

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of )  
**WISCONSIN PUBLIC SERVICE CORPORATION** )  
for a power supply cost reconciliation proceeding )  
for the 12-month period ended December 31, 2006. )  
\_\_\_\_\_ )

Case No. U-14708-R

At the November 8, 2007 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Orjiakor N. Isiogu, Chairman  
Hon. Monica Martinez, Commissioner  
Hon. Steven A. Transeth, Commissioner

**ORDER APPROVING SETTLEMENT AGREEMENT**

On March 28, 2007, Wisconsin Public Service Corporation (WPS Corp) filed an application,  
with supporting testimony and exhibits, requesting approval of a power supply cost recovery  
(PSCR) reconciliation proceeding for the 12-month period ended December 31, 2006.

Pursuant to due notice, a prehearing conference was held on May 24, 2007 before  
Administrative Law Judge Daniel E. Nickerson, Jr. WPS Corp, SFK Pulp Recycling U.S. Inc.,  
and the Commission Staff participated in the proceedings. The parties entered into a settlement  
agreement resolving all issues in the case.

According to the terms of the settlement agreement (attached as Exhibit A) WPS Corp has a  
net overrecovery of \$772,535, inclusive of all interest calculated through December 2007. The  
settlement agreement provides that, during the billing months of May 2007 through November

2007, WPS Corp shall refund \$696,034<sup>1</sup> of the total overrecovery to its PSCR customers by lowering its PSCR factor by \$0.00398 per kilowatt-hour (kWh). The settlement agreement also provides that WPS Corp shall refund the remaining amount, \$76,500, of the overrecovery by implementing a credit of \$0.00315 per kWh on bills issued in December 2007.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1909 PA 106, MCL 460.551 *et seq.*; 1919 PA 419, MCL 460.51 *et seq.*; 1939 PA 3, MCL 460.1 *et seq.*; 1982 PA 304, MCL 460.6j *et seq.*; 1969 PA 306, MCL 24.201 *et seq.*; and the Commission's Rules of Practice and Procedure, 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 Attachment A, is approved.
- B. Wisconsin Public Service Corporation is authorized to: (i) refund \$696,034 of the total overrecovery to its power supply cost recovery customers by lowering its power supply cost recovery factor by \$0.00398 per kilowatt-hour on bills issued in the billing months of May 2007 through November 2007 and (ii) refund \$76,500 of the overrecovery by implementing a credit of \$0.00315 per kilowatt-hour on bills issued in the billing month of December 2007 for all standard tariff metered sales, so as to refund the net overrecovery of \$772,535.
- C. Wisconsin Public Service Corporation shall file, within 30 days, tariff sheets reflecting the approved credit.

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<sup>1</sup>The numbers in paragraph 4d of the settlement agreement appear not to foot due to rounding.

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/ Orjiakor N. Isiogu  
Chairman

( S E A L )

/s/ Monica Martinez  
Commissioner

/s/ Steven A. Transeth  
Commissioner

By its action of November 8, 2007.

/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

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Chairman

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Commissioner

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Commissioner

By its action of November 8, 2007.

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Its Executive Secretary

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**WISCONSIN PUBLIC SERVICE CORPORATION** )  
for a power supply cost recovery reconciliation )  
proceeding for the 12-month period ended )  
December 31, 2006. )

Case No. U-14708-R

SETTLEMENT AGREEMENT

As provided in Section 78 of the Administrative Procedures Act of 1969 (“APA”), as amended MCL 24.278 and Rule 333 of the Rules of Practice and Procedure Before the Commission, 1992 AACRS, R 460.17333, Wisconsin Public Service Corporation (“WPS Corp”), the Michigan Public Service Commission Staff (“Staff”) and SFK Pulp Recycling U.S. Inc., have resolved through settlement discussions the contested issues regarding this proceeding.

1. On March 28, 2007, WPS Corp filed with the Michigan Public Service Commission (“Commission”) an application, with supporting testimony and exhibits of John G. Guntlisbergen, seeking authority to reconcile its power supply costs with its power supply revenues for the 12-month period ending December 31, 2006. Based on calculations, WPS Corp determined that its power supply revenues exceeded power supply costs and requested to refund a net overrecovery, reflective of interest.

2. On April 25, 2007, the Commission’s Executive Secretary issued the Notice of Hearing. As directed by the Executive Secretary, WPS Corp mailed the Notice to municipalities throughout its Michigan electric service area and to intervenors in Case Nos. U-15008 and U-14272-R. WPS Corp also published the Notice in daily newspapers of general circulation in

its Michigan electric service area. On May 17, 2007, WPS Corp electronically filed the requisite proofs of mailing and publication.

3. Administrative Law Judge (“ALJ”) Daniel E. Nickerson, Jr., presided over the prehearing conference held on May 24, 2007. WPS Corp and the Staff participated in the proceeding. The petition to intervene of SFK Pulp Recycling U.S. Inc. (formerly operating as Great Lakes Pulp Company) was granted.

4. Following Staff’s audit of WPS Corp’s books and records, the signatories agreed as follows:

a. The expenditures charged by WPS Corp for the cost of power supply were reasonably and prudently incurred for the 12-month period ending December 31, 2006. The purchase practices followed by WPS Corp comport with the 2006 PSCR Plan as reviewed by the Commission in Case No. U-14708 and were reasonable and prudent.

b. WPS Corp sold 293,827,727 Kwh subject to a Michigan Power Supply Cost Recovery (“PSCR”) billing factor during the 12-month period ending December 31, 2006.

c. WPS Corp collected \$8,500,673 in PSCR revenues, and had \$8,319,042 of power supply costs during the period ending December 31, 2006. The application of the amortized amount (\$501,000) of the Michigan jurisdictional portion of the Kewaunee Nuclear Power Plant (“KNPP”) Non-Qualified Decommissioning Trust Fund (“NQDT”) for 2006 reduced the total power supply cost to \$7,818,042. The difference between \$8,500,673 collected and \$7,818,042 costs for 2006 is \$682,631 and represents an overrecovery. Interest booked on monthly under and overrecoveries during the 2006

PSCR period and for the months of January 2007 through December 2007 totals \$89,904, thereby resulting in a total overrecovery of \$772,535.

d. WPS Corp requests Commission authority to refund \$696,034 of the total overrecovered amount of \$772,535 to its PSCR customers by lowering its PSCR factor by \$0.00398 per Kwh for the billing months of May 2007 through November 2007. The parties agree that WPS Corp should be so authorized. The parties also agree that WPS Corp should be authorized to refund the remaining amount of the overrecovered amount, \$76,500, by implementing a credit of \$0.00315 per Kwh on bills issued for the billing month of December 2007. Exhibit A hereto sets forth refund calculations. Any overrefunded or underrefunded amount associated with this credit shall be carried forward, with interest, as an addition or offset to WPS Corp's future refund requirements in Account 253. Interest will be calculated in accordance with MCL 460.6j(16).

5. It is the opinion of all signatories that this settlement agreement will result in the expeditious conclusion of this case.

6. This settlement agreement is intended for a final disposition of this proceeding. Each signatory agrees not to appeal, challenge or contest the Commission's order accepting and approving this settlement agreement without modification. If the Commission does not accept the settlement agreement without modification, the agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

7. The settlement agreement and all offers of settlement and discussions are privileged and shall not be used in any manner, nor be admissible, for any other purpose in connection with this proceeding or any other proceeding except so as to prove the contents herein.

8. All signatories agree to waive Section 81 of the APA, as amended MCL 24.281, as it applies to the issues in this proceeding.

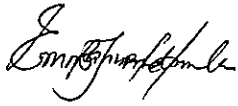
WISCONSIN PUBLIC SERVICE  
CORPORATION

Dated: October 18, 2007

By: Sherri A. Wellman Digitally signed by Sherri A. Wellman  
DN: CN = Sherri A. Wellman, C = US, O =  
Miller Canfield  
Date: 2007.10.18 10:08:43 -04'00'  
One of Its Attorneys  
Harvey J. Messing (P23309)  
Sherri A. Wellman (P38989)  
MILLER, CANFIELD, PADDOCK  
AND STONE, P.L.C.  
One Michigan Avenue, Suite 900  
Lansing, MI 48933

MICHIGAN PUBLIC SERVICE COMMISSION  
STAFF

Dated: October 18, 2007

By:   
Its Attorney  
Emmanuel B. Odunlami (P66255)  
Assistant Attorney General  
Public Service Division  
6545 Mercantile Way, Suite 15  
Lansing, MI 48911

SFK PULP RECYCLING U.S. INC.

Dated: October 18, 2007

By: Joseph J. Baumann Digitally signed by Joseph J. Baumann  
DN: cn=Joseph J. Baumann, c=US,  
o=Dykema Gossett,  
email=jbaumann@dykema.com  
Date: 2007.10.22 10:38:33 -04'00'  
Its Attorney  
Joseph J. Baumann (P69261)  
Dykema Gossett, PLLC  
124 W. Allegan Street, Suite 800  
Lansing, MI 48933

Exhibit A

Case No. U-14708-R

WISCONSIN PUBLIC SERVICE CORPORATION  
2006 Plan Year Reconciliation Summary

Line:			Activity	Balances
1.	Principle amount of over-recovery at Dec 31, 2006		\$682,631	
2.	Simple interest during plan year of 2006		\$40,619	
3.	Subtotal: Principle plus Interest at Dec 31, 2006			\$723,250
4.	Interest Rate	11.400 %		
5.	Simple Interest for Jan 2007 - April 2007		\$27,484	
6.	Estimated May-August 2007 Sales Subject to PSCR (Kwh)	101,071,940		
7.	Actual Refund Rate (\$/Kwh) for May - August 2007	(\$0.00398)		
8.	Estimated Refunded May-August 2007		(\$402,266)	
9.	Estimated Simple Interest for May 2007 - August 2007		\$18,518	
10.	Estimated Balance Remaining to Refund as of August 31, 2007			\$366,985
11.	Forecasted Sept. to November 2007 Sales (Kwhs)	73,811,000		
12.	Refund Rate (\$/Kwh) for Sept to November 2007	(\$0.00398)		
13.	Forecasted Refund for Sept. 2007 to November 2007		(\$293,768)	
14.	Forecasted Simple Interest for Sept 2007 - December 2007		\$3,283	
15.	Balance Remaining to Refund as of November, 30 2007			\$76,500
16.	Forecasted December 2007 Sales (Kwhs)	24,296,000		
17.	Credit per Kwh for the month of December 2007			(\$0.00315)
			\$89,904	
			(\$772,535)	

Overrecovery interest rate = 11.4 % (1)  
Underrecovery interest rate = 5.148 % (2)

(1) Changed July 23, 2003 Case No. U-13686

(2) The average short term borrowing rate available to the Company in 2006.