

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of	)	
EDISON SAULT ELECTRIC COMPANY	)	
for approval of its power supply	)	Case No. U-13114-R
cost reconciliation for the period ended	)	
December 2002.	)	
_____	)	

SETTLEMENT AGREEMENT

On March 31, 2003, Edison Sault Electric Company ("Edison Sault") filed an application, with supporting testimony and exhibit, requesting the commencement of a power supply cost reconciliation proceeding for May through December 2002. On May 5, 2003, the Commission issued its Notice of Hearing commencing this proceeding and establishing a procedural schedule for such proceeding. In accordance with the Commission's Notice of Hearing, Edison Sault provided notice of this proceeding throughout its service area.

At the May 29, 2003 prehearing conference, Edison Sault 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 this notice. Appearances were entered on behalf of the Commission Staff ("Staff"), the City of Mackinac Island ("City") and Edison Sault. Without objection, the City's intervention petition was granted. This proceeding was

conducted as a contested case matter pursuant to Chapter 4 of the Administrative Procedures Act of 1969, 1969 PA 306.

Edison Sault prefiled testimony of Leroy M. Baatz, its Assistant Vice President - Rates. Neither Staff nor the City prefiled testimony. The prefiled testimony submitted by Edison Sault indicates that, for the period May through December 2002, Edison Sault experienced an overcollection of \$870,936, with interest in the amount of \$41,659.

The Commission Staff has reviewed Edison Sault's filing and has conducted an audit of the power supply costs incurred by Edison Sault during the period May through December 2002. Based on such review, audit and discussions, Edison Sault, Commission Staff, and the City agree that Edison Sault experienced a net overcollection of \$877,892, with interest in the amount of \$42,186 during the period May through December 2002. The parties also agree that Edison Sault's refund plan is consistent with the Commission approval given in past cases. Thus, the parties agreed to enter into this settlement agreement.

In view of the foregoing, and pursuant to Section 78 of the Administrative Procedures Act of 1969, as amended (1969 PA 306, §78; MCL 24.278), Edison Sault, the City and Staff hereby agree as follows:

A. For the period May through December 2002, Edison Sault a net power supply cost overcollection of \$877,892. Interest on this amount is \$42,186.

B. The power supply costs incurred by Edison Sault during the period May through December 2002 were incurred in a reasonable and prudent manner and represent a reasonable and prudent level of cost.

C. Because Edison Sault's Power Supply Cost Recovery ("PSCR") clause was re-implemented at different times for the customers served under the standard tariffs and the special contract customers, Edison Sault's plan to separately calculate and refund amounts to such customers is reasonable and should be approved. For customers served under the standard tariffs, Edison Sault's plan to refund \$784,189 (consisting of \$745,673 in overcollections and \$38,516 in interest), plus additional interest for 2003, in the months of May through August 2003 is reasonable and should be approved. Edison Sault has initiated the planned refund by applying a credit of \$0.00616 per kWh and will provide Commission Staff with its workpapers showing its credit calculations. For special contracts containing a PSCR clause, Edison Sault's refund of \$139,826 to Manistique Papers, consisting of \$130,097 in PSCR overcollection and \$9,729 in interest has been made, is reasonable and should be approved. Similarly, Edison Sault's refund to Michigan Limestone in the amount of \$1,466 (\$1,393 in PSCR overcollection and \$73 in interest) for its Cedarville account and \$764 (\$726 of PSCR overcollection and \$38 in interest) for the Gulliver account have been made, are reasonable and should be approved.

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

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

F. This settlement agreement has been entered into to provide administrative efficiency and will become binding on the parties only if the Commission accepts the same 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 the proceeding or be used for any purpose whatsoever.

Dated: August 28, 2003

  
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COMMISSION STAFF

By: William W. Derengoski (P34242)

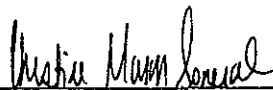
Assistant Attorney General

6545 Mercantile Way, Ste. 15

Lansing, MI 48911

(517) 241-6680

Dated: August 18, 2003

  
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EDISON SAULT ELECTRIC COMPANY

By: Albert Ernst (P24095)

Christine Mason Soneral (P58820)

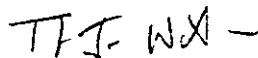
DYKEMA GOSSETT PLLC

800 Michigan National Tower

Lansing, MI 48933

(517) 374-9155/ (517) 374-9184

Dated: August 19, 2003

  
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THE CITY OF MACKINAC ISLAND

By: Thomas J. Waters (P37829)

FRASER TREBILCOCK DAVIS & DUNLAP,  
P.C.

1000 Michigan National Tower

Lansing, MI 48933

(517) 482-5800

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