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 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

<u>PETITION FOR REHEARING</u>

The Association of Businesses Advocating Tariff Equity ("ABATE"), by its attorneys, Clark Hill P.L.C., pursuant to Rule 403 of the Rules of Practice and Procedure before the Commission (1992 AACS R 460.17403), hereby petitions the Michigan Public Service Commission ("Commission") for rehearing of its Opinion and Order dated February 3, 2000 ("Opinion and Order") and in support states as follows:

1. In its Opinion and Order dated February 3rd, the Commission ordered that:

> "[T]he Commission finds that it should approve the application only under the following conditions. First, if legislation is enacted this year which sets forth one or more methods for determining the valuation of generating plants in the future, the asset transfer price will be redetermined based on those methodologies within a range that is not less than the current net book value nor more than four times the current net book value. This will ensure that the asset transfer price will appropriately reflect the market value of the asset. The use of a cap of four times book is a reasonable means of addressing Detroit Edison's concern about the risks involved since it is approximately double the average market to book ration of 2.1 in the PG&E list. ***If legislation is not enacted this year, then the asset transfer price will be twice the current net book value, or approximately $4.6 million."*** Opinion and Order at p. 9 (emphasis added).

2. The Commission erredwhen it did not order The Detroit Edison Company ("Edison") to seek an independent appraisal of its River Rouge Unit No. 1 in accordance with the "Guidelines for Cost Allocations and Affiliate Transactions" ("Guidelines") adopted by the National Association of Utility Regulatory Commissioners ("NARUC").

3. The NARUC Guidelines provide that an independent appraisal of the market value of a capital asset that is transferred from a utility to its non-regulated affiliate be conducted.

4. Edison based its valuation of the asset upon a two page affidavit from an employee of Edison who has every reason to be biased in Edison's favor.

5. Such bias is what led NARUC to conclude that an independent appraisal is necessary before a utility may transfer capital assets to a non-regulated affiliate. See NARUC Guidelines, § D (". affiliate transactions raise the concern of self-dealing where market forces do not necessarily drive prices,").

6. The Commission acknowledges that an independent appraisal is preferable and urges Edison to give consideration to the NARUC guidelines but the Commission fails to require Edison to obtain an independent appraisal. See Order and Opinion, p. 8 n. 5.

7. The Commission acted arbitrarily and capriciously by ignoring the NARUC guidelines which the Commission mentioned in its Order. The Commission should have, at least, explained its reasons for ignoring the NARUC guidelines under circumstances where there is a possibility of self-dealing.

RELIEF

WHEREFORE, ABATE specifically requests the Commission to order Edison to obtain to an independent appraisal to establish the value of Edison's River Rouge Unit No. 1.

Respectfully submitted,

CLARK HILL P.L.C.

By: ______________________

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