Request No. AG-7-45 (Electric)
Referring to Schedule MHC-7-11, please reconcile the Total amount of Accumulated Deferred Income Taxes of $12,614,252 with the amount shown in the Company's 2001 Return to the Department, page 36D, line 2, column (k).

Response:

The table below shows the reconciliation between the DTE Annual Return to the Department and the total of MCH-11 (gas) and MCH-11 (electric). However, there is a difference of $2,499,199 between the electric and gas divisions. The Company records these and many other balance sheet accounts in total, not by electric and gas division. The methodology used in developing MCH-11 is detailed in DTE-6-8 (see Attachment 1 AG-7-45). This methodology is consistent with the methodologies used in the Company's DTE 99-110 and DTE 99-118 filings and has been reviewed and accepted by the Department in its orders in these two filings.

The Company discovered the discrepancy between the amount in the Annual Return to the Department and the amount on Schedule MCH-11 while preparing this response and after the Return had been filed. A complete DTE Annual Return with revised pages 36 c, d, e and f, will be sent to the Department as soon as possible.

	Electric	Gas	Total
Per Annual Return Page 36D	8,593,652.00	6,132,452.00	14,726,104.00
Per Annual Return Page 36F	12,537,546.00	451,477.00	12,989,023.00
Total Per Annual Return	21,131,198.00	6,583,929.00	27,715,127.00
Plus: Items included on MCH-11, not in Annual Return			
- Regulatory Asset	(7,944,588.00)	(3,697,540.00)	(11,642,128.00)
- Regulatory Liability	2,297,248.00	128,261.00	2,425,509.00
- Accumulated Deferred FIT CIAC	(311,012.00)	(129,515.00)	(440,527.00)
- Accumulated Deferred SIT CIAC	(59,395.00)	(24,732.00)	(84,127.00)
Adjusted Annual Return Balance	15,113,451.00	2,860,403.00	17,973,854.00
Per MCH-11	12,614,252.00	5,359,602.00	17,973,854.00
	2,499,199.00	(2,499,199.00)	0.00

Person Responsible: Mark H. Collin

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Request No. DTE 6-8 (Common):

Refer to the Company's response to DTE 4-16. Please provide the derivation of the FAS 109 Accounting for Income Tax-Federal and the FAS 109 Accounting for Income Taxes-State as shown on MHC-11. As part of this response, please provide the accounts to which these amounts were debited and credited.

Response:

The derivation of the FAS 109 Accounting for Income Tax – Federal and the FAS 109 Accounting for Income Taxes – State as shown on MHC-11 (Electric) and (Gas) is summarized on Table 1. Table 2 details the five steps used in the calculation of the electric and gas FAS 109 amounts.

TABLE 1:

Line No.	*MHC 11 (Electric) Page 1*	*Amount* (xx)=Credit Balance
19	FAS 109 ACCTG. FOR INCOME TAX - FEDERAL	1,532,058
20	- STATE	272,700
	MHC 11 (Gas)	
17	FAS 109 ACCTG. FOR INCOME TAX - FEDERAL	734,301
18	- STATE	130,702

Table 2:

Step 1: The accumulated deferred tax accounts are not broken down into gas and electric. Therefore, the accumulated deferred income tax accounts needed to be allocated between electric, gas and generation plant.

Account Description (xx) = Credit balances	Total Electric & Gas	Electric	Gas	Generation
ACCUM DEF FIT-Accelerated Depreciation	($ 11,109,102)	(7,843,027)	(3,266,075)	0
ACCUM DEF FIT-Pension FAS 87	(1,073,510)	(757,898)	(315,612)	0
ACCUM DEF FIT-Percentage Repair Allowance	(505,404)	(390,257)	(115,147)	0
ACCUM DEF FIT-Retirement Loss	(1,318,794)	(898,959)	(419,835)	0
ACCUM DEF FIT-Overheads	(79,283)	(68,339)	(10,944)	0
ACCUM DEF FIT-Accrued Revenue	(5,241,874)	0	0	(5,241,874)
ACCUM DEF FIT-Contributions in Aid of Construction	440,527	311,012	129,515	0
ACCUM DEF FIT-Generation Assets	(629,685)	0	0	(629,685)
ACCUM DEF FIT-Other	(421,537)	42,734	(464,271)	0
ACCUM DEF SIT-Accelerated Depreciation	(1,866,845)	(1,317,993)	(548,852)	0
ACCUM DEF SIT-Pension FAS 87	(214,718)	(151,591)	(63,127)	0
ACCUM DEF SIT-Percentage Repair Allowance	(152,629)	(117,855)	(34,774)	0
ACCUM DEF SIT-Retirement Loss	(262,659)	(179,032)	(83,627)	0
ACCUM DEF SIT-Overheads	(2,894)	(2,495)	(399)	0
ACCUM DEF SIT-Accrued Revenue	(976,380)	0	0	(976,380)
ACCUM DEF SIT-Contributions in Aid of Construction	84,129	59,396	24,733	0
ACCUM DEF SIT- Generation Assets	(130,896)	0	0	(130,896)
ACCUM DEF SIT-Other	(86,370)	8,140	(94,510)	0
Total Deferred Taxes	(23,547,924)	(11,306,164)	(5,262,925)	(6,978,835)

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Step 2: The Company then calculated a percentage split of deferred taxes between gas and electric.

Total Electric Deferred Taxes	(11,306,164)	68%
Total Gas Deferred Taxes	(5,262,925)	32%
Total Electric And Gas Deferred Taxes	(16,569,089)	100%

Step 3: The FAS 109 accounts were then allocated to electric and gas using the above percentages

	Total	Electric	Gas
20-00-00-00-283-03-01 FAS 109 Acct. for Inc. Taxes		(2,669,791)	(2,669,791)
		68%	32%
	(2,669,761)	(1,804,758)	(865,002)

Step 4: Allocate the FAS 109 electric and gas amounts between federal and state. To do this, the Company used the deferred tax categories that were originally used to calculate the FAS 109 balances.

Allocation Split	Federal	State	Total
- Cathotic Protection	(293,906)	(63,898)	(357,805)
- Percentage Repair	(505,404)	(152,629)	(658,033)
- ACRS/MACRS Ret.	(1,318,794)	(262,659)	(1,581,453)
- Depreciation	(11,178,928)	(1,880,300)	(13,059,228)
- SFAS 87 Pensions	(1,073,510)	(214,718)	(1,288,229)
- Bad Debt	290,765	56,099	346,864
- KESOP Comp	2,458	472	2,930
- AFUDC	(3,248)	0	(3,248)
- Overheads	(79,282)	(2,894)	(82,176)
	(14,159,850)	(2,520,527)	(16,680,377)
Percentage Splits	85%	15%	100%

Step 5: These percentages were applied against the electric and gas splits.

	Electric	Federal	State
20-00-00-00-283-03-01 FAS 109 Acct. for Inc. Taxes		(1,804,758)	(1,804,758)
		85%	15%
	(1,804,758)	(1,532,059)	(272,699)

	Gas	Federal	State
		(865,002)	(865,002)
		85%	15%
	(865,002)	(734,301)	(130,702)
	(2,669,761)	(2,266,360)	(403,401)

The FAS 109 Accounting for Income Tax-Federal and the FAS 109 Accounting for Income Taxes-State are booked to the following balance sheet account:

Credit 20-00-00-00-283-03-01 FAS 109 ACCTG FOR INCOME TAXES

Person Responsible: Mark H. Collin