

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
THE ONTONAGON COUNTY RURAL)	
ELECTRIFICATION ASSOCIATION for a)	Case No. U-12608-R
power supply cost recovery reconciliation)	Case No. U-13111-R
proceeding for the 24-month period ended)	
December 31, 2002.)	
_____)	

At the October 7, 2003 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. J. Peter Lark, Chair
Hon. Robert B. Nelson, Commissioner
Hon. Laura Chappelle, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On March 31, 2003, The Ontonagon County Rural Electrification Association (Ontonagon) filed an application, with supporting testimony and exhibits, requesting the commencement of a power supply cost recovery (PSCR) reconciliation proceeding for the 24-month period ended December 31, 2002.

Pursuant to due notice, a prehearing conference was held on June 3, 2003. The Commission Staff and Ontonagon participated in the proceedings. Subsequently, the parties entered into a settlement agreement resolving all issues.

The settlement agreement, attached as Exhibit A, states that, for the 24-month period ended December 31, 2002, PSCR revenues exceeded PSCR costs in the net amount of \$50,748. Ontonagon refunded its \$47,618 overcollection to its monthly member-consumers in the February

2003 billing month. The refund factor was negative 1.66 mills per kilowatt-hour. Ontonagon plans to refund its \$3,130 overcollection to seasonal member-consumers in its October 2003 billing by applying a refund factor based on actual consumption during the 12-month period ended September 30, 2003.

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, 1999 AC, 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. The Ontonagon County Rural Electrification Association's refund of \$47,618 in the month of February 2003 to its monthly member-consumers is approved.

C. The Ontonagon County Rural Electrification Association is authorized to refund \$3,130 to its seasonal member-consumers in October 2003.

D. The Ontonagon County Rural Electrification Association shall provide the Commission Staff with its workpapers showing its credit calculations.

E. Within 30 days, The Ontonagon County Rural Electrification Association shall file tariff sheets reflecting this order.

F. Rights to any portion of the refund shall not vest until a refund amount has been credited to a member-consumer's bill. 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 issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ J. Peter Lark
Chair

(S E A L)

/s/ Robert B. Nelson
Commissioner

/s/ Laura Chappelle
Commissioner

By its action of October 7, 2003.

/s/ Robert W. Kehres
Its Acting Executive Secretary

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The Commission reserves jurisdiction and may issue further orders as necessary.

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MICHIGAN PUBLIC SERVICE COMMISSION

Chair

Commissioner

Commissioner

By its action of October 7, 2003.

Its Acting Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

<p>In the matter of the application of) THE ONTONAGON COUNTY RURAL) ELECTRIFICATION ASSOCIATION) for a Power Supply Cost Recovery) Reconciliation proceeding for the 24-) month period ended December 31,) <u>2002.</u>)</p>	<p>Case No. U-12608-R Case No. U-13111-R (2001/2002 PSCR Recon) (Biennial)</p>
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SETTLEMENT AGREEMENT

On April 17, 2001 and March 29, 2002 respectively, the Michigan Public Service Commission (Commission) issued Opinions and Orders in Case Nos. U-12608 and U-13111 approving Power Supply Cost Recovery (PSCR) Plans and factors for The Ontonagon County Rural Electrification Association (Ontonagon) for the 12-month periods ending December 31, 2001 and December 31, 2002. On March 31, 2003, Ontonagon filed an application, with supporting testimony and exhibits, requesting the commencement of a power supply cost reconciliation proceeding for the 24-month period ended December 31, 2002. On April 11, 2003, the Commission issued its Notice of Hearing commencing a power supply cost reconciliation proceeding. In accordance with the Commission's Notice of Hearing, Ontonagon provided notice of this proceeding throughout its service area.

At the June 3, 2003 prehearing conference, Ontonagon 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.

As demonstrated by the prefiled testimony submitted by Ontonagon in this proceeding, Ontonagon has determined that for the 24-month period ended December 31, 2002, power supply revenues exceeded power supply costs (*i.e.*, an overcollection) in the net amount of

\$50,748. Ontonagon refunded the overcollection to its monthly members in the February 2003 billing. The refund factor was approximately (1.66) mills per kWh. Ontonagon plans to refund the overcollection to seasonal members on its October 2003 billing by applying a refund factor based on actual kWh consumed during 2003.

The Commission Staff has reviewed Ontonagon's filing and has conducted a review of the power supply costs incurred by Ontonagon during the 24-month period ended December 31, 2002. Based on such review and discussions, Ontonagon and the Commission Staff have reached this settlement agreement and stipulate to the conclusions set forth in Ontonagon's filing in this docket.

In view of the foregoing, and pursuant to Section 78 of the Administrative Procedures Act of 1969, as amended (1969 PA 306, §78; MCL 24.27), Ontonagon and the Commission Staff hereby agree as follows:

A. For the 24-month period ended December 31, 2002, Ontonagon experienced an overcollection in the net amount of \$50,748.

B. The power supply costs incurred by Ontonagon during the 24-month period ended December 31, 2002 were incurred in a reasonable and prudent manner and represent a reasonable and prudent level of cost.

C. Ontonagon refunded the overcollection to its monthly members in February 2003 by applying a refund factor of approximately (1.66) mills per kWh. Ontonagon plans to refund the overcollection to seasonal members on its October 2003 billing by applying a refund factor based on actual kWh consumed during 2003.

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

E. A proposed tariff sheet is attached as Attachment 1.

F. 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: September 17, 2003

Kristin M. Smith
Commission Staff
By Kristin M. Smith (P46323)
Assistant Attorney General
6545 Mercantile Way, Suite 15
Lansing, Michigan 48911
(517) 241-6680

Dated: September 16, 2003

Christine Mason Soneral
The Ontonagon County Rural Electrification
Association
By Christine Mason Soneral (P58820)
DYKEMA GOSSETT PLLC
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(517) 374-9184

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ID:CMMA

Not less than once a year and not later than 3 months after the end of the 12-month period covered by Association'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 base rates as established by the Commission under Association's most recent power supply cost recovery plan, among other things. Association shall be required to refund to customers, or to credit to customers' bills any net amount determined to have been recovered which is in excess of the amounts actually expended by Association for power supply. Association shall recover from customers 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 Association for power supply.

For the 12 months ending December 2003, the Power Supply Cost Recovery Factor is \$0.00166 per kWh. The allowance for cost of power supply included in base rates is \$0.04889 per kWh.

Should the Cooperative apply lesser factors than those above, or if the factors are later revised pursuant to Commission Orders or 1982 PA 304, the Cooperative will notify the Commission and file a revision of the above factor.

The following factors are applied pursuant to 1982 PA 304 in the 12 billing months ending December 2003:

<u>Month</u>	<u>Authorized Factor</u>	<u>Applied Factor</u>	<u>PSCR Recon Credit</u>
Jan '03	\$0.00166	\$0.00166	
Feb '03	\$0.00166	\$0.00166	(\$0.00166)
Mar '03	\$0.00166	\$0.00166	(monthly)
Apr '03	\$0.00166	\$0.00166	
May '03	\$0.00166	\$0.00166	
Jun '03	\$0.00166	\$0.00166	
Jul '03	\$0.00166	\$0.00166	
Aug '03	\$0.00166		
Sep '03	\$0.00166		
Oct '03	\$0.00166		*
Nov '03	\$0.00166		
Dec '03	\$0.00166		

*Ontonagon plans to refund the overcollection (\$3,130) to seasonal members on its October 2003 billing by applying a refund factor based on actual kWh consumed during 2003.

Issued:
By Tom Haarala
General Manager
Ontonagon, Michigan

Effective for service rendered on and
after

Issued under the authority of the M.P.S.C.
in Case Nos. U-12608-R/U-13111-R dated