Detroit Edison

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January 22, 2002

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

Re: **MPSC Case No. U-12639**

Dear Ms. Wideman:

Please find enclosed an original and four copies of Petition for Rehearing and Clarification of The Detroit Edison Company along with proof of service.

Very truly yours,

Jon P. Christinidis

JPC/dj
Enclosures

cc: Service List

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion, To implement the provisions of Section 10a(10) of 2000 PA 141.	**Case No. U-12639**

PETITION FOR REHEARING AND CLARIFICATION OF THE DETROIT EDISON COMPANY

The Detroit Edison Company ("Edison" or "Company") by and through its attorneys, and pursuant to Rule 403 of the Rules of Practice and Procedure before the Commission (R460.17403) hereby petitions the Michigan Public Service Commission ("Commission") for rehearing and clarification of its Opinion and Order dated December 20, 2001 ("Order") and in support states as follows:

This Petition contains three primary components. First, it identifies a number of issues that, in Edison's opinion, require clarification. Second, it includes a request of the Commission to take Official Notice of certain external developments that are critically relevant to this proceeding and in connection therewith, requests the Commission to adopt a procedure under which Edison may initiate an expedited proceeding to update the determination of net stranded costs that the Company is expecting to incur in 2002 in order to bill on a more timely basis. Last, it seeks reconsideration or, in the alternative, clarification, of a number of issues including securitization credits.

Requested Clarifications

Edison is requesting the Commission to clarify and correct certain determinations made by the Commission in its Order issued in this docketed case. Such clarification and correction is necessary to prevent serious unintended consequences and/or errors resulting from compliance with the Order as described herein. Clarification and correction will enable Edison to move forward expeditiously with effective and sustainable implementation of the Electric Choice program while continuing to provide reliable electric service to those customers that choose to remain on fully regulated electric service.

It is Edison's belief and understanding that the Commission has not made a definitive determination regarding either the amount of Edison's net stranded costs or benefits or the disposition of any such amount. Rather, it is Edison's inference that the Commission has adopted a basic methodology that utilizes the application of a fixed cost of generation revenue requirement and deficiency model to determine net stranded costs or benefits in any one year. In adopting this methodology the Company believes the Commission recognized the need to refine the methodology and update the determination in future proceedings. The Order relies extensively on a conclusion that neither Consumers Energy nor Edison had stranded costs or benefits "at this time" (Order at pp. 20, 26), a conclusion that was based on the adoption of the Staff methodology and their 2000 historical test year period, assuming, "at this time" means that in the year 2000 Edison could not have incurred any substantive stranded costs or benefits because very little migration to Electric Choice occurred in 2000. Migration to Electric Choice was

the fundamental definitive premise for the creation of stranded costs in the Commission's prior Case U-11290 et.al. restructuring proceedings.

In order to better understand the implications of the Order, Edison requests clarification regarding the Commission's determination of what constitutes "some adjustment to the data from the last rate case," (Order at p. 14) and adjustments that are, "consistent with the methodology adopted in this order."(Order at p. 20) At the outset, Edison is not asking the Commission to prejudge or approve any proposed refinements to the Staff's netting methodology in this Petition. Rather, the Company needs clarification of the Order to determine that there are no specific limitations of the refinements to the Staff methodology that may be proposed that will fall within the scope of the changes that would be considered for adoption within the "evolving process" contemplated by the Commission. (Order at p. 14)

Newly Discovered Evidence

The evidentiary record in this proceeding was closed on July 16, 2001. (7T 721) Since that time, significant changes in the U.S. economy and the electric marketplace have occurred. The tragedy of September 11, 2001 hastened an already developing economic recession which has, in turn, resulted in a reduction in regional electric power demand. This reduced electric demand, when coupled with new capacity in the region, has resulted in greater electric supply and substantially lower prices for purchased power from the wholesale market in the Midwest. Edison requests that the Commission take Official Notice pursuant to R 460.17327, and its authority during rehearing under R 460.17403, of the significantly reduced market prices reflected in the attached Megawatt Daily publications for January 16, 2001, July 16, 2001 and January 22, 2002. Future

forward settlements for the succeeding twelve month period from the Cinergy Hub are listed on page 5 of the publications. These settlements represent forward on-peak prices (5 x 16) (Attachment A). It is clear from these widely accepted public documents that the energy prices in the region have fallen dramatically during the past year.

As a matter of comparison, since January of 2001 the forward on-peak price from the Cinergy Hub for the month of July has fallen from $149.00 / MWhr for July 2001, to $61.00 / MWhr on July 16, 2001 for July 2002 and to $41.70 / MWhr for July 2002 on January 22, 2002. These lower future on-peak costs and current low off-peak costs will act as a powerful incentive for electric customers to choose alternative electric supply through Edison's Electric Choice program.

These more recent changes in the wholesale electric marketplace, when coupled with the two credits authorized by the Commission in this Order, will likely cause substantially more customers to migrate to Electric Choice than previously believed or forecasted. This probable accelerated migration to Electric Choice is likely to be sustained in the short term by the fact that the Commission's order introduces a two year lag between the occurrence of stranded cost and its ultimate collection from customers participating in Electric Choice as required by 2000 PA141. Customers participating in Electric Choice in the near term therefore, will be influenced by the inaccurate and improper price signals sent by the two unnecessary credits. This condition will ultimately threaten the longer term sustainability of the program once the cumulative effects created by the lag are recognized from the standpoint of sound regulatory policy. Therefore, given current market conditions, the need for and/or desirability of two substantial retail access rate credits to promote Electric Choice is questionable at best. Secondly, to

sustain the program for the long term, the Commission should consider refinements to the Staff proposal that reduce the effects of regulatory lag such that participants receive proper pricing signals more representative of current economic conditions.

Due to these developments, it is inevitable that the Company will see a substantial reduction in its traditional sales revenue as customers elect to participate in the Electric Choice program. While the Commission, as recently as July 25, 2001in Case No. U-12133, accepted the premise that Electric Choice would have a slow ramp-up in 2002, that premise is now clearly obsolete. Rather, the confluence of low wholesale prices, continuation of the equalization and securitization credits and the Commission's determinations in the Order in Case No. U-12489 (Retail Access Service Tariff, "RAST"), virtually assure that Electric Choice will have a dramatic impact in 2002. As a result, it is critical that the Commission provide the Company an opportunity to update and refine its determination of net stranded costs that are likely to be incurred in 2002. While the Commission Order suggests that future proceedings would be the forum for such determinations, the likelihood of the Company experiencing substantial revenue loss and incurring significant stranded costs in 2002 requires a more expedited approach. Two essential factors support this conclusion. First, failure to provide for the timely estimation and billing of its net stranded costs exposes Edison to substantial revenue and cash flow reductions. While the Commission has provided a basis for the recognition of these costs to be deferred as Regulatory Assets, the Company will incur significant added financing requirements to offset the revenue losses. Second, a timely determination and billing of net stranded costs would substantially increase the price efficiency of those customers electing to participate in Electric Choice by giving them a true price signal of

the total economic consequence of participation. It would be inefficient and unfair to have customers elect to switch to alternative electric providers in 2002 while waiting until 2004 to experience the costs of those decisions. Moreover, it would be create a further risk that as costs are billed in future years, some customers may elect to return to Edison's bundled sales service, thereby potentially avoiding the costs altogether.

For these reasons, Edison is requesting that the Commission adopt a procedure under which Edison may initiate an expedited proceeding to allow for the updating and refining of its net stranded costs based on the fixed cost revenue deficiency model adopted by the Commission for the purpose of estimating the net stranded costs to be incurred in 2002. Since the resulting net stranded costs to be billed in 2002 under this mechanism would be subject to subsequent reconciliation, the expedited hearing process achieves the statutory mandate of the Company's collection of "actual" net stranded costs, but without the deleterious impacts of a multi-year delay.

Edison believes strongly that if a vibrant and sustainable competitive Electric Choice market is to develop in Michigan, participants should see timely and accurate price signals, inclusive of any stranded cost obligation, so as to be better able to make informed decisions about their longer term energy supply options. Significant reliance on credits and regulatory lag will not send timely and proper price signals to participants and will ultimately threaten the long term sustainability of the Electric Choice program in Michigan due to the inherent delay between the creation of stranded cost and its collection from participating customers.

Requests for Rehearing of Continuing Concerns

Edison believes that the effect of the Commission's ruling regarding the offset for securitization and tax charges has the effect of permitting retail access customers to bypass securitization charges. (Order at pp. 22-26) 2000 PA 142 Sec. 10h(i) and (f) defines Securitization charges and nonbypassable charges as follows:

> 'Securtitization charges' means nonbypassable amounts to be charged for the use or availability of electric services, approved by the commission under a financing order to fully recover qualified costs, that shall be collected by an electric utility, its successors, an assignee, or other collection agents as provided for in the financing order.
>
> 'Nonbypassable charge' means a charge in a financing order **payable by** a customer to an electric utility or its assignees or successors regardless of the identity of the customer's electric generation supplier. (MCL 460.10h(i) and (f))(emphasis added)

At the outset, it is clear from 2000 PA 142 that a Securitization Charge was intended by the Legislature to be a nonbypassable charge for **all customers** connected to an electric utility's system. The order leaves unclear the basis for such an offset as well as the source of funding to lawfully generate such an offset. 2000 PA 141 recognized the value of Securitization and allowed for the netting of stranded costs through the use of a transition charge that, when applied, would result in the payment by the customer of net stranded costs. However, the Commission's Order in this case deferred the issue of refinement of the stranded cost methodology and the determination of actual stranded cost for 2000 to a future proceeding, set the billing transition charge for 2002 at zero, and imposed an equal and offsetting charge to the Securitization charge for billing

purposes in 2002. The Commission's Order in this case and in Case No. U-12489 reveal the Commission's belief that rates, inclusive of Edison's Retail Access Service Tariff are frozen as a result of 2000 PA 141. Given that the Securitization charge is made nonbypassable by statute, that both Edison's base rates and Retail Access Service Tariff are frozen by statute and Commission interpretation, and the fact that the Commission has set the transition charge at zero for billing purposes for 2002, the Company concludes that the Commission intended the Company to fund such an offset through the application of Sec 10(d)5 funding, similar to that used for continuation of the Equalization Adjustment. The Company further believes that such an offset as well as the Equalization Offset would only continue, if necessary, while Sec 10(d) 5 savings exist.

Edison also believes that the Commission's Order misinterprets 2000 PA 141, as it relates to the recovery of implementation costs. (Order at pp. 28-29) If the Commission's intent was to conduct an evaluation of the success of retail access or the success of Edison's implementation of retail access in determining how much of its implementation costs the Company will recover, then such intent must be supported by the clear meaning of Act 141. Lorencz v Ford Motor Company, 439 Mich 370, 376; 483 NW2d 844 (1992). However, 2000 PA 141 makes unambiguous that the Commission is required to simply determine the amount of the Company's retail access implementation costs, and then issue an order by January 1, 2002 providing for full recovery of those costs. A statute cannot be interpreted in a manner to frustrate its intent. McAuley v General Motors Corp., 457 Mich 513; 578 NW2d 282 (1998) [reversed in part on other grounds] Rafferty v Markovitz, 461 Mich 265; 602 MW2d 367 (1999). The provisions of

Section 10a(1) of Act 141 cannot simply be disregarded because an interpretation, as described above, would fail to give effect to the Legislature's intent and would therefore be contrary to 2000 PA 141. Edison believes that the Commission should indicate that it will permit the Company to fully recover its retail access implementation costs.

Finally the Commission's conclusion regarding retroactive ratemaking bears further scrutiny. The Commission concluded that,

> "The Staff's approach does not violate the prohibition against retroactive ratemaking. As in traditional ratemaking, it relies upon data from a historical period to compute a charge that will be assessed prospectively." (Order at p. 10)

The Company believes that such is not necessarily the case, especially if the Staff's methodology were to ever be used to determine a credit to bundled rate customers, as was proposed by the Attorney General. The Commission rejected the Attorney General's "Bundled Rate Stranded Benefit Credit" proposal, "at this time". (Order at p. 32)(emphasis added) Utilizing the Staff methodology, which is predicated on historic utility operations and historic financial results, to determine a prospective charge is a far different matter than analyzing an historic period for the purposes of making refunds or charges to bundled rate customers, after the fact. The Commission's adoption of the Staff's approach could have the unintended consequence of creating a "Generation Fixed Cost Revenue Requirement Adjustment Clause" during a statutory rate freeze, which would contravene 2000 PA 141, which provides that:

> 'The rates for customers remaining with an incumbent electric utility will not be affected by the true-up process…' MCL 460.10a(9),

This approach would also result in retroactive ratemaking. The Commission should make it clear now, rather than later, that there will be no true-up of bundled rate revenues and costs, consistent with the provisions of 2000 PA 141 and the long-standing regulatory prohibition against retroactive ratemaking.

Conclusion and Request for Relief

Therefore, the Company respectfully requests that the Commission issue an Order on Rehearing making and confirming the clarifications and interpretations of its December 20, 2001 Order in this case recommended in this Petition, and permitting Edison to initiate an expedited proceeding, as soon as reasonably possible after the issuance of an Order on Rehearing, to implement those clarifications and interpretations. Clarification and rehearing is essential to the continuation of reliable fully regulated electric service, the expeditious, efficient and economic implementation of retail access as well as the elimination of the unintended consequences related to implementation of the December 20, 2001 Order. If the Commission determines that Edison's clarifications, interpretations, and requests for rehearing are inaccurate or without merit in some material respect, then Edison respectfully seeks rehearing and restates it objections to the Staff methodology as set forth in the Company's Brief, Reply Brief, Exceptions, and Replies to Exceptions filed in this case. Those objections are incorporated by reference herein.

Respectfully submitted:

THE DETROIT EDISON COMPANY

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Dated: January 22, 2002

Attachment A

FT
FINANCIAL TIMES
Energy

Tuesday, January 16, 2001

MegawattDaily

From the publisher of Gas Daily® and Coal Outlook

Western governors commit to continued cooperation

The governors of California, Oregon and Washington state met Friday to discuss regional efforts to control spiraling whole sale energy prices and limited supply in the face of an energy crisis that is increasingly becoming a regional problem.

Meeting Friday morning in Sacramento, the governors — Gray Davis of California, John Kitzhaber of Oregon and Gary Locke of Washington — expressed their willingness to continue cooperating to supply power to each other in times of need. Each of the state executives stressed the "historic relationship of mutual dependence" as a key part in finding a regional solution to power supply scarcity. The troika also agreed to join other Western governors at a Feb. 2 energy summit in Portland, Ore.

Davis also briefed Kitzhaber and Locke on California's continuing power conservation efforts, and the group discussed measures such as wholesale price caps that would give the region "a time out" to stabilize prices and markets.

The power crisis has eliminated the power exports from California that have traditionally helped supply the Northwest during the winter months and has actually sent power in the opposite direction.

Last Thursday, a late-afternoon influx of electricity from the Pacific Northwest helped the California ISO narrowly avoid the need to call for widespread blackouts. An unusual number of mechanical failures at power plants plus severe storms that restricted the operation of other

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Key Hub Trades for Standard 16-Hour Daily Products 01/15/01

Weighted average index prices (in $/MWh) and volumes are shown for selected major hubs. More detailed price information is available on page 3.

Delivery Point	Weighted Average Index	Trading Volume Reported
COB	186.70	600
Mid-Columbia	179.79	825
Palo Verde	172.38	1,275
ERCOT-B	65.08	600
Com Ed	34.84	1,500
Entergy	50.96	1,350
Cinergy	37.78	6,750
PJM	44.84	4,300
TVA	41.18	2,450

Entergy sweetens offer for Vermont Yankee

Entergy Nuclear offered Friday to pay $50 million to buy the Vermont Yankee nuclear plant in an attempt to trump AmerGen Energy's standing offer of $40 million included in a sale agreement AmerGen has with the owners of the plant (*MWD, 11/29/00*).

The Vermont Public Service Board (PSB) set last Friday as the deadline for Entergy Nuclear to submit a formal offer in the ongoing sale proceeding (*Docket No. 6300*). Last month, Entergy disrupted the proceeding somewhat by expressing interest in the plant. Dominion and, more recently, Constellation Nuclear followed, telling state regulators that they each would be interested in participating in a competitive auction of the assets if there was one (*MWD, 12/8/00*). So far, only Entergy has submitted a formal offer.

Entergy said its offer price is firm through the end of 2001. This contrasts with a memorandum of understanding (MOU) AmerGen has with the owners of Vermont Yankee, according to which AmerGen reduces its price by $90,000 a day beginning Jan. 1 until the transaction is closed. After June 30, moreover, either party to the MOU can terminate the deal.

(Continued on page 7)

La. review could delay Entergy-FPL merger

An administrative law judge assigned to review the Entergy-FPL Group merger for the Louisiana Public Service Commission (PSC) issued a procedural schedule last week that could delay completion of the merger by three to six months, the companies said.

The procedural schedule calls for hearings to start in late October, at a time when Entergy and FPL Group expected to close the merger, following their original 15-month timeline. The companies initially unveiled the merger in July 2000. If completed, it would create the largest utility in the country in terms of customers and also have one of the largest generation portfolios.

"We are disappointed with the schedule adopted by the administrative law judge," Entergy CEO Wayne Leonard said. "We believe we can demonstrate to the commission that a schedule similar to the Entergy/[Gulf States Utilities] merger process, which would permit closing on the original 15-month timeline, can be achieved without causing an undue burden on the commission, its staff or other interested parties."

Entergy plans to file a motion requesting reconsideration of the schedule, Entergy's Yolanda Pollard confirmed. However, the company can file the petition with either the PSC or the administrative law judge, she said. Once the company fully evaluates its options, Entergy will file accordingly, Pollard added. MCM

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FUTURES Results for 01/12/01 NYMEX

California-Oregon Border

	*Settlement	High	Low	Change	Volume
February	73.00	—	—	—	0
March	75.00	—	—	—	0
April	44.90	—	—	—	0
May	44.30	—	—	—	0
June	65.00	—	—	—	0
July	130.30	—	—	—	0
August	147.45	—	—	—	0
September	142.25	—	—	—	0
October	60.55	—	—	—	0
November	49.50	—	—	—	0
December	58.55	—	—	—	0
January	48.20	—	—	—	0
Volume of contracts (unofficial)					0
Total open interest Thursday					0

Palo Verde

	*Settlement	High	Low	Change	Volume
February	157.50	—	—	—	0
March	160.00	—	—	—	0
April	140.00	—	—	—	0
May	165.00	—	—	—	0
June	240.00	—	—	—	0
July	285.00	—	—	—	0
August	345.00	—	—	—	0
September	265.00	—	—	—	0
October	85.00	—	—	—	0
November	65.00	—	—	—	0
December	62.00	—	—	—	0
January	49.35	—	—	—	0
Volume of contracts (unofficial)					0
Total open interest Thursday					78

Cinergy

	*Settlement	High	Low	Change	Volume
February	57.50	—	—	-1.50	0
March	52.50	—	—	-0.50	0
April	48.25	—	—	-0.25	0
May	53.50	—	—	-1.00	0
June	85.50	—	—	0.50	0
July	149.00	—	—	1.00	0
August	149.00	—	—	1.00	0
September	47.00	—	—	0.50	0
October	43.00	—	—	0.25	0
November	43.00	—	—	0.25	0
December	43.00	—	—	0.25	0
January	47.50	—	—	0.50	0
Volume of contracts (unofficial)					0
Total open interest Thursday					25

Entergy

	*Settlement	High	Low	Change	Volume
February	67.50	—	—	-0.50	0
March	62.50	—	—	-2.50	0
April	54.00	—	—	-2.00	0
May	63.00	—	—	—	0
June	90.50	—	—	0.50	0
July	158.00	—	—	2.00	0
August	158.00	—	—	2.00	0
September	54.00	—	—	-0.50	0
October	48.50	—	—	0.25	0
November	48.50	—	—	0.25	0
December	48.50	—	—	0.25	0
January	53.75	—	—	0.75	0
Volume of contracts (unofficial)					0
Total open interest Thursday					0

Pennsylvania/New Jersey/Maryland

	*Settlement	High	Low	Change	Volume
February	56.50	—	—	-2.00	0
March	52.00	—	—	-1.00	0
April	49.00	—	—	0.25	0
May	50.00	—	—	-1.00	0
June	81.00	—	—	2.00	0
July	130.50	—	—	0.50	0
August	130.50	—	—	0.50	0
September	44.00	—	—	0.50	0
October	41.75	—	—	0.75	0
November	41.75	—	—	0.75	0
December	41.75	—	—	0.75	0
January	49.00	—	—	1.00	0
Volume of contracts (unofficial)					0
Total open interest Thursday					0

Settlement is weighted average of trades in last two minutes of trading, except on expiration day, when last 30 minutes are used. Change is from previous settlement price. Daily volumes are not official.

Holiday, warmer weather lead dailies lower

Daily deals done in **Cinergy** for the holiday yesterday fell off hard, dipping down about $8. Sources attributed the fall to lower loads, warmer weather over the weekend and some returned generation. Hourly trades softened significantly, with volume cut almost by half, and traded near the $55 level.

Eastern Markets

The balance of the week was traded on both sides of $50, settling at $49.75. Balance-of-the-month transactions lost about $6 on the high end from the previous day's high of $63.50. Deals traded at an index of $58.13.

February trades were done near $57, losing about $2 from trades done a day earlier.

March deals moved in a $51.50-$52.25 range.

Lower gas prices in **PJM** helped drag prices in the daily market down almost $4. Some congestion was mentioned, and locational marginal prices (LMP) reflected that activity.

Also, one source mentioned a sharp increase in the LMPs to around $100 for about an hour during the morning peak. It didn't have a lasting effect on prices, as the average came out around $45.

Weekend packages sold in the mid $30s and the prompt month saw activity in the mid $50s, down about $4. Balance-of-the-week traded lightly in the low $50s.

Prices in **New York** fell in anticipation of moderate temperatures and reduced loads for the federal holiday yesterday.

Zone A sold around $49 for next-day, moving in 25-cent increments. Volume was robust for trades done on a Friday for Monday delivery.

Tuesday-only pushed up to the low $50s, as did balance-of-the-week, which was supported by balance-of-the-month prices done previously.

A few trades got done in Zone G in the mid $60s, with even less reported in Zone J.

Forecasts for high temperatures in the 40s and tumbling natural gas futures kept **Nepool** next-day prices down and volume low.

Most dailies sold near $75 and market clearing prices moved mainly in the $70s, despite tighter generation. Going into the weekend, Northeast Utilities' 1,150-MW nuke, Millstone 3, was operating near 89% on its way down to a refueling outage.

Moreover, ISO New England's morning report showed generation outages and reductions totaled 5,571 MW – representing a two-day net loss of nearly 1,500 MW.

Weekend deals sold around $70.

In the term market, Tuesday, next-week, and balance-of-the-week all traded in the upper $70s.

February held in the mid $80s, and June got done around $79. Fourth quarter deals were reported to $58.

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East Generation Unit Outage Report for January 16

Information from the Nuclear Regulatory Commission is sometimes outdated, and not all utilities respond to requests for verification of unit status. Copyright 2001 by FT Energy

Unit Name, Operator	MW	NERC Region	Unit Status	Scheduled restart or outage date
Oconee 1 Duke Energy	887	SERC	Nuclear; coasting up after refueling outage	Restarted Jan. 12

Spark Spreads for January 15

These spark spreads (in $/MWh) compare the cost of generating power using a gas turbine at various heating efficiencies with the cost of buying peaking from the grid. The $/mmBtu column is based on the closest geographic Gas Daily price posting midpoint, while the $/MWh column is based on the Megawatt Daily index. A positive spread indicates it's economical to buy gas, while a negative spread indicates it's economical to buy power from the grid. The gas and power transactions were generally conducted yesterday for delivery today, weekends excepted. Copyright 2001 by FT Energy

	$/mmBtu	$/MWh	7000	8000	10000	12000
COB/Malin, Ore.	9.795	186.70	118.14	108.34	88.75	69.16
Mid-Columbia/Stanfield	8.675	179.79	119.07	110.39	93.04	75.69
Palo Verde/El Paso San Juan	8.670	172.38	111.69	103.02	85.68	68.34
ERCOT/Houston Ship Channel	8.775	65.08	3.65	-5.12	-22.67	-40.22
Com Ed/Chicago Citygates	8.985	34.84	-28.06	-37.04	-55.01	-72.98
Entergy/Henry Hub	8.760	50.96	-10.36	-19.12	-36.64	-54.16
Cinergy/Columbia Gas, App.	9.060	37.78	-25.64	-34.70	-52.82	-70.94
PJM-West/Transco Z 6 (non-NY)	9.630	44.84	-22.57	-32.20	-51.46	-70.72
Nepool/New England Citygates	9.490	75.03	8.60	-0.89	-19.87	-38.85
NY Zone G/Transco Z 6 (NY)	9.650	64.50	-3.05	-12.70	-32.00	-51.30
Fla. in-state/Fla. Citygates	9.505	42.00	-24.54	-34.04	-53.05	-72.06

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FT
FINANCIAL TIMES
Energy

Monday, July 16, 2001

MegawattDaily
From the publisher of Gas Daily® and Coal Outlook

California lawmakers seek alternatives Edison wires deal

With the prospect of substantial refunds for high energy costs looking increasingly dim, California legislators have resumed an effort to help stabilize the state's second-largest utility, Southern California Edison.

Assembly Speaker Robert Hertzberg launched the latest salvo in that effort last week when he presented a plan that could serve as an alternative to an agreement between Gov. Gray Davis and Edison International, SoCalEd's parent company.

Hertzberg's proposal tries "to in essence restore some semblance of reliability to the [transmission] system," according to Paul Hefner, a representative in the speaker's office.

The proposal builds on a memorandum of understanding Davis signed with Edison in April that calls for the state's purchase of SoCalEd's power lines for $2.76 billion. The cash from the sale would go to paying off some of the utility's $3.5 billion power purchase debt, with the rest being taken care of through a charge in customer rates.

Hertzberg's plan attempts to safeguard residential and small business customers from any rate hikes that could result from a plan to pay off SoCalEd's debt over time. The plan would provide a semblance of re-regulated rates for those customers by setting aside the output from the utilities' retained generation and from power received through contracts with qualifying facilities, Hefner said. The utilities have access to output from those sources under long-term deals with lower costs that allow for steady retail rates.

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INSIDE THE MARKET REPORT

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❑ **Nuke outage pushes Palo July**

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MAIN hubs heated to upper $40s 4

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❑ **Cinergy gains $16**

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Key Hub Trades for Standard 16-Hour Daily Products 07/16/01

Weighted average index prices (in $/MWh) and volumes are shown for selected major hubs. More detailed price information is available on page 3.

Delivery Point	Weighted Average Index	Trading Volume Reported
COB	45.17	150
Mid-Columbia	45.19	1,100
Palo Verde	54.34	400
ERCOT-B	37.88	2,500
Com Ed	41.81	4,450
Entergy	44.70	8,300
Cinergy	41.75	16,850
PJM	41.59	6,800
TVA	42.14	3,850

SPP seeks its place in a Southeast RTO

The Southwest Power Pool, "disappointed" by FERC's third rejection of its proposed RTO, said it would join commission-mandated mediation discussions on the formation of a Southeast RTO.

FERC charted a new course last week for RTO formation, saying for the first time it wanted to see four RTOs encompassing the country. It scheduled 45-day mediation sessions under administrative law judges to hammer out an RTO encompassing the Northeast (comprised of the existing PJM, New York and New England ISOs) and, in what may prove to be a much more difficult task, an RTO for the Southeast.

In reorienting the procession toward a Southeast RTO, FERC designated the GridSouth proposal, covering the three major investor-owned utilities in the Carolinas, as the basis for a larger organization. In separate orders, the commission rejected proposals by SPP, in conjunction with Entergy, and Southern Co., saying both failed for lack of sufficient scope.

This should not have been news to either entity. SPP, which has proposed a structure that would include Entergy's

(Continued on page 8)

NiMo says NRG responsible for plant upgrades

Niagara Mohawk Friday filed a case with the New York Supreme Court, requesting a declaratory judgment that NRG Energy is responsible for any improvements to two coal-fired facilities that NRG bought from NiMo in 1999.

In May 2000, the state Department of Environmental Conservation claimed that certain past routine maintenance work at the C.R. Huntley Steam Station in Tonawanda, N.Y., and the Dunkirk Steam Station in Dunkirk, N.Y., should have been considered major modifications that would have required stricter control of future emissions under the new source review provisions of the federal Clean Air Act, NiMo said. In May 2001, the office of the New York state attorney general warned both NiMo and NRG of its intent to file suit around July 16, alleging the plants are in violation of the Clean Air Act.

However, NiMo claims that past maintenance work was done in compliance with all state and federal standards. The maintenance work in question consisted of routine activities exempted from permitting requirements and could

(Continued on page 2)

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FUTURES Results for7/12/2001 NYMEX

California-Oregon Border

	*Settlement	High	Low	Change	Volume
August	86.00	—	—	-2.00	0
September	81.00	—	—	—	0
October	85.00	—	—	-3.00	0
November	72.00	—	—	-3.00	0
December	96.00	—	—	-2.00	0
January	94.00	—	—	-2.00	0
February	79.00	—	—	-2.00	0
March	59.00	—	—	-2.00	0
April	51.00	—	—	—	0
May	51.00	—	—	—	0
June	51.00	—	—	—	0
July	81.00	—	—	—	0
Volume of contracts (unofficial)					0
Total open interestThursday					0

Palo Verde

	*Settlement	High	Low	Change	Volume
August	87.00	—	—	-2.00	0
September	78.00	—	—	—	0
October	72.00	—	—	-3.00	0
November	60.00	—	—	—	0
December	62.00	—	—	—	0
January	63.00	—	—	-2.00	0
February	58.00	—	—	-2.00	0
March	53.00	—	—	-2.00	0
April	55.00	—	—	—	0
May	55.00	—	—	—	0
June	70.00	—	—	—	0
July	84.00	—	—	—	0
Volume of contracts (unofficial)					0
Total open interestThursday					17

Cinergy

	*Settlement	High	Low	Change	Volume
August	52.75	—	—	2.50	0
September	29.85	—	—	0.60	0
October	29.25	—	—	0.50	0
November	28.75	—	—	0.75	0
December	32.25	—	—	0.75	0
January	34.50	—	—	0.75	0
February	34.50	—	—	0.75	0
March	33.00	—	—	0.75	0
April	33.00	—	—	0.75	0
May	36.25	—	—	0.75	0
June	46.25	—	—	0.75	0
July	61.00	—	—	1.25	0
Volume of contracts (unofficial)					0
Total open interestThursday					0

Entergy

	*Settlement	High	Low	Change	Volume
August	58.25	—	—	1.75	0
September	34.25	—	—	0.50	0
October	32.00	—	—	0.50	0
November	32.00	—	—	0.50	0
December	32.00	—	—	0.50	0
January	35.25	—	—	0.50	0
February	35.25	—	—	0.50	0
March	34.25	—	—	1.00	0
April	33.25	—	—	—	0
May	38.25	—	—	0.50	0
June	47.50	—	—	1.25	0
July	62.25	—	—	1.25	0
Volume of contracts (unofficial)					0
Total open interestThursday					0

Pennsylvania/New Jersey/Maryland

	*Settlement	High	Low	Change	Volume
August	52.50	—	—	2.00	0
September	32.00	—	—	1.00	0
October	31.25	—	—	1.00	0
November	31.25	—	—	0.75	0
December	34.00	—	—	0.50	0
January	36.50	—	—	0.50	0
February	36.50	—	—	0.50	0
March	33.75	—	—	0.25	0
April	33.75	—	—	0.25	0
May	37.00	—	—	0.25	0
June	45.75	—	—	0.50	0
July	62.00	—	—	2.25	0
Volume of contracts (unofficial)					0
Total open interestThursday					0

Settlement is weighted average of trades in last two minutes of trading, except on expiration day, when last 30 minutes are used. Change is from previous settlement price.

points. ComEd dailies soared more than $18, to a high of $46. High temperatures in the 90s are expected toward the back end of the week.

Weekend peak traded at $27. Off-peak sold near $10.

The balance of the week ranged $51.25-$53.50. Next-week fell $4.75, to $50.50. August sold for $49.50. September traded near $27.95.

Ameren dailies rose $8, to $46. Off-peak sold near $16. Weekend peak moved near $25. Off-peak traded near $13.

MAIN north dailies sold at the ComEd index. Off-peak traded at $13. One block of weekend off-peak sold at $13.

Heat pushed dailies up $18 in **MAPP** north. The high hit $54, and most volume moved near $50. Off-peak sold for $10.

Weekend peak traded near $31, and off-peak sold in the low teens. Two peaking schedules for Sunday sold near $41.

MAPP south off-peak for today sold in the mid teens. Weekend peak trades moved in the upper $20s. Off-peak sold in the teens.

SPP dailies climbed $11, to $50. Traders grumbled about transmission constraints ,and volume remained slim. Off-peak sold on either side of $20.

Weekend peak sold in the low $30s. Off-peak was done in the upper teens. DJ/AC

Cinergy jumps $16 on weather, buy-ahead

Cinergy trades done for today shot up from the mid $20s to the mid $40s, trading at a high of $46. The index was near $41.75, an increase of more than $16. The weekend premium and warmer weather were credited for the boost. High temperatures are expected to climb to the mid 80s in much of the Ohio Valley.

Eastern Markets

Short positions were filled at the high end of the range, with trades moving between $43 and $46 after options' expiration. Tuesday-only trades were done at $50.

A few trades for July 16-20 were done in a $48-$53.25 range early. The balance of the week, which came in near $53, also influenced daily prices. Trades ranged $51.25-$53.50, with most near $52.75.

Trades for July 23-27 were just above $51 early and were done in a $49.75-$51.50 range. The index was $50.75. The last two days of July were done close to $51.

Trades for August dropped below $50. The index was near $50, compared to the previous day's index of $53.52. The high trade of the day was $51.50, a drop of $3. Sources credited the fall to the disappearance by Friday of a tropical disturbance that surfaced in the Gulf of Mexico on Thursday. Falling gas prices, which dropped about 10¢, also were a factor.

September moved in a 90-cent range, to $29.40, with an index of $29.01. The fourth quarter traded in a $29-$29.75 range. The fourth quarter 2002 was done in a 10-cent range, to $30.75.

Summer 2003 was done at $60.

Once again, changes in **PJM** weather forecasts influenced daily market prices.

(continued on page 7)

Spark Spreads for July 16

These spark spreads (in $/MWh) compare the cost of generating power using a gas turbine at various heating efficiencies with the cost of buying peaking from the grid. The $/mmBtu column is based on the closest geographic Gas Daily price posting midpoint, while the $/MWh column is based on the Megawatt Daily index. A positive spread indicates it's economical to buy gas, while a negative spread indicates it's economical to buy power from the grid. The gas and power transactions were generally conducted yesterday for delivery today, weekends excepted. Copyright 2001 by FT Energy.

	$/mmBtu	$/MWh	7000	8000	10000	12000
COB/Malin, Ore.	2.535	45.17	27.43	24.89	19.82	14.75
Mid-Columbia/Stanfield	2.510	45.19	27.62	25.11	20.09	15.07
Palo Verde/El Paso San Juan	2.400	54.34	37.54	35.14	30.34	25.54
ERCOT/Houston Ship Channel	3.170	37.88	15.69	12.52	6.18	-0.16
Com Ed/Chicago Citygates	3.300	41.81	18.71	15.41	8.81	2.21
Entergy/Henry Hub	3.155	44.70	22.62	19.46	13.15	6.84
Cinergy/Columbia Gas, App.	3.340	41.75	18.37	15.03	8.35	1.67
PJM-West/Transco Z 6 (non-NY)	3.370	41.59	18.00	14.63	7.89	1.15
Nepool/Tenn. Zone 6 (del.)	3.375	42.61	18.99	15.61	8.86	2.11
NY Zone G/Transco Z 6 (NY)	3.405	47.90	24.07	20.66	13.85	7.04
Fla. in-state/Fla. Citygates	3.430	47.00	22.99	19.56	12.70	5.84

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platts

Tuesday, January 22, 2002

Megawatt Daily

From the publisher of Gas Daily® and Coal Outlook

Court ruling likely opens door to new AEP-CSW merger review

A federal appeals court ruling Friday that overturned the Securities and Exchange Commission's approval of American Electric Power's June 2000 merger with Central and South West will likely require securities regulators to reopen their record on the merger, representatives for AEP said Friday.

In its Jan. 18 order, the U.S. Court of Appeals for the District of Columbia Circuit vacated the SEC's approval of the AEP-CSW merger on the grounds that the regulators' decision did not comply with federal law. In its decision, the court cited requirements in the Public Utilities Holding Company Act, a 1935 law originally aimed at limiting the monopoly power of large corporations by preventing them from owing geographically separated utility companies.

But AEP representatives asserted that the company's merger with Texas-based utility CSW would remain intact despite the federal court of appeals decision. "We remain confident that our merger complies with the requirements of the PUHCA and we will work with the SEC staff to supply the necessary documents and information to supplement the record," an AEP spokesman said after the ruling.

The spokesman said AEP is prepared to furnish the SEC with any additional information it might need to complete its record on the case. AEP Friday had not spoken with SEC officials about how the case would proceed and had no schedule for when it would address questions about the merger or when it would provide the SEC with additional documentation.

The National Rural Electric Cooperative Assn. and the American Public Power Assn., which had challenged the SEC's

(Continued on page 9)

INSIDE THE MARKET REPORT

WESTERN MARKETS:

❑ **Dailies slip ahead of holiday**

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CENTRAL MARKETS:

❑ **Prices ease, Into Cinergy down**

Into ComEd falls $1.50 4

EASTERN MARKETS:

❑ **Prices down; cold a no-show**

New England dailies bit firmer 5

Key Hub Trades for Standard 16-Hour Daily Products 01/21/02

Weighted average index prices (in $/MWh) and volumes are shown for selected major hubs. More detailed price information is available on page 3.

Delivery Point	Weighted Average Index	Trading Volume Reported
COB	21.30	587
Mid-C	19.18	1,725
Palo Verde	23.75	1,800
ERCOT	18.31	1,600
ComEd, into	19.85	1,550
Entergy, into	19.17	3,850
Cinergy, into	19.73	11,100
PJM West	22.93	7,450
TVA, into	19.76	1,500

Enron to pay UBS cash for buying trading unit

Enron will pay at least $6-million in cash to Swiss bank giant UBS as part of the sales agreement for unloading the troubled energy company's trading unit, according to statements made Friday at a hearing before a U.S. Bankruptcy Court judge in New York City.

Judge Arthur Gonzalez must approve all provisions of the Enron-UBS deal, but he offered no decision on Friday.

Enron financial advisor, Blackstone Group Senior Managing Director Steve Zelin, said the bankrupt energy giant's pending sale would see upfront cash going to the buyer to help UBS cover employment contracts for the 600 or so workers who will move with the shuttered trading operation.

In addition, Enron will have to pay some $29-million to lease back its own software to manage its existing $1.3-billion "book" of trading contracts.

Those fees would be deducted from Enron's 33% royalty stake in any revived gas and power trading operation under UBS.

Zelin was the first person to take the stand at the day-long hearing to review

(Continued on page 7)

NEPOOL weighs hiring a new ISO operator

The New England Power Pool said last week it issued a "request or qualifications" to find a group that could take over some or all of the functions of the Independent System Operator-New England starting July 1, 2002, when the current NEPOOL five-year contract with the ISO ends.

NEPOOL said it is also considering whether to extend or renegotiate the ISO contract, but it wants to determine if other qualified entities could do the work more effectively and at lower cost.

A group of generation owners in NEPOOL has acted over the last year to block action to renew the ISO contract, claiming that the ISO's decisions have consistently slanted away from their interests.

At the same time, the current ISO management and its policies has strong support from other NEPOOL members who represent load as well as from state regulators.

According to NEPOOL sources, a majority of members support at least considering an alternative operator and that inquiries about the job have been received from other system operators around the country.

(Continued on page 2)

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FUTURES Results for 1/17/2002
NYMEX

California-Oregon Border

	*Settlement	High	Low	Change	Volume
February	22.00	—	—	—	0
March	20.50	—	—	—	0
April	20.90	—	—	—	0
May	19.00	—	—	—	0
June	20.50	—	—	—	0
July	30.50	—	—	—	0
August	40.50	—	—	—	0
September	35.00	—	—	—	0
October	28.00	—	—	1.00	0
November	27.50	—	—	1.00	0
December	28.50	—	—	1.00	0
January	28.50	—	—	1.50	0
Volume of contracts (unofficial)					0
Total open interestThursday					0

Palo Verde

	*Settlement	High	Low	Change	Volume
February	24.00	—	—	0.50	0
March	23.50	—	—	0.50	0
April	24.50	—	—	0.25	0
May	25.50	—	—	0.25	0
June	29.50	—	—	-0.50	0
July	29.50	—	—	-10.50	0
August	45.00	—	—	0.75	0
September	35.00	—	—	—	0
October	27.50	—	—	—	0
November	27.00	—	—	—	0
December	27.50	—	—	—	0
January	28.00	—	—	1.00	0
Volume of contracts (unofficial)					0
Total open interestThursday					0

Cinergy

	*Settlement	High	Low	Change	Volume
February	21.85	—	—	0.65	0
March	22.15	—	—	0.05	0
April	22.15	—	—	0.05	0
May	25.50	—	—	0.15	0
June	31.75	—	—	0.10	0
July	41.70	—	—	—	0
August	41.70	—	—	—	0
September	23.20	—	—	0.05	0
October	23.00	—	—	-0.27	0
November	23.00	—	—	—	0
December	23.00	—	—	—	0
January	26.20	—	—	0.20	0
Volume of contracts (unofficial)					0
Total open interestThursday					0

Entergy

	*Settlement	High	Low	Change	Volume
February	20.30	—	—	0.15	0
March	21.00	—	—	0.30	0
April	21.00	—	—	0.30	0
May	24.00	—	—	0.25	0
June	29.25	—	—	0.25	0
July	37.90	—	—	-0.10	0
August	37.90	—	—	-0.10	0
September	22.50	—	—	0.25	0
October	22.00	—	—	-0.25	0
November	22.00	—	—	-0.25	0
December	22.00	—	—	-0.25	0
January	24.50	—	—	-0.25	0
Volume of contracts (unofficial)					0
Total open interestThursday					0

Pennsylvania/New Jersey/Maryland

	*Settlement	High	Low	Change	Volume
February	25.00	—	—	0.25	0
March	25.05	—	—	0.15	0
April	25.05	—	—	0.15	0
May	28.25	—	—	—	0
June	35.30	—	—	0.15	0
July	48.75	—	—	—	0
August	48.75	—	—	—	0
September	25.65	—	—	0.10	0
October	25.25	—	—	—	0
November	25.25	—	—	—	0
December	25.25	—	—	—	0
January	29.00	—	—	—	0
Volume of contracts (unofficial)					0
Total open interestThursday					0

Settlement is weighted average of trades in last two minutes of trading, except on expiration day, when last 30 minutes are used. Change is from previous settlement price.

Natural gas futures fell 20 cents on Friday and the power curve followed throughout the Midwest.

Into Cinergy power for February traded down $1.15 to $20.20/MWh. Summer fell 50 cents to $39.85/MWh. Calendars 2003 and 2004 fell 65 cents and 75 cents, respectively.

Stumbling gas battered ERCOT power for a second day. February through May lost another 25 cents. February settled at $18.80/MWh. March/April traded at $24.50/MWh. Summer fell 15 cents. The fourth quarter held at $24/MWh.

Into ComEd's power curve reversed its bullish trend from the previous day and February sold down $1.50 to near $20.50/MWh. The remainder of the curve slipped in increment ranging from 20 to 85 cents.

Prices down; trading slow; cold a no-show

Eastern forwards continued to lose ground despite the onset of a long holiday weekend. Natural gas futures eased back through the day as forecasters failed to find enough cold in long-range forecasts to put any pep into the market.

Eastern Markets

"Trading is sluggish because with the gas and weather nobody feels they need cover over the weekend," said a forward trader.

Another trader added that near-term forward deals moving under $30/MWh had started to become a drag on prompt-month prices. February deals that ended the day at $30.45/MWh lost 55 cents vs. the previous day's close. While most of the curve retreated around 25 to 50 cents on the day, the July/August package tumbled more than a dollar to settle at $48/MWh.

In PJM, February fell 85 cents to $24.15/MWh, setting a trend downward for the forward curve into 2003. For 2003, May sold at $29.75/MWh, September at $26.90/MWh and the fourth quarter at $25.50/MWh. Winter 2005 traded at $32.25/MWh.

In PJM, next-week prices softened 60 cents or so with forecasts for temperatures to warm up after the Monday holiday with highs 10 degrees above normal into Wednesday.

Friday, next-week traded at $23.75/MWh. For-Monday power traded down 60 cents to $22.70/MWh in anticipation of less demand and lower loads with most government offices and many schools closed.

Going into the holiday weekend, traders said moderate weather and declining natural gas prices would keep power prices soft. The for-Tuesday market was bid at $22.75/MWh and offered at $24/MWh. "Nothing traded," a source said.

Traders said markets were so quiet that many people planned to leave early for the long holiday weekend. "You can't even get a good rumor started," one trader said.

Weekend 2x16 trades averaged $22.24/MWh. The balance of the month fell 50 cents to $23.75/MWh. The period Jan. 28-Feb. 1 traded between $24.25/MWh and $24.50/MWh.

New England dailies traded a bit firmer going into the weekend as players noted a little "weekend premium" creeping into the market. However, traders said fundamentals appeared unchanged and they still expect dailies to remain range-bound through at least early this week. "It looks like the coldest weather will peter-out before Monday," said a trader. If forecasts showing daytime temperatures in Boston reaching

(continued on page 7)

Spark Spreads for January 21

These spark spreads (in $/MWh) compare the cost of generating power using a gas turbine at various heating efficiencies with the cost of buying peaking from the grid. The $/mmBtu column is based on the closest geographic Gas Daily price posting midpoint, while the $/MWh column is based on the Megawatt Daily index. A positive spread indicates it's economical to buy gas, while a negative spread indicates it's economical to buy power from the grid. The gas and power transactions were generally conducted yesterday for delivery today, weekends excepted. Copyright 2002 by The McGraw-Hill Companies, Inc.

	$/mmBtu	$/MWh	7000	8000	10000	12000
COB/Malin, Ore.	2.135	21.30	6.36	4.22	-0.05	-4.32
Mid-Columbia/Stanfield	2.050	19.18	4.83	2.78	-1.32	-5.42
Palo Verde/El Paso San Juan	2.025	23.75	9.58	7.55	3.50	-0.55
ERCOT/Houston Ship Channel	2.205	18.31	2.88	0.67	-3.74	-8.15
Com Ed/Chicago Citygates	2.210	19.85	4.38	2.17	-2.25	-6.67
Entergy/Henry Hub	2.290	19.17	3.14	0.85	-3.73	-8.31
Cinergy/Columbia Gas, App.	2.375	19.73	3.11	0.73	-4.02	-8.77
PJM-West/Transco Z 6 (non-NY)	2.640	22.93	4.45	1.81	-3.47	-8.75
Nepool/Tenn. Zone 6 (del.)	2.650	29.64	11.09	8.44	3.14	-2.16
NY Zone G/Transco Z 6 (NY)	2.705	34.05	15.12	12.41	7.00	1.59
Fla. in-state/Fla. Citygates	2.700	27.25	8.35	5.65	0.25	-5.15

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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter, on the Commission's own motion, to implement the provisions of Section 10a(10) of 2000 PA 141.	))))	MPSC Case No. U-12639

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss
COUNTY OF WAYNE)

DORIS J. HILL-SHAVERS, being duly sworn deposes and says that on the 22nd day of January, 2002 she served a copy of **PETITION FOR REHEARING AND CLARIFICATION** upon the parties listed on the attached Service List, a copy of which is attached, by electronic mail and by depositing properly addressed sealed and stamped envelopes into the United States mail by first class.

Doris J. Hill-Shavers
DORIS J. HILL-SHAVERS

Subscribed and sworn to before
me this 22nd day of January, 2002

Deborah Dub

DEBORAH DUB
Notary Public, Oakland County, MI
My Commission Expires 11-03-2002

acting in Wayne County

MPSC Case No: U-12639

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(As of October 2, 2001)

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