

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of	)	
<b>UPPER PENINSULA POWER COMPANY</b> for	)	
authority to implement a power supply cost	)	Case No. U-11530
recovery plan for the 12-month period ending	)	
December 31, 1998.	)	
_____	)	

At the January 8, 1998 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

**ORDER APPROVING SETTLEMENT AGREEMENT**

On September 26, 1997, Upper Peninsula Power Company (UPPCo) filed an application, with supporting testimony and exhibits, to implement a power supply cost recovery (PSCR) plan and to reflect PSCR factors in its 1998 billings to its retail electric customers.

Pursuant to due notice, a prehearing conference was held on November 3, 1997 before Administrative Law Judge Daniel E. Nickerson, Jr. At that time, UPPCo was permitted to amend its application to seek approval of the capacity charges associated with power purchase agreements with Commonwealth Edison Company (Commonwealth) and Wisconsin Public Service Corporation (WPS Corp). Due to the significance of the amendment, the case was re-noticed and a second prehearing conference was held November 25, 1997. UPPCo, Michigan Technological University,

and the Commission Staff participated in the proceedings. Subsequently, the parties submitted a settlement agreement that resolves all issues in this case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that UPPCo's 1998 PSCR plan is based on reasonable and prudent projections, that the Commission should approve the capacity charges associated with UPPCo's purchases of power from Commonwealth and WPS Corp for the purposes set forth in Section 6j(13)(b) of 1982 PA 304, as amended, MCL 460.6j(13)(b); MSA 22.13(6j)(13)(b), and that UPPCo should be authorized to implement a PSCR factor of up to negative 3.20 mills per kilowatt-hour (kWh) for customers in its Interconnection System and a PSCR factor of up to negative 15.10 mills per kWh for customers in its Iron River District.

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.; 1982 PA 304, as amended, MCL 460.6h et seq.; MSA 22.13(6h) 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 AACS, R 460.17101 et seq.

b. The settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. The capacity charges associated with Upper Peninsula Power Company's purchases from Commonwealth Edison Company and Wisconsin Public Service Corporation detailed in the November 3, 1997 amendment to the application are approved.

C. Upper Peninsula Power Company is authorized to incorporate the power supply cost recovery factors contained in the settlement agreement in its customers' bills during 1998.

D. Upper Peninsula Power Company shall file with the Commission, within 30 days, four sets of tariff sheets that are essentially the same as those attached to the settlement agreement.

E. Should Upper Peninsula Power Company apply lesser power supply cost recovery factors than those authorized by this order, it shall notify the Commission ten days prior to the use of the lesser factors and shall file during that billing month a tariff sheet showing the lesser factors applied.

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/ John C. Shea  
Commissioner

/s/ David A. Svanda  
Commissioner

By its action of January 8, 1998.

/s/ Dorothy Wideman  
Its Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

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Chairman

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Commissioner

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By its action of January 8, 1998.

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Suggested Minute:

?Adopt and issue order dated January 8, 1998 approving the settlement agreement and authorizing Upper Peninsula Power Company to implement a power supply cost recovery plan for the 12 months ending December 31, 1998, as set forth in the order.”