S T A T E O F M I C H I G A N

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of **THE DETROIT EDISON COMPANY** for a financing order approving the securitization of certain regulatory assets and other qualified costs.	)	Case No. U-12478

At the February 3, 2009 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Orjiakor N. Isiogu, Chairman
Hon. Monica Martinez, Commissioner
Hon. Steven A. Transeth, Commissioner

OPINION AND ORDER

In its November 2, 2000 order, the Commission authorized The Detroit Edison Company (Detroit Edison) to securitize up to $1.774 billion 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 requests an increase in its bond principal and interest securitization surcharge from 3.71 mills (0.371 cents) per kilowatt-hour (kWh) to 4.73 mills (0.473 cents) per kWh for the period of March 1, 2009 through February 28, 2010. Detroit Edison also requests an increase in the bond tax surcharge from 1.38 mills (0.138 cents) per kWh to 1.94 mills (0.194 cents) per kWh, for the same period.

The Commission Staff (Staff) reviewed the proposed adjustments and concluded that the adjustments are routine, the calculations are accurate, and the proposed adjustments conform to the method approved by the Commission. The increase in the proposed securitization bond surcharge is due to lower than expected megawatt-hour sales during the prior period and a decrease in the forecasted megawatt-hour sales for the upcoming period. These surcharge increases were slightly offset by a decrease in interest charges during the upcoming period. The increase in the proposed securitization bond tax surcharge is driven by the annual increase in the bond principal payment, as well as the decreases in prior period and forecasted megawatt-hour sales. The bond principal payment increases each year and is not tax deductible, thereby increasing the tax charge. The Staff thus recommended that the Commission approve the true-up adjustments to take effect March 1, 2009.

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 method. Detroit Edison should therefore be authorized to implement the adjustments as of March 1, 2009.

THEREFORE, IT IS ORDERED that, as of March 1, 2009, The Detroit Edison Company is authorized to increase the bond principal and interest securitization surcharge from 3.71 mills per kilowatt-hour to 4.73 mills per kilowatt-hour and to increase the tax surcharge from 1.38 mills per kilowatt-hour to 1.94 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

Orjiakor N. Isiogu, Chairman

Monica Martinez, Commissioner

By its action of February 3, 2009.

Mary Jo Kunkle, Executive Secretary

Steven A. Transeth, Commissioner

P R O O F   O F   S E R V I C E

STATE OF MICHIGAN)

Case No. U-12478

County of Ingham)

Mignon Middlebrook being duly sworn, deposes and says that on February 3, 2009 A.D. she served a copy of the attached Commission orders by first class mail, postage prepaid, or by inter-departmental mail, to the persons as shown on the attached service list.

Mignon Middlebrook

cn=Mignon Middlebrook, c=US, o=MPSC, ou=Case Management, email=middlebrookm@michigan.gov
Michigan Public Service Commission
2009.02.04 13:51:13 -05'00'

Mignon Middlebrook

Subscribed and sworn to before me
this 3rd day of February 2009

Sharron Allen

Digitally signed by Sharron Allen
DN: cn=Sharron Allen, c=US, o=MPSC, ou=Exec. Sec. Section, email=allens1@michigan.gov
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Sharron A. Allen
Notary Public, Ingham County, MI
My Commission Expires August 16, 2011

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