needs for generating capacity.

THE APPLICATION SHOULD NOT BE APPROVED WITHOUT CONSIDERATION OF THE IMPACT ON COMPETITION IN THE RETAIL AND WHOLESALE ELECTRIC MARKETS

9. The transaction proposed by Edison in this docket should not be approved without careful analysis of the impact of the proposed sale of Rouge 1 on competition in the retail and wholesale electric markets to ensure that the proposed transaction does not conflict with the goal of moving from a regulated electric market to a competitive market. This analysis should include, without limitation, consideration of the impact of the proposed sale on the market power of the incumbent utility and its affiliates, and the impact of the proposal on utility stranded costs. By failing to consider these and other concerns of potential market entrants, the Commission will send the message that Michigan is not committed to the development of a competitive market. This message will deter competitors from entering the market, thereby depriving Michigan electric consumers of the benefits of competition, including lower costs, increased reliability and more choices.

REQUEST FOR A CONTESTED CASE HEARING

10. For the reasons set out above, PG&E Corp. believes that a public hearing is required in this case in order to protect the public interest. Accordingly, PG&E Corp. respectfully requests that the Commission deny Edison's request to proceed without a hearing and schedule a contested case hearing to consider the matters set out in Edison's Application.

WHEREFORE, for the reasons set out above, PG&E Corp. respectfully requests that the Commission:

A. Grant PG&E Corp.'s Petition to Intervene;

B. Grant PG&E Corp.'s Request for a Contested Case Hearing in the captioned docket; and

C. Grant such other and further relief as deemed lawful and appropriate.

Respectfully submitted,

PG&E Corporation

By: Freddi L Greenberg

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Attorneys for PG&E Corporation

Dated: January 24, 2000

Recently Announced Generation Divestitures

Company	Voluntary/ Mandatory	Assets for sale	Book Value	Market Value	Date Sold	Purchaser
Bangor Hydro Electric Co.	Mandatory	166 MW: Ownership interest in 8 hydroelectric facilities, 11 diesel units, two oil fired units at Graham Station and Wyman Station	$40 million	$89 million: 2.23 times book value	9/28/98	PP&L Global
Boston Edison	Voluntary	1,983 MW: gas and oil fueled generation	$483 million	$657 million: 1.36 times book value	12/10/97 (announced)	Sithe Energies
	Voluntary	670 MW Pilgrim Nuclear Generating Station – plant, real property, training center	$121 million	$80 million .67 times book value	11/19/98	Entergy Corporation
Central Hudson Gas & Electric	Voluntary	972 MW: Danskammer generating station, ownership share of Roseton generating station	$483 million	Not sold yet	To be sold by 6/30/01	Not sold yet
Central Maine Power	Mandatory	1,797 MW: 781 MW fossil-fired, 373 MW hydro, 48 MW nuclear entitlements, 31 MW wood-fired, 485 MW purchased power contracts, 127 MW Hydro Quebec entitlements	$240 million	$846 million 3.5 times book value	1/6/98	FPL Group 1,185 MW - fossil, hydro, and wood assets. Sale pending on remaining assets
Commonwealth Edison Company	Voluntary	9,772 MW: Crawford, Fisk, Waukegan, Joliet, Will County, Powerton, Collins; peaker sites – Chicago, Waukegan, Joliet, Lonbard, Rockford, Eola, South Chicago Heights	$1.7 billion	$4.813 billion 2.8 times book value	3/23/99	Edison Mission Energy, Inc.

Examples of Divestiture

Company	Voluntary/ Mandatory	Assets for sale	Book Value	Market Value	Date Sold	Purchaser
Commonwealth Energy System	Voluntary	1,661 MW: Canal units 1&2, 5 diesel units on Martha's Vineyart, Kendall Station, and part of Wyman Unit 4; power supply contracts	$79 million	$462 million: 5.85 times book value	5/27/98 (announced)	Southern Energy
Connecticut Light & Power	Voluntary	3,564 MW: 15 fossil fueled and hydro generating facilities, 28 power purchase contracts	$240 million	$460 million for 2,235 MW; $865.5 million for 1,329 MW 5.5 times book value	12/15/99	NRG Energy: 2,235 MW; Northeast Generation Co.: 1,329 MW
Consolidated Edison Company	Voluntary	6,284 MW fossil fueled generation: Bowline Point Generating Plant, Ravenswood Generating Station, Ravenswood gas turbine facility, Authur Kill Generating Station, Astoria gas turbine facility, Astoria generating station, Gowanus gas turbines, Narrows gas turbines	Approximately $800 million	$1.65 billion more than 2 times book value	11/24/98-3/3/99	Southern Energy 805 MW; KeySpan Energy 2,168 MW; NRG Energy, Inc., 1,456 MW; Orion Power Holdings 1,855 MW
Consumers Energy	Voluntary	Midland Cogeneration power purchase agreement (PPA): 1,240 MW	Not yet sold	Not yet sold	Not yet sold	Not yet sold
Duquesne Light Co.	Voluntary	1,436 MW asset transfer (Beaver Valley, Bruce Mansfield, East Lake, Sammis, Perry); 1,298 MW sale (Avon Lake, New Castle, Nile); plus sale of Cheswick, Elrama, Brunot Island, Phillips)	$241.5 million	$1.705 billion 7 times book value	9/27/99	Orion Power Holdings Inc.

Company	Voluntary/ Mandatory	Assets for sale	Book Value	Market Value	Date Sold	Purchaser
GPU Inc.	Voluntary	5,350 MW Fossil and hydroelectric plants including Homer City; Three Mile Island nuclear station (TMI)	$1 billion for Fossil/hydro/ Homer City $700 million (TMI)	$2.62 billion for fossil/hydro/ Homer City 2.5 times book value $100 million (TMI) .14 book value	8/3/98- 11/9/98	Edison Mission Energy; Sithe Energies; FirstEnergy Corp. AmerGen Energy
Illinois Power Co.	Voluntary	Clinton Nuclear Station, $95 million decommissioning trust fund	$1.6 billion	$20 million: .0125 times book value	4/15/99	Amergen Energy
Madison Gas & Electric	Voluntary	90 MW MG&E's 17.8% ownership interest in Kewaunee Nuclear Power Plant	$15 million	$15 million Book value	9/30/98	Wisconsin Public Service Corp.
Maine Public Service Company	Mandatory	91.7 MW fossil fueled and hydro capacity	$11.69 million	$37.4 million 3.2 times book value	7/7/98	WPS Power Development Inc.
Montana Power Company	Voluntary	13 generating plants - 2,614 MW: coal, hydro	$550 million	$1.586 billion: 2.9 times Book Value	Sale approved 6/16/99	PP&L Global
New England Electric System	Voluntary	5,100 MW	$1 billion	$1.59 billion: 1.5 times book value	9/98	U.S. Generating Company
New York State Electric & Gas	Voluntary	2,346 MW	$1.1 billion	$1.85 billion (includes 50% share of Homer City) 1.6 times book value	8/3/98	Edison Mission/ AES Corporation

Company	Voluntary/ Mandatory	Assets for sale	Book Value	Market Value	Date Sold	Purchaser
Niagara Mohawk, Power Corp.	Voluntary	4,217 MW fossil-fueled and hydroelectric facilities	$250 million for hydro; $370 million Huntley station and Dunkirk station	$425 million for all hydro -- 1.7 times book; $355 million for Huntley and Dunkirk - .96 times book	8/2/99	Orion Power Holdings; NRG Energy; sales pending on remaining assets
Niagara Mohawk Power Corp./ New York State Electric and Gas Corp.	Voluntary	Nine Mile Point Nuclear Station 1 and 2	$1.6 billion	$135.3 million: .0846 times Book Value	6/24/99 announced	Amergen Energy
Orange and Rockland Utilities	Voluntary	962 MW all generating facilities	$269 million	$345 million 1.3 times book value	Approved 6/24/99	Southern Energy Inc.
Pacific Gas & Electric	Mandatory	First auction: 2,645 MW (Moss Landing, Morro Bay, Oakland)	$380 million	$501 million: 1.32 times book value	11/18/98	Duke Energy Power Services
		Second auction: 4,289 MW (Pittsburg, Contra Costs, Potrero, Geysers geothermal	$850 million	$940 million: 1.2 times book value	11/24/98	Southern Energy Inc., FPL Energy, Inc.
		Geysers (Lake County and Sonoma County) 1,224 MW	$273 million	$212.8 million: .78 times book value	12/1/98	Calpine Corp.
PacifiCorp, et al	Voluntary	1,340 MW coal-fired Centralia generation facility	$300 million	$554 million: 1.84 times Book Value	5/10/99 sale announced	TransAlta Corp.
Portland General Electric Co./Puget Sound Energy	Voluntary	1,138 MW Colstrip units 1-4	$464 million	$549 million: 1.18 times Book Value	11/2/98	PP&L Global

Company	Voluntary/ Mandatory	Assets for sale	Book Value	Market Value	Date Sold	Purchaser
San Diego Gas & Electric Co.	Voluntary	693 MW South Bay power plant	$256 million	$112 million: .44 times Book Value	9/17/98	San Diego Unified Port District
		951 MW Encina power plant	$93.6 million	$356 million: 3.8 times book value	12/14/98	Dynegy/NRG Energy
Southern California Edison	Mandatory	10,000 MW	$421 million	$1.16 billion: 2.75 times book value	11/97 - 3/98	AES Corp; Houston Industries; NRG Energy/ Destec Energy; Thermo Ecotek
United Illuminating	Mandatory	1,260 MW (Bridgeport Harbor station, New Haven Harbor station, English Station, Hydro Quebec share, 3 QF contracts	$220 million	$272 million for Bridgeport Harbor and New Haven 1.24 times total book value	10/5/98	Wisvest Corp.
Western Massachusetts Electric Co.	Voluntary	290 MW hydro, fossil generating assets	Not available	$47 million	1/22/99	Consolidated Edison Energy

Source: Edison Electric Institute, Electric Generation Divestiture by Investor-Owned Utilities since January 1, 1996 – As of December 23, 1999.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of The Detroit Edison Company for certain determinations pursuant to Sections 32(c) and (d) of the Public Utility Holding Company Act of 1935 and for Accounting Approval for the transfer of Certain Assets	Case No. U-12266

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Petition of PG&E Corporation for Leave to Intervene and Request for a Contested Case Hearing was served upon the parties on the attached service list by first class U.S. mail, postage prepaid, on January 24, 2000.

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