

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 authority to implement a power supply cost)	Case No. U-13563
recovery plan for the 12-month period ending)	
December 31, 2003.)	
_____)	

At the March 12, 2003 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 September 30, 2002, Edison Sault Electric Company (Edison Sault) filed an application, with supporting testimony and exhibits, to implement a power supply cost recovery (PSCR) plan for the 12-month period ending December 31, 2003.

Pursuant to due notice, a prehearing conference was held on November 20, 2002 before Administrative Law Judge Barbara A. Stump. Edison Sault, the City of Mackinac Island, and the Commission Staff participated in the proceedings. Subsequently, the parties entered into a settlement agreement that resolved all issues in this case.

According to the settlement agreement, attached as Exhibit A, the parties agree that Edison Sault's proposed 2003 PSCR plan is reasonable and that Edison Sault should be authorized to

apply a PSCR factor of up to a negative \$0.00032 per kilowatt-hour each month for the 12-month period ending December 31, 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, 1992 AACS, 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. Edison Sault Electric Company is authorized to apply a levelized power supply cost recovery factor of up to a negative \$0.00032 per kilowatt-hour each month for the 12-month period ending December 31, 2003.
- C. Edison Sault Electric Company shall file with the Commission, within 30 days, four sets of tariff sheets essentially the same as that attached to the settlement agreement reflecting the negative \$0.00032 per kilowatt-hour power supply cost recovery factor.
- D. Should Edison Sault Electric Company desire to apply a lesser power supply cost recovery factor than that approved by this order, it shall notify the Commission ten days prior to the use of the lesser factor and shall file during the billing month a tariff sheet showing the lesser factor applied.

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 March 12, 2003.

/s/ Dorothy Wideman
Its Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
EDISON SAULT ELECTRIC COMPANY for)	
authority to implement a power supply cost)	Case No. U-13563 (e-file)
recovery plan for the 12 month period ending)	
December 31, 2003.)	
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SETTLEMENT AGREEMENT

On September 30, 2002, Edison Sault Electric Company ("Edison Sault") filed an application, with supporting testimony and exhibits, to implement a Power Supply Cost Recovery ("PSCR") Plan for the twelve month period ending December 31, 2003. On October 18, 2002, 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 prehearing conference on November 20, 2002, 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. Mr. Baatz's presentation addressed (i) major contracts associated with Edison Sault's power supply resources, (ii) capacity charges appropriate for inclusion in Edison Sault's PSCR Plan, (iii) transmission resources and associated costs, (iv) a forecast of Edison Sault's power supply costs for the period ending December 31, 2003, (v) a forecast of Edison Sault's power supply costs on an annual basis for years 2003 and 2004, (vi) actions taken to minimize power supply costs, and (vii) a proposed tariff sheet listing the proposed PSCR factors for each of the months through December 31, 2003 (Exhibit A-3 (LMB-3)). Subsequent to the filing of Edison Sault's case, the parties concluded that Edison Sault's Plan is consistent with the Commission's 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, 1969 PA 306, §78, Edison Sault, the City and Staff hereby agree as follows:

A. Edison Sault's proposed PSCR credit factor is reasonable and Edison Sault should be authorized to apply a PSCR factor of negative 0.32 mills per kWh or \$0.00032 per kWh each month for the 12-month period ending December 31, 2003.

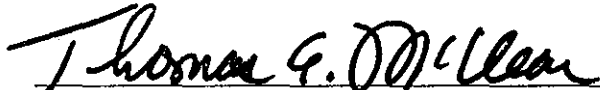
B. A proposed tariff sheet is attached hereto as Attachment 1.

C. 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.

D. Section 81 of the Administrative Procedures Act of 1969, 1969 PA 306, §81, is waived by the signatories hereto.

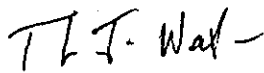
Dated: January 10, 2003


COMMISSION STAFF
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Dated: January 16, 2003


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Dated: January 10, 2003


THE CITY OF MACKINAC ISLAND
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EDISON SAULT ELECTRIC COMPANY

Second Revised Sheet No. 10.01
 Cancels First Revised Sheet No. 10.01

M.P.S.C. No. 8

POWER SUPPLY COST RECOVERY

The following Power Supply Cost Recovery factors have been applied pursuant to 1982 PA 304, commencing with the first billing cycle of May 2002.

<u>Billing Month</u>	<u>Authorized PSCR Plan Factor ¢/kWh</u>	<u>Applied PSCR Plan Factor ¢/kWh</u>	<u>Authorized PSCR Reconciliation Factor ¢/kWh</u>	<u>Total Applied PSCR Factor ¢/kWh</u>
May-Dec. 2002	0.06	0.00	--	0.00
Jan.-Dec. 2003	-0.032	-0.032	--	-0.032

Issued by
 Donald Sawruk, President
 Sault Ste. Marie, Michigan 49783

Effective for Electric Service Rendered
 On and after January 1, 2003
 Issued Under Authority of the
 Michigan Public Service Commission
 Dated in Case No.