

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
THE DETROIT EDISON COMPANY for review)
by the Commission of the company's preliminary) Case No. U-10840
request for proposal to solicit bids for the acquisition)
of new capacity in the year 2004 and review of the)
experimental retail wheeling tariff.)
_____)

At the March 8, 1999 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

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

ORDER APPROVING TARIFF

On April 14, 1998, the Commission issued an order (April 14 order) in this proceeding that, among other things, approved an Experimental Service Rate for Customer-Procured Power for The Detroit Edison Company (Detroit Edison). The April 14 order indicated that the tariff was approved for 90 megawatts (MW) of load, but may be used for more if required by Detroit Edison's plan for meeting its summer capacity need.

On December 28, 1998, the Commission issued an order in Case No. U-11726 (December 28 order) authorizing accelerated amortization for Detroit Edison's Fermi 2 nuclear plant, contingent upon the utility accepting certain conditions in the order. One of those conditions required that Detroit Edison make available a minimum of 90 MW under the tariff approved by the April 14

order. On January 15, 1999, Detroit Edison accepted those conditions, but indicated that it would be filing proposed modifications to the tariff to conform with the company's Open Access Transmission Tariff (OATT) on file with the Federal Energy Regulatory Commission (FERC). On January 22, 1999, Detroit Edison filed proposed modifications to the tariff. In that filing, Detroit Edison stated:

The tariff has been conformed to interface with Detroit Edison's OATT on file with the FERC. The tariff has also been conformed to follow the structure and definition of Detroit Edison's customer choice plan while retaining the availability terms and conditions adopted by the Commission in Cases Nos. U-10143/10176 and U-10840. As provided for in the Commission's Order in Case No. U-10840, the Company has included distribution charges to cover the facilities needed to provide this service.

Detroit Edison's January 22, 1999 cover letter.

On January 28, 1999, the Association of Businesses Advocating Tariff Equity (ABATE) filed an answer to Detroit Edison's tariff filing arguing that the filing adds additional restrictive terms to the tariff and incorrectly calculates the reduction in the Fermi 2 charge under the tariff.

On January 29, 1999, Energy Michigan filed an answer arguing that the revised tariff fails to comply with Commission orders regarding the Fermi 2 charge, availability of service, standby service, reciprocity, and distribution contract capacity.

On February 17, 1999, Detroit Edison filed responses to the answers of ABATE and Energy Michigan.

DISCUSSION

Fermi 2 Charge

The tariff approved in the April 14 order included a Fermi 2 charge of 0.40286¢ per kilowatt-hour (kWh). The December 28 order adopted a \$93.8 million rate reduction related to Fermi 2,

which required a reduction in base rates for Detroit Edison's customers. In its revised tariff, Detroit Edison reduced the Fermi 2 charge to 0.26172 ¢/kWh.

ABATE argues that the December 28 order should have required a rate reduction of \$100.6 million rather than \$93.8 million and that the Fermi 2 charge should be further adjusted accordingly. In an order issued today in Case No. U-11726, the Commission rejects ABATE's argument that the rate reduction in the December 28 order was incorrectly calculated. Hence, no additional adjustment to the Fermi 2 charge is required.

ABATE and Energy Michigan argue that the Fermi 2 charge should be reduced to zero (or eliminated) pursuant to the Commission's June 19, 1995 order in Cases Nos. U-10143 and U-10176 (June 19 order). The June 19 order approved rates for a retail wheeling experiment by Detroit Edison and Consumers Energy Company.¹ Included in the Detroit Edison rates was a Fermi 2 charge of 0.48793¢/kWh. In support of their contention, ABATE and Energy Michigan cite the following language from the June 19 order:

The Fermi 2 and Midland surcharges recover cost items that are being amortized over a fixed period of years. In case of Fermi 2, the phase-in revenues decrease by \$53 million in 1998 and another \$128 million in 1999, and the annual \$30 million amortization ends in 1998. (December 27, 1988 order in Case No. U-8789, Exhibit A, pp. 6 and 7.) The Midland amortization ends in 2001. (May 7, 1991 order in Case No. U-7830, Step 3B, p. 302.) Because the rates set in this order are for purposes of a limited experiment, the Commission will require that these cost decreases be reflected in retail delivery rates as soon as they occur, whether that is prior to or during the experiment. The utilities will self-implement these cost changes by filing appropriate tariff sheets, if retail delivery tariffs are already on file.

June 19, 1995 order in Cases Nos. U-10143 and U-10176. p. 53.

¹A prior order in Cases Nos. U-10143 and U-10176 issued on April 11, 1994 (April 11 order) approved other aspects of the retail wheeling experiment.

Although the tariff approved in the June 19 order was the predecessor of the tariff approved in the April 14 order, the two are not the same. The April 14 order (in Case No. U-10840) approved different rates and provisions from those approved in the June 19 and April 11 orders (in Cases Nos. U-10143 and U-10176).² Thus, statements found in the June 19 order are not necessarily applicable to the tariff approved in the April 14 order.

However, even if the provision from the June 19 order that ABATE and Energy Michigan rely on were applicable, it is clear that the statement does not stand for the proposition that they espouse. ABATE and Energy Michigan contend that the Fermi 2 charge should be reduced to zero or eliminated. However, the June 19 order does not say the Fermi 2 charge will be reduced to zero or eliminated, only that Fermi 2 cost decreases will be reflected in retail wheeling rates as soon as they occur. In the December 28 order, the Commission has determined the appropriate rate reduction associated with the Fermi 2 cost reductions and this determination has been incorporated into the tariff.

Finally, the tariff approved by the April 14 order specifies a Fermi 2 charge along with other charges and states that the “amounts of these charges may be subject to the Commission’s usual ratemaking procedures and the Fermi 2 charge is scheduled to decrease in 1999.” Tariff, p. 2. Rates relating to Fermi 2 were reduced on January 1, 1999, and, consistent with this tariff provision, the Fermi 2 charge was reduced accordingly. Thus, the arguments by ABATE and Energy Michigan that the Fermi 2 charge should be eliminated or reduced to zero must be rejected.

Energy Michigan argues that the revised tariff does not reflect the expiration of a two-year storm damage amortization that results in approximately a \$15 million offset to Fermi 2 costs. In an

²For example, the April 14 order approved a Fermi 2 charge of 0.40286¢/kWh, while the June 19 order approved a Fermi 2 charge of 0.48793¢/kWh, which is more than 20% higher.

order issued today in Case No. U-11726, the Commission finds that the storm damage amortization expires on January 1, 2000, and that rates should be adjusted accordingly at that time.

Availability of Service

ABATE and Energy Michigan argue that Detroit Edison has added a 10 MW per customer limitation on the tariff that the Commission did not approve. In response, Detroit Edison cites a paragraph in the April 11 order (in Cases Nos. U-10143 and U-10176) as standing for the proposition that the Commission had approved a 10 MW limitation in the April 14 order (in Case No. U-10840). As previously noted, the tariff approved in Case No. U-10840 is different from that approved in Cases Nos. U-10143 and U-10176. Hence, the fact that the Commission approved a specific provision in Cases Nos. U-10143 and U-10176 does not mean that the provision is automatically approved in Case No. U-10840, especially when, as in this instance, the tariff in Case No. U-10840 did not include the provision in question. Although the tariff approved in Case No. U-10840 continues to have the word “experimental” in the title, its purpose is considerably different from that approved in Cases Nos. U-10143 and U-10176, which was simply a precursor to a broader open access program. As the Commission explained in the April 14 order, the tariff in Case No. U-10840 was designed to accommodate Detroit Edison’s need for additional capacity. Hence, the 10 MW limitation should be excluded from the tariff.³

³A related 45 MW limitation should also be excluded for the same reason.

Standby Service

Energy Michigan and ABATE object to the use of Rider No. 3 for standby service. In its response, Detroit Edison indicates that it has opposed use of Rider No. 3 for this purpose, but cites the April 11 order for the proposition that the Commission requires use of that rider.

In an order issued today in Cases No. U-11451 and U-11452, the Commission adopts a standby service tariff for all open access customers, including those on the tariff in this proceeding. Hence, this issue is moot.

Reciprocity

ABATE and Energy Michigan indicate that Detroit Edison has added to the tariff reciprocity conditions for municipal utilities that the Commission did not approve in the April 14 order. In response, Detroit Edison claims that the reciprocity conditions are consistent with the Commission's April 14 and June 19 orders in Cases Nos. U-10143 and U-10176. As previously stated several times, those orders approved a different tariff and are not applicable to the tariff approved in the April 14 order. In addition, the purpose of this tariff is to assist Detroit Edison in meeting its summer capacity needs. The proposed reciprocity language is inconsistent with that purpose. Hence, the reciprocity language should be removed.⁴

⁴It should also be noted that the proposed language conflicts with the Commission's most recent decision regarding municipal reciprocity. In the April 10, 1997 order in Cases Nos. U-10685, U-10754 and U-10787, the Commission found that municipal utilities and municipal power agencies need to provide reciprocity only for the same type of service and the same amount of capacity that they serve in the program approved in those cases.

Distribution Charges

ABATE objects that Detroit Edison has added charges for real power losses, a service charge, a high voltage meter charge, an additional meter charge, a system use charge, and a transformation service charge. In response, Detroit Edison says that these charges are the same as those used for the full retail open access program.

The tariff approved in the April 14 order states that “the Commission may authorize an additional distribution charge to the extent that facilities are required that are not covered under the [Open Access Transmission Tariff].”⁵ Tariff, p. 2. Although Detroit Edison claims that the distribution charges in the tariff are the same as those used for the full retail open access tariff, they are not the same as those approved by the Commission for that purpose in the October 29, 1997 order in Cases Nos. U-10451 and U-10452. Accordingly, the distribution charges have been modified to be the same as those previously authorized by the Commission.

Distribution Contract Capacity

Energy Michigan objects to Detroit Edison adding language to the tariff preventing contract capacity from decreasing despite actual load experience. Detroit Edison responds that the distribution system must be sized to meet maximum load and that contract capacity should not be reduced unless equipment is actually removed.

The tariff approved in the April 14 order did not restrict reductions in contract capacity. Changes in contract capacity under this tariff should be handled in the same manner that is used for other tariffs with charges for contract demands.

⁵The Open Access Transmission Tariff is one approved by the Federal Energy Regulatory Commission and is designed to recover the federally-regulated transmission portion of the power delivery system. The distribution portion is subject to jurisdiction by state commissions.

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 AACR, R 460.17101 et seq.
- b. The tariff attached as Exhibit A should be approved.
- c. Detroit Edison should develop and file, within 14 days of the date of this order, an application form along with a proposal to expeditiously allocate the available capacity pursuant to the terms of the tariff.

THEREFORE, IT IS ORDERED that:

- A. The tariff attached as Exhibit A is approved.
- B. The Detroit Edison Company shall develop an application form along with a proposal to expeditiously allocate the available capacity pursuant to the terms of the tariff and, within 14 days of the date of this order, file those items with the Commission and serve any party that requests a copy.

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.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ John G. Strand
Chairman

(S E A L)

/s/ David A. Svanda
Commissioner

By its action of March 8, 1999.

/s/ Dorothy Wideman
Its Executive Secretary

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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In the matter of the application of)
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request for proposal to solicit bids for the acquisition)
of new capacity in the year 2004 and review of the)
experimental retail wheeling tariff.)
_____)

Case No. U-10840

Suggested Minute:

“Adopt and issue order dated March 8, 1999 approving a tariff for The Detroit Edison Company to offer retail access service, as set forth in the order.”

**EXPERIMENTAL RETAIL ACCESS SERVICE TARIFF
FOR CUSTOMER- PROCURED POWER**

1. DEFINITIONS

"*Commission*" means the Michigan Public Service Commission.

"*Company*" means The Detroit Edison Company.

"*Company's Distribution System*" means facilities operated by the Company for the purpose of distributing Power within the Company's electric service territory, which are subject to the jurisdiction of the Commission.

"*Company's Transmission System*" means facilities operated by the Company for the purpose of transmitting Power within the Company's electric service territory which are subject to the jurisdiction of the Federal Energy Regulatory Commission.

"*Customer*" means, for purposes of Experimental Retail Access Service, an entity with electrical Load facilities connected to the Company's Distribution System that purchases or receives Power from a Retailer or Marketer and which power is delivered to its Location(s) pursuant to this tariff. All retail Customers, regardless of the voltage level of the service, are considered to be connected to the Company's Distribution System.

"*Distribution Contract Capacity*" means the Load carrying capacity in kilowatts of the Company's Distribution System necessary to meet a Customer's maximum Load requirements at a particular Location served under this tariff.

"*Distribution Point of Delivery*" means the point of interconnection between the Company's Distribution System and the Customer's service Location.

"*Distribution Point of Receipt*" means the point of interconnection between the Company's Transmission and Distribution Systems.

"*Economic Development*" means new loads that are served as part of an expansion of economic activity within the state that promote Michigan's business climate.

"*Load*" means electric demand measured in kilowatts (kW).

"*Location*" means each Customer facility whether owned or leased.

"*Marketer*" means an entity that:

- (i) generates, brokers, markets or otherwise procures Power to be supplied to the Company at the Transmission Point of Receipt, obtains transmission services as the designated agent of the Customer, and with whom a Customer or a Customer's Retailer has arranged for the receipt of Power,
- (ii) satisfies all applicable franchise, statutory and regulatory requirements of Michigan and Federal Law,
- (iii) satisfies all applicable reciprocity requirements set forth in this tariff,

"Open Access Transmission Tariff (OATT)" means the Company's pro forma Open Access Transmission Tariff on file with the Federal Energy Regulatory Commission, as amended from time to time.

"Power" means a combination of the electric demand and energy requirements of the Customer.

"Retailer" means an entity that:

- i. Sells or procures power for a Customer. The Power sold or procured by the Retailer is supplied to the Company for delivery to a Customer.
- ii. Satisfies all applicable franchise, statutory and regulatory requirements of Michigan and Federal law.

"Self-service" means a process by which a Customer will utilize excess capacity from existing generating capabilities at one geographic location in order to serve its own facilities at another geographic location.

"Transmission Point of Delivery" means the point of interconnection between the Company's Transmission and Distribution Systems.

"Transmission Point of Receipt" means the point on the Company's Transmission System where Power is received by the Company for delivery to the Transmission Point of Delivery.

2. TERMS AND CONDITIONS OF SERVICE

2.1 This Experimental Retail Access Service Tariff sets forth the rates, charges, terms and conditions of service for the delivery of Power procured by a Customer from a source other than the Company.

2.2 Power received by the Company from a Marketer or from the Customer's Self-service generation shall be transmitted across the Company's Transmission System to the Company's Distribution System in accordance with the rates, terms and conditions of service of the Company's Open Access Transmission Tariff.

2.3 A Customer's eligibility to take Experimental Service under this tariff is subject to the full satisfaction of any terms or conditions imposed by preexisting contracts or tariffs with the Company. Customers must have satisfied any past due amounts owed to the Company under any other arrangements or provisions for electric service before taking service under this tariff. Rider No. 2 agreements between the Customer and the Company will remain in effect during service under this tariff.

2.4 A Customer will specify only one Retailer and/or one Marketer at any given time for the supply of Power to each separately metered Load. Separately metered Loads at a single Location that are at the same service voltage may be combined for the purpose of integrating the demands. If this is done, the combined Load can only be served by a single Retailer and/or Marketer.

2.5 If a Retailer or Marketer fails to pay amounts due the Company or otherwise fails to perform obligations undertaken in connection with service to a Customer, the Company will give the Customer notice of the Retailer's or Marketer's default. The Customer acknowledges that Experimental Retail Access Service may be terminated if the Customer, its Retailer, or its Marketer fails to pay amounts due the Company or otherwise fails to comply with the provisions of this tariff or agreements with the Company. Unless the Customer, Retailer or Marketer cures the default with the Company or the Customer changes its Retailer or Marketer in accordance with Company rules, the Customer may be transferred to service under the Company's full requirements tariffs subject to the provisions of Section 5.1.

2.6 Experimental Retail Access Service is not available to Customers for Lighting service utilizing Company-owned equipment.

2.7 The responsibilities of Retailers, Marketers or Customers may be undertaken or performed by one or more entities, provided the qualification requirements for each such function set forth in this tariff are met.

3. CHARACTER OF SERVICE

3.1 For Customers taking service under this tariff, the Company will furnish three-phase alternating current service at a nominal frequency of 60 hertz. Service provided under this tariff shall be firm. In the event that service must be curtailed in order to maintain safe and reliable operation of the Company's system, Customers taking service under this tariff will be treated comparably with firm service (native load) customers. Therefore, whenever it may be possible to do so, any curtailments of service shall be treated proportionally between Customers taking service under this tariff, native load customers, and other customers that may be taking firm service from the Company. To the extent possible, the Company will notify Customers in a timely manner of any scheduled or anticipated service curtailments. When the Company determines that an electrical emergency exists on its system and implements emergency procedures to curtail firm service, the Customer shall make the required reductions upon request of the Company. However, the Company reserves the right to curtail, in whole or in part, firm service under this tariff when an emergency or other unforeseen condition impairs or degrades the reliability of its system.

4. AVAILABILITY OF SERVICE

4.1 This tariff is available for the delivery of Power procured by the Customer from a source other than the Company. Service will only be provided at 24,000, 41,570 or 120,000 Volts.

4.2 The minimum amount of capacity available under this tariff is 90,000 kilowatts. To be eligible for service under this tariff, the applicant for service must have a minimum site demand of 2,000 kilowatts served at the transmission or subtransmission voltage level.

4.3 Allocation of available capacity shall be according to the following priority: (1) Self-service, (2) Economic Development, and (3) all others.

4.4 A Customer shall contract for a specified capacity of not less than 2,000 kilowatts sufficient to meet the Customer's maximum demand under this tariff.

5. TERM AND COMMENCEMENT OF SERVICE

5.1 Customers may take service under this tariff until June 30, 2004 or as may be extended by the Commission. However, if the Customer desires to transfer to a different rate or tariff before June 30, 2004, the Customer may take service under any rate or tariff for which it qualifies. However, the Customer's Load involved in such change will be served from incremental generation or power supply resources beyond those required to serve other retail Customers. Instead of assessing the Customer for power supply charges under the Company's power supply cost recovery clause, the incremental power supply costs will be assigned to the Customer in addition to the other charges provided by the tariff to which the Customer transfers. Customers transferring to a different rate or tariff may also be subject to interruption to maintain system integrity.

5.2 Experimental Retail Access Service may not commence until metering has been installed as specified in the tariff and the Company has received an executed Transmission Service Agreement and other agreements as specified in Section 8.

5.3 Either the Customer, the Customer's Marketer or the Customer's Retailer must i) have a valid Certificate of Convenience and Necessity issued by the Commission, and ii) have a valid franchise authorizing the Customer, Retailer or Marketer to conduct business in each community in which Power is to be delivered. All participating entities must comply with all franchise, statutory and regulatory requirements of state and federal law and must enter into agreements satisfactory to the Company for the provision and exchange of Customer information associated with service under this tariff.

6. RATES AND CHARGES

Description of Charges

6.1 Service Charge. The Service Charge shall apply to each Location served under this tariff.

6.2 System Use Charge. The System Use Charge shall be the product of the applicable rate and the Customer's Distribution Contract Capacity, at each voltage level, for each Location. The maximum demand shall be the highest 30-minute integrated kW demand created during the previous 12 billing months at each voltage level (whether the Customer received service under this Contract or a Detroit Edison retail tariff or contract), including the current month but not less than 50% of Distribution Contract Capacity.

6.3 Distribution Contract Capacity. Customers shall contract for an amount of capacity sufficient to meet the maximum requirements of the Load connected to the Company's Distribution System at the Customer's Location. Customers not having previously established service requirements shall contract with the Company for a specified Distribution Contract Capacity in a kilowatt amount sufficient to meet maximum requirements for each Location, as described in 6.5.1, below. Customers having previously established contract capacities prior to transferring from bundled, full requirements service to Experimental Retail Access Service shall have their Distribution Contract Capacity set at their existing contract capacity for each Location at each voltage level. The Company will provide the necessary facilities to deliver Power from its distribution system at the Distribution Contract Capacity. Subject to the provisions of the Company's Rules, any incremental cost incurred by the Company to provide the necessary facilities to meet the Customer's increased demand for distribution services over the Distribution Contract Capacity existing when service commences under this tariff shall be the responsibility of the Customer. Once established, the Distribution Contract Capacity shall not decrease during the contract term unless there is a specific permanent reduction in connected Load. Any single 30-minute integrated reading of the demand meter in any month that exceeds the Distribution Contract Capacity then in effect shall become the new Distribution Contract Capacity.

6.3.1 Initial Contract Capacity: Initial Contract Capacity is that value used to determine the level of participation in this Experimental Retail Access Service offer. For existing Locations or existing separately metered Loads, that amount will be equal to the Customer's previously established contract capacity prior to transferring from full requirements service to this Experimental Retail Access Service. For new Customer Locations or for newly metered Load, this value will be estimated.

6.3.2 Contract Capacity Used for Billing: The Contract Capacity used for billing Experimental Retail Access Service Customers will be the greater of, the Initial Contract Capacity as established in 6.3.1, above or the highest measured maximum demand that has occurred anytime since their switch to Experimental Retail Access Service. Demands will be measured as integrated one-half hours. Estimates will not be used to establish new higher contract capacities. The contract capacity however established shall not be decreased during the term of the contract and subsequent renewal periods as long as service is required unless there is a specific reduction in connected load.

6.4 Substation Charge: A substation charge shall apply to Customers who are provided service through transformation equipment and appurtenances related to voltage transformation owned by the Company. The substation charge shall be the product of the applicable rate and the Customer's Distribution Contract Capacity.

6.5 Nuclear Decommissioning Charge: This charge provides for the cost of decommissioning the Fermi 2 Nuclear Power Plant when its operating license expires.

6.6 SFAS106 Charge: This charge represents the amortization of a transition cost due to changing the method of accounting for employee post-retirement benefits. The obligation to pay future benefits has already accrued as part of the compensation package of Company employees for past services.

6.7 SFAS109 Charge: This charge represents a transition cost due to a timing difference in the recognition of tax benefits.

6.8 Fermi 2 Charge: In a December, 1998 order, the Commission authorized a revenue requirement reduction and an accelerated amortization of Fermi 2. The Fermi 2 Charge presented in this rate schedule reflects

Application of Charges

6.11 Minimum Charge. The Customer is subject to a minimum monthly charge equal to the sum of the Service Charge, the System Use Charge and the Substation Charge, if applicable.

6.12 Distribution Service. Customers receiving Experimental Retail Access Service shall pay the Company a rate computed as the sum of the following charges:

	<u>24 or 41.6kV</u>	<u>120kV and above</u>
Service Charge (\$/month*)	\$450	\$450
System Use Charge (\$/kW/month *)	\$0.57	\$0.24
Substation Charge (\$/kW/month*)	\$0.36	\$1.18
Nuclear Decommissioning Charge (¢/kWh)	0.06985¢	0.06985¢
SFAS 106 (¢/kWh)	0.08264¢	0.08264¢
SFAS 109 (¢/kWh)	0.13110¢	0.13110¢
Fermi 2 (¢/kWh)	0.26172¢	0.26172¢

* Month refers to a billing month, usually 28 - 34 days. Bills representing longer or shorter periods would be pro-rated.

6.13 Power Factor and Excess kVAR Demand. Power factors of less than 70% are not permitted and necessary corrective equipment must be installed by the Customer to correct to a minimum level of 70%. Power factor and excess kVAR demand charges will be calculated at each Customer Location at the time of the Location's single highest 30-minute integrated kW reading of the demand meter during the on-peak hours of the billing period (those hours being from 7am until 11pm consistent with the Company's Open Access Transmission Tariff). Excess kVAR demand is any kVAR demand resulting from operations below 85% power factor. A monthly charge of \$3.50/kVAR will be applied to excess kVAR demand.

7. METERING, BILLING AND PAYMENT

7.1 Metering. Load served under this tariff shall be separately metered by meters capable of measuring and recording kW demands (and kVAR demands) on a 30-minute integrated basis and measuring energy on a kWh basis. Metering equipment for Customers taking Experimental Retail Access Service shall be furnished, installed, read, maintained and owned by the Company. The Company requires access to the Customer's telephone line for purposes of meter interrogation. If a Customer is not able to allow sharing of the telephone line, the Customer shall obtain a separate telephone line for such purposes and shall pay all charges in connection therewith. The Customer is responsible for assuring the performance of the telephone line. If the telephone line used for metering is out of service, Detroit Edison will retrieve the data manually for a fee of \$12.00/ month (one reading). In the event that the telephone line service is out for three consecutive months, the Customer's Experimental Retail Access Service may be terminated and the Customer may be transferred to service under the Company's full requirement tariffs subject to the provisions of Section 5.1.

7.2 Billing. The Company will bill the Customer for Experimental Retail Access Service as outlined in section 6.

7.3 Payment. The Customer shall pay the Company the amount billed on or before a due date which shall be 21 days following the date of mailing of the bill. A late payment charge of 2%, not compounded, of the unpaid balance, net of taxes, shall be added to any bill which is delinquent as defined by Commission Rules.

8. MARKETERS

8.1 Marketers desiring to supply Power to Customers directly or through Retailers under the terms of this Experimental Retail Access Service Tariff must comply with all franchise statutory and regulatory requirements of state and federal law and must enter into agreements satisfactory to the Company for:

- the payment of Transmission Charges and other charges,
- the provision and exchange of Customer information associated with service under this tariff,
- the supply, scheduling and receipt of Power to be received by the Company from the Marketer for delivery to the Customer,
- transmission service as Designated Agent of the Customer under the Company's Open Access Transmission Tariff, which agency shall only be effective so long as the Marketer is not in default of any obligation to the Company.

8.1.1 Real Power Losses (Distribution). A Marketer is responsible for replacing real power losses associated with the delivery of Power to the Distribution Point of Delivery. The amount of Power delivered by the Company on the Company's Distribution System to the Distribution Point of Delivery shall be adjusted using the following Real Power Loss Factors for distribution service:

Service Voltage	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
24/41.6 kV	1.86%	2.09%	2.34%	1.90%
120 kV and above	0.55%	0.57%	0.57%	0.55%

These loss factors apply for typical meter configurations where the metering point is at the low voltage side of the service transformer. If the metering point is at the high voltage side of the service transformer then an agreement between the Company and the Customer may be reached to reduce these loss factors.

Marketers must schedule and supply an amount of Power equal to the Customer's Load served $\times [(1 + D\%) \times (1 + T\%)]$ to account for losses on the Company's Transmission and Distribution System, where T% is the applicable loss factor contained in the Company's Open Access Transmission Tariff and D% is the applicable loss factor from the table above.

9. LIABILITY AND EXCLUSIONS

9.1 In no event will the Company or its suppliers be liable under any cause of action relating to the subject matter of this tariff, whether based on contract, warranty, tort (including negligence), strict liability, indemnity or otherwise for any incidental or consequential damages including, but not limited to, loss of use, interest charges, inability to operate full capacity, lost profits or claims of Customer's customers.

9.2 The Company's total liability to the Customer for all claims arising out of or related to service provided under this tariff, whether based on contract, warranty, tort (including negligence), strict liability, indemnity or otherwise shall not exceed the amount paid by the Customer to the Company for the Location involved during the month in which the claim arose.

9.3 The Company will not be liable to a Customer for damages caused by interruption of service, voltage or frequency variations, single phase supply to three phase lines, reversal of phase rotation, or carrier-current frequencies imposed by the Company for system operations or equipment control except such as result from the failure of the Company to exercise reasonable care and skill in furnishing the service. The Customer should install protective equipment if such occurrences might damage its apparatus.

10. OTHER PROVISIONS

10.1 All Points of Receipt for Power produced within the Company's retail service territory for delivery to Customers within that territory shall be considered as points located on the Company's Transmission System.

10.2 Customers, Retailers, or Marketers desiring to operate electric generation equipment connected in parallel with the Company's system must comply with the Company's Protective Relaying, Operating and Tele-metering Guidelines for Independently Owned Generation and before operating such equipment must obtain certification, in writing, from the Company that the conditions outlined in the Guidelines have been met.

10.3 Customer equipment must be operated so that voltage flicker and harmonics on the distribution system of the Company shall not exceed permissible limits established by the Company. Failure to comply with this requirement may result in discontinuance of service to the Customer and disconnection of Customer's Load from the Company's system.

10.4 The Company's Rules and Regulations as currently in effect are incorporated by reference into this tariff to the extent applicable and, Rule C-2.2(2) notwithstanding, only to the extent not inconsistent with the terms of this tariff.

10.5 Customers may elect to obtain Standby Service from the Company under the terms and conditions of the Company's Optional Open Access Backup Service Tariff.