S T A T E   O F   M I C H I G A N

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of **THE DETROIT EDISON COMPANY** for a financing order.	))))	Case No. U-12478

At the April 17, 2012 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. John D. Quackenbush, Chairman
Hon. Orjiakor N. Isiogu, Commissioner
Hon. Greg R. White, Commissioner

OPINION AND ORDER

In its November 2, 2000 order, the Commission authorized The Detroit Edison Company (Detroit Edison) to securitize up to $1.774 billion of regulatory assets and other qualified costs. Among other issues addressed by the order, the Commission concluded that there must be periodic true-ups of the securitization bond and tax charges to ensure that the amounts collected are sufficient to service the securitization bonds and to recover the associated tax liability. The Commission stated:

> The record clearly shows that not only are periodic securitization and tax charge true-ups necessary, but (to provide the certainty needed to obtain a AAA bond rating) they need to be undertaken in a way that allows for their swift and certain resolution. For this reason, the Commission finds that Detroit Edison's proposal for a true-up mechanism should be approved, but with two relatively minor changes. First, the utility as servicer should be limited to undertaking no more than one routine true-up per year until 12 months prior to the last expected maturity date of the securitization bonds. . . . Second, Detroit Edison, in its role as servicer of the securitization bonds, should initiate each routine true-up pursuant to Section 10k(3) of Act 142 [MCL 460.10k(3)] by filing a request for

> adjustment that (1) explains how its proposed revision of the securitization and tax charges will ensure the expected recovery of amounts sufficient to timely provide all payments of debt service and other required amounts and charges in connection with the securitization bonds, (2) shows the computation of the proposed adjustments to the securitization charge and the tax charge currently in place, and (3) seeks Commission review and approval—on an expedited basis—of the arithmetic computations contained in the proposed adjustments before they can be implemented. All reviews conducted by the Commission of the computations shall be consistent with the requirements of Section 10k(3) of Act 142 for a true-up mechanism. This review must be completed regarding the servicer's request for adjustments to the securitization charge and the tax charge pursuant to a routine true-up within 45 days after Detroit Edison as servicer files its request for an adjustment. The determination of the Commission in response to a request for adjustment shall be provided by the Commission to the servicer within the aforementioned 45-day period. The adjustments by the Commission will be to the securitization charge and the tax charge in effect prior to the filing of the request for adjustment and those charges shall remain in place until the adjustments have become effective and are being billed to customers.

November 2, 2000 order, Case No. U-12478, pp. 37-38 (footnote omitted).

Detroit Edison is requesting an increase in the bond principal and interest securitization surcharge from 4.01 mills per kilowatt-hour (kWh) to 4.28 mills per kWh for the period of April 1, 2012 through February 28, 2013. Detroit Edison is also requesting an increase in the bond tax surcharge for the same period from 1.84 mills per kWh to 2.69 mills per kWh.

The Commission Staff (Staff) reviewed the proposed bond surcharge adjustment and concluded that the adjustments are routine, the calculations are accurate, and the proposed adjustments conform to the method approved by the Commission. The increase in the proposed securitization bond surcharge is due to the removal of a large overrecovery built into the previous charges, offset somewhat by higher than expected megawatt-hour sales during the prior period and an increase in the forecasted megawatt-hour sales for the upcoming period. The Staff thus recommends that the Commission approve the bond surcharge true-up adjustments to take effect May 1, 2012.

The Staff reviewed the proposed tax surcharge adjustment and concluded that the proposed adjustment is not routine. Detroit Edison requests that the Commission approve a bond tax surcharge that includes collection of $25 million in tax revenues that were not reflected or collected in prior securitization true-ups dating back to 2008. According to Detroit Edison, the $25 million tax charge revenue discrepancy was the result of incorrect methodology used by the company from 2008 to the present. Detroit Edison requests that the $25 million be collected equally over the 2012 and 2013 periods. The Staff recommends that the tax surcharge revenue applicable to 2011 ($7.5 million) be reflected in the tax surcharge approved in this proceeding. However, the Staff recommends that the tax surcharge revenue applicable to 2008-2010 ($17 million) be removed from this proceeding and the discrepancy should be recovered equally over the final two filings (bonds mature March 1, 2015). The Staff recommends a revised tax surcharge of 2.55 mills per kWh to take effect May 1, 2012.

After considering Detroit Edison's filing and the Staff's review, the Commission agrees that, although the proposed adjustments for the securitization bond surcharge are not routine, the calculations are accurate and the proposed adjustments comply with the approved method. The Commission adopts the Staff's recommendation and approves the modification to allow Detroit Edison to recover 2011 tax discrepancy dollars of $7.5 million in this proceeding, with the remaining $17 million discrepancy to be removed from this proceeding and recovered equally over the final two filings (bonds mature March 1, 2015). Detroit Edison shall be authorized to implement the adjustments as of May 1, 2012.

THEREFORE, IT IS ORDERED that:

A. Effective May 1, 2012, The Detroit Edison Company is authorized to increase the bond principal and interest securitization surcharge from 4.01 mills per kilowatt-hour to 4.28 mills per kilowatt-hour and to increase the tax surcharge from 1.84 mills per kilowatt-hour to 2.55 mills per kilowatt-hour.

B. The 2008, 2009, and 2010 tax discrepancy dollars of $17 million shall be removed from this proceeding and recovered equally over the final two filings (bonds mature March 1, 2015).

C. Prior to May 1, 2012, The Detroit Edison Company shall file with the Commission tariff sheets essentially the same as those attached to this order as Attachment A.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

John D. Quackenbush

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John D. Quackenbush, Chairman

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Orjiakor N. Isiogu, Commissioner

Greg R. White

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Greg R. White, Commissioner

By its action of April 17, 2012.

Mary Jo Kunkle

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Mary Jo Kunkle, Executive Secretary

(Continued from Sheet No. C-76.00)

C9 SURCHARGES AND CREDITS APPLICABLE TO DELIVERY SERVICE: (CONTD)

C9.8 Summary of Surcharges and Credits: Summary of surcharges and credits, pursuant to sub-rules C9.1, C9.2, C9.3, C9.4, C9.5 C9.6 and C9.7 of this rule. Cents per kilowatthour or percent of base bill, unless otherwise noted.

	NDS ¢/kWh	SBC ¢/kWh	SBTC ¢/kWh	EOS(2) ¢/kWh	Total Delivery Surcharges ¢/kWh
Residential					
D1 Residential	0.0778	*0.428*	*0.255*	0.2664	*1.0272*
D1.1 Int. Space Conditioning	0.0778	*0.428*	*0.255*	0.2664	*1.0272*
D1.2 Time-of-Day	0.0778	*0.428*	*0.255*	0.2664	*1.0272*
D1.3 Senior Citizen	0.0778	*0.428*	*0.255*	0.2664	*1.0272*
D1.4 Time-of-Day	0.0778	*0.428*	*0.255*	0.2664	*1.0272*
D1.5 Supp. Space Heating	0.0778	*0.428*	*0.255*	0.2664	*1.0272*
D1.7 Time-of-Day	0.0778	*0.428*	*0.255*	0.2664	*1.0272*
D1.8 Dynamic Peak Pricing	0.0778	*0.428*	*0.255*	0.2664	*1.0272*
D1.9 Electric Vehicle	0.0778	*0.428*	*0.255*	0.2664	*1.0272*
D2 Space Heating	0.0778	*0.428*	*0.255*	0.2664	*1.0272*
D5 Water Heating	0.0778	*0.428*	*0.255*	0.2664	*1.0272*
D9 Outdoor Lighting	0.215%	see note 1	see note 1	1.2%	
Commercial					
D1.1 Int. Space Conditioning	0.0778	*0.428*	*0.255*	See C9.6	
D1.7 Space Conditioning	0.0778	*0.428*	*0.255*	See C9.6	
D1.8 Dynamic Peak Pricing	0.0778	*0.428*	*0.255*	See C9.6	
D3 General Service	0.0778	*0.428*	*0.255*	See C9.6	
D3.1 Unmetered	0.551%	see note 1	see note 1	0.8%	
D3.2 Educ. Inst.	0.0778	*0.428*	*0.255*	See C9.6	
D3.3 Interruptible	0.0778	*0.428*	*0.255*	See C9.6	
D4 Large General Service	0.0778	*0.428*	*0.255*	See C9.6	
D5 Water Heating	0.0778	*0.428*	*0.255*	See C9.6	
D9 Outdoor Lighting	0.215%	see note 1	see note 1	0.8%	
D10 Schools	0.0778	*0.428*	*0.255*	See C9.6	
R3 Standby Secondary	0.0778	*0.428*	*0.255*	See C9.6	
R7 Greenhouse Lighting	0.0778	*0.428*	*0.255*	See C9.6	
R8 Space Conditioning	0.0778	*0.428*	*0.255*	See C9.6	
Industrial					
D6 Primary Supply	0.0778	*0.428*	*0.255*	See C9.6	
D6.1 Alternative Primary	0.0778	*0.428*	*0.255*	See C9.6	
D6.2 Educ. Inst.	0.0778	*0.428*	*0.255*	See C9.6	
D7 Transitional Primary	0.0778	*0.428*	*0.255*	See C9.6	
D8 Interruptible Primary	0.0778	*0.428*	*0.255*	See C9.6	
R1.1 Metal Melting	0.0778	*0.428*	*0.255*	See C9.6	
R1.2 Electric Process Heating	0.0778	*0.428*	*0.255*	See C9.6	
R3 Standby Primary	0.0778	*0.428*	*0.255*	See C9.6	
R10 Interruptible Supply	0.0778	*0.428*	*0.255*	See C9.6	

(Continued on Sheet No. C-77.01)

(Continued from Sheet No. C-77.00)

C9 SURCHARGES AND CREDITS APPLICABLE TO DELIVERY SERVICE: (CONTD)

C9.8 Summary of Surcharges and Credits (Contd):

	NDS ¢/kWh	SBC ¢/kWh	SBTC ¢/kWh	EOS(2) ¢/kWh
Governmental				
E1 Streetlighting	0.172%	See note 1	See note 1	0.8%
E1.1 Energy Only	0.0778	*0.428*	*0.255*	See C9.6
E2 Traffic Lights	0.928%	See note 1	See note 1	0.8%
Electric Choice				
EC2 Secondary	0.0778	*0.428*	*0.255*	See C9.6
EC2 Primary	0.0778	*0.428*	*0.255*	See C9.6
Special Contracts				
LCC - Primary	0.0248	0.428	0.255	See C9.6
LCC - Secondary	0.0368	0.428	0.255	See C9.6

Notes: (1) The SBC and SBTC are included in this tariff's base rates and will be separately accounted for by Detroit Edison for remittance to the Detroit Edison Securitization Funding L.L.C. (2) For EOS unmetered classes, % applies to base bill, NDS and ESCS.

(Continued on Sheet No. C-78.00)

P R O O F   O F   S E R V I C E

STATE OF MICHIGAN)

Case No. U-12478

County of Ingham)

Mignon Middlebrook being duly sworn, deposes and says that on April 17, 2012 A.D. she served a copy of the attached Commission Order by first class mail, postage prepaid, or by inter-departmental mail, to the persons as shown on the attached service list.

Mignon Middlebrook

Digitally signed by Mignon Middlebrook
DN: cn=Mignon Middlebrook, c=US, email=middlebrookm@michigan.gov
Date: 2012.04.17 16:26:36 -04'00'

Mignon Middlebrook

Subscribed and sworn to before me
This 17th day of April 2012

Gloria Pearl Jones
Notary Public, Ingham County, MI
My commission expires June 5, 2016
Acting in Eaton County

Service List U-12478

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