STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of **THE DETROIT EDISON COMPANY** for a financing order.	))))	Case No. U-12478

At the February 14, 2007 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. J. Peter Lark, Chairman
Hon. Laura Chappelle, Commissioner
Hon. Monica Martinez, Commissioner

OPINION AND ORDER

In its November 2, 2000 order in this case, the Commission authorized The Detroit Edison Company (Detroit Edison), to securitize up to $1,774,000,000 of regulatory assets and other qualified costs. Among other issues addressed by the order, the Commission concluded that there must be periodic true-ups of the securitization bond and tax charges to ensure that the amounts collected are sufficient to service the securitization bonds and to recover the associated tax liability. The Commission stated:

> The record clearly shows that not only are periodic securitization and tax charge true-ups necessary, but (to provide the certainty needed to obtain a AAA bond rating) they need to be undertaken in a way that allows for their swift and certain resolution. For this reason, the Commission finds that Detroit Edison's proposal for a true-up mechanism should be approved, but with two relatively minor changes. First, the utility as servicer should be limited to undertaking no more than one routine true-up per year until 12 months prior to the last expected maturity date of the securitization bonds. . . . Second, Detroit Edison, in its role as servicer of the securitization bonds, should initiate each routine true-up pursuant to Section 10k(3) of Act 142 [MCL 460.10k(3)] by filing a request for adjustment that (1) explains how its

> proposed revision of the securitization and tax charges will ensure the expected recovery of amounts sufficient to timely provide all payments of debt service and other required amounts and charges in connection with the securitization bonds, (2) shows the computation of the proposed adjustments to the securitization charge and the tax charge currently in place, and (3) seeks Commission review and approval—on an expedited basis—of the arithmetic computations contained in the proposed adjustments before they can be implemented. All reviews conducted by the Commission of the computations shall be consistent with the requirements of Section 10k(3) of Act 142 for a true-up mechanism. This review must be completed regarding the servicer's request for adjustments to the securitization charge and the tax charge pursuant to a routine true-up within 45 days after Detroit Edison as servicer files its request for an adjustment. The determination of the Commission in response to a request for adjustment shall be provided by the Commission to the servicer within the aforementioned 45-day period. The adjustments by the Commission will be to the securitization charge and the tax charge in effect prior to the filing of the request for adjustment and those charges shall remain in place until the adjustments have become effective and are being billed to customers.

November 2, 2000 order, Case No. U-12478, pp. 37-38 (footnote omitted).

Detroit Edison filed a routine true-up adjustment report on January 12, 2007. Detroit Edison is requesting a decrease in the bond principal and interest securitization surcharge, from 3.93 mills (0.393 cents) per kilowatt-hour (kWh) to 3.66 mills (0.366 cents) per kWh for the period of March 1, 2007 through February 29, 2008. Detroit Edison is also requesting no change in the bond tax surcharge, which the company states should remain at 1.21 mills (0.121 cents) per kWh for the same period.

The Commission Staff (Staff) examined the proposed adjustments in the filing and found them to be routine, mathematically accurate, and compliant with the method approved in the Commission's order in Case No. U-12478. Specifically, the Staff found that the decrease in the proposed securitization bond surcharge is due to: (1) an overrecovery from the prior period as actual sales exceeded the forecasted sales, (2) higher than expected investment income in the prior period, and (3) lower than expected expenditures on professional fees and services in the prior period and in the upcoming period. These factors were slightly offset by a year-to-year reduction in forecasted megawatt-hour (MWh) sales for the upcoming period. Actual sales in the prior period exceeded projections by approximately 2,000,000 MWh while the year-to-year sales projection for the upcoming period decreased by approximately 183,000 MWh. Professional fees will be lower than in prior years because there is no longer a requirement to file quarterly 10-Q's or the annual 10-K. As a result, accounting fees are substantially reduced and the printing charges have been eliminated. The Staff also found that the request to hold the proposed securitization bond tax surcharge constant is due to: (1) an overrecovery from the prior period as actual sales exceeded the forecasted sales, offset by (2) the annual increase in the bond principal payment. The bond principal payment increases each year and is not tax deductible, thereby increasing the tax charge. Based on these findings, the Staff recommended that the Commission approve the true-up adjustments to the securitization surcharges requested by Detroit Edison, effective March 1, 2007.

After considering Detroit Edison's filing and the Staff's review, the Commission agrees that the proposed adjustments are routine, the calculations are accurate, and the proposed adjustments comply with the approved methodology. Detroit Edison should therefore be authorized to implement the adjustments as of March 1, 2007.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 *et seq.*; 1919 PA 419, as amended, MCL 460.51 *et seq.*; 1939 PA 3, as amended, MCL 460.1 *et seq.*; 1969 PA 306, as amended, MCL 24.201 *et seq.*; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.17101 *et seq.*

b. Detroit Edison should be authorized to implement its proposed true-up adjustments.

THEREFORE, IT IS ORDERED that, as of March 1, 2007, The Detroit Edison Company is authorized to decrease the bond principal and interest securitization surcharge from 3.93 mills per kilowatt-hour to 3.66 mills per kilowatt-hour and to continue the current tax surcharge at 1.21 mills per kilowatt-hour.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ J. Peter Lark
Chairman

(S E A L)

/s/ Laura Chappelle
Commissioner

/s/ Monica Martinez
Commissioner

By its action of February 14, 2007.

/s/ Mary Jo Kunkle
Its Executive Secretary

THEREFORE, IT IS ORDERED that, as of March 1, 2007, The Detroit Edison Company is authorized to decrease the bond principal and interest securitization surcharge from 3.93 mills per kilowatt-hour to 3.66 mills per kilowatt-hour and to continue the current tax surcharge at 1.21 mills per kilowatt-hour.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

J. Peter Lark

Chairman

Laura Chappelle

Commissioner

Monica Martinez

Commissioner

By its action of February 14, 2007.

Mary Jo Kunkle

Its Executive Secretary

PROOF OF SERVICE

STATE OF MICHIGAN)

Case No. U-12478

County of Ingham)

April M. Arman, being duly sworn, deposes and says that on February 14, 2007, A.D. she served a copy of the attached Commission Order by first class mail, postage prepaid, or by inter-departmental mail, to the persons as shown on the attached service lists.

April Arman

Digitally signed by April Arman
DN: cn=April Arman, c=US, ou=Michigan Public Service Commission, email=armana@michigan.gov
Date: 2007.02.15 10:32:11 -05'00'

April M. Arman

Subscribed and sworn to before me
this 14th day of February, 2007.

Gloria Pearl Jones

Digitally signed by Gloria Pearl Jones
DN: cn=Gloria Pearl Jones, c=US, o=Michigan Public Service Commission, ou=Case Management Section, email=jonesg1@michigan.gov
Date: 2007.02.15 09:53:27 -05'00'

Gloria Pearl Jones
Notary Public, Eaton County, MI
Acting in Ingham County, MI
My commission expires June 5, 2007

MS. SUSAN BEALE
THE DETROIT EDISON COMPANY
2000 SECOND AVENUE
DETROIT MI 48226 1279

MR. STEVEN D. HUGHEY
ASSISTANT ATTORNEY GENERAL
6545 MERCANTILE WAY, 2ND FLOOR
LANSING MI 48933 **ID MAIL**

MR. ROBERT A. STRONG
CLARK HILL PLC
255 S. WOODWARD AVE., SUITE 301
BIRMINGHAM MI 48009

MR. JOHN M. DEMPSEY
DICKINSON WRIGHT PLLC
215 S. WASHINGTON AVENUE, SUITE 200
LANSING MI 48933

MR. DAVID E. MARVIN
FRASER, TREBILCOCK, DAVIS & FOSTER PC
124 WEST ALLEGAN, SUITE 1000
LANSING MI 48933 1742

MR. BRIAN W. COYER
KNAGGS, HARTER, KING & BRAKE
7521 WESTSHIRE DR., SUITE 100
LANSING MI 48910

MR. RICHARD F. VANDER VEEN III
MACKINAW POWER, LLC
1102 LINCOLN LAKE
P. O. BOX 210
LANSING MI 49331

MR. BRUCE R. MATERS
THE DETROIT EDISON COMPANY
2000 SECOND AVENUE 688 WCB
DETROIT MI 48226

MR. DONALD E. ERICKSON
ASSISTANT ATTORNEY GENERAL
SPECIAL LITIGATION DIVISION
525 W. OTTAWA; 6TH FLOOR
G. MENNEN WILLIAMS BLDG.
LANSING MI 48933 **ID MAIL**

MR. DON L. KESKEY
CLARK HILL PLC
2455 WOODLAKE CIRCLE
OKEMOS MI 48864 5941

MR. JULIO C. MAZZOLI
CMS ENTERPRISES
330 TOWN CENTER DR., SUITE 1100
DEARBORN MI 48126 2712

MR. MICHAEL S. ASHTON
FRASER, TREBILCOCK, DAVIS & FOSTER PC
124 WEST ALLEGAN, SUITE 1000
LANSING MI 48933 1742

MR. STEWART BINKE
HOWARD & HOWARD
222 WASHINGTON SQUARE, SUITE 500
LANSING MI 48933 1817

MR. RONALD BLOOMBERG
LOOMIS, EWERT PARSLEY, DAVIS &
GOTTING, P.C.
232 SOUTH CAPITOL AVENUE, SUITE 1000
LANSING MI 48933

MR. DANIEL E. NICKERSON, JR.
PSC ALJ DIVISION
6545 MERCANTILE WAY
LANSING MI 48911 **ID MAIL**

MR. ERIC J. SCHNEIDEWIND
VARNUM, RIDDERING SCHMIDT & HOWLETT
THE VICTOR CENTER
201 N. WASHINGTON SQUARE, SUITE 810
LANSING MI 48933

SUBSCRIPTION LIST
ALL ELECTRIC ORDERS

MR. LARRY LEWIS
GENERAL SERVICES ADMINISTRATION
670 MORRISON ROAD, ROOM 209
COLUMBUS OH 43230

MR. JOHN PESTLE
VARNUM, RIDDERING, SCHMIDT & HOWLETT
BRIDGEWATER PLACE
P.O. BOX 352
GRAND RAPIDS MI 49501 0352

MR. MICHAEL BYRNE
SENATE DEMOCRATIC STAFF
ROMNEY BUILDING
LANSING MI **ID MAIL**