

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
WISCONSIN ELECTRIC POWER COMPANY'S)	
power supply cost recovery reconciliation proceeding)	Case No. U-13107-R
for the 12-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

OPINION AND ORDER

On March 31, 2003, Wisconsin Electric Power Company (Wisconsin Electric) filed an application, with supporting testimony and exhibits, requesting approval of a power supply cost recovery reconciliation for the 12-month period ended December 31, 2002.

Pursuant to due notice, a prehearing conference was held on May 20, 2003 before Administrative Law Judge Daniel E. Nickerson, Jr. Wisconsin Electric and the Commission Staff participated in the proceedings. Industrial Power Users Coalition also participated in the proceedings as an intervenor. 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, Wisconsin Electric overrecovered \$159,120 during 2002. Wisconsin Electric will refund the net overrecovery of \$198,828, which includes \$22,264 in interest for 2002 and \$17,444 in interest for 2003 through the

midpoint of the refund period, to its Michigan retail electric customers by implementing a credit of \$.00108 per kilowatt-hour in its October 2003 through December 2003 billings.

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. Wisconsin Electric Power Company is authorized to implement a credit of \$.00108 per kilowatt-hour on bills issued October 2003 through December 2003 for its Michigan retail electric customers to refund the total net overrecovered amount of \$198,828.

C. Wisconsin Electric Power Company shall file, within 30 days, four sets of tariff sheets reflecting the approved credit.

D. Rights to any portion of the refund shall not vest until a refund amount has been credited to a customer's bill. The utility 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

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

Chair

Commissioner

Commissioner

By its action of October 7, 2003.

Its Acting Executive Secretary

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
WISCONSIN ELECTRIC POWER COMPANY)
 for a power supply cost recovery reconciliation)
 proceeding for the 12-month period ended)
 December 31, 2002)

MICHIGAN PUBLIC SERVICE COMMISSION
 ADMINISTRATIVE LAW & LOGS DIVISION
 LANSING, MICHIGAN
 Case No. U-13107-R

SETTLEMENT AGREEMENT

As provided in Section 78 of the Administrative Procedures Act of 1969 ("APA"), as amended MCL 24.278 and Rule 333 of the Rules of Practice and Procedure Before the Commission, 1992 AACRS, R 460.17333, Wisconsin Electric Power Company ("Wisconsin Electric"), the Michigan Public Service Commission Staff ("Staff"), and the Industrial Power Users Coalition ("IPUC") have resolved through settlement discussions the contested issues regarding this proceeding.

1. On March 31, 2003, Wisconsin Electric filed with the Michigan Public Service Commission ("Commission") an application with, supporting testimony and exhibit, seeking authority to reconcile its power supply costs with its power supply revenues for the 12-month period ending December 31, 2002. Based on calculations, Wisconsin Electric determined that power supply revenues exceeded power supply costs and requested authority to implement a credit to its Michigan electric retail customer billings.

2. On April 25, 2003, the Commission's Executive Secretary issued the Notice of Hearing. As directed by the Executive Secretary, Wisconsin Electric mailed and published the Notice throughout its Michigan electric service area, mailed notice to IPUC's attorney and submitted the

requisite proofs prior to the prehearing conference held on May 20, 2003.

3. Administrative Law Judge ("ALJ") Daniel E. Nickerson Jr. presided over the prehearing conference. Wisconsin Electric and the Staff participated in the proceeding. IPUC also participated as intervenor.

4. Following Staff's audit of Wisconsin Electric's books and records, the parties agreed as follows:

- a. Staff found that: (i) expenditures charged by Wisconsin Electric for the cost power supply were reasonably and prudently incurred for the 12-month period ending December 31, 2002; and (ii) the purchase practices followed by Wisconsin Electric comport with the 2002 power supply cost recovery ("PSCR") Plan as reviewed by the Commission in Case No. U-13107 and were reasonable and prudent.
- b. Wisconsin Electric sold 700,273,816 kWh subject to a Michigan PSCR billing factor during the 12-month period ending December 31, 2002.
- c. Wisconsin Electric collected \$11,715,580 in PSCR revenues, and had \$11,556,460 of power supply costs during the 12-month period ending December 31, 2002.
- d. The difference between amounts collected and costs is \$159,120 and represents an overrecovery. Interest during the 2002 PSCR period totals \$22,264. Interest through the refund period is \$17,444, thereby resulting in a total net overrecovery of \$198,828.
- e. Wisconsin Electric will refund the net overrecovery by applying a credit of \$.00108 per kWh for all billings that are subject to Wisconsin Electric's

PSCR clause for the month of October 2003 through December 2003. This credit includes interest and is designed to refund the over recovered amount of \$198,828 to Wisconsin Electric's Michigan electric retail customers

- f. An overcollected or undercollected amount shall be carried forward, with interest, as an addition or offset to Wisconsin Electric's future refund requirements in Account 253. Interest will be calculated in accordance with MCL 460.6j.

5. It is the opinion of all signatories that this settlement agreement will result in the expeditious conclusion of this case.

6. This settlement agreement is intended for a final disposition of this proceeding. Each signatory agrees not to appeal, challenge, or contest the Commission's order accepting and approving this settlement agreement without modification. If the Commission does not accept the settlement agreement without modification, the agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

7. The settlement agreement and all offers of settlement and discussions are privileged and shall not be used in any manner, nor be admissible, for any other purpose in connection with this proceeding or any other proceeding except so as to prove the contents herein.

8. All signatories agree to waive Section 81 of the APA, as amended MCL 24.281, as it applies to the issues in this proceeding.

WISCONSIN ELECTRIC POWER COMPANY

Dated: 9-12-03

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One of Its Attorneys
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INDUSTRIAL POWER USERS COALITION

Dated: 9-11-03

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