

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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| In the matter of the application of |) | |
| MIDWEST ENERGY COOPERATIVE for |) | |
| expedited authority to implement the additional |) | Case No. U-13910 |
| power supply cost recovery factor previously |) | |
| approved in Case No. U-13910 |) | |
| _____ |) | |

At the August 10, 2004 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 APPLICATION

On July 28, 2004, Midwest Energy Cooperative (Midwest) filed an application seeking authority to implement an additional power supply cost recovery (PSCR) factor of \$0.00271 per kilowatt-hour (kWh). The additional factor was previously addressed by the Commission when it approved the parties' settlement agreement in the April 20, 2004 order in this case. In that order, the Commission approved the additional factor in anticipation of a Commission order approving a requested rate increase for Midwest's exclusive supplier of electricity, Wabash Valley Power Association, Inc. (Wabash). The Commission stated that the additional factor "will be permitted in the remaining months of 2004 following the issuance of a Commission order approving Wabash Valley Power Association's requested rate increase *in Case No. U-13951.*" April 20, 2004 order, Case No. U-13910, p. 2 (emphasis added).

After the Commission issued its order, however, Wabash filed an application with the Federal Energy Regulatory Commission (FERC) indicating its intent to become a FERC-jurisdictional public utility.¹ In its application, Wabash requested FERC authority to apply certain formula rate tariffs. Those rates were approved, subject to refund, by FERC order dated June 29, 2004.²

On July 6, 2004, citing FERC authority over its rates, Wabash filed a petition to withdraw its application for rate relief in Case No. U-13951. Recognizing FERC's new jurisdiction over Wabash's rates, the Commission issued an order dismissing the application.³

As noted above, the Commission's approval of the additional PSCR factor for Midwest was expressly conditioned on Wabash receiving its requested rate increase in Case No. U-13951. Because the Commission dismissed that application, the condition precedent for Midwest to receive the added PSCR factor cannot occur. Nevertheless, Wabash received approval for a sizable rate increase from the FERC. Midwest asks this Commission to issue an order authorizing the additional PSCR factor previously approved to accommodate Wabash's rate increase. In support, the Commission Staff entered into a settlement agreement with Midwest agreeing that Midwest should be permitted to implement the additional PSCR factor for the remaining months of 2004.

The Commission finds that Midwest's application, and accompanying settlement agreement, should be approved. The Commission approved Midwest's additional PSCR factor in anticipation of a Wabash rate increase. Although that rate increase was not approved by this Commission,

¹ Wabash was not a FERC-jurisdictional public utility because it was a borrower from the Rural Utilities Service (RUS). On June 30, 2004, however, Wabash refinanced its outstanding debt and repurchased all of its RUS debt. Upon paying off its RUS debt, Wabash became subject to FERC regulation.

² See, FERC Docket Nos. ER04-789-000 and ER04-802-000.

³ See, July 22, 2004 order, Case No. U-13951.

Wabash's rates have increased. Midwest should be authorized to apply the additional PSCR factor of up to \$0.00271 per kWh for the remaining months of 2004.

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, 1999 AC, R 460.17101 et seq.

b. Midwest should be authorized to implement a previously approved additional PSCR factor of up to \$0.00271 per kWh for the remaining months of 2004.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. Midwest Energy Cooperative is authorized to implement a power supply cost recovery factor of up to \$0.00271 per kilowatt-hour, in its monthly bills to its retail electric member-consumers during the remaining months of 2004.

C. Midwest Energy Cooperative shall file with the Commission, within 30 days, four sets of tariff sheets essentially the same as those attached to the settlement agreement.

E. If Midwest Energy Cooperative desires 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 that 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
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 10, 2004.

/s/ Mary Jo Kunkle

Its Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

Chair

Commissioner

Commissioner

By its action of August 10, 2004.

Its Executive Secretary

In the matter of the application of)
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_____)

Case No. U-13910

Suggested Minute:

“Adopt and issue order dated August 10, 2004 authorizing Midwest Energy Cooperative to apply an additional power supply cost recovery factor of up to \$0.00271 per kilowatt-hour for the remaining months of 2004, as set forth in the order.”