



JON P. CHRISTINIDIS
Legal Department
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June 12, 2006

Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, MI 48909-7721

Re: In the matter of the Commission's own motion, ordering THE DETROIT
EDISON COMPANY to show cause why its retail rates for the sale and
distribution of electric energy should not be decreased
MPSC Case No. U-14838 (paperless)

Dear Ms. Kunkle:

Attached for electronic filing is the Response of The Detroit Edison Company to MPSC
Staff's Motion to Compel in the above-referenced case. Also attached is a Proof of Service.

Very truly yours,

**Jon P.
Christinidis**

Digitally signed by Jon P. Christinidis
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o=Legal Department, ou=DTE Energy,
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Date: 2006.06.12 16:53:05 -0400

Jon P. Christinidis

JPC/kbt
Attachments
cc: Service List

* * * * *

Case No. U-14838

1. As a preliminary matter, the notice of hearing provided by the Staff indicates that its Motion to Compel will be brought on for a hearing at the Commission's meeting scheduled for June 15, 2006. It is unclear whether Staff recommends that there be oral argument before the Commission. Oral argument before the Commission is rare and the Rules of Practice and Procedure Before the Commission permit the Commission to "dispense with oral argument on matters brought before the commission." R460.17335(6) This matter should be clarified in advance of any Commission consideration of Staff's Motion so that counsel may properly prepare.

2. As Detroit Edison understands the Motion to Compel, Staff concludes that Detroit Edison's June 1st direct evidentiary filing in this proceeding was incomplete and contrary to the Commission's March 23, 2006 Order in this proceeding. Detroit Edison respectfully disagrees.

3. Staff believes the Company has not provided a schedule that reconciles the company's actual 2005 revenues to its projected 2007 revenues clearly showing each known and measurable change to the historical test year revenues and to file a schedule that reconciles actual 2005 sales and customer billing determinants by rate schedule to the 2007 projected sales and customer billing determinants by rate schedule clearly showing each known and measurable change separately by rate schedule for all billing determinants to the 2005 levels. (Staff 's Motion, pp. 2-3) Detroit Edison believes that its June 1st direct evidentiary filing complies with the Commission's March 23, 2006 Order in this proceeding regarding these matters. Placing this disagreement in its proper context, the issue is not whether Detroit Edison complied with the Commission's Order (which it believes it did), but rather whether the Company complied with the Staff's interpretation of the Commission's Order.

4. The Commission's March 23, 2006 Order initiating this proceeding did not define "billing determinants," nor set forth an illustrative schedule as it did for the information requested in "Attachment B" of its Order. That Staff and Detroit Edison have differing interpretations of the Commission's Order is therefore understandable and does not justify a conclusion that Detroit Edison's filing was "contrary" to the Commission's Order. In any event, Detroit Edison intends to continue working with Staff to provide available data in a meaningful format.

5. With respect to the two tasks described in ordering Paragraph F, Detroit Edison's June 1st direct evidentiary filing includes, inter alia, a 43-page Exhibit DE-13, Schedule E-7

titled “The Detroit Edison Company Reconciliation of 2005 & 2007 Billing Determinants and Revenues.” Consistent with the Commission’s Rate Case Filing Requirements and past practice, this Schedule addresses the historical and projected test year revenue by rate schedule as well as individual billing determinants associated with those individual rate schedules.

6. In addition, Exhibit DE-3, Schedule C1, shows the normalizing adjustments, in the Commission’s Attachment B format, that are necessary to normalize the 2005 historic period. Additional support for the revenue items, which appear to be the focus of the Staff’s motion, are developed on Exhibit DE-3, Schedules C11, C13, C14, C 15 and C16.

7. Exhibit DE-11, Schedule C1, again in the Commission’s Attachment B format, shows the adjustments necessary to normalize 2005 for known and measurable changes that are expected to occur by 2007. Additional detail for the known and measurable changes associated with revenue is shown on Exhibit DE-11, Schedule C13.

8. Ordering paragraph F of the March 23 Order also states:

“Further, the Detroit Edison Company is directed to file historical sales and customer billing determinants by rate schedule and to reconcile all known and measurable changes separately by rate schedule for all billing determinants to the historical levels.”

Exhibit DE-13, Schedule E7, pages 3 through 43, fulfills this requirement. Changes in billing determinants involve changes in number of customers, changes in kWh sales (further reflected by changes in on/off peak splits, hours use splits, and use per day splits), and changes in billing demand (further reflected by voltage splits). Exhibit DE-13, Schedule E7, shows the known and measurable changes that are expected to occur between 2005 actuals and 2007, for each of these billing determinants by rate schedule, where appropriate, and further subdivided by power supply, full service distribution, and choice distribution.

9. Lastly, ordering Paragraph F requires that “In addition, pro forma revenues should be reconciled to the historical revenues.” This requirement is fulfilled by Exhibit DE-3, Schedules C1, C11, C13, C14, C15, and C16 which reconcile actual 2005 revenues to normalized 2005 revenues and Exhibit DE-11, Schedules C1 and C13 which reconcile normalized 2005 revenues to pro forma 2007 revenues. Staff’s concern over Exhibit DE-13, Schedule E7, page 2 is misplaced as pro forma revenue, see Exhibit DE-5, Schedule E1, workpapers page 50 of 570 (Attachment A). The Commission’s requested reconciliation, in Order Attachment B format, is therefore shown on Exhibit DE-3, Schedule C1, and Exhibit DE-11, Schedule C1.

10. Staff’s expectations regarding the level of detail associated with “billing determinants” exceed the existing Rate Case Filing Requirements and go beyond past practice. In general, Detroit Edison does not engage in business analyses that attempt to speculate how (for example), macro trends affecting the Michigan and national economies correlate to impacts on individual rate schedules and customers. Furthermore, Detroit Edison believes that creating such data (which does not now exist and would require substantial additional time and effort to create), is likely to suggest a false level of precision with respect to individual rate schedule and customer projections that will not provide meaningful additional information over and above what Detroit Edison’s filing has already provided. Given enough time and resources, values can be assigned to all sorts of elements that might impact electric loads and revenues without necessarily developing a more informed projection.

11. Detroit Edison, as it has in the past, is willing to and expects to work with Staff to provide available data that is reasonable and relevant in a meaningful format and otherwise attempt to address Staff’s needs and concerns. As an example, Attachment B to this response

shows a further breakdown of Edison's sales forecast, as requested by Staff, by specific known and measurable change components.

WHEREFORE, THE DETROIT EDISON COMPANY respectfully requests that the Commission deny Staff's Motion to Compel in its entirety.

Respectfully submitted:

THE DETROIT EDISON COMPANY

**Jon P.
Christinidis**

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Dated: June 12, 2006

TOTAL

REVENUE

PAGE 1

The Detroit Edison Company
Unbonded Cost of Service Excluding Securitization Bond
Year Ending December 31, 2005 4 CP multi-hour Staff Method
(thousands of dollars)

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Alloc	Total Electric	Alloc Juris Electric	Total Residential	Total Commercial Secondary	Total Primary	Total Government	Total Wholesale
1 Revenue								
2 Revenue From Eled Sales		3,597,987	3,539,612	1,451,797	833,032	1,086,040	168,744	58,375
3 Securitization Bond Only		201,116	201,116	64,172	42,569	84,862	9,514	-
4 Total Billed Revenue		3,799,103	3,740,728	1,515,968	875,600	1,170,901	178,258	58,375
Revenue Credits								
5 Late Payment Penalty	710	18,620	18,620	7,637	4,362	5,713	888	-
6 Sale of Water	100	65	62	23	11	25	3	3
7 Service Charges	800	3,599	3,599	3,258	303	6	32	0
8 Pole Rental Rev	364	10,675	10,675	6,258	3,556	539	322	-
9 Other Rents	504	1,618	1,617	881	451	191	94	1
10 Coal Sales	100	(16)	(15)	(6)	(3)	(6)	(1)	(1)
11 Industrial Steam	100	3,183	3,042	1,144	525	1,203	171	141
12 Material for Extension of Svc	701	5,761	5,668	2,325	1,334	1,739	270	93
13 CIAC	505	4,242	4,153	1,860	969	1,107	217	89
14 Adjustments	710	0	0	0	0	0	0	-
15 Interchange Sales	193	380,035	364,747	143,748	65,463	135,187	20,350	0
16 Wholesale Interrupt	193	14,791	14,791	5,829	2,655	5,482	825	-
17 MERC 3rd Party	100	0	0	0	0	0	0	0
18 Prov Rate Refund	710	127,143	127,143	52,149	29,923	39,011	6,061	-
19 Interdepartmental	800	14,732	14,732	13,335	1,242	23	133	0
20 R2 Revenue	DIR	0	0	0	0	0	0	0
21 Returned Checks & Collection	804	1,936	1,936	1,353	462	109	12	-
22 Unauthorized Use	191	106	101	38	18	40	6	5
23 Cogen	203	72	72	29	18	22	3	-
24 Retail Access meter Read Fees	710	206	206	84	48	63	10	-
25 Unit Train Sub-leases	191	2,516	2,407	910	420	943	133	109
26 GenOps Trans Svc Revenue	203	25,668	25,668	10,163	6,565	8,021	920	-
27 Total Revenue Credits		614,952	599,224	251,018	118,341	199,416	30,449	440
28 Remove Securitization Bond		(201,116)	(201,116)	(64,172)	(42,569)	(84,862)	(9,514)	-
29 Total Adj Rev Excl Securit. Bond		4,212,939	4,138,836	1,702,815	951,372	1,285,456	199,194	58,814

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MPSC Case No. U-14838
Change in Sales (GWh) from 2005 to 2007

Full Service Customers		Electric Choice	
	<u>Residential</u>		<u>Residential</u>
2005 Sales	16,812	2005 Sales	1
Temperature impact	<u>963</u>	Temperature impact	<u>0</u>
2005 T-N Sales	15,850	2005 T-N Sales	1
Increase No. of Customers	236		<u>-1</u>
Increase in Customer Usage	40		
Decrease in Electric Choice	<u>1</u>		
2007 Forecasted T-N Sales	16,127	2007 Forecasted T-N Sales	0
	<u>Commercial Secondary</u>		<u>Commercial Secondary</u>
2005 Sales	7,772	2005 Sales	3,265
Temperature impact	<u>177</u>	Temperature impact	<u>68</u>
2005 T-N Sales	7,595	2005 T-N Sales	3,197
Increase in Intensity	220	Loss of Customers due to	
Increase in Square Footage	205	Higher Market Clearing Prices	-1,097
Commercial Mfg Increase	50		
Decrease in Electric Choice	<u>1,097</u>		
2007 Forecasted T-N Sales	9,166	2007 Forecasted T-N Sales	2,100
	<u>Commercial Primary</u>		<u>Commercial Primary</u>
2005 Sales	7,846	2005 Sales	1,928
Temperature impact	<u>210</u>	Temperature impact	<u>52</u>
2005 T-N Sales	7,636	2005 T-N Sales	1,876
Increase in Intensity	178	Loss of Customers due to	
Increase in Square Footage	166	Higher Market Clearing Prices	-976
Decrease in Electric Choice	<u>976</u>		
2007 Forecasted T-N Sales	8,956	2007 Forecasted T-N Sales	900
	<u>Auto</u>		<u>Auto</u>
2005 Sales	6,418	2005 Sales	227
Temperature impact	<u>67</u>	Temperature impact	<u>6</u>
2005 T-N Sales	6,351	2005 T-N Sales	221
Plant Additions	242	Loss of Customers due to	
Plant Losses	-494	Higher Market Clearing Prices	-71
Energy Conservation/Price Elasticity	-80		
Decrease in Electric Choice	<u>71</u>		
2007 Forecasted T-N Sales	6,090	2007 Forecasted T-N Sales	150
	<u>Steel</u>		<u>Steel</u>
2005 Sales	1,883	2005 Sales	772
Temperature impact	<u>0</u>	Temperature impact	<u>0</u>
2005 T-N Sales	1,883	2005 T-N Sales	772

MPSC Case No. U-14838
Change in Sales (GWh) from 2005 to 2007

Full Service Customers		Electric Choice	
Emphasis on Reprocessing Slabs Completed	-119	Loss of Customers due to Higher Market Clearing Prices	-772
Decrease in Electric Choice	772		
2007 Forecasted T-N Sales	2,536	2007 Forecasted T-N Sales	0
	<u>Other Industrial</u>		<u>Other Industrial</u>
2005 Sales	4,015	2005 Sales	569
Temperature impact	0	Temperature impact	0
2005 T-N Sales	4,015	2005 T-N Sales	569
Auto Suppliers Reductions	-169	Loss of Customers due to Higher Market Clearing Prices	-319
Energy Conservation/Price Elasticity	-336		
Decrease in Electric Choice	319		
2007 Forecasted T-N Sales	3,829	2007 Forecasted T-N Sales	250
	<u>Street Lighting</u>		<u>Street Lighting</u>
2005 Sales	304	2005 Sales	0
Temperature impact	0	Temperature impact	0
2005 T-N Sales	304	2005 T-N Sales	0
General Increasing Trend	20		
2007 Forecasted T-N Sales	324	2007 Forecasted T-N Sales	0
	<u>Pumping</u>		<u>Pumping</u>
2005 Sales	87	2005 Sales	0
Temperature impact	0	Temperature impact	0
2005 T-N Sales	87	2005 T-N Sales	0
General Increasing Trend	22		
2007 Forecasted T-N Sales	109	2007 Forecasted T-N Sales	0
	<u>Wholesale for Resale</u>		<u>Wholesale for Resale</u>
2005 Sales	2,330	2005 Sales	0
Temperature impact	0	Temperature impact	0
2005 T-N Sales	2,330	2005 T-N Sales	0
Increase in Wolverine Contract	353		
2007 Forecasted T-N Sales	2,683	2007 Forecasted T-N Sales	0

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter, on the Commission's own motion,	)	
ordering THE DETROIT EDISON COMPANY to	)	
show cause why its retail rates for the sale and	)	Case No. U-14838
distribution of electric energy should not be	)	
decreased.	)	
_____	)	

PROOF OF SERVICE

STATE OF MICHIGAN)
)ss
COUNTY OF WAYNE)

ESTELLA BRANSON, being duly sworn, deposes and says that on the 12th day of June, 2006, a copy of the Response of The Detroit Edison Company to MPSC Staff's Motion to Compel in the above-referenced case was served upon the parties on the attached service list via e-mail and U.S. Mail.

Estella R. Branson _____ ESTELLA BRANSON	Digitally signed by Estella R. Branson DN: cn=Estella R. Branson, c=US, o=Regulatory Affairs, ou=Detroit Edison/MichCon, email=bransone@dteenergy.com Date: 2006.06.12 16:50:27 -04'00'
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Subscribed and sworn to before me
on this 12th day of June, 2006.

Karyn Beth Teal _____	Digitally signed by Karyn Beth Teal DN: cn=Karyn Beth Teal, c=US, o=DTE Energy, ou=Regulatory Affairs, email=tealk@dteenergy.com Date: 2006.06.12 16:54:10 -04'00'
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Notary Public

SERVICE LIST
MPSC Case No. U-14838
May 24, 2006
Page 1 of 2

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SERVICE LIST
MPSC Case No. U-14838
May 24, 2006
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