STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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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 CLARIFICATION AND REHEARING OF CITIZENS FOR POWER AND RELIABILITY

January 22, 2002

Submitted by:

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PETITION FOR CLARIFICATION AND REHEARING OF CITIZENS FOR POWER AND RELIABILITY

Citizens for Power and Reliability ("CPR"), Intervenor herein, hereby files its Petition for Clarification and Rehearing of the Opinion and Order dated December 20, 2001 in this proceeding. This petition is filed pursuant to Rule 403 of the Commission's Rules of Practice and Procedure (R 460.17403). In support of this petition, CPR states as follows:

1. On December 20, 2001, the Commission issued its Opinion and Order in this case. CPR files this petition seeking clarification of two points addressed in the Order. As set forth in greater detail in the following paragraphs of this petition, CPR seeks clarification regarding application of the "Section 10d(5) adjustment to the transition charge" and, also, the time frame for applying the new net stranded cost calculation methodology.

2. At pages 22–26 of its Order of December 20, 2001, the Commission addressed the treatment of the "offsetting credit" previously established in the Commission's Order dated October 24, 2000 in Case No. U-12505 and the Commission's Order dated November 2, 2000 in Case No. U-12478. In each of those orders, the Commission stated that approval of the applications filed by Detroit Edison and Consumers Energy "should be conditioned upon the utility's express agreement that the utility will reflect on bundled sales and ROA customers' bills alike an offset equal to the sum of each customer's securitization and tax charges payable for that same billing period." (Order of October 24, 2000 in Case No. U-12505, at p. 42; Order of November 2, 2000 in Case No. U-12478, at p. 29).

3. Under these prior orders, it was clear that any and all customers who received electric service from Edison or Consumers, regardless of whether the service was bundled or unbundled, were to be billed in a manner that reflected the applicable securitization and tax charges, as well as an offsetting credit equal to the amount of the securitization and tax charges. The practical effect of this approach was to impose on all customers charges and credits that netted to zero.

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4. In its Order of December 20, 2001 in this case, the Commission apparently changed the form, but not the substance, of the offsetting credit. Specifically, page 25 of the Commission's Order stated, "the Commission need not continue the operation of the rate reduction equalization adjustment and the securitization and tax offset in the present form." The Commission then cited Section 10d(5) of Act 141 as a basis for continuing the offsetting credit in the form of a "Section 10d(5) adjustment to the transition charge."

5. Section 10d(5) of Act 141 does allow, and indeed requires, the Commission to allocate excess securitization savings "to further rate reductions or to reduce the level of any charges authorized by the Commission to recover an electric utility's stranded costs." Thus, it is certainly proper for the Commission to adjust the transition charge by incorporating the offsetting credit into that charge.

6. Since the Commission has determined that the transition charge for Detroit Edison and Consumers Energy will be set at zero for 2002, the effect of incorporating the offsetting credit into the transition charge would be to produce a negative transition charge.

7. In ordering Paragraph B on page 33 of the Commission's Order of December 20, 2001 in this case, however, the Commission states: "The stranded cost transition charges for Consumers Energy Company and the Detroit Edison Company are zero for 2002, and the offset for the securitization and tax charges and the rate reduction equalization shall continue to be included in customers' bills." The wording of this paragraph implies that the offset will continue to be treated as a separate credit to be incorporated into all customer bills, rather than treated as an adjustment to be incorporated into the transition charge. Thus, the Commission's order may be interpreted as taking two different approaches to the application of the offsetting credit.

8. There is no arithmetic difference between the two approaches, because they both net to zero. Specifically, securitization and tax charges coupled with an offsetting transition charge (i.e., a negative charge) will net to zero, just as securitization and tax

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charges, minus an equal offsetting credit, plus a transition charge of zero will also net to zero. Thus, it appears that the Commission intended that its order would effectively maintain the status quo.

9. On the other hand, the lack of clarity in the new approach potentially could be exploited by a utility seeking to unfairly evade its duty to apply the offsetting credit. Such evasion of the offset would be an unintended consequence of the apparent ambiguity in the Commission's Order.

10. To avoid such potential mischief, the Commission should clarify that its intent is to maintain the status quo where all securitization charges, securitization tax charges, transition charges and offsets for all customers will net to zero during 2002, just as they netted to zero in 2001.

11. The second point of clarification which should be addressed by the Commission involves the timing of the new stranded cost calculation to be completed for use in calendar year 2003.

12. The Commission's Order makes it clear that the staff methodology for calculating stranded costs will be applied to cost data from 2001 in order to calculate a transition charge for 2003. The Order is not clear, however, as to when the new methodology will be applied. CPR respectfully requests that the Commission clarify this point by setting a specific schedule for calculation of next year's transition charge.

13. Further, CPR encourages the Commission to adopt a schedule providing for calculation of the transition charge at the earliest reasonable opportunity. The members of CPR include numerous companies that are analyzing their options for future energy supplies. In most, if not all cases, cost is a key factor in evaluating various supply options. In this context, the transition charge is a cost item that needs to be evaluated before action can be taken.

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14. Consequently, in order to promote the development of a competitive energy marketplace in Michigan, it is important that energy purchasers be provided with pertinent cost data, including information regarding transition costs, as soon as possible each year. Advance notice of future costs will assist energy managers in their assessment of potential supply options and will provide them with the lead time necessary to make advance arrangements for the coming year.

15. In the absence of a schedule calling for the prompt calculation of transition charges, the Commission's Order will create the unintended consequence of depriving customers of the time needed to evaluate the competitiveness of various energy supply options. Accordingly, CPR respectfully suggests that the Commission should impose a deadline of June 30 to complete the proceedings for determining the transition charge to be applied during the following year.

16. The Commission's Order in this case represents a significant step towards the creation of a competitive energy marketplace in Michigan. Thus, it is important that the Commission's intent be clear. In this regard, CPR respectfully requests that the Commission clarify its Order of December 20, 2001 in these two respects:

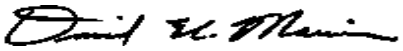
(a) to avoid any confusion regarding the Commission's creation of a Section 10d(5) adjustment to the transition charge, the Commission should specifically clarify that its intent is to maintain the status quo where all securitization charges, securitization tax charges, transition charges and offsets for all customers will net to zero for the year 2002; and

(b) to effectuate the Commission's stated intent to promote the development of a competitive energy marketplace, the Commission should clarify the fact that the stranded cost methodology adopted in this case will be applied on a schedule that will permit the Commission to set the stranded cost transition charge for each year no later than June 30 of the preceding year.

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Respectfully submitted,

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STATE OF MICHIGAN

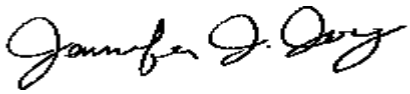
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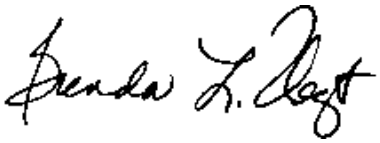
PROOF OF SERVICE

Jennifer J. Joy, duly sworn, deposes and says that on this 22nd day of January, 2002 she served a copy of the Petition for Clarification and Rehearing of Citizens for Power and Reliability by regular and e-mail mail upon those individuals named on the attached service list.



Jennifer J. Joy

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



Brenda L. Vogt
Notary Public, Ingham County
My Commission Expires: March 9, 2004

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