

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of	)	
<b>ALPENA POWER COMPANY</b> to commence a	)	
power supply cost reconciliation proceeding for	)	Case No. U-14700-R
the 12-month period ending December 31, 2006.	)	
_____	)	

At the July 5, 2007 meeting of the Michigan Public Service Commission in Lansing, Michigan.

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

**ORDER APPROVING SETTLEMENT AGREEMENT**

On March 28, 2007, Alpena Power Company (Alpena) filed an application, with supporting testimony and exhibits, reconciling its power supply cost recovery (PSCR) costs and revenues for the 12-month period ending December 31, 2006. Alpena asserts that its PSCR costs exceeded its PSCR revenues resulting in an underrecovery.

Pursuant to due notice, a prehearing conference was held on May 23, 2007 before Administrative Law Judge Barbara A. Stump. The Commission Staff (the Staff) participated in the proceedings. Subsequently, the Staff and Alpena submitted a settlement agreement, attached as Exhibit A, resolving all issues.

According to the terms of the settlement agreement, Alpena experienced an underrecovery of \$27,435 during 2005 and 2006, including interest. This amount includes a 2006 underrecovery of \$7,045, a rolled-in underrecovery of \$26,621 from Alpena's 2005 PSCR reconciliation, and

\$6,231 in interest calculated on the monthly average balance total, resulting in a total net under-recovery of \$27,435. The parties have agreed that Alpena will roll the total net underrecovery of \$27,435 into its current 2007 PSCR plan costs pursuant to the method authorized by the Commission in its order issued in Case No. U-15000.

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. Alpena Power Company shall roll into its 2007 power supply cost recovery plan the under-recovered amount of \$27,435.

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/ Monica Martinez  
Commissioner

By its action of July 5, 2007.

/s/ Mary Jo Kunkle  
Its 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

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Chairman

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Commissioner

By its action of July 5, 2007.

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Its Executive Secretary

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of  
**ALPENA POWER COMPANY**  
to commence a Power Supply Cost  
reconciliation proceeding for the 12-month  
period ending December 31, 2006.

**Case No. U-14700-R**  
(Power Supply Cost Reconciliation)

**SETTLEMENT AGREEMENT**

Alpena Power Company ("Alpena"), by its attorney, Timothy M. Gulden, of the law firm of Gillard, Bauer, Mazrum, Florip, Smigelski and Gulden, and the Michigan Public Service Commission Staff ("Staff"), by its attorney, Assistant Attorney General Michael J. Orris, present this settlement agreement in resolution of the above matter.

1. On March 28, 2007, Alpena filed its application for a power supply cost recovery (PSCR) reconciliation proceeding for the 12-month period ending December 31, 2006, together with its prepared testimony and exhibits of its witnesses in support of the application. Based on calculations, Alpena determined that power supply costs exceeded power supply revenues, resulting in an under-collection. Alpena has requested to roll the under-collection into its current PSCR plan costs. On April 24, 2007, the Michigan Public Service Commission ("Commission") issued its notice of hearing, setting this matter for a prehearing conference on May 23, 2007. Pursuant to the Commission's directives, Alpena mailed a copy of the notice of hearing to all cities, incorporated villages, townships, and counties in its

service area, and published the notice of hearing in daily newspapers of general circulation within its service area. No parties

sought to intervene. The prehearing conference was conducted by Administrative Law Judge Barbara A. Stump. Staff conducted its audit. Based upon the audit, and discussions of the Staff and Alpena concerning Alpena's application and the audit, the Staff and Alpena enter this settlement agreement.

The parties agree as follows:

a. Proceedings in this PSCR reconciliation were conducted in accordance with 1982 PA 304. The expenditures charged by Alpena for the cost of power supply were reasonably and prudently incurred.

b. Alpena collected \$13,132,842 in base and PSCR revenues and had \$13,139,887 in power supply costs during the 12-month period ending December 31, 2006, resulting in an under-collection of \$7,045.

c. The application of the surcharge to reconcile 2005 PSCR costs that was authorized by Commission order in Case No. U-14261-R resulted in an under-collection of \$26,621, which should be rolled into the 2006 PSCR plan. This results in a net under-collection of \$33,666.

d. Interest through the 2006 plan period equals (\$6,231), and when added to the net PSCR under-collection results in a total PSCR under-collection of \$27,435.

e. In order to collect the total under-collection of \$27,435, Alpena will roll that amount into its current 2007 PSCR plan costs pursuant to the methodology authorized by the Commission in its Opinion and Order issued in Case No. U-15000.

2. It is the opinion of the parties that this settlement agreement will aid the expeditious conclusion of this case, this settlement agreement is intended for final disposition of this proceeding,

and the parties join in respectfully requesting the Commission to grant prompt approval of the settlement agreement.

3. This settlement agreement will become binding upon the parties only if the Commission accepts and approves it without modification. If the Commission does not approve this settlement agreement without modification, it shall be withdrawn and shall not constitute any part of the record in the proceeding or be used for any purpose whatsoever.

4. This settlement agreement has been made for the sole and express purpose of reaching a compromise among the positions of the signatories without prejudice to their rights to take new and different positions in other proceedings. All offers of settlement and discussions relating to this settlement agreement shall be considered privileged under MRE 408. If the Commission approves this settlement agreement without modification, the parties shall make no reference to or use the 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 the settlement agreement and order.

5. All parties waive Section 81 of the Administration Procedures Act of 1969, as amended, MCL 24.281.

MICHIGAN PUBLIC SERVICE COMMISSION

By: Michael J. Orris  
Michael J. Orris (P51232)  
Assistant Attorney General

ALPENA POWER COMPANY

By: \_\_\_\_\_  
Its: Attorney