

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of )  
MIDWEST ENERGY COOPERATIVE )  
for a power supply cost reconciliation )  
proceeding for the 12-month period )  
ending December 31, 2000 for its Fruit )  
Belt and Southeastern Divisions. )  
\_\_\_\_\_ )

Case No. U-12117-R  
(PSCR Reconciliation)

SETTLEMENT AGREEMENT

On March 30, 2001, Midwest Energy Cooperative ("Midwest")<sup>1</sup> filed an application, with supporting testimony and exhibit, requesting the commencement of a power supply cost reconciliation proceeding for the 12-month period ended December 31, 2000 for its Fruit Belt and Southeastern Divisions. On April 11, 2001, the Commission issued its Notice of Hearing commencing a power supply cost reconciliation proceeding, and establishing a procedural schedule for such proceeding. In accordance with the Commission's Notice of Hearing, Midwest provided notice of this proceeding throughout its service area.

At the prehearing conference on June 20, 2001, Midwest presented proof of service of the Notice of Hearing on all cities, incorporated villages, townships and counties in its service area, and also presented affidavits evidencing the required publication of the Notice of Hearing.

<sup>1</sup> Midwest is the result of a consolidation of the operations of the former Fruit Belt Electric Cooperative (Cassopolis, Michigan) and the former Southeastern Michigan Energy Cooperative (Adrian, Michigan). The Commission approved said consolidation, effective January 1, 1998 in order in Case No. U-11565, dated December 12, 1997.

The prefiled testimony submitted by Midwest indicates that, for the 12-month period ended December 31, 2000, Midwest's Fruit Belt Division experienced an undercollection of \$291,785 -- comprised of a \$176,037 *undercollection* from residential (monthly and seasonal) member consumers, a \$15,844 *undercollection* from small commercial member consumers, a \$52,096 *undercollection* from large commercial member consumers, and a \$47,808 *undercollection* from irrigation member consumers. In addition, there is a remaining *overcollection* of \$1,569 from prior years *vis a vis residential* (monthly and seasonal) member consumers; and a remaining *undercollection* of \$2,620 from prior years *vis a vis irrigation* member consumers -- resulting in a net year end 2000 *undercollection* of \$292,836. Set forth below is a summary:

	<u>Residential</u>	<u>Sm Comm</u>	<u>Lg Comm</u>	<u>Irrigation</u>	<u>Total</u>
2000 PSCR Year	\$(176,037)	\$(15,844)	\$(52,096)	\$(47,808)	\$(291,785)
Prior PSCR Years	\$ <u>1,569</u>	\$0	\$0	\$(2,620)	\$(1,051)
Net PSCR Status	<u>\$(174,468)</u>	<u>\$(15,844)</u>	<u>\$(52,096)</u>	<u>\$(50,428)</u>	<u>\$(292,836)</u>

The prefiled testimony submitted by Midwest indicates that, for the 12-month period ended December 31, 2000, Midwest's Southeastern Division experienced an undercollection of \$8,728-- comprised of a \$7,048 *undercollection* for its residential (monthly and seasonal) member consumers, a \$9 *undercollection* for its small commercial member consumers, and a \$1,671 *undercollection* for its large commercial member consumers. In addition, there is a remaining \$943 *undercollection* from prior years *vis a vis residential* (monthly and seasonal)

member consumers -- resulting in a net year end 2000 *undercollection* of \$9,671. Set forth below is a summary:

	<u>Residential</u>	<u>Sm Comm</u>	<u>Lg Comm</u>	<u>Total</u>
2000 PSCR Year	\$(7,048)	\$(9)	\$(1,671)	\$(8,728)
Prior PSCR Years	<u>\$(943)</u>	<u>\$0</u>	<u>\$0</u>	\$(943)
Net PSCR Status	<u>\$(7,991)</u>	<u>\$(9)</u>	<u>\$(1,671)</u>	<u>\$(9,671)</u>

The Commission Staff has reviewed Midwest's filing and has conducted an audit of the power supply costs incurred by Midwest during the 12-month period ended December 31, 2000 for its Fruit Belt and Southeastern Divisions. Based on such review, audit and discussions, Midwest and the Commission Staff have reached this settlement agreement and herewith stipulate that Midwest experienced net undercollections of \$292,836 and \$9,671, respectively, during the 12-month period ended December 31, 2000.

In view of the foregoing, and pursuant to Section 78 of the Administrative Procedures Act of 1969, as amended (1969 PA 306, §78; MCLA 24.278; MSA 3.560(178)), Midwest and the Commission Staff hereby agree as follows:

- A. For the 12-month period ended December 31, 2000, Midwest experienced a net power supply cost undercollection of \$292,836 for its Fruit Belt Division.
- B. For the 12-month period ended December 31, 2000, Midwest experienced a net power supply cost undercollection of \$9,671 for its Southeastern Division.

C. The power supply costs incurred by Midwest during the 12-month period ended December 31, 2000 were incurred in a reasonable and prudent manner and represent a reasonable and prudent level of cost.

D. Midwest's Fruit Belt Division should be permitted to collect the \$174,468 from *residential* member consumers by applying a surcharge of approximately 4.01 mills per kWh to their November and December 2001 bills; the \$50,428 from *irrigation* member consumers by applying a surcharge of approximately 6.71 mills per kWh to their November and December 2001 bills; the \$15,844 from *small commercial* by applying a surcharge of approximately 7.38 mills per kWh to their November and December 2001 bills; and to collect the \$52,096 from *large commercial* member consumers by applying a surcharge of approximately 4.21 mills per kWh to their November and December 2001 bills.

E. Midwest's Southeastern Division should be permitted to collect the \$7,991 from *residential* member consumers by applying a surcharge of approximately 1.03 mills per kWh to their November and December 2001 bills; the \$9 from *small commercial* member consumers by applying a surcharge of approximately .01 mills per kWh to their November and December 2001 bills; the \$1,671 from *large commercial* by applying a surcharge of approximately 1.66 mills per kWh to their November and December 2001 bills.

F. Section 81 of the Administrative Procedures Act of 1969 is waived.

G. Proposed tariff sheet is attached hereto as Attachment 1.

H. If the Commission does not accept this settlement agreement without modification, this settlement agreement shall be withdrawn and shall not constitute any part of the record in the proceeding or be used for any purpose whatsoever.

Dated: August 30, 2001



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Commission Staff  
By Patricia S. Barone (P29560)  
Assistant Attorney General  
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Lansing, MI 48911  
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Dated: August 29, 2001



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**Power Supply Cost Recovery Clause**  
 (Continued from Sheet No. 10.00)

Not less than once a year and not later than 3 months after the end of the 12-month period covered by Cooperative's most recently authorized power supply cost recovery plan, a power supply cost reconciliation proceeding will be conducted to reconcile the revenues recorded pursuant to the power supply cost recovery factor and the allowance for cost of power included in the base rates as established by the Commission under Cooperative's most recent power supply cost recovery plan, among other things. Cooperative shall be required to refund to member-consumers, or to credit to member-consumers' bills any net amount determined to have been recovered which is in excess of the amounts actually expended by Cooperative for power supply. Cooperative shall recover from member-consumers any net amount by which the amount determined to have been recovered over the period covered was less than the amount determined to have been actually expended by Cooperative for power supply.

For the twelve months ending December 2001, the Fruit Belt Division's Power Supply Cost Recovery Factor is \$0.00001 per kWh. The allowance for cost of power supply included in base rates is \$0.04083 per kWh.

For the twelve months ending December 2001, the Southeastern Division's Power Supply Cost Recovery Factor is \$0.00429 per kWh. The allowance for cost of power supply included in base rates is \$0.04083 per kWh.

Should the Cooperative apply lesser factors than those above, or if the factors are later revised pursuant to Commission Orders or 1992 PA 304, the Cooperative will notify the Commission and file a revision of the above factor. The following factors are applied pursuant to 1992 PA 304 in the 12 billing months ending December 2001.

Month	<u>Fruit Belt Authorized Factor</u>	<u>Southeastern Authorized Factor</u>	<u>Fruit Belt Applied Factor</u>	<u>Southeastern Applied Factor</u>
Jan 01	\$0.00001	\$0.00429	\$0.00056	\$0.00056
Feb 01	\$0.00001	\$0.00429	\$0.0000050	\$0.00429
Mar 01	\$0.00001	\$0.00429	\$0.0000050	\$0.00429
Apr 01	\$0.00001	\$0.00429	\$0.0000050	\$0.00429
May 01	\$0.00001	\$0.00429	\$0.0000050	\$0.00429
Jun 01	\$0.00001	\$0.00429	<b>\$0.0000050</b>	<b>\$0.00429</b>
Jul 01	\$0.00001	\$0.00429		
Aug 01	\$0.00001	\$0.00429		
Sep 01	\$0.00001	\$0.00429		
Oct 01	\$0.00001	\$0.00429		

Issued:  
 Issued by Jon Bellgowan  
 President/Chief Executive Officer  
 Cassopolis, Michigan

Effective for service rendered on and  
 after  
 Issued under the authority of  
 M.P.S.C. \_\_\_\_\_ in  
 Case No. U-12117-R

**Power Supply Cost Recovery Clause**

(Continued from Sheet No. 10.01)

<b>Month</b>	<b><u>Fruit Belt Authorized Factor</u></b>	<b><u>Southeastern Authorized Factor</u></b>	<b><u>Fruit Belt Recon Credit</u></b>	<b><u>Southeastern Recon Credit</u></b>
<b>Nov 01</b>	<b>\$0.00001</b>	<b>\$0.00429</b>	<b>(\$0.00401) (\$0.00671)-irr (\$0.00738)-sm com (\$0.00421)-lg com</b>	<b>(\$0.00103) (\$0.00001)-sm com (\$0.00166)-lg com</b>
<b>Dec 01</b>	<b>\$0.00001</b>	<b>\$0.00429</b>	<b>(\$0.00401) (\$0.00671)-irr (\$0.00738)-sm com (\$0.00421)-lg com</b>	<b>(\$0.00103) (\$0.00001)-sm com (\$0.00166)-lg com</b>

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M.P.S.C. No. 1 - Electric  
Midwest Energy Cooperative

**First Revised Sheet No. 10.03**  
**Cancels Original Sheet No. 10.03**

**THIS SHEET IS RESERVED FOR FUTURE USE**

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