

DTE Energy
2000 2nd Avenue, Detroit, MI 48226-1279



Jon P. Christinidis, Esq.
Direct Dial: (313) 235-7706
christinidisj@dteenergy.com

August 16, 2004

Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, Michigan 48909

Re: **MPSC Case No. U-12915**

Dear Ms. Kunkle:

Enclosed please find for filing with the Commission an original and four copies of the Request for Proposals of the Detroit Edison Company. The Request for Proposals was issued by Detroit Edison consistent with the Commission's May 18, 2004 Order in Case No. U-12915.

Very truly yours,

A handwritten signature in dark ink, appearing to be "Jon P. Christinidis", written over a horizontal line. The signature is stylized with a large loop and a long horizontal stroke extending to the right.

Jon P. Christinidis

JPC/cd

Enclosures

Renewable Energy Marketing Program at Detroit Edison RFP
FINAL RFP

Detroit Edison Letter Head

August 16, 2004

DTE Energy's largest subsidiary, Detroit Edison, is issuing a Request For Proposal (RFP) for a new Renewable Energy Marketing Program (REMP) in the Detroit Edison service territory. See Addendum for information about DTE Energy and Detroit Edison. Also see www.my.dteenergy.com/myAccount/rates.do for information about Detroit Edison rates and tariffs.

If you intend to respond to this RFP, please advise Ms. Taylor at the address below by September 15, 2004. The completed contractor pre qualification questionnaire must also accompany your letter of intent to submit a proposal to be considered for this project. Detroit Edison will then provide you with any further changes or clarifications that may become available between the time of the release of the RFP and the required response date.

All responses to this RFP are due at the address below by 5:00 EST, Friday, October 29, 2004, and must bear DTE Energy Bid Inquiry Number E-2351. All responses must be submitted electronically (e-mailed or CD-ROM) AND a hard copy through the U.S. Mail at the following address:

Ms. Lori Taylor
Strategic Buyer, Supply Chain Management
DTE Energy
2000 Second Ave, Room 546 WCB
Detroit, Michigan 48226

e-mail : taylorlc@dteenergy.com

All technical questions regarding this RFP should be directed to Bob Fegan at

Telephone: 616-776-2919
FAX: 616-776-2874
e-mail : feganb@dteenergy.com

Signature Block

Paul Knutson

Introduction

MPSC Order

The Michigan Public Service Commission (MPSC) on May 18, 2004, in the Michigan Renewable Energy Program Case U-12915, ordered all remaining (other than Consumers Energy who already has a pilot renewable program) regulated utilities with more than 250,000 customers in Michigan to issue requests for proposals by August 16, 2004 for “renewable energy resources or for agreements with the third-party suppliers who provide green power turnkey operations”, in accordance with the Staff’s recommendations. For more information on this rate case, please go to: http://www.michigan.gov/mpsc/0,1607,7-159-16400_17280-93206--,00.html

Detroit Edison has over 2 million electric customers in Michigan.

Detroit Edison Activities to Date

Detroit Edison formed a Renewable Energy Marketing Program (REMP) Task Force. Research was conducted and interviews were held. Detroit Edison also considered the results of Consumers Energy’s pilot program and Detroit Edison’s pilot Solar Electric program. The objective of the research was to determine what program elements would have the greatest chance to succeed with Detroit Edison Customers based on experiences in other programs.

Expected Program Size and Scope at Detroit Edison

Detroit Edison desires to evaluate a program that provides up to 5% of its annual retail kWh electricity sales as having been generated by Certified Renewable Energy Resources by Year 5 of the Program. This would be approximately 2,250,000 MWH per year based on 2003 year end sales volumes. Michigan is a ‘Customer Choice’ state and therefore competition from alternate energy suppliers should be anticipated.

The REMP may be offered to all customer classes at the time of program initiation, currently predicted to be January 1, 2006.

Detroit Edison Company, a subsidiary of DTE Energy Company, is an investor-owned electric utility that generates and distributes electricity to 2.1 million residential, commercial and industrial customers in Southeastern Michigan. Detroit Edison’s system generation capacity totals nearly 11,000 megawatts. The utility uses coal to generate about 85 percent of its total electrical output, with the remainder produced from nuclear fuel, natural gas, oil, solar and other energy sources.

Detroit Edison Disclaimer

This RFP shall not be construed as an offer, and Detroit Edison is not bound to purchase Marketing Services, Renewable Energy pursuant to this RFP or otherwise. No rights shall be vested in any Responder, individual or entity by virtue of its preparation to participate in, or its participation in, this process. No binding commitment shall arise on the part of Detroit Edison to any Responder under this RFP until and unless parties sign a definitive written agreement that becomes effective in accordance with its terms.

Detroit Edison shall not be responsible for any costs incurred by Responders in the preparation of their proposal. The proposals received will be evaluated and potentially selected based on the supplied information, including any supplemental information, Responder’s web site and other public information sources, contacts with Responder’s existing customers, other criteria as described in the ‘Proposal Evaluation Criteria’ Section of this RFP and other information available to Detroit Edison. Detroit Edison expressly reserves the right to modify, or withdraw from the processes initiated and

described herein, modify the schedule and any provision contained herein, or terminate this RFP for any reason at its sole discretion.

Detroit Edison reserves to itself the selection of the winning proposal, if any, in the exercise of its sole discretion; the right to reject any and all proposals, and any portion of a specific proposal for any reason, as well as the right to waive any informality or irregularity in any proposal received by it. Detroit Edison also reserves the right to award an agreement to a Responder based on factors other than price and the criteria published in this RFP.

Detroit Edison may make available to the MPSC and Staff documentation on the evaluation process and scoring utilized to determine the winning proposal and supporting its selection. This information may be subject to appropriate confidentiality agreements. Requests for confidentiality of information will be considered.

Expected Cost of Renewable Energy and Cost Recovery

The MPSC Order was not specific as to cost and cost recovery mechanisms. A voluntary premium for renewable energy will be required.

Displaced or Avoided kWh Benefit

A voluntary program that encourages energy users to 'avoid' using a kWh or 'displace' a higher amount/value of energy with a lower equivalent kWh should be included in any renewable energy program. A Proposal that includes a combination of avoided, displaced, and renewable power options will be viewed favorably by Detroit Edison.

Michigan Sources

Preference will be given to new sources located within the State of Michigan. However, Detroit Edison will NOT exclude proposals serviced by renewable resources from outside of Michigan.

Confidentiality Statement

Requests for confidentiality will be considered on a case-by-case basis. (See also Detroit Edison Disclaimer)

Definitions for Terms used in this RFP

Avoided kWh – kWh NOT purchased by an End-User because of replacement with energy efficient equipment, such as lighting retrofits and high-efficiency and natural gas-fired chillers; does NOT apply to NEW construction end-uses

Bio-Fuel – liquid fuels created by the process of materials considered to be from renewable sources, such as soy diesel and ethanol

Bio-Gas – gaseous fuels created by the process of materials considered to be from renewable sources, such as landfill gas methane, sewage treatment plant digester methane, or agricultural digester methane produced from dairy, swine, hog or poultry waste.

Certified Renewable Resources – facilities producing renewable power (such as wind, solar voltaic, low-impact hydro, energy-gas and bio-fuel-driven generators, and other certified renewable sources) that are subject to a mandatory audit, by an independent third party, under the terms of a signed purchase agreement to confirm that renewable resources are the sole source of its energy with the exception of not more than 5% fossil fuel for use as an ignition fuel and/or operational stability, and that the annual Green Tags accounted for in kilowatt-hours sold per year do not exceed the actual kilowatt-hours so generated.

Detroit Edison – Detroit Edison Company

DTE –DTE Energy, Inc, the parent corporation to Detroit Edison, the electric utility.

Displaced kWh – kWh used at a higher efficiency in place of another energy source or lower efficiency kWh, such as a switch from electric resistance or propane to a geothermal heat pump.

Green Tags – the financial, regulatory and environmental component or benefit of renewable electricity including the renewable energy attributes and environmental benefits accruing from displacing generation from conventionally fueled sources as verified by a third party.

kWh – kilo-Watt-hour = 1,000 Watts for the duration of one hour, the basic unit of electricity sales

MWh – mega-Watt-hour = 1,000 kWh

MPSC – the Michigan Public Service Commission

New Michigan Source – kWh from sources certified as a renewable resource located within the State of Michigan that are placed in service ON or AFTER January 1, 2004.

New Great Lakes Source – kWh from Certified Renewable Energy Resources located within the States of Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin and the Canadian provinces of Ontario and Quebec that are placed in service ON OR AFTER January 1, 1999.

PSCR - PSCR Factor – Power Supply Cost Recovery Factor – the MPSC approved portion of the rate Detroit Edison charges customer to reflect power supply costs incurred by Detroit Edison.

Renewable kWh – the energy component that is produced, transmitted, distributed and used in electric utility systems and by end-users that has been generated by a Certified Renewable Energy Resource,

Responder – a person or company who responds to this RFP with a proposal

Turn-Key Program – a program that is designed, operated and administered substantially by a responder other than Detroit Edison under contract to and on the behalf of Detroit Edison.

Turn-Key Marketer – a responder that would contract with Detroit Edison to create and manage a renewable energy marketing program over a period of some time (years)

Major Program Design Options

Marketing Program

DTE Energy has some expertise with renewable energy programs. DTE BioMass Energy is one of the largest landfill gas operators in the United States. Detroit Edison currently purchases approximately 100 MW of electric energy from non-conventional and sometimes renewable sources. Detroit Edison also operated a small solar electric pilot program and is building a renewable energy based hydrogen infrastructure pilot plant partially funded by the Department Of Energy. Another DTE Energy subsidiary, DTE Energy Technologies, has experience with dairy digester and wastewater treatment plant installations in North America.

Detroit Edison expects to provide at least one Program Manager to oversee all aspects of the REMP.

We desire that a Responder detail the human resources and other resources they would supply and the human resources and other resources they would require of Detroit Edison in a Turn-Key Program they propose. This Turn-Key Program would be designed, operated and substantially managed by the Responder during the duration of the contracted program period.

The Program shall be marketed solely under the Detroit Edison brand name and logo.

Power Procurement Program

Options for renewable power procurement include:

1. Develop a draft of a Detroit Edison Issued RFP(s) for renewable power supplies in the Detroit Edison Service Territory or delivered to the Detroit Edison Service Territory
2. Marketer Issued RFP(s) on behalf of Detroit Edison customers

Detroit Edison desires to learn from your Proposal how you would procure the power and what your expected cost would be from the various sources.

Major Program Components

Marketing Program Customer Awareness, Education and Promotion

Detroit Edison may use Bill Inserts, Bill Messages and the Detroit Edison Web site to promote the Renewable Energy Marketing Plan. We will also consider radio, print, direct mail, telemarketing and event participation to raise customer awareness and promote program participation among Detroit Edison customers.

A Proposal should outline how each media type would be used to both launch and maintain the Program at targeted participation levels. It should also include details such as who would be responsible for creating and approving the Plan/Materials, the frequency and volume, estimated costs, and any other factors or issues the Responder thinks would be required.

The Plan should further detail the approach for Residential, Commercial and Industrial classes of customers, both in Detroit Edison Service Territory and National Account marketing within the Detroit Edison Service Territory. Provide examples of what has been used in other programs and how those approaches may have to be adjusted for Detroit Edison customers and the pricing scenario that Detroit Edison will have.

Customer Eligibility to Participate

Detroit Edison may make the REMP available to ALL customers (residential, commercial and industrial) starting with Day 1 of the Program, currently predicted to be January 1, 2006.

Pricing Considerations

Detroit Edison desires to evaluate a 'percentage' Program for residential customers and a 'block' program for commercial and industrial customers.

Residential customers would be offered the options of 25%, 50% or 100% of their monthly kWh purchases to be from renewable sources.

Commercial and industrial customers would be offered 1,000 kWh/month blocks of renewable sourced power. Larger blocks, such 10,000 kWh/month would be considered if there was a difference in sales price.

A Responder's Proposal should include estimated rates that would be required for both pricing options.

There is currently NO cost recovery mechanism approved by the MPSC for Detroit Edison. One potential scenario would allow Detroit Edison to use its existing PSCR Factor to purchase renewable kWh. However, we expect renewable kWhs to be substantially higher than the PSCR cost (currently at \$0.01565/kWh). The difference between the PSCR and the purchased renewable kWh PLUS Program administration costs would have to be recovered in the cost premium charged to participating REMP customers.

Detroit Edison seeks responses that suggest potential mechanisms for recovering the full costs of the REMP from the Program participants. Detroit Edison will give preference to scenarios that have a strong, realistic opportunity to be self-sustaining and pay for all of its costs with favorable competitive consequences. Preferences will also be given to any economic development in the State of Michigan.

Customer Billing

Detroit Edison will modify its existing customer billing system to accommodate the billing needs of the REMP.

Applicable Tariff Revisions will be filed with and must be approved by the MPSC. The REMP is subject to MPSC approval.

Customer Enrollment Process

Detroit Edison expects to be able to enroll customers into the REMP using all existing customer contact channels. This includes our walk-in offices, telephone centers and web site.

The enrollment commitment will be a minimum of 12 months, or until the customer's account is terminated if less than 12 months. The percentage or block commitment could be INCREASED during the 12-month period, but not reduced or eliminated. Define any liabilities associated with reductions or terminations of purchased renewable energy.

For national account marketing there may be an added benefit of promoting Detroit Edison's Program on non-Detroit Edison web sites and other non-Detroit Edison controlled media. In this case, Detroit Edison would have final approval on all content and placement. The actual program enrollment process would include a link to the Detroit Edison web site and/or the Marketer hired by Detroit Edison to handle these transactions.

Customer Service

Detroit Edison expects to provide some level of REMP customer service in-house using all existing channels, even if working with a Turn-Key Marketer.

Proposals should include details as to the level of the customer service that would be provided by the Marketer and the Marketer's expectations for Detroit Edison customer service. Details should also be included about how the two will function together for seamless customer service.

Power Supply Procurement

Proposals should include the likely sources of supplies, the expected cost of those supplies, a discussion of how to handle the 'chicken-or-egg' issue of supply-or-customer, how under/over development of power will be handled, and other issues related to the supply of renewable sources in a start-up program.

The Proposal should discuss options including ALL pricing variables for:

- kWh complete with Green Tags
- Green Tags ONLY (options that do not necessarily include the kWh energy component)
- 'New' (please define 'New' as used in your Proposal) and existing sources
- Sources located in Michigan, the Great Lakes Region, National

The Proposal should also include a discussion of how the renewable source (kWh, Green Tag, etc.) would be certified, audited or otherwise proven to Detroit Edison and others to be valid.

Detroit Edison reserves the right to issue separate RFPs for sources of renewable energy, or for a Turn-Key Marketer who would be responsible for sources of renewable energy, and all other components of the program. The Turn-Key Marketer would NOT be obligated to accept such proposals from power supply only responders IF their acceptance would negatively impact the Turn-Key Marketer.

Note: State tax incentives and rebates are available for economic activity in the State of Michigan. These may be considered in your proposal.

Avoided and Displaced kWh Programs

Detroit Edison is considering the combination of Avoided kWh and Displaced kWh Programs with a renewable energy program. Is it possible that an end-user can BOTH purchase renewable power at a premium AND reduce their TOTAL energy costs? Quantitative evidence showing the likelihood of this outcome should accompany all proposals. This may be an attractive option to some customers, particularly churches, public/government owned facilities and other non-profits who desire to be 'Green' but cannot justify energy budget increases.

Geothermal heat pumps, solar thermal systems, lighting retrofits and other high-efficiency retrofits have the potential to reduce kWh usage and temper or negate the premium paid for renewable kWh.

Proposals should include a statement about your interest in combining Avoided and Displaced Programs with a renewable energy program. Provide details as to how they could be managed.

NOTE: The MPSC has NOT included nor excluded any options at this point.

Proposal Evaluation Criteria

The following general guidelines will be used by Detroit Edison to evaluate all responses to this RFP. Detroit Edison reserves the right to use additional criteria and to place different levels of importance on the criteria listed below. See the 'Detroit Edison Disclaimer' for more details.

Notification to Quote

All Responders must have notified Detroit Edison of their intention to respond to the RFP by September 15, 2004. All responders must also have fully completed the pre qualification form and returned it to us by September 15, 2004.

Resources of Responder

Detroit Edison prefers responders that have substantial resources and a proven ability to get the job done. The number of employees, size and number of existing contracts, sales volumes, and similar factors will be considered important to the likelihood of long-term success. The financial stability of the Responder will be considered, and additional financial information will be required before a contract can be executed.

Diverse portfolio of renewable products

Detroit Edison has no preconceived opinion concerning the relative merit of any potential renewable energy source and will consider all sources of such generation. Responders need to define which renewable sources, and preference will be given to a diverse portfolio of more than 1 or 2 sources.

Human Resource Commitment of Responder to Detroit Edison's Program

The Proposal should detail the human resource requirements to implement and administer the Program, and who will provide that resource.

Marketing and Promotion Commitment

In addition to human resource (headcount available) what other resources (financial, expertise, etc.) will the Responder commit to the long-term success of the Program?

Pricing Strategy and Estimated Price per kWh of likely supplies

How much does the Responder expect to charge for the kWh? Provide separate cost estimates for Detroit Edison's service territory, Michigan, Great Lakes and National Sources; further specify if complete kWh or Tag/Credits only. What is the cost of the operation and administration of the program? What rates must be charged to the end-user?

Flexibility and Size of Renewable Power Sources

Does the Responder have the ability to work both with very small and very large power providers? If Detroit Edison's program starts off very small but then grows rapidly, does the Responder have the resources to correctly supply and manage both ends of the spectrum?

New Renewable versus Existing

Detroit Edison will give preference to new renewable sources located within the Detroit Edison service territory, and the State of Michigan. However, the Proposal is NOT limited to new or any specific source or geographic location. It is expected that kWh should reasonably be expected to be capable of reaching the Detroit Edison system.

Detroit Edison will own the 'Green Tags/Credits'

Detroit Edison expects to own the Green Tags attached to the source kWh. Where Green Tags are purchased for resale, we prefer to purchase them from kWh that could physically reach the Detroit Edison system.

Residential, Commercial and Industrial Class Customers

The Program may be open to ALL Detroit Edison Customers from Day 1. Therefore, we expect to work with a Responder who has a program large and diverse enough to attract all customers.

Non-compete Agreement / Exclusivity in Detroit Edison's Service Territory

A Responder will be required to enter into a non-compete agreement that states that they will work exclusively with Detroit Edison in the Detroit Edison Service Territory.

Minimum Length of Contract, Terms and Conditions, Early Termination and Exit Strategy

Agreements will need to be flexible and not punitive should regulatory action substantially alter significant aspects of the Program in mid-term. Should a Program appear to be failing, agreements should allow for substantial change, and/or early termination. Preference will be given to proposals that are 5 years in length, and offer a high degree of flexibility, and do not contain complex or costly alteration and/or exit charges.

Avoided and Displaced kWh Programs

Detroit Edison desires to consider Avoided and Displaced kWh Program options in combination with the renewable kWh program. These Programs may be connected or separated in operation and administration, but should compliment each other. The general idea is that the participant in the renewable program would NOT be obligated to participate in the Avoided/Displaced Program; however, a participant in the Avoided/Displaced Program MUST participate in the Renewable Program. Proposals that include elements of an Avoided/Displaced Program could be given priority, but only if these options are eventually approved by Detroit Edison and the MPSC as being appropriate options to be included within the REMP.

Turn-Key Program Operation and Management

Proposals should detail the Responder's plan to manage the Detroit Edison program. Explain the functions that will be performed by the Marketer and those that will be performed by Detroit Edison employees in a Turn-Key Marketing Program.

Third Party Verification of Green Tags/ Sources

Proposals should state the system that would be used to certify the source kWh. Certification cannot be subject to termination in the event that the Green Tags or their emissions benefits are used to comply with a state or federal Renewable Performance Standard for emissions compliance programs required either by law or in accordance with regulation or other reasons.

Commitment to State of Michigan based Sources

Although Detroit Edison will not mandate 100% Detroit Edison's service territory, or Michigan based sources, Detroit Edison will give preference to them. Responders should state what they would do to help increase the number and size of Detroit Edison's service area, and Michigan based sources.

Specific Proposal Information

All Proposals shall include the following minimum information:

- The Respondent's complete legal name, and place of principal business office
- The name, title, address, and contact info for the person authorized to execute agreements, memorandums of understandings, contracts, etc., with Detroit Edison
- The name, title, address, and contact info for the person who will represent the Respondent in communications with Detroit Edison, if different than the person above
- Respondent's Statement of qualifications and experience that supports their ability to satisfactorily complete their obligations if agreements are executed.
- Respondent's approach and ability to meet each of the 'Major Program Components'
- Contract Length and Conditions
- (See 'Proposal Evaluation Criteria' for other suggestions)

Notice of Intent to Respond

This RFP contains information and understandings Detroit Edison has at the time of its release. If new/additional information becomes available between the time of its release and the response deadline, that information will be provided to those who provide Detroit Edison with a written 'Notice of Intent to Respond', and successfully complete and return the attached prequalification forms by September 15, 2004.

Please notify both in writing and e-mail:

Ms. Lori Taylor
Strategic Buyer, Supply Chain Management
The Detroit Edison Company
2000 Second Ave, room 546 WCB
Detroit, Michigan 48226-1279

taylorlc@dteenergy.com

All technical questions should go to Bob Fegan at:

Telephone: 616-776-2919
FAX: 616-776-2874
e-mail feganb@dteenergy.com

Notice of Intent to Respond

_____(Company)_____ intends to respond to Detroit Edison's Renewable Energy Marketing Program before October 29, 2004. Should additional information about the Detroit Edison Program become available between now and the time of our response, please notify _____(person)_____ at _____ (address and e-mail) _____.

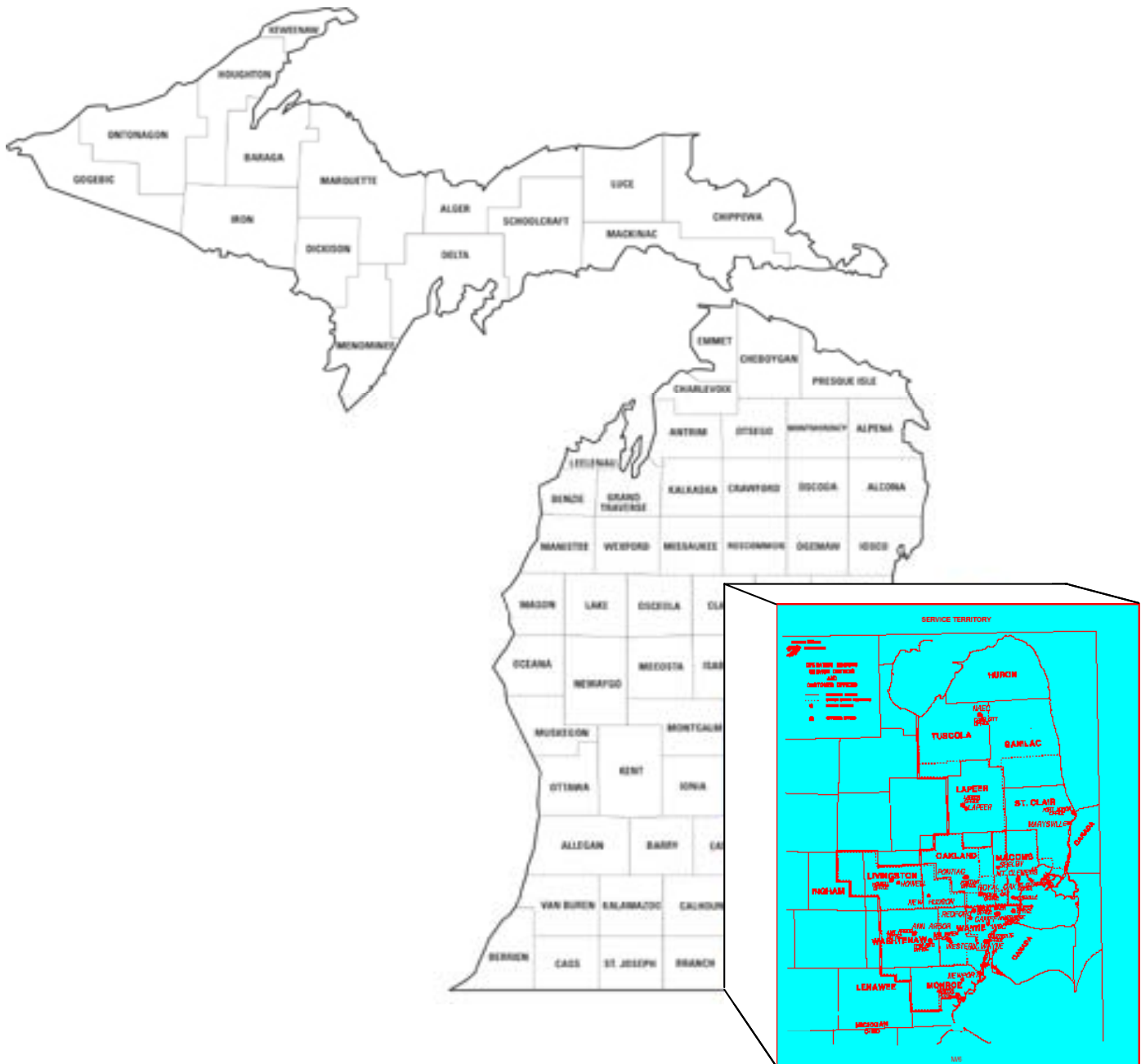
Addendum

Detroit Edison Overview

Detroit Edison, the principal subsidiary of DTE Energy Company, is the nation's seventh-largest electric utility. We've been in business for over 100 years. Our 7,600-square-mile service area reaches out to 1.96 Million residential and 175,000 commercial and industrial customers in Southeastern Michigan [See Service Area Map]. The Detroit metropolitan area is home to the nation's largest auto industry, steelmaking facilities and other key manufacturing facilities. Detroit Edison provides its customers with solutions to their energy needs with a broad range of products and energy-management services. Detroit Edison operates eight fossil fuel power plants, a nuclear power plant and is co-owner of a pumped storage hydroelectric facility. Detroit Edison strongly believes that economic growth and environmental stewardship are not inconsistent goals. We continue to find programs and projects that help the environment and are market-driven. In one of our largest initiatives, Detroit Edison is participating in a nationwide program to voluntarily reduce greenhouse gas emissions. Among a number of projects, we have planted more than 20 million trees and are exploring the use of renewable energy sources to produce electricity. For more information about Detroit Edison, visit www.my.dteenergy.com.

Detroit Edison Service Territory Map

Detroit Edison Service Area



DTE Annual Report