

Schedule C

Case No.: U-14838
Exhibit No.: DE-3
Schedule: C
Page: 1 of 1
Witness: M. G. VanHaerents
P. G. Horgan
M. L. Heiser
G. E. Lapplander

The Detroit Edison Company

Adjusted Net Operating Income

Year 2005

Schedule:

- C1 Adjusted Net Operating Income - Total Electric and Jurisdictional Electric
- C4 Income Tax Effect of Interest Allowed in Ratemaking Formula
- C5 Gross Revenue Conversion Factor
- C6 Allowable Charitable Contributions
- C7 Disallowed Corporate Memberships
- C8 Disallowed Advertising Expense
- C10 Synchronization Adjustment
- C11 MERC Operating Income
- C12 Amortization of Loss on Reacquired Debt
- C13 No Residential Rate Cap Adjustment
- C14 Weather Normalization Adjustment
- C15 Eliminate Regulatory Asset Operating Income
- C16 Eliminate Securitization Tax Revenue and Expense
- C17 Eliminate Property Tax Settlement
- C18 Eliminate Federal Income Tax Adjustment
- C19 Incentive Plan Adjustment
- C20 Eliminate Gain on Sale

Line	(a) Description	(b) Source Exhibit DE-3	(c) Revenues	(d) Fuel & Purch Pwr	(e) O&M	(f) Depreciation and Amortization	(g) Net Reg. Assets	(h) Property & Other Taxes	(i) FIT	(j) Gain on Sale	(k) AFUDC	(l) Total Electric Adjusted NOI	(m) Jurisdictional Adjusted NOI
1	2005 Historical Year												
2	Net Operating Income From Form P-521	1/	4,212,938	1,511,516	1,346,135	461,356	67,354	239,232	146,910	(2,933)		443,368	455,769
3													
4	Rate Case Adjustments to 2005 Net Operating Income												
5	Allowance for Funds Used During Construction (AFUDC)	1/	-	-	-	-	-	-	-	-	6,108	6,108	5,979
6	Allowable Charitable Contributions	C6										-	
7	Disallowed Corporate Memberships	C7			(70)			2	24			45	44
8	Disallowed Advertising Expenses	C8			(824)			18	282			524	515
9	MERC Operating Income	C11	33,208		26,671	1,994		2,183	(295)			2,655	2,557
10	Amortization of the Loss on Reacquired Debt	C12				2,882						(2,882)	(2,829)
11	Income Tax Effect of Interest	C4							1,552			(1,552)	(1,310)
12	Synchronization Adjustment	C10							(1,257)			1,257	1,238
13	Subtotal 2005 Adjustments to NOI		33,208	-	25,777	4,876	-	2,203	306	-	6,108	6,155	6,195
14													
15	2005 Historical Year - Rate Case Adjusted		4,246,145	1,511,516	1,371,912	466,232	67,354	241,434	147,216	(2,933)	6,108	449,522	461,964
16													
17	Normalization Adjustments												
18	Eliminate Residential Rate Caps												
19	Base Rate	C13	112,675					2,483	38,567			71,625	71,625
20	PSCR Recovery	C13	106,034					2,337	36,294			67,403	67,403
21	Weather Normalization Adjustment	C14	(142,624)	(43,762)				(2,179)	(33,839)			(62,844)	(62,844)
22	Eliminate Regulatory Assets Operating Income	C15	(39,599)				22,329	(1,365)	(21,197)			(39,366)	(39,366)
23	Regulatory Asset Reclass			33,142			(33,142)					-	
24	Eliminate Securitization Tax Revenue and Expense	C16	(56,541)				(56,541)	-	-			-	-
25	Eliminate Property Tax Settlement	C17						16,625	(5,819)			(10,807)	(10,608)
26	Eliminate Federal Income Tax Adjustment	C18							(13,900)			13,900	13,597
27	Incentive Plan Adjustment	C19			(6,124)			19	2,137			3,969	3,875
28	Eliminate Gain on Sale	C20						(65)	(1,004)	2,933		(1,865)	(1,865)
29	Subtotal Normalization Adjustments		(20,055)	(10,620)	(6,124)	-	(67,354)	17,856	1,239	2,933	-	42,015	41,817
30													
31	Adjusted Normalized 2005 Operating Income		4,226,091	1,500,896	1,365,788	466,232	(0)	259,290	148,455	-	6,108	491,538	503,781

Schedule C4

Michigan Public Service Commission
The Detroit Edison Company
Income Tax Effect of Interest
Allowed in Ratemaking Formula (\$000)
Year 2005

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Witness: P. G. Horgan

Line No.	(a) Description	(b) Source	(c) Total Electric
1			
2	Electric Rate Base	Exh. DE-2, Sch B1	7,455,750
3			
4	Weighted Cost of Debt (1)	Exh. DE-4, Sch D1	2.5500%
5			
6	Interest Allowed in Ratemaking Formula	Line 2 x Line 4	190,122
7			
8	Interest Deduction Included in		
9	Recorded Income Tax Accruals	DE-3WPC4	194,532
10			
11	Additional Interest Deduction	Line 6 - Line 9	(4,411)
12			
13	Composite Municipal Excise Tax Rate	DE-3WPC5	0.30360%
14			
15	Effect on Municipal Tax	Line 11 x Line 13	(13)
16			
17	Effect on Federal Taxable Income	Line 11 - Line 15	(4,397)
18			
19	Federal Income Tax Rate	Exh. DE-3, Sch. C5	35%
20			
21	Effect on Federal Income Taxes	Line 17 x Line 19	<u>(1,539)</u>
22			
23	Total Net Operating Income Effect	Line 15 + Line 21	<u><u>(1,552)</u></u>

(1) Includes Short and Long-Term Interest

Schedule C5

Michigan Public Service Commission
The Detroit Edison Company
Gross Revenue Conversion Factor

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Witness: P. G. Horgan

Line No.	(a) Description	(b) Amount
1	Income Before Income Taxes	100.0000%
2		
3	Less: Composite Municipal Excise Tax Rate (1)	0.3036%
4	Michigan Single Business Tax Rate	1.9000%
5		
6	Federal Income Tax Base (L1 - L3 - L4)	97.7964%
7		
8	Times: Federal Income Tax Rate	35.0000%
9	Federal Income Tax (L6 x L8)	34.2287%
10		
11	Income after Federal Income Tax,	
12	Michigan Single Business Tax and	
13	Municipal Excise Taxes (L6 - L9)	63.5677%
14		
15	Gross Revenue Conversion Factor (100% ÷ L13)	<u>1.5731</u>

(1) See DE-3WPC5

Schedule C6

Michigan Public Service Commission
The Detroit Edison Company
Allowable Charitable Contributions (\$000)
Year 2005

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The Company made no contributions to the Urban Coalition during 2005

Schedule C7

Michigan Public Service Commission
The Detroit Edison Company
Disallowed Corporate Memberships (\$000)
Year Ending December 31, 2005

Case No: U-14838
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Witness: M. G. VanHaerents

(a)		(b)
Line	Description	Amount
1	Corporate Memberships Charged to Miscellaneous	
2	General Expenses (Account 930.2)	
3		
4	Electric Power Research Institute (EPRI)	549
5	Other	70
6	Total Corporate Memberships	619
7		
8	Less: Allowable Corporate Memberships	549
9		
10	Gross Disallowed Expense	70
11		
12	Less: Municipal Excise Tax of 0.3036%	0
13	Michigan Single Business Tax of 1.900%	1
14		69
15	Less: Federal Income Tax of 35%	24
16		
17	Net Disallowed Expense	45

Source: Company Books and Records

Schedule C8

Michigan Public Service Commission
The Detroit Edison Company
Disallowed Advertising Expenses (\$000)
Year Ending December 31, 2005

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Witness: M. G. VanHaerents

	(a)	(b)
Line	Description	Amount
1	Related to Public Health and Safety	780
2		
3	Related to Conservation of Energy	401
4		
5	Related to Explanation of Billing Practices, Rates	
6	and Using Energy Wisely	614
7		
8	Other Advertising Programs	824
9		
10	Total Advertising Programs	2,620
11		
12	Less: Allowable Items (Lines 1 through 6)	1,795
13		
14	Gross Disallowed Expense	824
15		
16	Less: Municipal Excise Tax of 0.3036%	3
17	Michigan Single Business Tax of 1.900%	16
18		806
19	Less: Federal Income Tax of 35%	282
20		
21	Net Disallowed Expense	524

Source: Company Books and Records

Schedule C10

Michigan Public Service Commission
The Detroit Edison Company
Synchronization Adjustment (\$000)
Year 2005

Case No.: U-14838
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Witness: P. G. Horgan

Line No.	(a) Description	(b) Source	(c) Total Electric
1			
2	Total Electric Rate Base	Exh. DE-2, Sch B1	7,455,750
3			
4	Weight of JDITC Reserve	Exh. DE-4, Sch D1	1.61%
5			
6	Cost of Long-Term Debt	Exh. DE-4, Sch D1	5.79%
7			
8	Imputed Weight of Debt	Exh. DE-4, Sch D1	51.50%
9			
10	Imputed Interest	L2 x L4 x L6 x L8	3,573
11			
12	Composite Municipal Excise Tax Rate	DE-3WPC5	0.3036%
13			
14	Effect on Municipal Taxes	Line 10 x Line 12	11
15			
16	Imputed Effect on Federal Taxable Income	Line 10 - Line 14	3,562
17			
18	Federal Income Tax Rate	Exh. DE-3, Sch. C5	35%
19			
20	Imputed Effect on Federal Income Taxes	Line 16 x Line 18	<u>1,247</u>
21			
22	Synchronization Adjustment to Net Operating Income	Line 14 + Line 20	<u><u>1,257</u></u>

Schedule C11

Michigan Public Service Commission
The Detroit Edison Company
MERC Operating Income (\$000)
Year 2005

Case No.: U-14838
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Witness: M. G. VanHaerents
G. E. Lapplander

		(a)	(b)	(c)	(d)
Line No.	Description	Amount	Consolidation		
			Adjustment	Total	
1	REVENUES				
2	Transshipment Services				
3	Detroit Edison	(14,760)	14,760	-	
4	Third Party Dock Services	21,796	-	21,796	
5		7,036	14,760	21,796	
6					
7	Net Coal & Transportation Sales	11,412	-	11,412	
8					
9	Other Revenue				
10	Equity Earnings of Venture Fuels	3,397	(3,397)	-	
11	Other	184	(184)	-	
12		3,580	(3,580)	-	
13					
14	TOTAL REVENUE	22,028	11,180	33,208	
15					
16	EXPENSES				
17	Site Operating Expenses	12,460	(12,460)	-	
18	Administrative	3,032	-	3,032	
19	Depreciation	1,994	-	1,994	
20	Property Taxes	815	-	815	
21	State Taxes	1,368	-	1,368	
22	Federal Income Taxes			-	
23	Current	(920)	-	(920)	
24	Deferred	625	-	625	
25					
26	Fuel Handling Expense	-	23,640	23,640	
27					
28	TOTAL EXPENSES	19,373	11,180	30,553	
29					
30	Net Operating Income Adjustment	2,655	-	2,655	

Source: Company Books and Records

Schedule C12

Michigan Public Service Commission
The Detroit Edison Company
Amortization of the Loss on Reacquired Debt (\$000)
Year Ending December 31, 2005

Case No.: U-14838
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Witness: M. G. VanHaerents

	(a)	(b)	(c)	(d)
		Detroit Edison (1)	MERC (2)	Total Detroit Edison
Line No.	Description			
1	Amortization of Loss on Reacquired Debt	2,856	25	2,882

Note: This item is displayed gross of tax since the tax deduction is included in the calculation of tax expense which is part of operating income.

Source:

- (1) 2005 MPSC Form P-521, Pg 117, Col (c), Line 64
- (2) Company Books and Records

Michigan Public Service Commission
The Detroit Edison Company
No Residential Rate Cap Adjustment (\$000)
Year Ending December 31, 2005

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
2005 Actual Revenue												
Line No.	Month	GWh Sales	\$/MWh	Base Revenue	PSCR Revenue	Rate Cap Credit	PSCR Under Recovery			Total Revenue	PSCR Cost	Margin
							MISO Deferral	No MISO deferral	Total			
1	January	1,454	83	105,164	24,073	(8,176)	-	-	-	121,061	26,895	94,166
2	February	1,293	84	94,139	21,416	(6,538)	-	-	-	109,017	18,829	90,188
3	March	1,303	83	93,298	21,580	(6,852)	-	-	-	108,026	21,723	86,303
4	April	1,073	83	77,565	17,762	(5,763)	-	-	-	89,564	15,543	74,021
5	May	1,062	83	74,162	19,155	(5,442)	-	-	-	87,875	16,374	71,501
6	June	1,631	86	120,024	31,055	(10,042)	-	-	-	141,037	47,579	93,458
7	July	1,992	87	149,115	37,926	(13,719)	-	-	-	173,322	66,769	106,553
8	August	2,116	85	156,464	40,293	(16,433)	-	-	-	180,324	60,585	119,739
9	September	1,447	85	107,818	27,540	(12,357)	-	-	-	123,001	39,367	83,634
10	October	1,164	84	84,435	22,148	(9,368)	-	-	-	97,215	26,244	70,971
11	November	1,065	84	77,452	20,264	(8,254)	-	-	-	89,462	16,720	72,742
12	December	1,212	84	88,807	22,243	(9,731)	-	-	-	101,319	22,410	78,909
13		16,812	85	1,228,443	305,455	(112,675)	-	-	-	1,421,223	379,038	1,042,185
14												
15												
2005 Eliminated Rate Caps												
Line No.	Month	GWh Sales	\$/MWh	Base Revenue	PSCR Revenue	Rate Cap Credit	PSCR Under Recovery			Total Revenue	PSCR Cost	Margin
							MISO Deferral	No MISO deferral	Total			
19	January	1,454	89	105,164	24,073	-	2,822	2,498	5,320	134,557	26,895	107,662
20	February	1,293	89	94,139	21,416	-	(2,587)	1,992	(595)	114,960	18,829	96,131
21	March	1,303	88	93,298	21,580	-	143	3,654	3,797	118,675	21,723	96,952
22	April	1,073	89	77,565	17,762	-	(2,219)	2,230	11	95,338	15,543	79,795
23	May	1,062	88	74,162	19,155	-	(2,781)	2,267	(514)	92,803	16,374	76,429
24	June	1,631	93	120,024	31,055	-	16,524	2,974	19,498	170,577	47,579	122,998
25	July	1,992	94	149,115	37,926	-	28,843	3,369	32,212	219,253	66,769	152,484
26	August	2,116	93	156,464	40,293	-	20,292	3,622	23,914	220,671	60,585	160,086
27	September	1,447	94	107,818	27,540	-	11,827	3,175	15,002	150,360	39,367	110,993
28	October	1,164	92	84,435	22,148	-	4,096	2,509	6,605	113,188	26,244	86,944
29	November	1,065	92	77,452	20,264	-	(3,544)	3,061	(483)	97,233	16,720	80,513
30	December	1,212	92	88,807	22,243	-	167	1,100	1,267	112,317	22,410	89,907
31		16,812	91	1,228,443	305,455	-	73,583	32,451	106,034	1,639,932	379,038	1,260,894
32												
33												
Impact of Removing Rate Caps												
Line No.		\$/MWh	Base Revenue	PSCR Revenue	Rate Cap Credit	PSCR Under Recovery			Total Revenue	PSCR Cost	Margin	
						MISO Deferral	No MISO deferral	Total				
37	Effect of Rate Caps	-	-	-	112,675	73,583	32,451	106,034	218,709	-	218,709	
38												
39	Less: Municipal Excise Tax of 0.3036%				342			322				
40	Michigan Single Business Tax of 1.900%				2,141			2,015				
41					110,192			103,697				
42	Less: Federal Income Tax of 35%				38,567			36,294				
43	Net change in Net Operating Income				71,625			67,403				

Source: Company Books and Records

Schedule C13

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Witness: M. G. VanHaerens

Michigan Public Service Commission
The Detroit Edison Company
Weather Normalization Adjustment (\$000)
Year Ending December 31, 2005

	(a)	(b)	(d)	(e)	(f)	(g)	(h)	(i)
Line No.		<u>GWH Sales</u>	<u>Base Revenue</u>	<u>PSCR Revenue</u>	<u>PSCR Under/(Recovery)</u>	<u>Total Revenue</u>	<u>PSCR Cost</u>	<u>Margin</u>
1	Residential	962	71,627	18,470	13,187	103,284	29,960	73,324
2	Commercial Secondary	177	14,254	3,065	2,415	19,734	5,480	14,254
3	Commercial Primary	211	8,993	3,658	2,702	15,352	6,360	8,993
4	Industrial	68	2,290	1,181	781	4,253	1,962	2,291
5	Total	<u>1,418</u>	<u>97,164</u>	<u>26,374</u>	<u>19,086</u>	<u>142,624</u>	<u>43,762</u>	<u>98,862</u>
6								
7								
8	Less: Municipal Excise Tax of 0.3036%							300
9	Michigan Single Business Tax of 1.900%							<u>1,878</u>
10								<u>96,683</u>
11	Less: Federal Income Tax of 35%							<u>33,839</u>
12	Net change in Net Operating Income							<u><u>62,844</u></u>

Source: Company Books and Records

Schedule C14

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Schedule C15

Michigan Public Service Commission
The Detroit Edison Company
Eliminate Regulatory Asset Operating Income (\$000)
Year Ending December 31, 2005

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Witness: M. G. VanHaerents

Line No.	(a)	(b)
	Description	Amount
1	<u>Recorded as Net Operating Income</u>	
2	Revenue billed	39,599
3	Additional deferral	47,356
4	Less: Amortization of deferred cost	<u>25,027</u>
5		
6	Pre tax	61,928
7		
8	Less: Municipal Excise Tax of 0.3036%	188
9	Michigan Single Business Tax of 1.900%	<u>1,177</u>
10		60,563
11	Less: Federal Income Tax of 35%	21,197
12	Less: Federal Income Tax on below the line item	<u>0</u>
13		
14	Net Operating Income Adjustment	<u><u>39,366</u></u>

Source: Company Books and Records

Schedule C16

Michigan Public Service Commission
The Detroit Edison Company
Eliminate Securitization Tax Revenue and Expense (\$000)
Year Ending December 31, 2005

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Witness: M. G. VanHaerents

Line No.	(a) Description	(b) Amount
1	Revenue	56,541
2		
3	Less: Amort Expense	56,541
4		
5	Pre tax	0
6	Less: Municipal Excise Tax of 0.3036%	0
7	Michigan Single Business Tax of 1.900%	0
8		0
9	Less: Federal Income Tax of 35%	0
10		
11	Net Operating Income Adjustment	0

Source: Company Books and Records

Schedule C17

Michigan Public Service Commission
The Detroit Edison Company
Eliminate Property Tax Settlement (\$000)
Year Ending December 31, 2005

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Witness: M. G. VanHaerents

Line No.	(a) Description	(b) Amount
1	Property tax credit due to settlement	17,000
2		
3	Less: Municipal Excise Tax of 0.3036%	52
4	Michigan Single Business Tax of 1.900%	323
5		16,625
6	Less: Federal Income Tax of 35%	5,819
7		
8	Net Operating Income Adjustment	10,807

Source: Company Books and Records

Schedule C18

Michigan Public Service Commission
The Detroit Edison Company
Eliminate Federal Income Tax Adjustment (\$000)
Year Ending December 31, 2005

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Line No.	(a) Description	(b) Amount
1	FIT charged to expense in 2005	<u>13,900</u>

Source: Company Books and Records

Schedule C19

Michigan Public Service Commission
The Detroit Edison Company
Incentive Plan Adjustment (\$000)
Year Ending December 31, 2005

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Witness: M. G. VanHaerents

Line No.	(a) Description	(b) Amount
1	Executive Incentive Plan Expense (1)	33,332
2		
3	REP/AIP 2005 accrual at 100% (2)	27,208
4		
5	Accrual over 100%	6,124
6		
7	Less: Municipal Excise Tax of 0.3036%	19
8	Michigan Single Business Tax of 1.900%	0
9		6,105
10	Less: Federal Income Tax of 35%	2,137
11		
12	Net Operating Income Adjustment	3,969

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(2) WPDE-3C19 Pg 2 of 2

Schedule C20

Michigan Public Service Commission
The Detroit Edison Company
Eliminate Gain on Sale (\$000)
Year Ending December 31, 2005

Case No.: U-14838
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Witness: M. G. VanHaerents

Line No.	(a) Description	(b) Amount
1	Gain on Sale	2,933
2		
3	Less: Municipal Excise Tax of 0.3036%	9
4	Michigan Single Business Tax of 1.900%	56
5		2,869
6	Less: Federal Income Tax of 35%	1,004
7		
8	Net Operating Income Adjustment	1,865

Source: Company Books and Records