Detroit Edison

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January 22, 2002

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

Re: **MPSC Case No. U-12489**

Dear Ms. Wideman:

Enclosed please find the original and four copies of Petition for Rehearing of The Detroit Edison Company along with Proof of Service regarding the above referenced matter.

Very truly yours,

Bruce R. Maters

Bruce R. Maters

BRM/dj
Enclosures

cc: Service List

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the rates, terms and conditions for retail customers of The DETROIT EDISON COMPANY to choose an alternative electric supplier.	))))	**Case No. U-12489**

PETITION FOR REHEARING
OF THE DETROIT EDISON COMPANY

The Detroit Edison Company ("Edison" or "Company") by and through its attorneys, and pursuant to Rule 403 of the Rules of Practice and Procedure before the Commission (R460.17403), hereby petitions the Michigan Public Service Commission ("Commission") for rehearing of its Opinion and Order dated December 20, 2001 ("Order") or in the alternative, moves for clarification of the Order, and in support states as follows:

1. This Petition is being filed to request clarification and corrections to certain determinations made by the Commission in its December 20, 2001 Order issued in this docketed case. Such clarification and correction is necessary to prevent serious unintended consequences and/or errors resulting from compliance with the Order as described herein. Clarification and correction of these determinations will enable Edison to effectively implement the terms and conditions of the retail access service tariff adopted by the Commission.

2. Telemetry Requirement

Where and when telemetry is required is also unclear and must be resolved. Section 2.8.1 of the RAST (Exhibit A) states:

> "All Load served under this tariff shall be metered. All Customers receiving electric service at 4,800 volts or greater shall be required to install Interval Demand Meters."

Exhibit A Section 2.9.1 states:

> "Customers with Interval Demand Meters and demands above 1000 kW, meter reading may be accomplished electronically through a Customer provided telecommunication links or other electronic data methods able to provide Detroit Edison the metering data necessary to bill the customer and conform to required metering accuracy. In the event Detroit Edison maintains the customer on the same meter read cycles, it will be the Customer's option of installing data links for remote meter reading or allowing Detroit Edison to read by conventional means. The Alternative Electric Supplier shall direct access to meter data through the same means as Detroit Edison, once the Customer is enrolled, without any further documentation or permission from the Customer."

The ALJ proposed the elimination of the telemetry requirement on page 22 of its PFD and on page 23 of its Order the Commission apparently rejected all exceptions not specifically addressed. As a result, Edison infers that the Commission has eliminated any requirement for the customer to provide telemetry for customers with demands of less than 1,000 kW, regardless of the nature of metering used on the customer's premises. This inference is confirmed by the Commission's reference to telemetering, at page 45 of its Order. Edison believes this is not what the Commission intended. Thus, Edison is seeking clarification of its understanding of the Commission's Order regarding telemetry. That is, that the Commission did not intend to eliminate the requirement for customer-provided telephone access for all interval meters, regardless of size. In the alternative, if Edison is incorrect in its inference of the Commission's intent, it is hereby seeking rehearing to have the requirement for customer provided telemetry reinstated.

The Company has always maintained that when an interval meter is in place it is necessary to require telemetering to be able to remotely interrogate the meters. (2 T 129) Providing an option, or worse, failing to make telemetering mandatory for interval meters will substantially impair the Company's ability to implement the Commission's approved Electric Choice program.

An alternative means for reading interval meters implied by the Commission to exist in Section 2.9.1 of the RAST does not exist. Reading an interval demand meter is far different than reading an energy meter.

Manually reading interval meters requires attaching a probe to the meter and downloading data for approximately 3,000 fifteen-minute periods each month. This procedure takes several minutes. This is far different from the act of reading the dials of an energy meter and will require additional training for meter-reading personnel as well as the time spent by meter reading personnel at each meter site. This hidden cost of potentially millions of dollars per year was clearly not an intended consequence of the Commission's Order. Furthermore, the Commission's finding impairs the ability of the Company to gather the appropriate data from the meters on a timely basis. The Company's current practice is to poll the meters via telephone on a weekly basis to download the interval data. The timeliness of data provided by this weekly read schedule would be impossible to match with manual reads.

Rejection of telemetry as a requirement will mean that interval meters must be read manually, subject as always to manpower availability, severe weather conditions and personnel redeployment during system emergencies. The decision to not require telemetry will create billing delays, additional costs for ratepayers and will cause severe customer dissatisfaction which could ultimately lead to program failure.

This same telemetry issue was addressed in Case No. U-12488 in the Consumers Energy retail access tariff proceeding. The Commission's order in that case, issued on the same day as the order in this case, found that telemetering is required. (U-12488, December 20, 2001, §19 p. 20.)

The Company believes that the Commission's intent in implementing a retail access service program was to generally maintain consistent terms and conditions for the various programs offered by the major electric utilities in the State. Therefore Edison requests confirmation by the Commission that telemetry is mandatory for all interval-metered customers.

3. **Pricing Changes**

The Commission in Section 8, page 21 of the Order rejected the Company's pricing proposal, based on its conclusion that the Company's proposed pricing structure, if implemented prior to the expiration of the price freeze, would likely violate 2000 PA 141 ("Act 141") (Order at p. 20). The Commission thereafter agreed with the Staff position that the more appropriate solution would be to retain the existing metering requirements and demand (kW) based price structure for secondary voltage customers while also providing for the implementation of Edison's proposed secondary energy (kWh) based rate as an optional service. The Commission reasoned that this would allow retail open access customers with loads of less than 300 kW to select the metering option (and subject themselves to the corresponding fee structure), that best suits their respective needs. Clarification of the Commission's Order is necessary to allow implementation of Edison's retail access program.

As discussed in the Company's brief and in its reply to exceptions in this case, it is Edison’s position that the terms and conditions of the Retail Access Service Tariff ("RAST") are not subject to the Act 141 "rate freeze". Section 10a(1) of Act 141 requires that the Commission “issue orders establishing the rates, terms and conditions of service” to enable customers to receive by January 1, 2002, service from an alternative electric supplier. This provision provides clear authority for the Commission to establish new rates for retail access service. Nevertheless, the Commission in its Order determined that Section 10d(2), imposes a freeze on all electric prices charged by a utility with 1 million or more customers, thereby effectively freezing those retail access pricing provisions in tariffs in existence as of the enactment of Act 141. This interpretation therefore, precludes the Commission from making any pricing changes, including the Commission’s own pricing option announced on page 20 of the Order.

The Company believes that if, in fact, the RAST pricing is subject to the Act 141 price freeze as the Commission found in its Order, then the adoption of the Staff's energy based pricing option is also in violation of the rate freeze for exactly the same reasons the Commission rejected the Company's proposal.

If the Commission's intent was to freeze all rates as described in the Order then such intent must be supported by the clear meaning of Act 141. Lorencz v Ford Motor Company, 439 Mich 370, 376; 483 NW2d 844 (1992).

Having found in the Order that the Retail Access Service Rates are frozen, then the Company assumes that the Commission intended to agree, as Energy Michigan suggested in its testimony in this proceeding, (2T-282) to revert to the pricing approved as of the effective date of Act 141, and thereby maintain the secondary $3.42/kW system use charge in effect at the time. The Commission cannot however, reject Edison's pricing proposals only to accept those of other parties such as the Staff.

Therefore, the Company believes the Commission intended to replace the option allowing secondary customers to elect demand based (kW) pricing or Energy (kWh) based pricing with the $3.42/kW demand based system use charge approved in the prior Retail Access Service Tariff (U-11290), that was in effect prior to the enactment of Act 141 and the imposition of the rate freeze. Adoption of this proposal would return all customers to the same pricing in effect prior to the Commission's December 20, 2001 Order.

4. Meter Threshold

The Company believes that a successful retail access program must balance the needs of customers with the limitations of the billing and administrative infrastructure of Edison. Edison believes the Commission's order has created unintended consequences for compliance therewith.

The Commission's Order differs significantly from the provisions of the RAST approved by the Commission and set forth in Exhibit A. In Section 8.7 of the RAST, the chart does not appear to limit the optional energy metered category solely to customers with a customer service capacity under 300KW, while Section 8, page 21 of the Order correctly requires that the option be applicable to customers under 300 kW capacity, stating:

> "Specifically, any open access customer having a load of less than 300 kW could elect to take service without the installation of an interval demand meter and under the terms and conditions proposed by the utility, except that the Staff's 2.88¢ per kWh system use charge would be substituted for the weather-adjusted version suggested by Detroit Edison."

In order to avoid this unintended consequence, clarification is needed that customers with loads less than 300kW shall receive service without an interval demand meter and those above 300kW shall receive service with an interval demand meter. Any other interpretation would seriously impair Edison's ability to timely implement Electric Choice.

Part of the reason for this conclusion is that customers will not be charged for these "free" meters and they will not even be given the opportunity to elect the meter option because the Alternative Electric Service Provider will determine its meter option at enrollment. Therefore, the likelihood of customers receiving "free" interval meters will be very high. This is especially true if the requirement for customer-provided telemetry is not reinstated for all interval meters, including those customers with demand less than 1,000 kW. The Company's original intent was to reduce the number of interval meters and the 300kW value was chosen because it represented a clear break in customer service capacity. (2 T 130) The Company in the design of its RAST, assumed that a large segment of customers would be included in a load-profiling program thereby removing the need for interval metering.

The Company currently has 6,000 installed interval meters and, prior to electric choice, was installing them at a rate of about 100 interval meters per year. Under the provisions of the Commission's Order, it is estimated that Edison will be required to install 85,000 interval meters, just in the first year, with increasing numbers in 2003 and 2004. It is expected that the program could ultimately require the installation of over 300,000 interval meters. At the present time, the largest deployment of interval meters in the United States is 30,000 meters at Duquesne Energy. These meters were installed in a concentrated effort over a four-year period.

Even with the diversion of Edison field personnel from their normal day-to-day workload, such as customer connection and service restoration, installation of the number of interval meters projected to be required under the terms of the Commission's Order may result in delays of eighteen months or more.

Experience at Duquesne Energy and other distribution utilities suggest that problems associated with operating interval metering at such a scale go far beyond installation. These utilities have experienced problems in the collection and processing of vast amounts of data, including the ability to issue customer bills. Yet, under the Commission's Order, it is estimated that many more customers than seen by these other utilities will through their suppliers, choose to have interval meters installed.

The costs for these meters will continue to accrue, and through the implementation cost true up process, will ultimately be borne by customers in subsequent years. This unintended consequence will be both dramatic and significant, and if not corrected by the Commission on rehearing, has the distinct potential to jeopardize the sustainability of Electric Choice in Edison's service area by needlessly inflating the transition charges paid by customers selecting an Alternative Electric Supplier.

Therefore, Edison requests that the Commission clarify that customers with customer service capacity below 300kW shall be energy-metered and included in a load profiling program. Furthermore, customers greater than or equal to 300kW customer service capacity shall be interval-metered. For the reasons discussed above, Edison firmly believes that establishing the 300kW threshold is the most effective, efficient, economic and prudent basis for determining which customers require interval meters and which do not.

5. <u>Conclusion and Request for Relief</u>

The following proposed program requirements would reduce the time required to place Electric Choice customers in service from greater than six months to within the 45 day period adopted by the Commission. Further, they would reduce the costs of implementation by some $330 million and decrease the associated regulatory asset established to recover these costs. Therefore, the Company requests that the Commission:

1. Amend the option, set forth in the Order which allowed secondary customers to elect Demand based (kW) pricing or Energy (kWh) based pricing, with instead, the $3.42/kW demand based system use charge approved in the prior Retail Access Service Tariff (U-11290), that was in effect prior to the enactment of Act 141 and the imposition of the rate freeze mandated therein.

2. Require telemetry for all interval meters.

3. Require energy meters and load profiling for customers with customer service capacity less than 300 kW and interval meters for customers greater than 300kW.

The following chart graphically displays Edison's suggested clarifications and corrections.

	480 Volts and Below	
	Customers Greater than or equal to 300kW	Customers less than less than 300kW
Meter Type	Interval Demand Meter	Energy Meter
Service Charge	$5.95/month	$5.95/month
System Use Charge	$3.42/kW/month	$3.42/kW/month
Calculation of Charges	Actual Interval Demand Data	Derived from Conversion Tables
Telephony	Mandatory	Not required

Therefore, the Company respectfully requests that the Commission issue an Order on Rehearing making the clarifications and corrections of its December 20, 2001 Order in this case as recommended in this Petition. Clarification and rehearing is essential for full, efficient and economic implementation of Electric Choice, as well as the elimination of confusion which could result in unintended consequences in the implementation of the Order. In the alternative, if the Commission determines that no pricing adjustments can be made to the RAST, then it should adopt Edison's existing tariff as filed.

Respectfully submitted:

THE DETROIT EDISON COMPANY

By: Bruce R Maters

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Dated: January 22, 2002

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the rates, terms, and	)	
conditions for retail customers of	)	
THE DETROIT EDISON COMPANY	)	
to choose an alternative electric supplier.	)	Case No. U-12489
	)	

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss
COUNTY OF WAYNE)

DORIS J. HILL-SHAVERS, being first duly sworn, deposes and says that on the 22nd day of January, 2002, a copy of the **PETITION FOR REHEARING OF THE DETROIT EDISON COMPANY** was served upon the parties listed on the attached Service List, a copy of which is attached, by electronic mail and by depositing properly addressed sealed and stamped envelopes into the Unites States mail by first class.

Doris J. Hill Shavers
DORIS J. HILL-SHAVERS

Subscribed and sworn to before
me this 22nd day of January, 2002

Christina Jacobson

CHRISTINA R. JACOBSON
NOTARY PUBLIC WAYNE CO., MI
MY COMMISSION EXPIRES Mar 18, 2006

MPSC Case No: U-12489

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(As of October 1, 2001)

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