

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 reconcile its power supply cost recovery)	Case No. U-13914-R
costs and revenues for the 12-month period ended)	
December 31, 2004.)	
_____)	

At the December 20, 2005 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. J. Peter Lark, Chairman
Hon. Laura Chappelle, Commissioner
Hon. Monica Martinez, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On March 23, 2005, Edison Sault Electric Company (Edison Sault) filed an application, with supporting testimony and exhibits, requesting the commencement of a power supply cost recovery (PSCR) reconciliation proceeding for the 12-month period ended December 31, 2004.

Pursuant to due notice, a prehearing conference was held on May 18, 2005 before Administrative Law Judge James N. Rigas. The Commission Staff also participated in the proceedings. Subsequently, the parties entered into a settlement agreement resolving all issues in the case.

The settlement agreement, attached as Exhibit A, states that for the period ended December 31, 2004, Edison Sault experienced a net PSCR overrecovery of \$905,461, consisting of a \$900,051 overrecovery and \$5,409 in interest. Edison Sault refunded the \$905,461

overcollection (net overcollection plus interest for the year 2004) commencing in January 2005 by applying a PSCR refund factor of approximately \$.00150 per kilowatt-hour.

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. Edison Sault Electric Company's repayment of the \$905,461 by applying a power supply cost recovery refund factor of approximately \$.00150 per kilowatt-hour is approved.

C. Edison Sault Electric Company will provide the Commission Staff with tariff sheets showing the actual refund factors, workpapers showing the refund calculations, and the General Ledger entries recording the amount refunded.

D. Any overcollected or undercollected amount of the refund shall be carried forward into the 2005 power supply cost recovery reconciliation proceedings.

E. Rights to any portion of the refund shall not vest until a refund amount has been credited to a member-consumer's bill. The cooperative shall file a report regarding the refund in accordance with the provisions of this order.

F. Within 30 days of the date of this order, Edison Sault Electric Company shall file tariff sheets reflecting 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 after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ J. Peter Lark

Chairman

(S E A L)

/s/ Laura Chappelle

Commissioner

/s/ Monica Martinez

Commissioner

By its action of December 20, 2005.

/s/ Mary Jo Kunkle

Its Executive Secretary

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

Commissioner

Commissioner

By its action of December 20, 2005.

Its Executive Secretary

Edison Sault prefiled testimony of Leroy M. Baatz, its Assistant Vice President - Rates. The Staff did not prefile testimony. According to the prefiled testimony, for the twelve-month period ended December 31, 2004 Edison Sault experienced an overcollection of \$900,051. The prefiled testimony calculated interest on monthly undercollection balances at annual rates between 5.277% and 6.100% based upon Edison Sault's actual short-term borrowings. An annual interest rate of 14.0%, Edison Sault's last authorized return on remaining equity, was applied in the months Edison Sault had a cumulative overcollection. The total net amount of interest to be paid by Edison Sault through December 21, 2004 is \$5,409. Thus, the total amount proposed to be refunded was \$905,461 (net overrecovery plus interest).

The Commission Staff reviewed Edison Sault's power supply costs for the twelve-month period ended December 31, 2004. Based on such review, audit and discussions, Edison Sault and Commission Staff agree that Edison Sault experienced a total overcollection of \$905,461 (consisting of \$900,051 overrecovery and \$5,409 in interest). The parties also agree that Edison Sault's refund plan is consistent with the Commission 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, as amended (1969 PA 306, §78; MCL 24.278), Edison Sault, the City and Staff hereby agree as follows:

A. For the twelve month period ended December 31, 2004, Edison Sault incurred a net power supply cost overcollection of \$900,051. Interest on this amount through December 31, 2004 is \$5,409, for a total overrecovery of \$905,461.

B. The power supply costs incurred by Edison Sault during the twelve month period ended December 31, 2004 were incurred in a reasonable and prudent manner and represent a reasonable and prudent level of cost.

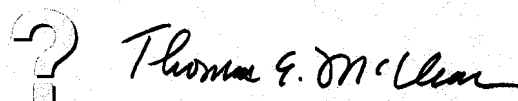
C. Edison Sault's proposal to repay the \$905,461 overcollection (net overcollection plus interest for the year 2004) commencing in January 2005 is reasonable. Based upon 2005 projected sales, the refund factor equals approximately \$.00150 per kilowatt-hour.

D. Section 81 of the Administrative Procedures Act of 1969 is waived.

E. Tariff sheets showing the actual refund and billing factors to be used will be filed with the Commission.

F. 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.

Dated: September __, 2005



COMMISSION STAFF
Thomas E. McClear (P25585)
Assistant Attorney General
6545 Mercantile Way, Ste. 15
Lansing, MI 48911
(517) 241-6680

Dated: September 22, 2005

**Christine Mason
Soneral**

Digitally signed by Christine Mason
Soneral
DN: CN = Christine Mason Soneral, C
= US, O = Dykema Gossett PLLC
Date: 2005.09.22 15:14:36 -04'00'

EDISON SAULT ELECTRIC COMPANY

By: Albert Ernst (P24095)

Christine Mason Soneral (P58820)

DYKEMA GOSSETT PLLC

800 Michigan National Tower

Lansing, MI 48933

(517) 374-9155/ (517) 374-9184

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