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September 24, 2001

Ms. Dorothy Wideman
Michigan Public Service Commission
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909

Re: Case No. U-12966

Dear Ms. Wideman:

Enclosed for filing in the above captioned matter please find the original and four copies of Reply of Energy Michigan, Inc. to Exceptions of Detroit Edison Company.. Also enclosed is the original Proof of Service indicating service on counsel.

Please date stamp one copy of the above entitled document for my records and return it in the self-addressed stamped envelope provided.

Thank you for your assistance in this matter.

Very truly yours,

VARNUM, RIDDERING, SCHMIDT & HOWLETT LLP

A handwritten signature in cursive script that reads "Eric J. Schneidewind".

Eric J. Schneidewind

EJS/mrr

cc: ALJ
parties

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of	)	BOH Docket No. 2001-1172
THE DETROIT EDISON COMPANY	)	MPSC Case No. U-12966
to unbundle its retail electric rates	)	
_____	)	

REPLY OF ENERGY MICHIGAN, INC. TO EXCEPTIONS
OF DETROIT EDISON COMPANY

I. INTRODUCTION

On August 30, 2001, Administrative Law Judge Barbara A. Stump (ALJ) issued a Proposal For Decision (PFD) granting to the Motion of Energy Michigan, Inc. (Energy Michigan), the Association for Businesses Advocating Tariff Equity (ABATE) and Exelon which requested that the Application of Detroit Edison in this matter be dismissed for failure to meet the requirements of Section 10b(2) of 2002 PA 141. Detroit Edison filed two Exceptions on September 13, 2001. This is the Reply of Energy Michigan to the Exceptions filed by Detroit Edison.

II. BACKGROUND

A. The Edison Application

On June 5, 2001 PA 141 (Act 141) became effective. Section 10b(2) of Act 141 provides that,

No later than one year from the effective date of the amendatory act that added this section, each electric utility shall file an application with the Commission to unbundle its existing commercial and industrial rate schedules and separately identify and charge for their discrete services...The Commission may allow the unbundled rates to

be expressed on residential billings in terms of percentages in order to simplify residential billing. *Emphasis supplied.*

On June 4, 2001 Detroit Edison filed its Application in Case U-12966 (the Application) which Edison claimed was in compliance with the mandate of Section 10b(2) to unbundle electric rates. In that Application, Edison proposed to comply with the mandates of PA 141 by continuing its current “bundled” billing format for retail service and merely including an additional message informing customers of Edison's estimate of the Retail Access Service Tariff (RAST) charges which would be applicable should the customer participate in Electric Choice service. Edison contended that, “With this information customers are provided with the appropriate pricing for distribution service to determine a 'comparison shopping account' for their bulk power service.” *Edison Application*, ¶ 8. Edison provided no detail regarding the methodology which it proposed to use to calculate estimated RAST charges and/or transition - cost charges and credits, etc.

In response to the Edison Application, Energy Michigan, ABATE and Exelon filed a Motion to Dismiss on the grounds that the Edison Application failed to comply with the mandate of PA 141 that Edison separately identify and charge for the discrete services in its retail rate schedules.

B. Dismissal of the Edison Application

At the prehearing conference of August 23, 2001 and through the Proposed Decision, the ALJ granted the Motion of Exelon, ABATE and Energy Michigan (supported by the Attorney General and MPSC Staff) to dismiss the Edison Application. In support of her decision to grant dismissal, the Law Judge stated, “Despite [the] statutory mandates [of PA 141] Detroit Edison proposes to actually continue its current bundled billing format for retail service and simply include a bill message to its customers informing them of its RAST charges that would be applicable if customers were to participate in Electric Choice service. However, the [Edison] bill would not separate the existing charge into discrete services, and it would not separately identify those charges. Furthermore, customers would have to make a calculation to determine whether it would be beneficial to participate in open access. This is not what the statute requires.” *PFD*, p. 5, *emphasis*

supplied..

III. THE DETROIT EDISON EXCEPTIONS

Detroit Edison filed two Exceptions in this matter:

- “I. The ALJ erred by finding that Edison failed to meet the requirements of Section 10b(2) of Act 141 to unbundle; and
- II. The ALJ erred in determining that Edison's proposal does not [accomplish unbundling by] identifying and charging for discrete services.” *Edison Exceptions, p. 1 and 6.*

Since the mandate to identify and charge for discrete services is literally part of the language of PA 141, the two Edison Exceptions are really only one Exception: Detroit Edison claims that its filing meets the requirements of PA 141 to separately identify and charge for the discrete services contained in Edison's retail tariff offerings.

In support of its one Exception, Edison makes the following arguments:

- 1. Detroit Edison claims that it cannot utilize the prices contained in its RAST for distribution service to retail customers because these customers would see increases or decreases that violate the rate freeze in PA 141, Section 10d(1). As an example, Edison states that since some retail rates do not have fixed service charges, use of those charges as found in the RAST would necessitate revising other rates and therefore cause some to have customers to have increases and some decreases. *Edison Exceptions, p. 3.*

2. Edison claims that just showing the total price that would be paid for RAST services is satisfactory because the customer can then subtract the cost of RAST services from their total electric bill and determine the generation price which could be compared with a competitive offering to determine if the customer wished to participate in competition. *Edison Exceptions, p. 4.*
3. Edison claims that the cost of electricity is essentially divided into only two components: energy and costs of delivery. Edison further claims that since its filing gives the customer the total retail cost of power, and the delivery costs under open access which would allow a customer to determine power price by subtracting the RAST costs from the total Edison electric bill, that in effect Edison's filing does comply with unbundling. *Edison Exceptions, p. 6.*

IV. ENERGY MICHIGAN REPLY TO EDISON EXCEPTIONS

- A. The Edison Filing Does Not Comply With the Mandate of PA 141 to Unbundle its Commercial and Industrial Rate Schedules by Separately Identifying and Charging for Discrete Services

The Edison filing merely provides the customer with its current retail billing format which is typically separated into a customer charge, a charge for generation (either one charge or separate demand and energy charges) and in some cases maximum demand charges or separate charges for various facilities used to serve the customer. In addition, Edison gives the customer the total charge that would be rendered under RAST service should the customer choose to participate in competition. Edison claims that the customer need only subtract the RAST charge from the total retail service billing to determine the generation charge which is subject to competition.

Edison's proposed methodology fails to accomplish the following technical requirements of unbundling:

1. Transmission charges and distribution charges are not separately identified and split out from each other or from generation charges. The customer doesn't know the stand alone cost of transmission or distribution.
2. Subcomponents of distribution / transmission service that might be available competitively in the future are not identified such as various optional transmission services, optional types of meters, etc.
3. Both RAST and retail rates have service charges but these charges differ. Without unbundling, the customer would not be aware of the service charge applicable in the future. The same would be true of optional meter or more sophisticated metering charges. Customers would not have the ability to determine what, if anything, they could save or cost increases they would incur for these services without comparing a detailed breakdown of RAST services versus retail bundled service offerings.

B. Merely Separating Rates Into Delivery Service and Bulk Energy is Not Unbundling

Edison is wrong when it claims that existing retail access programs provide only two discrete services: delivery service and bulk electric energy and that therefore the Edison filing complies with unbundling. *Edison Exceptions*, p. 6. Energy charges contain a transmission component which in turn is comprised of various optional and mandatory services which may become competitive in the future. Billing detail would help identify these areas of potential competition. Customer charges also include different metering requirements or even methods of charging for energy and distribution service depending upon whether competition or bundled retail service is selected. Without the detail produced by unbundling, customers would be unable to detect these differences.

C. The Edison Filing Does Not Comply With the Philosophy Inherent in PA 141:
Encouragement of Competition

Unbundling of retail electric service accomplishes two worthy goals: promotion of competition by facilitating price comparison and elimination of discrimination against retail access service.

With full unbundling, the customer is enabled to accurately compare the cost of competitive energy service with bundled retail service. To the extent that the customer wishes to purchase only some elements of service from the retail provider, unbundling gives an easy and accurate way to determine if competitive sources offer savings for the services under consideration.

Just as important, unbundling provides a strong tool to prevent the LDC from discriminating against its competitors. Unbundling allows competitors, customers and regulators to assure themselves that retail service customers pay exactly the same price for various LDC provided delivery services as is charged to participants in competition. If each element of delivery service is separately identified, an open access customer can compare the price it is charged for that element with the price it would pay as a retail bundled customer. If the prices are not the same, the regulator and customer will be alerted to the fact that there is potential discrimination and have the means to correct that problem. Without unbundling evidence of rate discrimination is much more difficult to identify.

Unbundling is necessary to both promote competition and to reduce or eliminate discrimination.

D. Compliance With PA 141 Unbundling Requirements Does Not Have to Produce a Violation
of the PA 141 Rate Freeze

Edison claims that the PA 141 unbundling and rate freeze mandates are in conflict because

Edison cannot incorporate the terms and conditions of its RAST as the transmission and delivery portions of its retail rates without producing rate changes.

Energy Michigan notes that the Consumers Energy filing in U-12970 attempted to unbundle rates without using the exact terms of the its ROA tariff. This approach is being reviewed and may be an acceptable means of reconciling PA 141 unbundling and rate freeze requirements until the PA 141 rate freeze expires. Edison may wish to develop its own alternative which will provide the information required by true unbundling.

It should be clear, however, that the method selected by Edison in its June 5, 2001 Application is not acceptable.

V. CONCLUSION AND PRAYER FOR RELIEF

A. Conclusion

The Edison Application in U-12966 does not pass the smell test. How can Edison claim to “separately identify and charge for their discrete services” as required by PA 141 when their notion of compliance consists of providing a customer with exactly the same billing information provided before PA 141 was enacted together with one or two sentences at the bottom of the bill containing a total number for retail access service and an invitation to the customer to “take it from there”. Edison's unbundling format fails to comply with the obvious mandates of PA 141 and thereby frustrates the ability of customers to compare bundled and competitive service while depriving regulators and customers of a tool to detect price discrimination.

B. Prayer For Relief

For the reasons stated above, the Commission should uphold the recommendation of the Law Judge to dismiss the Edison Application in this matter and mandate a compliant filing.

Respectfully submitted,

VARNUM, RIDDERING, SCHMIDT & HOWLETT LLP
Attorneys for Energy Michigan

September 24, 2001

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PROOF OF SERVICE

Monica Robinson, duly sworn, deposes and says that on this 24th day of September, 2001 she served a copy of Reply of Energy Michigan, Inc. to Exceptions of Detroit Edison Company upon those individuals named on the attached service list by e-mail and regular mail at their last known addresses.



Monica Robinson, Deponent

Subscribed to and sworn before me
this 24th day of September, 2001.



Eric J. Schneidewind, Notary Public
Eaton County, Michigan
Acting in Ingham County, Michigan
My Commission Expires: April 24, 2006

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