

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of	)	
<b>UPPER PENINSULA POWER COMPANY</b>	)	
for authority to reconcile its power supply costs	)	Case No. U-13104-R
and revenues for the 12-month period ended	)	
December 31, 2002.	)	
_____	)	

At the August 18, 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

**OPINION AND ORDER**

On March 27, 2003, Upper Peninsula Power Company (UPPCo) filed an application, with supporting testimony and exhibits, requesting approval of its power supply cost recovery (PSCR) reconciliation for the 12-month period ended December 31, 2002.

Pursuant to due notice, a prehearing conference was held on May 13, 2003 before Administrative Law Judge Barbara A. Stump. UPPCo and the Commission Staff participated in the proceedings. Subsequently, a settlement agreement was jointly sponsored by the parties to resolve all issues in the case.

According to the terms of the settlement agreement, attached as Exhibit A, UPPCo overcollected a net amount of \$750,194 from its Integrated System customers. The overcollected amount of \$750,194 includes interest and underrecovered balances from the 2000 and 2001 PSCR

reconciliations. UPPCo implemented a credit of \$0.0639 per kilowatt-hour (kWh) on the bills for its Integrated System customers for the billing months of February and March 2003 to refund the \$750,194 net overrecovery.

The settlement agreement also indicates that UPPCo undercollected a net amount of \$149,524 from its Iron River System customers. The net underrecovered amount of \$149,524 includes interest and overrecovered balances from the 2000 and 2001 PSCR reconciliations. The parties to the settlement agreement agree that UPPCo should implement a surcharge of \$0.01043 per kWh on the bills for its Iron River System customers for the billing months of September through December 2003 to collect the \$149,524 net underrecovery.

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. Upper Peninsula Power Company's implementation of a credit of \$0.0639 per kilowatt-hour on bills for its Integrated System customers issued for its February and March 2003 billings for all standard tariff metered sales subject to the power supply cost recovery clause that allowed it to refund the net overrecovered amount of \$750,194 is approved.

C. Upper Peninsula Power Company is authorized to implement a surcharge of \$0.01043 per kilowatt-hour on bills for its Iron River System customers issued for its September through December 2003 billings for all standard tariff metered sales so as to collect the net underrecovered amount of \$149,524.

D. Any undercollection or overcollection shall be carried forward, with interest, in Account 253 as an offset or addition to future refund requirements. Interest will be calculated in accordance with MCL 460.6j(16).

E. Upper Peninsula Power Company is authorized to make immediate refunds of power supply cost recovery overcollections at the end of a power supply cost recovery year without waiting for an order specifically authorizing the refunds. Early refunds will be subject to review and audit by the Commission Staff and to the provisions of a final order of the Commission. If Upper Peninsula Power Company uses this authority, it shall report on any early refund in its prefiled testimony in the applicable power supply cost recovery reconciliation proceeding.

F. Upper Peninsula Power Company shall file, within 30 days, four sets of tariff sheets reflecting the approved credits.

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/ J. Peter Lark  
Chair

( S E A L )

/s/ Robert B. Nelson  
Commissioner

/s/ Laura Chappelle  
Commissioner

By its action of August 18, 2003.

/s/ Robert W. Kehres  
Its Acting Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

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Chair

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Commissioner

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Commissioner

By its action of August 18, 2003.

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Its Acting Executive Secretary

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Case No. U-13104-R

Suggested Minute:

“Adopt and issue order dated August 18, 2003 approving the settlement agreement and authorizing Upper Peninsula Power Company to reconcile its power supply cost recovery revenues and expenses for the 12-month period ended December 31, 2002, as set forth in the order.”