

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
WISCONSIN PUBLIC SERVICE CORPORATION)	
for authority to file, establish, and make effective)	Case No. U-13688
increased retail electric rates.)	
_____)	

At the July 23, 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

OPINION AND ORDER

On February 6, 2003, Wisconsin Public Service Corporation (WPS Corp) filed an application, with supporting testimony and exhibits, requesting authority to increase its base rates for retail electric service by \$1,420,783 annually. WPS Corp also sought power supply cost recovery (PSCR) treatment, and recovery through the PSCR clause, of the transmission charges it pays to American Transmission Company, LCC, (ATCLLC) and the Midwest Independent System Operator (MISO). Additionally, WPS Corp filed a motion for partial and immediate (P&I) rate relief, requesting an interim base rate increase of \$908,251 annually. WPS Corp later amended its P&I request to \$612,066 annually.

Pursuant to due notice, a prehearing conference was held on March 24, 2003, before Administrative Law Judge Mark E. Cummins (ALJ). WPS Corp and the Commission Staff (Staff) participated in the proceedings, and petitions to intervene of Great Lakes Pulp Company (Great

Lakes), Attorney General Michael A. Cox, the Michigan Environmental Council, the Public Interest Research Group in Michigan, and the Michigan Consumer Federation were granted.

On May 8, 2003, the Staff filed its report and recommendation on P&I rate relief. WPS Corp also filed its direct case on P&I rate relief. On May 19, 2003, the ALJ conducted a hearing on WPS Corp's motion. The direct cases of WPS Corp, the Staff, and Great Lakes were entered into the record. Subsequently, the parties entered into a settlement agreement resolving all issues in this case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that WPS Corp's retail electric base rates should be increased by \$300,000 annually (based on a projected test year ending December 31, 2003 and an overall rate of return of 7.9%, including a return on common equity of 11.40%), as reflected in the revised tariff sheets set forth on Attachment A to the settlement agreement. The parties also agree that the personal property tax expense used in calculating the rates reflects the new personal property tax multiplier tables to the extent taxing districts are using them, and that no further adjustment to rates is necessary. The parties recognize that WPS Corp transferred its transmission facilities to ATCLLC. The parties also recognize that WPS Corp has been incurring charges from ATCLLC and MISO for transmission service since 2001. The parties agree that on and after the day following the issuance of this order, PSCR treatment and recovery of ATCLLC and MISO transmission charges through the PSCR clause is appropriate, and that beginning with the first full month following the issuance of this order, WPS Corp's PSCR factor for the 2003 calendar year should be revised to negative \$0.00305 per kilowatt-hour for the remaining portion of the year. The parties further agree that within 90 days of the issuance of this order, WPS Corp shall file revised tariff sheets incorporating the currently applicable Consumer Standards and Billing Practices. Finally, the parties agree that

all factual and legal issues or remedies relating to the costs or rate effects of spent nuclear fuel (SNF) fees, storage, or disposal, or nuclear plant operation, maintenance, or plant and SNF decommissioning are reserved for, and will be pursued in, Case No. U-13371.

After a review of the settlement agreement, the Commission finds that the agreement is reasonable and in the public interest, and should be approved.

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.; 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. Except as otherwise indicated in the settlement agreement, on the day following issuance of this order, Wisconsin Public Service Corporation shall implement the base rates for the sale of retail electric service set forth in Attachment A to the settlement agreement, which provide a revenue increase of \$300,000 annually.

C. On the day following the issuance of this order, Wisconsin Public Service Corporation shall treat American Transmission Company, LLC, and Midwest Independent System Operator transmission costs as power supply cost recovery costs and recover these transmission costs through its power supply cost recovery clause.

D. Beginning with the first full month following the issuance of this order, Wisconsin Public Service Corporation is authorized to implement a power supply cost recovery factor of up to a revised negative \$0.00305 per kilowatt-hour in its monthly billings to its Michigan retail electric customers through December 31, 2003.

E. Within 30 days of the issuance of this order, Wisconsin Public Service Corporation shall file with the Commission four sets of tariff sheets essentially the same as those set forth in Attachment A to the settlement agreement.

F. Within 90 days of this order, Wisconsin Public Service Corporation shall file revised tariff sheets incorporating the currently applicable Consumer Standards and Billing Practices.

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 E A L)

/s/ Laura Chappelle
Chairman

By its action of July 23, 2003.

/s/ David A. Svanda
Commissioner

/s/ Robert W. Kehres
Its Acting Executive Secretary

/s/ Robert B. Nelson
Commissioner

D. Beginning with the first full month following the issuance of this order, Wisconsin Public Service Corporation is authorized to implement a power supply cost recovery factor of up to a revised negative \$0.00305 per kilowatt-hour in its monthly billings to its Michigan retail electric customers through December 31, 2003.

E. Within 30 days of the issuance of this order, Wisconsin Public Service Corporation shall file with the Commission four sets of tariff sheets essentially the same as those set forth in Attachment A to the settlement agreement.

F. Within 90 days of this order, Wisconsin Public Service Corporation shall file revised tariff sheets incorporating the currently applicable Consumer Standards and Billing Practices.

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

Chairman

By its action of July 23, 2003.

Commissioner

Its Acting Executive Secretary

Commissioner

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 for authority to file, establish and make effective
 increased electric rates.

Case No. U-13688

SETTLEMENT AGREEMENT

On February 6, 2003, Wisconsin Public Service Corporation ("WPS Corp") filed with the Michigan Public Service Commission ("Commission") its application and supporting testimony, exhibits and workpapers ("Direct Case") requesting authority to increase electric rates to produce a \$1,420,783 annual increase in base revenues. WPS Corp also filed a Motion for Partial and Immediate Rate Relief ("Motion") requesting an interim rate increase to produce a \$908,251 annual increase in base revenues; thereafter WPS Corp amended its request for partial and immediate rate relief to \$612,066. WPS Corp also sought power supply cost recovery ("PSCR") treatment, and recovery through the PSCR, of American Transmission Company, LLC ("ATCLLC") and Midwest Independent System Operator ("MISO") transmission charges. On February 27, 2003, the Commission issued its Notice of Hearing. In accordance with the Commission's Notice of Hearing, WPS Corp provided notice of this proceeding throughout its Michigan electric service area. At the prehearing conference on March 24, 2003, WPS Corp's proofs of mailing and publication were accepted without objection into the record, and the petitions to intervene of Great Lakes Pulp Company ("Great Lakes"), the Attorney General Mike A. Cox ("AG"), and Michigan Environmental

Council, Public Interest Research Group in Michigan and Michigan Consumers Federation ("MEC et al") were granted. The Michigan Public Service Commission Staff ("Staff") participated in the prehearing conference. Administrative Law Judge Cummins presided over the proceeding.

On May 8, 2003, Staff filed its Report and Recommendation on Interim Relief and testimony and exhibits addressing interim relief. Great Lakes also filed its direct case on interim rate relief. On May 19, 2003, a hearing on WPS Corp's Motion was held ("May 19 Hearing"). WPS Corp's Direct Case and Staff's and Great Lakes' cases on interim relief were entered into the record.

The matter has been conducted as a contested case proceeding pursuant to Chapter 4 of the Administrative Procedures Act of 1969.

Subsequent to the May 19 Hearing, the parties engaged in extensive discussions leading to this Settlement Agreement. It is the opinion of the signatories hereto that this Settlement Agreement will aid in the expeditious conclusion of this proceeding, and will minimize expenses which would otherwise have to be devoted to this matter by the Commission and the parties. This Settlement Agreement finally resolves this case. All provisions of the Settlement Agreement are dependent upon all other provisions.

This Settlement Agreement is submitted pursuant to Section 78 of the Administrative Procedures Act of 1969, as amended (1969 PA 306, §78; MCL 24.278). By this Settlement Agreement, WPS Corp, Staff, Great Lakes, MEC et al and the AG agree and stipulate as follows:

1. WPS Corp's Michigan electric base rates should be adjusted to provide an annual revenue increase of approximately \$300,000 based on a projected test year of 2003 and an overall rate of return of 7.9% including a return on common equity of 11.40%.

2. WPS Corp's should be authorized to revise its Michigan electric tariffs to reflect the revenue increase of approximately \$300,000 in accordance with the tariff sheets attached hereto as Attachment A.

3. On a class-by-class basis, the tariff sheets in Attachment A implement percentage rate increases as set forth in Attachment B.

4. The rates in Attachment A are to be effective for service rendered on and after the day following the issuance of a Commission order approving this Settlement Agreement with the exception of the Cp-1M rate class. Due to the significant structural changes to this rate class, the rates will be implemented at the beginning of the next full billing cycle following the issuance of the order approving this Settlement Agreement to avoid billing prorations. Existing Cg-1M and Cg-2M customers on the Optional Demand and Energy rate will also be transferred to the Cp-1M rate (or applicable energy only rate tariff at customer's option) effective with the next full billing cycle after the issuance of the order approving this Settlement Agreement or after the necessary metering has been installed, whichever is later. These meters shall be installed within two months of the date of the order in this proceeding. The Cg-1M, Cg-2M, Cg-3M, Cg-4M, and Gw-1 tariffs included in Attachment A also contain language providing certain exceptions to the effective date of new rates.

5. As set forth in the Direct Case, WPS Corp transferred its transmission facilities to the ATCLLC in 2001. WPS Corp represents in its Direct Case that as of 2001 it has been incurring charges from ATCLLC and MISO for transmission services. It is agreed, that; (i) PSCR treatment and recovery of the ATCLLC and MISO transmission charges will be through the PSCR clause on and after the day following the issuance of a Commission order approving this Settlement Agreement; (ii) effective with the next full month following the issuance of a Commission order approving this

Settlement Agreement, WPS Corp should be authorized to implement a revised 2003 PSCR factor of negative \$0.00305 per kilowatt-hour for the remaining portion of the 2003 calendar year; and (iii) WPS Corp's cost of power supply included in base rates should remain 18.71 mills per kilowatt-hour.

6. It is further agreed that the personal property tax expense used in calculating the rates set forth in Attachment A reflects the new personal property tax multiplier tables to the extent taxing districts are using them. Therefore, consistent with the Commission's May 28, 2003 Order in Case No. U-13610, no further adjustment to WPS Corp's rates is necessary.

7. Within 90 days of the issuance of a Commission Order approving this Settlement Agreement, WPS Corp will file revised tariff sheets incorporating the current applicable Commission Consumer Standards and Billing Practices.

8. This settlement is entered into without any party waiving any factual or legal issue, or remedy, relating to the costs or rate impacts of Spent Nuclear Fuel ("SNF") fees, storage, or disposal, or nuclear plant operation, maintenance, or plant and SNF site decommissioning. Without waiving any issue or argument, the parties will pursue or refer said issues to the generic complaint case initiated by MEC et. al., in MPSC Case No. U-13771. The agreement in this paragraph is for this case only and shall not be cited or viewed as precedent or be binding on any party hereto in any other case.

9. This Settlement Agreement has been made for the sole express purpose of reaching a compromise among the positions of the signatories. All offers of settlement and discussion leading up to this Settlement Agreement shall be considered privileged under MRE 408. If this Commission approves this Settlement Agreement without modification, the parties to this Settlement Agreement and the Commission shall not make any reference to or use of this Settlement Agreement or the order approving it as

a reason, authority, rationale, or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided, however, such references or use may be made to enforce this Settlement Agreement and the order approving it.

10. This Settlement Agreement is not severable. Each provision of this Settlement Agreement is dependent upon all other provision of this Settlement Agreement. If the Commission rejects or modifies this Settlement Agreement or any provision of this Settlement Agreement, it shall be withdrawn and shall not constitute any part of the record of this proceeding or be used for any other purpose.

11. So long as the Commission approves this Settlement Agreement without modification, the parties waive any rights under MCL 24.281 and agree not to appeal or otherwise contest the Commission order approving this Settlement Agreement. Except as otherwise set forth herein, the parties agree and understand that this Settlement Agreement does not limit any party's right to take new and/or different positions on similar issues in other administrative proceedings unrelated to WPS Corp or appeals related thereto.

Wisconsin Public Service Corporation

Dated: 7-10-03

By Sherrill A. Wellman
One of its Attorneys
Harvey J. Messing (P23309)
Sherri A Wellman (P38989)

Michigan Public Service Commission Staff

Dated: 7-14-03

By Kristin M. Smith
Its Attorney
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Great Lakes Pulp Company

Dated: 7/10/03

By Christine Mason Soneral
Its Attorney
Christine Mason Soneral (P58820)

**Michigan Environmental Council,
Public Interest Research Group In
Michigan, and Michigan Consumers
Federation**

Dated: 7/11/03

By Don L. Keskey
Their Attorney
Don L. Keskey (P23003)

**Non-Objection,
Attorney General Mike A. Cox**

Dated: 7-14-03

By Michael E. Moody
His Attorney
Michael E. Moody (P51985)