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October 26, 2001

Ms. Dorothy Wideman
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, MI 48911

Dear Ms. Wideman:

Re: MPSC Case No. U-12892

I am enclosing for filing an original and 4 copies of the Attorney General's Reply Brief. I am also enclosing a proof of service. In addition, I am submitting a copy of this brief in PDF electronic format.

Sincerely,

Donald E. Erickson
Assistant Attorney General

c All Parties
sld/cases/U-12892

PROOF OF SERVICE - U-12892

The undersigned certifies that a copy of the Attorney General's Reply Brief was served upon the parties listed below by mailing the same to them at their respective addresses with first class postage fully prepaid thereon, or by State Interdepartmental mail as indicated, on the 26th day of October 2001

Kimberly K. Harris
Kimberly K. Harris

Administrative Law Judge:

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Michigan Public Service Commission
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P. O. Box 30221
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MPSC Staff:

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The Detroit Edison Company:

Mr. Jon P. Christinidis (P47352)
The Detroit Edison Company
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ABATE:

Mr. Robert A. W. Strong (P27724)
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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 the period ended December 31, 2000

MPSC No. U-12892

Attorney General's Reply Brief

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October 26, 2001

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Introduction

The Detroit Edison Company (DECo), Attorney General Jennifer M. Granholm (Attorney General, the Staff of the MPSC's Electric Division (Staff), and the Association of Businesses Advocating Tariff Equity (ABATE) have filed initial briefs. The positions stated in those briefs present only narrow differences concerning the outcome of this case. This reply brief will respond to the briefs filed by the other parties.

Replies to DECo

DECo's brief presents its view of the previous implementation cost decisions by the MPSC as well as its view of 2000 PA 142. On pages 5 & 6 of its brief, DECo agrees to accept recovery of \$27,225,289 as proposed by the Staff's witness. However, page 6 of DECo's brief takes the position that recovery should be via residual savings in MPSC Case No. U-12639.

Case No. U-12639 arises under 2000 PA 141, § 10a(1). That statute provides for full recovery of net stranded costs and implementation costs, but 2000 PA 142, not 2000 PA 141, addresses use of revenues from securitization charges. As DECo's brief admits the MPSC did not provide, in Case No. U-12478, for recovery of Year 2000 implementation costs via securitization bonds or revenues from them; therefore, the MPSC should not and cannot authorize addition of those costs to expenses recovered via securitization bonds. If the securitization charges result in excess revenues for the Year 2001, then 2000 PA 142, § 10k(3) requires an adjustment to DECo's securitization charges, not the addition of more costs to the previously-approved level of qualified costs, and this case is not a legally proper proceeding in which the MPSC can preordain the determination of a decision in U-12639.

Page 18 of the MPSC's January 14, 1998, order in U-11290 et al says that stranded costs will be adjusted appropriately in annual true-up proceedings, and the Legislature has ratified that ruling. The decisions in U-11956 and U-12359 implement the MPSC's previous determination, and the orders in those cases further conditioned recovery. The Commission said that simply incurring costs to implement Michigan's retail open access program is not a sufficient justification for their recovery. Expenditures associated with the implementation of the retail open access programs must produce results. Procedures, policies, methods, or electronic data interfaces that prove to be ineffective, inefficient, or unworkable may not entitle the company to recover the costs of those systems. Therefore, the Attorney General requests the ALJ and the Commission to approve deferred accounting and adopt a similar condition in this case. Recovery of Year 2000 implementation costs from excess securitization revenues is not authorized by Section 10k(3), and doing so would violate the provisions of that statute.

Replies to the Staff

The Staff's brief simply requests the Administrative Law Judge to recommend approval of \$27,225,289 in implementation costs for the year 2000. Since the Attorney General's initial brief supports the disallowance presented by Staff's witness, this brief offers no response to the Staff's brief.

Replies to ABATE

ABATE's brief request the Administrative Law Judge to disallow non-incremental labor expense and to conditionally approve collection of the remaining implementation costs. These

positions are consistent with the positions stated in the Attorney General's initial brief; therefore, the Attorney General offers no replies to ABATE's brief.

Relief Requested

For the reasons stated above, Attorney General Jennifer M. Granholm requests the Administrative Law Judge to issue a proposal for decision in this case that recommends conditional approval for deferred recovery of \$27,225,289 shown in Exhibit S-3.

Respectfully submitted,

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