The Detroit Edison Company
2000 2nd Ave., Detroit, MI 48226-1279

Detroit Edison

A DTE Energy Company

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January 12, 2001

MICHIGAN PUBLIC SERVICE COMMISSION

JAN 12 2001

FILED

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

Re: 1999 Retail Access Program
MPSC case No. U-12359

Dear Ms. Wideman:

Please find enclosed for filing with the Commission an original and four copies of The Detroit Edison Company's Initial Brief and proof of service.

Very truly yours,

Jon P. Christinidis

JPC/dj
Enclosures

cc: Parties of Record

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

MICHIGAN PUBLIC SERVICE COMMISSION

JAN 12 2001

FILED

In the matter of the Application of THE DETROIT EDISON COMPANY for authority to recover retail access program implementation costs incurred in 1999.	))))))	Case No: U-12359

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

DORIS J. HILL, being duly sworn, deposes and says that on the 12th of January, 2001 she served a copy of **The Detroit Edison Company's Initial Brief** upon those persons identified on the attached service list by electronic mail and by depositing same in the United States mail bearing postage fully prepaid.

Doris J. Hill
DORIS J. HILL

Subscribed and sworn to before
me this 12th day of January, 2001

Sherrin M. Shehan
Notary Public

SHERRIN M. SHEHAN
Notary Public, Wayne County, MI
My Commission Expires 07-21-03.

MPSC CASE NO. U-12359
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MICHIGAN PUBLIC SERVICE
COMMISSION
JAN 12 2001
FILED

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application Of THE DETROIT EDISON COMPANY to Recover Implementation Costs for its Direct Access Program for the period Ended December 31, 1999.	)))))))	Case No. U-12359

INITIAL BRIEF OF THE DETROIT EDISON COMPANY

INTRODUCTION

The instant proceeding was commenced by Application of Detroit Edison pursuant to the Commission's directive to conduct annual Direct Access implementation cost reviews. In addition, Detroit Edison submitted an accounting of its 1999 Direct Access Program costs, including the supporting testimony and exhibits of Joseph A. McCormick. Mr. McCormick's testimony is reported at 3T 21-29. Mr. McCormick sponsored Exhibits A-1 and A-2. The MPSC Staff also filed the testimony and an exhibit of Nancy G. Katsarelas, demonstrating that it has audited the Company's books and records, and recommending certain future reconciliation procedures and disallowances. Her testimony is reported at 3T 42-48. Ms. Katsarelas sponsored Exhibit S-3. The Staff's audit concludes that Detroit Edison should be permitted to recover Direct Access implementation expenses for 1999 in the amount of $20,388,165.

ABATE filed the testimony of James T. Selecky calling for a Staff audit (which was completed as described above), and opposing recovery of Direct Access

implementation expenses through a uniform surcharge. Mr. Selecky's testimony is reported at 3T 31-40. Mr. Selecky sponsored no exhibits.

The foregoing testimony and exhibits were bound into the record and the parties waived cross-examination. No other parties have filed testimony or exhibits. The record in this proceeding consists of three volumes totaling 50 pages. Three exhibits were admitted as evidence. This matter has progressed rather quickly as a result of both its limited issues as well as the intervening events which, presumably, have rendered full-blown litigation less compelling.

INTERVENING EVENTS

Since Detroit Edison filed its Application in this proceeding, a number of significant developments have occurred. The Michigan Legislature enacted 2000 PA 141 and 2000 PA 142 (the "Acts") which restructured the electric utility industry in the State and provided for a new Securitization bond financing mechanism.

Consistent with the new Acts, Detroit Edison made application to the Commission to utilize Securitization bonds to secure some of its stranded costs, including its 1998 and 1999 Direct Access implementation costs. In the Company's securitization case, Case No. U-12478, the Commission permitted the Company to treat 1999 Direct Access implementation costs as a regulatory asset, and thus it is anticipated that Detroit Edison will securitize its 1999 Direct Access implementation costs through the issuance of bonds. (MPSC Case No. U-12478 Order dated November 2, 2000 p. 11)[1]

[1] The Commission did not change its position on this matter in its Opinion and Order on Detroit Edison's Petition for Rehearing and Clarification dated January 4, 2001. Detroit Edison has submitted a letter irrevocably accepting the conditions set forth in the U-12478 Orders. (MPSC Case No. U-12478 Order dated January 4, 2001 pp. 8-9)

The Commission has also determined, referencing MPSC Case Nos. U-11955/U-11956, that "[i]t is reasonable to treat the costs for 1999 in the same manner [as 1998 Direct Access implementation costs.]" (MPSC Case No. U-12478 Order dated November 2, 2000 p. 11). In MPSC Case Nos. U-11955/U-11956, the Commission approved the Company's incremental 1998 Direct Access implementation costs and concluded that it will "defer the means of recovery until pending questions regarding the stranded cost recovery mechanism are resolved."(MPSC Case Nos. U-11955/U-11956 Order dated October 24, 2000 p. 12) Thus, the Commission granted deferred recovery and reserved the right to undertake another review of 1998 Direct Access implementation costs in light of future circumstances. (MPSC Case Nos. U-11955/U-11956 Order dated October 24, 2000 pp. 5,12)

The result of MPSC Case Nos. U-12478 and U-11955/U-11956 is that the Commission approved the issuance of Securitization bonds sufficient to recover Detroit Edison's incremental 1999 Direct Access implementation costs in the amount supported by the MPSC Staff in this case ($20,388,165) and reserved the right to reevaluate the prudence of those expenditures.

THE INSTANT PROCEEDINGS

In the instant matter, the MPSC Staff has conducted its audit and concluded that Detroit Edison should be permitted to recover its incremental Direct Access implementation expenses for 1999 in the amount of $20,388,165. (3T 46-48; Exhibit S-3) Detroit Edison agrees to accept this amount as its recoverable Direct Access implementation costs and to implement the other procedures recommended by the Staff in its testimony in this proceeding. The only other record evidence in this proceeding was

submitted by ABATE and merely recommends that the Staff undertake an audit. (3T 37) The Staff has done so. ABATE also recommends a recovery mechanism for these expenses which has been decided by the Commission Order in U-12478. (3T 33-37)

No party submitted any evidence contesting the reasonableness of at least $20,388,165 of incremental 1999 Direct Access implementation costs for Detroit Edison. As discussed above, the Commission has granted Detroit Edison the authority to include its incremental 1999 Direct Access implementation costs in the amount of $20,388,165 as qualified costs for securitization. Likewise, the Commission has granted Detroit Edison the irrevocable authority to issue securitization bonds to recover this amount.

SECTION 81 OF THE ADMINISTRATIVE PROCEDURES ACT

In recognition of the unique circumstances in this proceeding, including the limited issues and the limited value of expending further resources, the parties discussed the possibility of waiving their Section 81 right to a Proposal for Decision. (3T 50) Detroit Edison is willing to waive the right to a Proposal for Decision if, in fact, all other parties do so.

CONCLUSION AND REQUEST FOR RELIEF

Detroit Edison set forth evidence showing that its 1999 expenditures for implementation of Direct Access were reasonable and prudent. The MPSC Staff agreed to the extent Detroit Edison's expenses were incremental, and supported recovery in the amount of $20,388,165. Detroit Edison accepts that amount, as well as the Staff's recommended policies and procedures for future Direct Access implementation cost reviews. Detroit Edison intends to recover the referenced $20,388,165 through the issuance of securitization bonds, which the Commission has approved in MPSC Case No.

U-12478. Thus, Detroit Edison respectfully requests that the Commission confirm its interpretation of the outcome and significance of this proceeding and take any additional action it deems appropriate to implement that outcome.

Respectfully submitted,

THE DETROIT EDISON COMPANY

By:_____

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Dated: January 12, 2001