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 |

At the May 16, 2002 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Laura Chappelle, Chairman
Hon. David A. Svanda, Commissioner
Hon. Robert B. Nelson, Commissioner

## OPINION AND ORDER

On December 20, 2001, the Commission issued an order adopting a methodology for calculating net stranded costs, as required by MCL 460.10a(10). The Commission found that neither Consumers Energy Company (Consumers) nor The Detroit Edison Company (Detroit Edison) had stranded costs in 2000. The Commission therefore approved a transition charge of zero for the two companies, and continued the offset for the securitization and tax charges and the rate reduction equalization.

On January 18, 2002, Consumers filed a petition for rehearing. On January 22, 2002, Detroit Edison and Citizens for Power and Reliability (CPR) filed petitions for rehearing. Attorney General Jennifer M. Granholm (Attorney General) filed a response to each petition. Energy Michigan filed a joint response to the petitions. The Association of Businesses Advocating Tariff

Equity filed a response to Consumers and Detroit Edison. Consumers and Detroit Edison each filed a response to CPR. CPR filed a response to Detroit Edison.

Rule 403 of the Commission's Rules of Practice and Procedure, 1992 AACS, R460.17403, provides that a petition for rehearing may be based on claims of error, newly discovered evidence, facts or circumstances arising after the hearing, or unintended consequences resulting from compliance with the order. A petition for rehearing is not merely another opportunity for a party to argue a position or to express disagreement with the Commission's decision. Unless a party can show the decision to be incorrect or improper because of errors, newly discovered evidence, or unintended consequences of the decision, the Commission will not grant a rehearing.

Consumers

Consumers asks the Commission to clarify the precise calculation that is required by the methodology adopted in the order. It also asks for confirmation that the order left open the correct manner of implementing the methodology, that the order authorized a recalculation of the stranded costs or benefits for 2000 to correct errors in the calculation, and that the order did not definitively determine that stranded benefits of $97 million exist for 2000. It also asks the Commission to confirm that it did not intend the calculation to exclude capacity costs associated with power supply option arrangements or to double count revenues from third-party sales.

The Commission recognized in the December 20 order that the record was not adequate to support a definitive calculation of stranded costs for 2000. The Commission thus deferred "the issues of refining the methodology, and recalculating net stranded costs for 2000, to the case where the transition charges for 2001 will be calculated." December 20, 2001 order, p. 14. The order also stated that the utilities were "free to offer and support adjustments, consistent with the methodology adopted in this order, for calculating the stranded cost charges or credits for 2001."

Id., p. 20. Consumers' concerns about capacity costs associated with power supply option arrangements and double counting of revenues from third-party sales are within the scope of the issues that the Commission deferred. Because Consumers filed an application on April 22, 2002 in Case No. U-13380 for approval of stranded cost calculations for 2000, 2001, and 2002, and that case provides an opportunity for the parties to address fully the issues raised by Consumers' petition for rehearing, the Commission concludes that the petition should be dismissed as moot.

Detroit Edison

Detroit Edison asks the Commission to clarify that it has not made a definitive determination of the amount or disposition of any net stranded costs or benefits and that there are no specific limitations on the refinements that a utility may propose for the methodology. It also asks the Commission to take official notice of newly discovered evidence of substantially lower wholesale market prices. It says that those lower prices, when coupled with the credits approved by the order, will result in significantly more customer load migrating to retail open access service. It says that the likely greater than expected loss of bundled sales, and the associated revenues, requires the Commission to permit the company to initiate an expedited proceeding to update and refine the stranded cost calculation for the purpose of estimating, and then collecting, the stranded costs to be incurred in 2002. Finally, Detroit Edison seeks rehearing on the offset for the securitization and tax charges, the recovery of implementation costs, and the potential for credits to bundled service customers.

The Commission denies Detroit Edison's petition for rehearing. For the most part, it merely expresses disagreement with the December 20 order. Further, as noted above, the December 20 order did not make a definitive determination of Detroit Edison's stranded costs, but the order also does not permit Detroit Edison to offer adjustments that are inconsistent with the methodology approved by the Commission. The Commission declines to take notice of new facts because the alleged facts are not judicially cognizable, the alleged facts are subject to change, and the likely effects are debatable. Finally, unlike Consumers, Detroit Edison has not filed an application seeking a recalculation of stranded costs for 2000 or a calculation for 2001. Detroit Edison may request expedited action once it has filed such an application.

CPR

CPR asks the Commission to clarify that it intended all securitization charges, securitization tax charges, transition charges, and offsets to net to zero during 2002 as they had in 2001. It also asks the Commission to state that future cases to establish transition charges will be completed no later than June 30 of the year before the charges will be imposed so that customers have adequate time to evaluate their electric supply options.

The Commission denies CPR's petition for rehearing. It has not shown how the order is unclear or will have unintended consequences with respect to the securitization and tax charges, transition charges, and offsets. In fact, its request is itself unclear. If CPR has reason to believe that a utility has misapplied the order, it may raise that issue in an appropriate manner. As to CPR's request to have all stranded cost calculations completed by June 30, the Commission agrees that the goal is laudable, but the schedule is unrealistic, at least until the parties have had more experience with the stranded cost methodology.

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, 1992 AACS, R 460.17101 et seq.

b. Consumers' petition for rehearing should be dismissed as moot.

c. The petitions for rehearing filed by Detroit Edison and CPR should be denied.

THEREFORE, IT IS ORDERED that:

A. The petition for rehearing filed by Consumers Energy Company is dismissed.

B. The petitions for rehearing filed by The Detroit Edison Company and Citizens for Power and Reliability are denied.

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

(SEAL)

/s/ Laura Chappelle
Chairman

By its action of May 16, 2002.

/s/ David A. Svanda
Commissioner

/s/ Dorothy Wideman
Its Executive Secretary

/s/ Robert B. Nelson
Commissioner

amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACS, R 460.17101 et seq.

b. Consumers' petition for rehearing should be dismissed as moot.

c. The petitions for rehearing filed by Detroit Edison and CPR should be denied.

THEREFORE, IT IS ORDERED that:

A. The petition for rehearing filed by Consumers Energy Company is dismissed.

B. The petitions for rehearing filed by The Detroit Edison Company and Citizens for Power and Reliability are denied.

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

Laura Chappelle
Chairman

Commissioner

Robert B. Nelson
Commissioner

By its action of May 16, 2002.

Its Executive Secretary

# PROOF OF SERVICE

STATE OF MICHIGAN )

Case No. U-12639

County of Ingham )

Susan Smith, being duly sworn, deposes and says that on May 16, 2002, A.D. she served a copy of the attached commission order, mailing copies thereof by first class mail, postage prepaid, or by inter-departmental mail, to the persons as shown on the attached service list.

Susan Smith

Subscribed and sworn to before me
this 16th day of May 2002

Sharon A. Allen
Notary Public, in Ingham County, Michigan.
My Commission expires August 16, 2004

SERVICE LIST FOR DOCKET # U - 12639- CASE #
DATE OF PREPARATION: 05/15/2002

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