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

ANSWER OF THE DETROIT EDISON COMPANY
TO ABATE'S PETITION FOR REHEARING

The Detroit Edison Company ("Edison" or "Company") by its attorneys, files this Answer to the Petition for Rehearing submitted by the Association of Businesses Advocating Tariff Equity ("ABATE") on February 18, 2000, in this docket and says:

1. On February 3, 2000 the Michigan Public Service Commission ("Commission") issued an Opinion and Order in this docket finding that: 1) transfer of the River Rouge Unit 1 power plant ("Rouge 1") from Detroit Edison to a generation affiliate is in the public interest as used in Sections 32(c) and 32(d) of the Public Utility Holding Company Act, 14 USC 79z-5a(c) and 5a(d)(2); and 2) accounting entries proposed by the Company associated with the transfer should be approved.

2. ABATE has failed to allege a sufficient basis for rehearing in this case under Rule 403 of the Commission Rules, R460.17403 in that there is 1) no newly discovered evidence, 2) facts or circumstances arising subsequent to the close of the record in this case, or 3) unintended consequences resulting from compliance with the Commission's order which ABATE raises in support of its Petition.

3. ABATE's sole reason for rehearing appears to be its disagreement with the Commission's assessment of an appropriate transfer price for the Rouge 1 plant. In support, ABATE cites, but has never produced, a "guideline" adopted by the National Association of Utility Regulatory Commissioners ("NARUC").

4. A NARUC guideline, of course, does not constitute any form of binding precedent for the Commission. It is merely a reflection of evolving regulatory policy. While Edison would agree that independent appraisal is a valid method for determining generation asset value, it is neither a "necessary" nor exclusive method for establishing a plant value as alleged by ABATE.

5. On the other hand, the affidavit of David Harwood clearly explained that a value of 2 times book for Rouge 1 is probably generous given the age, condition and physical configuration of the Rouge 1 plant. A valuation of 2 times book represents a greater than average price for <u>all</u> operating fossil units sold in recent years. Yet, because of its physical condition, comparison of the Rouge 1 plant to those units would be difficult at best. If anything, the value of Rouge 1 is less than 2 times book, and perhaps, substantially so.

6. In any event, Edison accepted the Commission's condition that it would revalue the plant should a particular valuation method be approved by the Michigan Legislature.

7. The Rouge 1 transfer price is reasonable, represents a fair "market value", and does not penalize Edison's ratepayers. The Commission did not err in its acceptance of the transfer price.

WHEREFORE, Detroit Edison respectfully requests that ABATE's Petition for Rehearing be denied.

THE DETROIT EDISON COMPANY

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