

S T A T E O F M I C H I G A N
B E F O R E T H E M I C H I G A N P U B L I C S E R V I C E C O M M I S S I O N

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In the matter of the application of)
THE DETROIT EDISON COMPANY for)
voluntary rate reduction and accounting and) Case No. U-11588
ratemaking authority to amortize storm expenses.)

At the November 25, 1997 meeting of the Michigan Public Service
Commission in Lansing, Michigan.

PRESENT: Hon. John G. Strand, Chairman
Hon. John C. Shea, Commissioner
Hon. David A. Svanda, Commissioner

OPINION AND ORDER

On November 19, 1997, The Detroit Edison Company (Detroit Edison) filed an application for approval to implement a rate reduction and for accounting and ratemaking authority to amortize 1997 storm damage expenses.

Detroit Edison says that the settlement agreement approved in Case No. U-8789 on December 27, 1988 provides that the revenue requirement associated with the Fermi 2 plant phase-in will be decreased by \$53,357,000 in 1998. Detroit Edison proposes to reflect this reduction in the cost of service by implementing a reduction in rates that also recognizes 1997 storm damage expense deferrals and amortizations.

Detroit Edison says that it experienced three major storms in 1997: a March 14 ice storm, an April 6 wind storm, and a July 2 wind and tornado storm. Its says that these storms resulted in combined expenses of approximately \$53,970,000 and that current rates provide only \$14,415,000 for storm-related expenses. After adjusting for straight time labor and departmental overheads, it calculates that it had extraordinary storm damage expenses of \$29,846,000 in 1997. It proposes to amortize that amount over two years beginning in 1998.

To reflect the \$53,357,000 reduction in the revenue requirement for Fermi 2 and the amortization of storm damage expenses, Detroit Edison proposes to reduce rates by \$38,434,000 in 1998 by implementing a credit billing factor of \$0.0008507 per kilowatt-hour for twelve months.

On November 21, 1997, Attorney General Frank J. Kelley (Attorney General) filed a petition for leave to intervene.

After reviewing Detroit Edison's proposal, the Commission finds that it is reasonable and in the public interest. The Attorney General seeks a hearing on, and adjustments to, Detroit Edison's proposal. Because the proposal does not increase any customer's rates, the Commission may approve it without providing notice or an opportunity for a hearing, pursuant to MCL 460.6a(1); MSA 22.13(6a)(1).

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; MSA 22.151 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; MSA 22.1 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; MSA 22.13(1) et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; MSA 3.560(101) et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACRS, R 460.17101 et seq.

b. Detroit Edison's proposal is reasonable and in the public interest.

c. Ex parte approval is appropriate.

THEREFORE, IT IS ORDERED that:

A. Beginning with bills rendered in January 1998 and continuing for twelve months, The Detroit Edison Company shall apply a credit factor of \$0.0008507 per kilowatt-hour to the jurisdictional retail electric bills of its tariff and contract customers (excluding special manufacturing contract customers).

B. The Detroit Edison Company shall implement the following accounting and ratemaking procedures related to extraordinary storm damage expenses incurred in 1997:

1. Credit various operation and maintenance expense accounts for the amount of \$29,846,000 and correspondingly accumulate in Account 182.1, Extraordinary property losses, the same amount.

2. Charge Account 407, Amortization of property losses, and credit Account 182.1, Extraordinary property losses, with appropriate monthly amortization amounts based upon a 24-month period.

3. Charge Account 410.1, Provision for deferred income taxes, Utility operating income, and credit Account 283, Accumulated deferred income taxes-other, with the estimated income tax benefit realized as a result of the deduction in 1997 of the extraordinary storm damage costs for income tax purposes.

4. Charge Account 283, Accumulated deferred income taxes-other, and credit Account 411.1, Income taxes deferred in prior years-credit, Utility operating income, with appropriate monthly amortization amounts based upon a 24-month period.

5. Begin the amortizations referred to above in January 1998.

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; MSA 22.45.

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MICHIGAN PUBLIC SERVICE COMMI

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/s/ John G. Strand

Chairman

(S E A L)

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/s/ John C. Shea

Commissioner

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/s/ David A. Svanda

Commissioner

By its action of November 25, 1997.

/s/ Dorothy Wideman
Its Executive Secretary

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By its action of November 25, 1997.

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Case No. U-11588

Suggested Minute:

“Adopt and issue order dated November 25, 1997 authorizing The Detroit Edison Company to implement a rate reduction of \$38,434,000 in 1998 and to amortize certain storm damage expenses, as set forth in the order.”