Detroit Edison

February 12, 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 Answer of The Detroit Edison Company to the Petition of Energy Michigan for Rehearing and Clarification with Proof of Service in the above referenced matter.

Very truly yours,

Bruce R. Maters

Bruce R. Maters

BRM/slw

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

ANSWER OF THE DETROIT EDISON COMPANY
TO THE PETITION OF ENERGY MICHIGAN FOR REHEARING AND CLARIFICATION

INTRODUCTION

The Detroit Edison Company ("Company" or "Edison") by its attorneys, pursuant to Rule 403 of the Michigan Public Service Commission's ("Commission") Rules of Practice and Procedure (1992 AACS R 460.17403), answers Energy Michigan's Petition for Rehearing and Clarification as follows:

I.

ENROLLMENT DEADLINE

Energy Michigan argues that the Commission's 45-day enrollment deadline should be expressed in calendar days and not business days. The Company believes the Commission intended the "45" day enrollment process period to be 45 business days. The company believes that the 45-business day period was determined by a nine-week period wherein enrollment, metering installation and account set up was to be performed. Furthermore, the fact that 45 is evenly divisible by 5 business day weeks is clear evidence of this interpretation.

The Company stands by its positions set forth in its Petition for Rehearing in this proceeding, regarding its ability to comply with this enrollment requirement unless there is satisfactory resolution of the metering issues presented in the Company's Petition for Rehearing.

II.

SYSTEM USE CHARGES FOR CUSTOMERS WITH ENERGY METERS

Energy Michigan argues that customers below 20 kW with energy meters should have the right to the $3.42 per kW system use charge with demand derived from conversion tables.

The Company believes that energy metered customers under 300 kW should be subject to$3.42 per kW system use charge with demand derived from conversion tables. As discussed in its own Petition for Rehearing, the Company believes that a customer’s <u>option</u> to <u>choose</u> between kW pricing or kWh pricing is in violation of the 2000 Public Act 141 rate-freeze ("Act 141"). The Company believes that retail access pricing should revert to the pricing in effect on the date of the execution of Act 141.

The Company agrees with Energy Michigan's position supporting the use of demand conversion tables to derive the customer’s demand from kWh data received from the customer’s energy meters as an alternative to complex metering; however, the customer's election of metering appears to be directly tied to the corresponding pricing as indicated on page 20 of the Commission's December 20, 2001 order in this proceeding. The order states:

> "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)"

Although the Company disagrees that the pricing option is permitted by Act 141, it appears that the Commission intended for kW pricing to be tied to interval metering and kWh pricing tied to energy metering. Inasmuch as the option to choose metering and the corresponding pricing may result in a higher or lower delivery charge, the Company believes it violates the price freeze. Reverting to the previous demand-based pricing, with interval meters for larger customers and demand conversion tables for smaller customers, satisfies the statutory requirements of Act 141, facilitates faster participation, is fair to customers, and therefore, should be adopted.

III.

RATE EQUALIZATION CREDIT

Energy Michigan argues that equalization credits should continue to be applied to residential, commercial and industrial Electric Choice bills. The Company filed tariff sheets with the Commission on January 22, 2002 that accomplished that result. However, in doing so, the Company does not concede the appropriateness of that result, and reserves its right to further contest and appeal all related issues including but not limited to potential bypass of the nonbypassable securitization charges, consistent with the Company's Petition for Rehearing and Clarification in case No. U-12639.

In Section 8.4 of the complying tariff sheets, the rate equalization credit adjustment was provided for residential, commercial and industrial electric choice customers. Following is a description of the credits as shown in Section 8.4:

	10d(5) Securitization Offset	10d(5) Equalization Adjustment
Residential	-0.47¢/kWh	-0.46¢/kWh
Commercial & Industrial Secondary	-0.47¢/kWh	-0.48¢/kWh
Commercial & Industrial Primary	-0.47¢/kWh	-0.28¢/kWh

IV.

REQUIREMENT FOR BACK-UP POWER

Energy Michigan argues that Section 23.3 of the RAST should not be construed to require wholesale power suppliers to contract for emergency energy supply service from the Company or any other specific entity.

Section 23.3 of the Retail Access Service Tariff, EC2 does require a marketer participating in the Company's electric choice program to execute a wholesale power supply agreement.

In the Commission's order on page 3, the Commission approved tariff sections 23 through 31. The Company does not disagree with the Commission that providing these sections in the Retail Access Service Tariff allows easy access to a comprehensive description of the requirements, responsibilities, rules and prices governing Electric Choice in Michigan. (order p. 4). Furthermore, The Company believes that the Commission understood the significance of requiring a wholesale power supply agreement for emergency energy supply, approved by the FERC, to replace failed or curtailed supply resources. Although the Company recognizes that Section 23.1 should not be construed to require that the Marketer contract with Detroit Edison for the wholesale power supply agreement, the Marketer must make comparable alternative emergency energy supply arrangements to ensure the reliability of service.

The requirement that Marketers make advance arrangements for emergency energy supply service ensures the reliability of the electrical system for all users. If a Marketer fails to arrange for emergency energy supply service in advance, and its primary energy supply were to fail, use of the system for all other customers would be jeopardized.

Recovering from the failure of a Marketer's supply resource requires reliance by Edison on Operating Reserves to maintain system integrity. Orderly plans to replace those reserves are necessary for continued reliable system operation for all customers. The Federal Energy Regulatory Commission has supported the transmission provider's right to limit the reliance of a customer on Operating Reserves by stating that customers must replace the reserve with backup power to reestablish required minimum reserve levels. (FERC Order 888, 18 CFR 35 (1997) Marketers can choose their supplier of emergency energy supply and arrange it in advance to protect against primary supply failure. Marketers must be held responsible for arranging emergency energy supply service to ensure that use of the electric system is not affected by their power supply choices.

V.

RELIEF

Wherefore, The Detroit Edison Company respectfully requests that the Commission issue an order on rehearing that is consistent with the requests made by Detroit Edison in its Petition for Rehearing and in this Answer.

Respectfully Submitted,

THE DETROIT EDISON COMPANY

Bruce R. Maters

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Dated: February 12, 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)

SHARON L. WALKER, being first duly sworn, deposes and says that on the 12th day of February, 2002, a copy of the **ANSWER OF THE DETROIT EDISON COMPANY TO THE PETITION OF ENERGY MICHIGAN FOR REHEARING AND CLARIFICATION** 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.

SHARON L. WALKER

Subscribed and sworn to before me
this 12th day of January, 2002.

CHRISTINA R. JACOBSON
NOTARY PUBLIC WAYNE CO, MI
MY COMMISSION EXPIRES Nov 18, 2005

MPSC Case No: U-12489

SERVICE LIST
(As of February 12, 2002)

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