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

Detroit Edison
A DTE Energy Company

Bruce R. Maters
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September 1, 2000

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

Re: MPSC Case No. U-12595

Dear Ms. Widerman:

Enclosed please find an original and 4 copies of The Detroit Edison Company's Application and Testimony and Exhibit of E.L. Falletich in the referenced case along with Proof of Service. This filing is also being made electronically.

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 Application of The Detroit Edison Company for ratemaking authority to implement 2000 PA 141	)))))	Case No. U-12595

PROOF OF SERVICE

STATE OF MICHIGAN)
) SS.
COUNTY OF WAYNE)

DORIS J. HILL, being first duly sworn, deposes and says that on the 1st day of September, 2000, a copy of **THE DETROIT EDISON COMPANY'S APPLICATION AND TESTIMONY AND EXHIBIT OF E.L. FALLETICH** was served upon the parties listed on the attached Service List by electronic mail, and first class mail.

Doris J. Hill
DORIS J. HILL

Subscribed and sworn to before me
this 1st day of September, 2000

Diane L. Francisco
DIANE L. FRANCISCO
Notary Public, Macomb County, MI
My Commission Expires Feb. 17, 2003
acting in Wayne County

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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of The Detroit Edison Company for ratemaking authority to implement 2000 PA 141	)))))	Case No. U-12595

APPLICATION

Now comes The Detroit Edison Company ("Applicant" or "Company"), by and through its attorneys, and files this Application; and in support, says that:

1. Applicant is a corporation duly organized and existing under the laws of the State of Michigan, with its principal office at 2000 Second Avenue, Detroit, Michigan 48226.

2. Applicant has been for many years, and now is, the owner and operator of extensive plant and equipment located in the State of Michigan, used principally in the business of producing, transmitting and furnishing electric service to over 2 million customers located within its service area in southeastern Michigan. Applicant serves its customers under tariffs and contracts approved by the Michigan Public Service Commission ("Commission").

3. On June 3, 2000 Governor John Engler signed Enrolled Senate Bill No. 937, 2000 PA 141 ("Act 141") which provides for the restructuring of the electric utility industry in Michigan and which requires, among many other things, certain reductions in retail electric rates and the funding of a mandated energy efficiency fund. On that same date the Governor signed Enrolled Senate Bill No. 1253, 2000 PA 142 ("Act 142"). This Act provides for the issuance by the Commission of a financing order approving the issuance of securitization bonds and the creation of securitization property, provided the Commission makes certain findings and ensures that several conditions are met. Both Acts became effective June 5, 2000.

4. On July 5, 2000, the Company filed an application for a Financing Order to implement the securitization provisions of Act 142. That case was docketed as Case No. U-12478 and is currently pending.

5. Applicant expects that with issuance by the Commission of a final order in that case, it will be able to issue securitization bonds and recover the costs thereof through the immediate imposition of a securitization charge in the rates of its retail electric customers.

6. Among other things, Act 141 specifically requires in Section 10(d)(4) that:

> "(4) If the commission authorizes an electric utility to use securitization financing under section 10i, any savings resulting from securitization shall be used to reduce retail electric rates from those authorized or in effect as of May 1, 2000 as required under subsection (1). A rate reduction under this subsection shall not be less than the 5% required under subsection (1). The financing order may provide that a utility shall only issue securitization bonds in an amount equal to or less than requested by the utility, but the commission shall not preclude the issuance of an amount of securitization bonds sufficient to fund the rate reduction required by section 10d.(1).

Section 10d.(5) provides:

> (5) Except for savings assigned to the low-income and energy efficiency fund pursuant to subsection (6), securitization savings greater than those used to achieve the 5% rate reduction under subsection (1) shall be allocated by the commission to further rate reductions or to reduce the level of any charges authorized by the commission to recover an electric utility's stranded costs. The commission shall allocate approved securitization, transition, stranded, and other related charges and credits in a manner that does not result in a reallocation of cost responsibility among the different customer classes.

Section 10d.(6), provides in part:

> (6) If securitization savings exceed the amount needed to achieve a 5% rate reduction for all customers, then, for a period of 6 years, 100% of the excess savings, up to 2% of the electric utility's commercial and industrial revenues, shall be allocated to the low income and energy efficiency fund administered by the commission. . . .

7. The testimony and exhibits filed by the Company in Case No. U-12478 set forth generally, the use of securitization proceeds and specifically, the surcharge required to begin immediate recovery of the costs of securitization bonds. The purpose of this Application is to

describe the ratemaking necessary to implement the rate reductions and fund the program requirements of Section 10(d) of Act 141.

8. While determination of the ratemaking described in this Application and the attached testimony and exhibit do not govern, limit or impair the Commission's determination in Case No. U-12478, Applicant believes that the requirements imposed by Act 141 demand that consideration be given to the actual ratemaking associated with the use of securitization proceeds to satisfy those requirements.

9. Applicant will charge the Securitized Qualified Cost Charge ("SQC Charge") ordered by the Commission in Case U-12478 as a separate surcharge for all metered retail tariffs (including Electric Choice). This charge will be included in the Company's revised Rule B-4.9(4), Surcharge and Credits. The charge will be applied to all metered sales on an equal ¢/kWh basis. For residential tariffs, Rule B-4.9(4) will also include an adjustment to ensure that residential customers continue to receive the 5% rate reduction mandated by Act 141.

10. All metered retail sales (excluding Electric Choice), the base rate energy charge(s) will be reduced by an amount equal to the SQC Charge.

11. For all unmetered tariffs, the SQC Charge will not be shown as a separate line item. The Company will separately account for the amount of SQC Charges collected based on estimated sales of each unmetered class.

12. Since Act 142 securitization charges are non-bypassable, the SQC Charge will be shown as a separate line item surcharge on all Electric Choice tariffs. For customers/marketers, etc. who currently have approved bids equal to or greater than the SQC Charge, the current approved bid amount will be reduced by an amount equal to the SQC Charge. For those with approved bids less than the SQC Charge, the SQC Charge will apply.

13. Since residential rates have already received the 5% rate reduction specified in Act 141 (effective June 5,2000), Applicant believes that the only additional changes required in

each residential tariff are that the SQC Charge be included as a separate line item surcharge with a corresponding equal decrease to the base energy charge(s). The net result will be that each residential customer will continue to realize the 5% rate reduction mandated by Act 141.

14. Act 141 requires a 5% rate reduction for residential customers effective with its enactment, and further provides that any savings above and beyond that necessary to achieve a 5% rate reduction for all customers be next applied to a low-income/energy efficiency fund (not to exceed 2% of Commercial/Industrial revenues.) Applicant believes, based on the Company's filing in Case No. U-12478, that sufficient securitization savings exist to cover: (1) the residential 5% rate decrease, (2) the 5% rate decrease to remaining customers, (3) the low-income/energy efficiency fund, and (4) the creation of a qualified cost reserve fund to be applied against future-incurred stranded and transition costs. The Company's recommendation is that the existing 5% residential rate reduction be maintained. Applicant also proposes that the 5% rate reduction referred to in Act 141 and owing to securitization will be applied equally to all commercial, governmental and industrial classes, including the Special Manufacturing Contracts (SMC) and Large Customer Contracts (LCC). No reductions will be applied to Customer Choice tariffs. The 5% reduction will be shown as a separate line item on each tariff and the reduction will be applied to the total bill net of taxes.

15. Applicant believes that its proposed ratemaking is simple, fair and reasonable and that it complies with the mandates of Act 141. Specifically, Applicant believes that it complies with the requirements of Sec. 10(d)(5) of Act 141 which prohibit cost shifting between customer rate classes.

16. The net effect of Applicant's proposed ratemaking is a reduction in the rates paid by all retail electric customers. Therefore, it would be appropriate for the Commission to issue an order on an *ex parte* basis, as provided in MCL 460.6a. However, Applicant recommends, given the unique provisions of Act 141, that the Commission provide for Notice and an

expedited proceeding to approve the ratemaking proposed herein and issue an order in this case concurrently with the order it will issue in Case No. U-12478.

WHEREFORE, Applicant requests that this Commission:

a. Give notice of this application as necessary;

b. Conduct an expedited procedure to address the ratemaking requested in this Application, including if the Commission deems an evidentiary hearing is necessary, that it read the record and dispense with a proposal for decision;

c. Approve this Application, including the revisions to Rule B-4.9 as set forth in the attached testimony and exhibit of Applicant's witness; and

d. Grant any and all other relief deemed appropriate by the Commission.

Respectfully requested:

THE DETROIT EDISON COMPAMY

By: ______________________

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Dated: September 1, 2000