

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
ALGER DELTA COOPERATIVE ELECTRIC)	
ASSOCIATION for: (i) a power supply cost recovery)	Case No. U-14265-R
reconciliation proceeding for the 24-month period)	Case No. U-14709-R
ended December 31, 2006 and (ii) a times interest)	
earned ratio ratemaking mechanism review for the)	
12-month period ended December 31, 2006)	
_____)	

At the June 26, 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 April 12, 2007, Alger Delta Cooperative Electric Association (Alger Delta) filed an application requesting Commission approval of its power supply cost recovery (PSCR) reconciliation for the 24-month period ended December 31, 2006 and relative to its times interest earned ratio (TIER) ratemaking mechanism for the 12-month period ended December 31, 2006.

Alger Delta reported that its PSCR revenues exceeded PSCR costs by \$148,394 for the 24-month period ended December 31, 2006. Alger Delta refunded the 2005 portion of the overcollection to monthly member-consumers in their March 2006 bills and to seasonal member-consumers in their December 2006 bills. Alger Delta is refunding the 2006 portion of the overcollection to monthly member-consumers by reducing the monthly PSCR factor beginning in

May 2007. Alger Delta proposes to refund the 2006 portion of the overcollection to seasonal member-consumers in their December 2007 bills.

With respect to its TIER ratemaking, Alger Delta reported an adjusted TIER of 1.56 for the 12-month period ended December 31, 2006. Although a \$416,036 rate increase (4.62%) would be required to return to a 2.0 TIER, Alger Delta is recommending that its TIER floor be reduced to 1.50 in this case only and that no rate increase be effectuated in this case.

Pursuant to due notice, a prehearing conference was held on June 5, 2007 before Administrative Law Judge Sharon L. Feldman. Alger Delta and the Commission Staff participated in the proceedings.

Subsequently, the parties submitted a settlement agreement, attached as Exhibit A, in which they agreed to recommend that the Commission find: (i) Alger Delta has overcollected \$148,394 for the 24-month period ended December 31, 2006; (ii) Alger Delta has already refunded \$43,973.03 of the overcollection and will refund the remaining amount by reducing its member-consumers' monthly PSCR factor; (iii) for this case only, Alger Delta's TIER floor should be reduced to 1.50, and no rate increase should be authorized; and (iv) for future ratemaking filings Alger Delta has committed to and shall provide a revenue by rate calculation spreadsheet and bill frequency distribution reports.

The Commission finds that the settlement agreement is reasonable, 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 460.551 *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. The settlement agreement is reasonable and in the public interest, and should be approved.
- c. Alger Delta overcollected \$148,394 for the 24-month period ended December 31, 2006.
- d. Alger Delta has already refunded \$43,973.03 of the overcollection and will refund the remaining amount by reducing its member-consumers' monthly PSCR factor, crediting seasonal customers' December 2007 bills.
- e. For this case only, Alger Delta's TIER floor should be reduced to 1.50 and no rate increase should be authorized.
- f. Alger Delta shall, in future TIER ratemaking filings, provide a revenue by rate calculation spreadsheet and bill frequency distribution reports.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Alger Delta Cooperative Electric Association's overcollection and refund of \$148,394 for the 24-month period ended December 31, 2006 is approved.
- C. Alger Delta Cooperative Electric Association's refund methodology for the remaining overcollection is approved.
- D. For this case only, Alger Delta Cooperative Electric Association is authorized to reduce the times earned interest ratio floor to 1.50.
- E. Within 30 days of the date of this order, Alger Delta Cooperative Electric Association shall file tariff sheets essentially the same as those attached to the settlement agreement.

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 June 26, 2007.

/s/ Mary Jo Kunkle

Its Executive Secretary

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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

By its action of June 26, 2007.

Its Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
ALGER DELTA COOPERATIVE)	Case No. U-14265-R
ELECTRIC ASSOCIATION (i) for a)	Case No. U-14709-R
Power Supply Cost Recovery)	(2005/2006 Biennial PSCR Recon)
Reconciliation proceeding for the 24-)	
month period ended December 31,)	
2006 and (ii) for a TIER Ratemaking)	
Mechanism review for the 12-month)	
period ended December 31, 2006.)	
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SETTLEMENT AGREEMENT

On April 12, 2007, Alger Delta Cooperative Electric Association (Alger Delta) filed an application relative to its power supply cost recovery (PSCR) reconciliation proceeding for the 24 months ended December 31, 2006 and (ii) its Times Interest Earned Ratio (TIER) Ratemaking Mechanism for the twelve month period ended December 31, 2006.

With respect to its PSCR reconciliation, Alger Delta reported an overrecovery (power supply revenues exceeded power supply costs) in the amount of \$148,394 for the 24-month period ended December 31, 2006. Approximately \$113,347 of the overcollection is attributable to monthly member-consumers, and approximately \$35,047 is attributable to seasonal member-consumers.

Alger Delta refunded the 2005 portion of the overcollection to monthly member-customers in their March 2006 bills. Alger Delta also refunded the 2005 portion of the overcollection to seasonal member-customers in their December 2006 bills. **Alger**

Delta proposes to refund the 2006 portion of the overcollection to monthly member-customers by reducing the monthly PSCR factor beginning in May 2007.

Alger Delta proposes to refund the 2006 portion of the overcollection to seasonable member-customers in their December 2007 bills.

With respect to its TIER Ratemaking, Alger Delta reported an adjusted TIER of 1.56 for the 12-month period ended December 31, 2006. This generally would require a \$416,036 (4.62%) rate increase to return to a 2.0 TIER. In this case only, however, Alger Delta is recommending that its TIER floor be reduced to 1.50 which would eliminate the need for any rate increase in this case. Alger Delta currently is conducting two rate/cost of service studies to determine and address the disparity between residential and seasonal accounts. Because Alger Delta anticipates that the cost of service study results will require a rate restructuring, Alger Delta believes its member-consumers will be better served if no TIER rate increase is implemented at this time.

At the prehearing conference on June 5, 2007, Administrative Law Judge Sharon Feldman (ALJ) presiding, Alger Delta presented proof of service of the Notice of Hearing on all cities, incorporated villages, townships and counties in its service area, and also presented an affidavit evidencing the requisite publication of the notice. Only the Commission Staff (Staff) and Alger Delta participated in the proceedings. No other parties attempted to intervene or otherwise participate. This proceeding was conducted as a contested case matter pursuant to Chapter 4 of the Administrative Procedures Act of 1969, 1969 PA 306.

It is the opinion of the signatories hereto that this settlement agreement will promote the public interest, will aid the expeditious conclusion of this case and will minimize the time and expense which would otherwise have to be devoted to this matter

by the Commission and the parties. This settlement agreement is for the purpose of final resolution of this case and all provisions of same are dependent upon all other provisions contained herein.

This settlement agreement is submitted pursuant to Section 78 of the Administrative Procedures Act of 1969, as amended (1969 PA 306, §78). By this settlement agreement, Alger Delta and Staff hereby agree and stipulate as follows:

1. Alger Delta's overcollection is \$148,394 for the 24-month period ended December 31, 2006.
2. Alger Delta already refunded \$43,973.03 of the \$148,394 overcollection--\$10,243.38 to seasonal member-consumers and \$33,729.65 to monthly member-customers. Alger Delta will refund the remaining overcollection by reducing its member-consumers' monthly PSCR factor.
3. For this case only, Alger Delta should be authorized to reduce its TIER floor to 1.50 so no rate increase for any class is sought in this case.
4. In future TIER Ratemaking filings, Alger Delta will provide a Revenue by Rate Calculation spreadsheet and the Bill Frequency Distribution Reports.
5. Consistent with the Commission's August 22, 2006 Order in Case U-14863, Alger Delta's tariffs should be revised to state that Alger Delta's annual reconciliation proceedings will be filed no later than four months after the end of the 12-month period covered by its most recent PSCR plan.
6. Each signatory hereto agrees not to appeal, challenge or contest the rates approved by the Commission in this case if they are the result of a Commission order accepting and approving this settlement agreement 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 this proceeding or be used for any other purpose whatsoever.

7. Alger Delta and the Commission Staff jointly recommend that the Commission issue its Order Adopting Settlement Agreement.

8. This settlement agreement has been made for the sole and express purpose of reaching compromise among the positions of the signatory parties without prejudice to their rights to take new and/or different positions in other proceedings. If the Commission approves this settlement agreement without modification, neither the parties to this settlement agreement nor the Commission shall make any reference to or use of 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 this case or any other cases or proceedings; provided, however, such reference or use may be made to enforce the settlement agreement and order.

9. Section 81 of the Administrative Procedures Act of 1969 is waived by the signatories.

Dated: June 12, 2007

COMMISSION STAFF
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Dated: June 12, 2007

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Not more than 45 days following the last day of each billing month in which a power supply recovery factor has been applied to customer's bills, Alger Delta Cooperative Electric Association shall file with the Commission a detailed statement for that month of the revenues recorded pursuant to the power supply cost recovery factor and the allowance for cost of power included in the base rates established in the latest Commission order for Alger Delta Cooperative Electric Association and the cost of power supply.

Not less than once a year and not later than 4 months after the end of the 12-month period covered by Alger Delta Cooperative Electric Association's most recently authorized power supply cost recovery plan, a power supply cost reconciliation proceeding will be conducted to reconcile the revenues recorded pursuant to the power supply cost recovery factor and the allowance for cost of power included in base rates as established by the Commission under Alger Delta Cooperative Electric Association's most recent power supply cost recovery plan, among other things. Alger Delta Cooperative Electric Association shall be required to refund to customers, or to credit to customers' bills any net amount determined to have been recovered which is in excess of the amounts actually expended by Alger Delta Cooperative Electric Association for power supply. Alger Delta Cooperative Electric Association shall recover from customers any net amount by which the amount determined to have been recovered over the period covered was less than the amount determined to have been actually expended by Alger Delta Cooperative Electric Association for power supply.

For the twelve months ending December 2007, the Power Supply Cost Recovery Factor is \$0.02255 per kWh. The allowance for cost of power supply included in base rates is \$0.05498 per kWh.

Should the Cooperative apply lesser factors than those above, or if the factors are later revised pursuant to Commission Order or 1982 PA 304, the Cooperative will notify the Commission and file a revision of the above factor.

Issued:
By: Tom Harrell, Manager
Gladstone, Michigan

Effective for all electric bills rendered for
the 2007 PSCR Plan Year
Issued under the authority of **MPSC order dated**
in Case No. U-14710-R