Request No. DTE-3-9 (Electric)
How is the Marginal Cost Estimate on line 32 of Table 2 of JLH-3 computed?

Response:
On Schedule JLH-3 Electric, Table 2, page 1, line 32, the Marginal Cost Estimate is set to the long term average cost shown on line 27. These average incremental costs shown on lines 27, 28 and 29 are computed by using the change in investments for the years in question over the change in Smoothed Peak Demand. (i.e., for the average incremental cost for Primary for 1989-2001: as shown on line 27, the calculation is: $11,075,000 primary investment in 2001 minus $0 cumulative investment at end of year 1988 over 90.0 MW in 2001 minus 69.5 MW in 1989 which yields an average of $540.04 per kW). Calculations in lines 28 and 29 are similar.

Person Responsible: James L. Harrison