

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 recovery reconciliation proceeding for)
the 12-month period ended December 31, 2001 for)
the Fruit Belt and Southeastern Divisions.)
_____)

Case No. U-12607-R

At the November 7, 2002 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Laura Chappelle, Chairman
Hon. David A. Svanda, Commissioner
Hon. Robert B. Nelson, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On March 29, 2002, Midwest Energy Cooperative (Midwest) filed an application, with supporting testimony and exhibits, for a power supply cost recovery (PSCR) reconciliation proceeding for the 12-month period ended December 31, 2001.

Pursuant to due notice, a prehearing conference was held on June 6, 2002 before Administrative Law Judge Daniel E. Nickerson, Jr. Midwest and the Commission Staff (Staff) participated in the proceedings. Subsequently, the parties entered into a settlement agreement resolving all issues. On September 12, 2002, Midwest submitted a letter clarifying its intent with regard to refunds and surcharges provided for in the settlement agreement.

The settlement agreement, attached as Exhibit A, states that for the period ended December 31, 2001, Midwest experienced an overcollection of \$579,246 for its Fruit Belt

Division, made up of a \$429,474 overcollection from residential (monthly and seasonal) member-customers, a \$13,442 overcollection from small commercial member-customers, a \$100,833 overcollection from large commercial member-customers, and a \$35,497 overcollection from irrigation member-customers. In addition, there is a remaining undercollection of \$1,504 from prior years from residential (monthly and seasonal) member-customers and a remaining overcollection of \$2,448 from prior years from irrigation member-customers, which results in a net year-end 2001 overcollection of \$580,190.

The settlement agreement also states that for the period ended December 31, 2001, Midwest experienced an overcollection of \$32,801 for its Southeastern Division, made up of a \$10,874 overcollection from its residential (monthly and seasonal) member-customers, a \$1,855 undercollection from its small commercial member-customers, and a \$23,782 overcollection from its large commercial member-customers. In addition, there is a remaining overcollection of \$1,035 from prior years from residential (monthly and seasonal) member-customers, which results in a net year-end 2001 overcollection of \$33,836.

Pursuant to the settlement agreement and Midwest's September 12, 2002 letter, Midwest proposes to refund the \$580,190 overcollection for its Fruit Belt Division through a credit applied to each member-customer's kilowatt-hour (kWh) consumption in the months of November and December 2002. Midwest will provide the Staff with its workpapers showing its credit calculations. Additionally, Midwest proposes to refund the \$11,909 overcollection from residential and seasonal member-customers and the \$23,782 overcollection to large commercial member-customers in its Southeastern Division through a per kWh credit in the months of November and December 2002. Finally, Midwest proposes to collect the \$1,855 undercollection from small commercial member-customers in its Southeastern Division through a per kWh

surcharge in the months of November and December 2002. Midwest will provide the Staff with its workpapers showing its credit and surcharge calculations.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1982 PA 304, as amended, MCL 460.6h et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACR, 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. Midwest Energy Cooperative is authorized to refund the \$580,190 overcollection for its Fruit Belt Division through a credit as provided in this order. Midwest Energy Cooperative shall provide the Commission Staff with its workpapers showing its credit calculations.

C. Midwest Energy Cooperative is authorized to refund the \$11,909 overcollection from residential and seasonal member-customers and the \$23,782 overcollection to large commercial member-customers in its Southeastern Division through a credit as provided in this order.

D. Midwest Energy Cooperative is authorized to collect the \$1,855 undercollection from small commercial member-customers in its Southeastern Division through a surcharge as provided in this order. Midwest Energy Cooperative shall provide the Commission Staff with its workpapers showing its credit and surcharge calculations.

E. Midwest Energy Cooperative shall file, within 30 days, tariff sheets consistent with this order.

F. Rights to any portion of a refund shall not vest until a refund amount has been credited to a member-customer's bill or a refund check to a member-customer or former member-customer has been negotiated. The cooperative shall file a report regarding the refund in accordance with the provisions of 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.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ Laura Chappelle
Chairman

(S E A L)

/s/ David A. Svanda
Commissioner

/s/ Robert B. Nelson
Commissioner

By its action of November 7, 2002.

/s/ Dorothy Wideman
Its Executive Secretary

F. Rights to any portion of a refund shall not vest until a refund amount has been credited to a member-customer's bill or a refund check to a member-customer or former member-customer has been negotiated. The cooperative shall file a report regarding the refund in accordance with the provisions of 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.

MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

Commissioner

Commissioner

By its action of November 7, 2002.

Its Executive Secretary

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, 2001 for its Fruit)
Belt and Southeastern Divisions.)**

**Case No. U-12607-R
(PSCR Reconciliation)**

SETTLEMENT AGREEMENT

On March 29, 2002, Midwest Energy Cooperative (“Midwest”)¹ 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, 2001 for its Fruit Belt and Southeastern Divisions. On April 16, 2002, 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 6, 2002, 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.

¹ 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, 2001, Midwest's Fruit Belt Division experienced an overcollection of \$579,246 -- comprised of a \$429,474 overcollection from residential (monthly and seasonal) member consumers, a \$13,442 overcollection from small commercial member consumers, a \$100,833 overcollection from large commercial member consumers, and a \$35,497 overcollection from irrigation member consumers. In addition, there is a remaining undercollection of (\$1,504) from prior years vis a vis residential (monthly and seasonal) member consumers; and a remaining overcollection of \$2,448 from prior years *vis a vis* irrigation member consumers -- resulting in a net year end 2001 overcollection of \$580,190. Set forth below is a summary:

	<u>Residential</u>	<u>Sm Comm</u>	<u>Lg Comm</u>	<u>Irrigation</u>	<u>Total</u>
2001 PSCR Year	\$429,474	\$13,442	\$100,833	\$35,497	\$579,246
Prior PSCR Years	<u>(1,504)</u>	<u>\$N/A</u>	<u>\$N/A</u>	<u>2,448</u>	<u>944</u>
Net PSCR Status	<u>\$427,970</u>	<u>\$13,442</u>	<u>\$100,833</u>	<u>\$37,945</u>	<u>\$580,190</u>

The prefiled testimony submitted by Midwest indicates that, for the 12-month period ended December 31, 2001, Midwest's Southeastern Division experienced an overcollection of \$32,801 -- comprised of a \$10,874 overcollection for its residential (monthly and seasonal) member consumers, a (\$1,855) undercollection for its small commercial member consumers, and a \$23,782 overcollection for its large commercial member consumers. In addition, there is a remaining overcollection of \$1,035 from prior years vis a vis residential (monthly and seasonal)

member consumers -- resulting in a net year end 2001 overcollection of \$33,836. Set forth below is a summary:

	<u>Residential</u>	<u>Sm Comm</u>	<u>Lg Comm</u>	<u>Total</u>
2001 PSCR Year	\$10,874	(\$1,855)	\$23,782	\$32,801
Prior PSCR Years	<u>\$ 1,035</u>	<u>\$N/A</u>	<u>\$N/A</u>	<u>\$1,035</u>
Net PSCR Status	<u>\$11,909</u>	<u>(\$1,855)</u>	<u>\$23,782</u>	<u>\$33,836</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, 2001 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 overcollections of \$580,190 and \$33,836, respectively, during the 12-month period ended December 31, 2001.

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, 2001, Midwest experienced a net power supply cost overcollection of \$580,190 for its Fruit Belt Division.

B. For the 12-month period ended December 31, 2001, Midwest experienced a net power supply cost overcollection of \$33,836 for its Southeastern Division.

C. The power supply costs incurred by Midwest during the 12-month period ended December 31, 2001 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 refund the \$580,190 overcollection through a kWh credit in the months following the Commission's order. Midwest's Fruit Belt Division will provide Commission Staff with its workpapers showing its credit calculations.

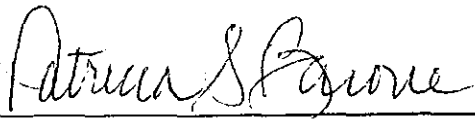
E. Midwest's Southeastern Division should be permitted to refund the \$11,909 overcollection from residential and seasonal member-consumers and the \$23,782 overcollection to large commercial member-consumers through a per kWh credit in the months following the Commission's order. Midwest's Southeastern Division should be permitted to collect the (\$1,855) undercollection from small commercial member-consumers through a per kWh surcharge in the months following the Commission's order. Midwest's Southeastern Division will provide Commission Staff with its workpapers showing its credit and surcharge calculations.

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

G. Tariff sheets showing the actual surcharge and credit billing factors to be used will be filed with the Commission.

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: ~~July~~ ^{Aug} 1, 2002



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Dated: July 26, 2002



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