

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the petition of)
THUMB ELECTRIC COOPERATIVE)
for authority to effectuate the TIER)
Ratemaking Mechanism for the twelve)
month period ending December 31, 2000.)
_____)

Case No. U-12882
BOH No. 2001-412

SETTLEMENT AGREEMENT

DYKEMA GOSSETT • A PROFESSIONAL LIMITED LIABILITY COMPANY • 800 MICHIGAN NATIONAL TOWER • LANSING, MICHIGAN 48933-1742

On March 27, 2001, Thumb Electric Cooperative ("*Thumb*") filed an application, with supporting testimony and exhibits, seeking authority to increase its annual electric revenues by \$348,322, based on the Times Interest Earned Ratio ("*TIER*") mechanism approved by the Commission in its October 30, 1978 order in Case No. U-7878. On April 16, 2001, the Commission issued its Notice of Hearing. In accordance with the Commission's Notice of Hearing, Thumb provided notice of this proceeding throughout its service area.

At the prehearing conference on June 18, 2001, Thumb presented proof of service of the Notice of Hearing on all cities, incorporated villages, townships and counties in its service area, and also presented an affidavit evidencing the requisite publication of the notice.

Only the Commission Staff ("*Staff*") and Thumb participated in these proceedings. No other parties attempted to intervene or otherwise participate. This proceeding was conducted as a contested case matter pursuant to Chapter 4 of the Administrative Procedures Act of 1969, 1969

PA 306.

It is the opinion of the signatories hereto that this settlement agreement will promote the public interest, will aid the expeditious conclusion of this case and will minimize the time and expense which would otherwise have to be devoted to this matter by the Commission and the parties. This settlement agreement is for the purpose of final resolution of this case and all provisions of same are dependent upon all other provisions contained herein.

This settlement agreement is submitted pursuant to Section 78 of the Administrative Procedures Act of 1969, as amended (1969 PA 306, §78; MCLA 24.278; MSA 3.560 (178)). By this Settlement Agreement, Thumb and Staff hereby agree and stipulate as follows:

A. For the twelve month period ended December 31, 2000, Thumb's adjusted TIER is 1.71 based on total margins.

B. As a result of the adjusted TIER of 1.71 (based on a 2.0 target TIER), the appropriate revenue increase is \$348,322.

C. Thumb should be authorized to increase its revenues by \$348,322, to be implemented through application of the rates included in the tariff sheets attached as Exhibit A. As Exhibit A demonstrates, the increase includes:

1. \$275,324 in general rate surcharge of 2.33 mills per kWh equally for all rate schedules except Heat Pump Service ("IGHP")(Sheet 16.10), Dual Fuel Heating Service ("DF")(Sheet 17.00), and Energy Storage ("ES")(Sheet 18.00);
2. \$39,323 of rate increases in schedules IGHP(Sheet 16.10), DF(Sheet 17.00), and ES(Sheet 18.00); and

3. an increase in the service charge to schedules Farm & Home Service (“A”)(Sheet 8.00), Seasonal Residential Service (“A-S”)(Sheet 9.00), and Seasonal General Service (“SG”)(Sheet 11.00) in the amount of \$.25 to result in additional revenues of \$33,675.

D. Thumb and the Commission Staff agree to the rate design to implement the rate increase of \$348,322, as set for in the revised tariff sheets attached as Exhibit A. Set forth below are the proposed increases on a class-by-class basis:

<u>Rate Class</u>	<u>% Increase</u>
Farm & Home Service (“A”)	3.0%
Farm & Home Time-Of-Day Service (“A-TOD”)	4.1%
Seasonal Residential Service (“A-S”)	2.9%
Seasonal General Service (“SG”)	2.7%
General Time-Of-Day Service (“GS-TOD”)	4.1%
General Service (“GS”)	2.7%
Large Power Distribution Substation (“LPDS”)	3.7%
Outdoor Protective Lighting Service (“PL”)	2.6%
Interruptible Central AC/Heat Pump Service (“IGHP”)	16.5%
Dual Fuel Heating Service (“DF”)	13.3%
Energy Storage (“ES”)	7.1 %
Total	<u>3.4%</u>

E. Staff and Thumb agree that Thumb should be authorized to implement the revised Special Charges of the Standard Rules and Regulations (Sheet 6.03 and 6.04) as set forth in the revised tariff sheets attached as Exhibit A.

F. Staff and Thumb agree that Thumb should be authorized to change its PSCR base in rates to 39.60 mills per kWh as set forth in the revised tariff sheets attached as Exhibit A.

G. In addition to the rate changes, Thumb and Commission Staff agree that Thumb should be authorized to implement the following changes as set forth in the revised tariff sheets attached as Exhibit A:

1. Rescind rate schedules Interruptible Process Heat Rate ("IPHR")(Sheet 23.00 and 23.01) and Large Power-Time of Day ("LP-TOD")(Sheet 19.00 and 19.01). Neither rate currently has any accounts.
2. Add language to rate schedules Interruptible Central Air Conditioning or Heat Pump Service ("IGHP")(Sheet 16.10), Farm & Home Time-Of-Day Service ("A-TOD")(Sheet 8.02), and General Time-Of-Day Service ("GS-TOD")(Sheet 10.01) stating that no additional participants will be permitted on these schedules effective October 1, 2001.
3. Add language to schedule Seasonal Residential Service ("A-S")(Sheet 9.00) to allow seasonal and low usage accounts to be billed when a meter reading is obtained.
4. Add language to schedule Primary Supply Rate ("PSR")(Sheet 22.00) that was omitted in error from previous filings.

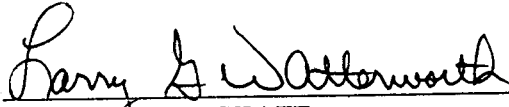
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H. This Settlement Agreement is intended for final disposition of the issues in this proceeding and the parties hereto join in respectfully requesting the Commission to grant prompt approval of same. It is the opinion of the signatories hereto that this Settlement Agreement aid the expeditious conclusion of this case and minimize expenses which would otherwise have to be devoted to this matter by the Commission and the parties.

I. Each signatory hereto agrees not to appeal, challenge or contest the rates approved by the Commission in this case if they are the result of a Commission order accepting and approving this Settlement Agreement without modification. 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 this proceeding or be used for any other purpose whatsoever.

J. Section 81 of the Administrative Procedures Act of 1969 is waived by the signatories.

Dated: August 17, 2001


COMMISSION STAFF

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Dated: August 16, 2001


THUMB ELECTRIC COOPERATIVE

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