

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 reconcile its power supply costs	)	Case No. U-11791-R
and revenues for the 12-month period ended	)	
December 31, 1999.	)	
_____	)	

At the August 17, 2000 meeting of the Michigan Public Service Commission in Lansing, Michigan.

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

**ORDER APPROVING SETTLEMENT AGREEMENT**

On March 29, 2000, Upper Peninsula Power Company (UPPCo) filed an application, with supporting testimony and exhibits, requesting approval of its power supply cost recovery (PSCR) reconciliation for the 12-month period ended December 31, 1999. UPPCo also requested authority to refund amounts overcollected as a result of its 1998 PSCR reconciliation.

Pursuant to due notice, a prehearing conference was held on May 1, 2000 before Administrative Law Judge Daniel E. Nickerson, Jr. UPPCo, Smurfit-Stone Container Corporation, and the Commission Staff participated in the proceedings.

Subsequently, a settlement agreement was jointly sponsored by the parties to resolve all issues in the case.

According to the terms of the settlement agreement, attached as Exhibit A, UPPCo underrecovered \$1,455,782 from its Integrated System customers. The underrecovered amount of \$1,455,782 includes interest calculated using the monthly average balance through the midpoint of the last refund month of December 2000 and an overrecovered amount of \$9,825 from UPPCo's 1998 reconciliation. UPPCo will implement a surcharge of \$0.00671 per kilowatt-hour (kWh) on the bills for its Integrated System customers for the billing months of September through December 2000 to collect the \$1,455,782 underrecovery.

The terms of the settlement agreement also indicate that UPPCo overcollected \$39,402 from its Iron River System customers. The overrecovered amount of \$39,402 includes interest calculated using the monthly average balance through January 2000 and an overrecovered amount of \$2,802 from UPPCo's 1998 reconciliation. UPPCo implemented a credit of \$0.00870 per kWh on the bills for its Iron River System customers for the billing month of February 2000 to refund the \$39,402 overrecovery.

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 AACSR 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. Upper Peninsula Power Company is authorized to implement a surcharge of \$0.00671 per kilowatt-hour on bills for its Integrated System customers issued for its September through December 2000 billings for all standard tariff metered sales subject to the power supply cost recovery clause so as to collect the underrecovered amount of \$1,455,782.

C. Upper Peninsula Power Company is authorized to implement a credit of \$0.00870 per kilowatt-hour on bills for its Iron River System customers issued for its February 2000 billings for all standard tariff metered sales so as to refund the overrecovered amount of \$39,402.

D. Any undercollection or overcollection shall be carried forward, with interest, in Account 253 as an offset or addition to future refund requirements. Interest will be calculated in accordance with MCL 460.6j(16); MSA 22.13 (6j)(16).

E. Upper Peninsula Power Company is authorized to make immediate refunds of power supply cost recovery overcollections at the end of a power supply cost recovery year without waiting for an order specifically authorizing the refunds. Early refunds will be subject to review and audit by the Commission Staff and to the provisions of a final order of the Commission. If Upper Peninsula Power Company uses this authority, it shall report on any early refund in its prefiled testimony in the applicable power supply cost recovery reconciliation proceeding.

F. In accordance with the Commission's order in Case No. U-6300, Filing Procedures, Upper Peninsula Power Company shall file with the Commission, within 30 days of this order, four sets of tariff sheets reflecting the surcharge approved by this order.

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

/s/ Robert B. Nelson  
Commissioner

By its action of August 17, 2000.

/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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Commissioner

By its action of August 17, 2000.

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Its Executive Secretary

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Case No. U-11791-R

Suggested Minute:

“Adopt and issue order dated August 17, 2000 approving the settlement agreement and authorizing Upper Peninsula Power Company to reconcile its power supply revenues and expenses for the 12-month period ended December 31, 1999, as set forth in the order.”