

Detroit Edison



Bruce R. Maters
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July 10, 2001

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

Re: **MPSC Case No. U-12966**

Dear Ms. Wideman:

Please find enclosed an original and four copies of Response of The Detroit Edison Company to Joint Motion to Reject Application along with proof of service.

Very truly yours,

A handwritten signature in black ink that reads "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)
to unbundle its retail electric rates)
_____)

Case No. U-12966

**RESPONSE OF THE DETROIT EDISON COMPANY
TO JOINT MOTION TO REJECT APPLICATION**

The Detroit Edison Company (“Edison” or “Company”) by its attorneys, submits this Response to the Joint Motion to Reject Application filed on June 27, 2001 on behalf of Energy Michigan, the Association of Businesses Advocating Tariff Equity and Exelon Energy, Inc. (hereinafter “Movants”), as well Staff’s Response dated July 2, 2001, and says:

1) Section 10b(2) of 2000 PA 141 (“Act 141”) requires that an electric utility file an application to unbundle existing commercial and industrial rate schedules and “separately identify and charge for their discrete service.” Section 10d(1) requires that certain customer rates be reduced by 5% and frozen for a specific period of time.

2) Long-accepted rules of statutory construction require that a statute must be read in its entirety such that all parts produce a harmonious and consistent enactment of the whole. An interpretation that renders any part “surplusage or nugatory” must be avoided. Altman v Meridian Twp. 439 Mich 623, 635; 487 NW2d 155 (1992); In re MCI Telecommunications Complaint, 460 Mich 396, 413; 596 NW2d 164 (1999). See

also Preston v Department of Treasury, 190 Mich 491 (1991) lv den 439 Mich 987 and Wills v Iron County Bd. of Canvassers, 183 Mich App 797; 455 NW2d 405 (1990).

3) The Company has proposed a Retail Access Service Tariff (RAST) which, when approved by the Commission, will establish actual (not estimated, as Movants' incorrectly allege), unbundled electric distribution charges for each retail access customer. The only remaining discrete retail electric service offered by Edison is energy supply and Edison has proposed in this case to provide the necessary information for the customer to determine its bulk power supply costs for comparison with market prices. Transmission is not a discrete service being offered by Edison, and is a service the customer may elect directly from a transmission provider or through a marketer. It has never been the Company's intention to attempt the complex task of identifying separate transmission charges, including ancillary services, on a customer's retail electric bill. Movants and Staff are also well aware that transmission service is governed by FERC-approved tariffs and will not be offered by Edison. To the extent Edison purchases transmission services to procure power for its customers, it would be appropriate to separate those charges from bulk power supply costs for recovery from customers (e.g. in a PSCR proceeding). In any event, it is misleading for Movants and Staff to characterize Edison's application in this case as failing to meet the requirements of Act 141 when, in fact, its proposal in combination with an approved RAST will essentially unbundle the Company's retails rates.

4) Edison's proposal promotes continuity between the various requirements of Act 141 whereas Movant's suggested course of action does not. For instance, the RAST contains various pricing provisions (e.g. service charge, energy charge and

demand charge). However, many of Edison's existing bundled rates have only some of these components, or have ones that are at a different price level than the RAST charge. Thus, the total unbundling method advocated by Movants would result in individual customers or sub-classes of customers receiving a price increase or decrease. It would be very difficult to incorporate RAST charges within existing bundled tariffs and maintain customer revenue neutrality. Doing so would violate the price freeze and 5% rate reduction mandated by Section 10d(1) of 2000 PA 141 ("Act 141"), and it would result in customers receiving improper pricing signals for electric delivery service. This, as a serious matter of regulatory policy, cannot be ignored. (See attached Affidavit of Edward E. Falletich for a more detailed explanation).

5) In an effort to harmonize and give effect to each of the various parts of Act 141, specifically Section 10d(1) requiring a rate reduction and freeze with Section 10b(2) requiring the unbundling of rates, Edison proposes the use of an informative bill message to allow customers to determine their respective retail access "shopping credit." Edison's proposal is not confusing, causes less manipulation of the existing billing system and is therefore less expensive, and works for all customers, not just the small minority of those Movants purport to represent.

6) Movants simply ignore the competing parts of Act 141, and demand that Edison be required to perform the exercise of unbundling without meaningful implementation of the new rate design. Such an exercise, while achievable, will do nothing to reconcile the clear mandates of Sections 10d(1) and 10b(2).

7) Thus, the Commission is faced with the same quandary as Edison: implement one part of Act 141 to the detriment of another, or develop a compromise

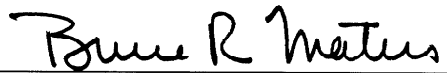
that produces an harmonious and consistent interpretation of the whole statute while creating charges that enable customers to calculate their actual savings under electric choice – a fundamental goal which no one can realistically disavow.

8) Edison strongly believes that the Joint Motion should be denied. The Company should not be capriciously required to undertake what, because of the provisions of Section 10d(1), will only result in the expenditure of much time and many resources to satisfy a pedantic, expensive and inefficient demand by Movants.

WHEREFORE, The Detroit Edison Company requests that the Joint Motion be denied and that Edison's application be accepted and implemented both to give effect to the mandates of Act 141 and move retail electric choice forward.

Respectfully submitted:

THE DETROIT EDISON COMPANY

BY: 
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Dated: July 9, 2001

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
THE DETROIT EDISON COMPANY)
to unbundle its retail electric rates) Case No. U-12966
_____)

AFFIDAVIT OF EDWARD L. FALLETICH

STATE OF MICHIGAN)
)SS.
COUNTY OF WAYNE)

EDWARD L. FALLETICH, being first duly sworn, deposes and says:

1. I am the Director of Pricing Regulatory Affairs with overall responsibility for electric pricing design and policy as well as rate and tariff administration.

2. It is my opinion that the Detroit Edison proposal in this case is one which minimizes confusion, clearly identifies the regulated charges customers will continue to incur under choice while maintaining the 5% rate reductions mandated by 2000 PA 141 ("Act 141").

3. Under the Company's proposal, for example, a D6 Primary Supply customer at 50 kW/20,000 kWh per month will incur total tariff charges of \$1,638. This same customer for 2002 will also have included in its bill, a message detailing the regulated charges one will incur under Electric Choice. For this customer, these regulated charges (service charge, RAST demand charge, securitization, and nuclear decommissioning) will total \$661. This customer can then easily determine the amount that it must procure power supply in the marketplace to achieve savings. The customer's shopping credit is easily established based on the total D6 bill less regulated charges under choice (\$1,638 - \$661 = \$977). If this customer can procure power supply (including transmission), for less than \$977/mo., it will realize a savings over existing Rate D6 charges.

4. The Company's proposal has accomplished a form of unbundling by identifying the regulated charges continuing under Electric Choice, but does not entail a redesign of existing tariffs, thereby risking an erosion of the 5% customer rate reduction mandated by Act 141.

5. A more detailed unbundling at this point (e.g., inclusion of RAST charges in existing tariffs), would entail a comprehensive redesign of existing tariffs. Although this redesign would maintain class revenue neutrality, individual customers would see either increases or decreases in their existing bills.

6. In my example using a 50 kW/20,000 kWh per month customer, replacing the existing D6 service charge of \$275/month with the RAST service charge of \$450/month (increase of \$175/month), would result in a rate increase of approximately 10%. This removes not only the 5% securitization-related rate reduction, but also increases this customer's bill to a level approximately 5% higher than that in effect in May, 2000 (date of rate freeze per Act 141). For D6 customers in the 50-500 kW range (approximately 50% of the total D6 customers), estimated price increases could range from 1% to 10%.

7. In addition, incorporation of the RAST \$/kW charges into a rate which currently does not include demand charges (e.g., D10-Electric Schools) would, in my opinion, result in confusion and changes in individual customer bills. Even if Rate D10, which includes a service charge and energy charge, was unbundled in a manner which maintained this structure, customers would have no clear indication of their charges under Electric Choice as the tariff delivery charge would be based on a ¢/kWh charge while the RAST is based on \$/kW.

8. It is my opinion that the Company's proposal is one which best balances the interest of all parties concerned. Customers are provided with a clear signal of regulated charges under Electric Choice while continuing to receive the 5% rate reduction mandated by Act 141. The Company's proposal is clearly intended to simplify the process for Electric Choice and not confuse it the way a more detailed unbundling would.

Further, Affiant sayeth not.


EDWARD L. FALLETICH

Subscribed and sworn to before me
this 7th day of July, 2001



CHRISTINA R. JACOBSON
NOTARY PUBLIC WAYNE CO., MI
MY COMMISSION EXPIRES Mar 10, 2005

In the matter of the application of)
THE DETROIT EDISON COMPANY)
to unbundle its retail electric rates)
_____)

STATE OF MICHIGAN)
COUNTY OF WAYNE) ss

Doris J Hill Shavers
DORIS J. HILL-SHAVERS

Landra Lee Hussavage

SANDRA LEE KUSSAVAGE
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MY COMMISSION EXPIRES Oct 22, 2004

MY COMMISSION EXPIRES ON 12-1-11
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MPSC Case No: U-12966

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