

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the applications of)
CHERRYLAND ELECTRIC COOPERATIVE,)
GREAT LAKES ENERGY COOPERATIVE,)
HOMEWORKS TRI-COUNTY ELECTRIC)
COOPERATIVE, AND PRESQUE ISLE)
ELECTRIC & GAS CO-OP, for a power supply)
cost recovery reconciliation proceeding and for)
a times interest earned ratio ratemaking)
mechanism review for the 12-month period)
ended December 31, 2006.)
_____)

Case No. U-14710-R

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 30, 2007, Presque Isle Electric & Gas Co-op (Presque Isle) filed an application requesting approval of its power supply cost recovery (PSCR) reconciliation mechanism for the 12-month period ended December 31, 2006 and its times interest earned ratio (TIER) ratemaking mechanism for the 12-month period ended December 31, 2006.

Presque Isle reported that its PSCR costs exceeded PSCR revenues in the amount of \$352,305 for the 12-month period ended December 31, 2006. With respect to its TIER ratemaking mechanism, Presque Isle reported that its adjusted TIER for the 12-month period ended

December 31, 2006 is 1.16, which requires a \$673,472 revenue increase to return margins to a 1.6 target TIER.

Pursuant to due notice, a prehearing conference was held on June 5, 2007 before Administrative Law Judge Sharon L. Feldman. Presque Isle and the Commission Staff (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) that Presque Isle has undercollected \$337,828 for the 12-month period ended December 31, 2006; (ii) that, after netting the 2006 undercollection with the remaining prior years' underrecoveries of \$176,643, the total amount to be collected from its member-consumers is \$514,471; (iii) that Presque Isle plans to roll the remaining \$514,471 net undercollection into its monthly PSCR factor; (iv) that for the 12-month period ended December 31, 2006, an adjusted TIER of 1.16 and a revenue increase of \$673,472 is required and should be allocated to three classes, Residential Service – Schedule A, Residential Service – Schedule S, and Outdoor Lighting Service – Schedule OD; (v) that Presque Isle will provide a revenue by rate calculation spreadsheet and bill frequency distribution report in future TIER ratemaking filings; and (vi) that Presque Isle'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.

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. The \$337,828 under-collection for the 12-month period ended December 31, 2006 should be approved.
- d. Presque Isle's methodology to collect the remaining \$514,471 net under-collection should be approved.
- e. For the 12-month period ended December 31, 2006, Presque Isle had an adjusted TIER of 1.16 therefore a revenue increase of \$673,472 to be allocated to three of its rate classes should be approved.
- f. Presque Isle's tariff revisions should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Presque Isle Electric & Gas Co-op's \$337,828 under-collection for the 12-month period ended December 31, 2006 is approved.
- C. Presque Isle Electric & Gas Co-op's methodology to collect the remaining net under-collection of \$514,471 is approved.
- D. Based on Presque Isle Electric & Gas Co-op's adjusted TIER of 1.16, it is authorized to increase its rates by \$673,472 to be allocated to three of its rate classes for bills rendered on and after the first billing cycle at least 30 days following the date of this order.
- E. Within 30 days of the date of this order, Presque Isle Electric & Gas Co-op shall file tariff sheets essentially the same as 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

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

By its action of June 26, 2007.

Its Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the applications of Cherryland)	
Electric Cooperative, Great Lakes Energy)	
Cooperative, HomeWorks Tri-County Electric)	
Cooperative, and Presque Isle Electric &)	Case No. U-14710-R
Gas Co-Op (i) for a power supply cost recovery)	
reconciliation proceeding and (ii) for a TIER)	
Ratemaking mechanism review -- both for the)	
twelve-month period ended December 31, 2006.)	
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SETTLEMENT AGREEMENT

On April 30, 2007, Presque Isle Electric & Gas Co-Op (Presque Isle) filed an application relative to (i) its power supply cost recovery (PSCR) reconciliation proceeding for the 12 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, Presque Isle reported an undercollection (power supply costs exceeded power supply revenues) in the amount of \$352,305 for the 12 months ended December 31, 2006. With respect to its TIER Ratemaking Mechanism, Presque Isle reported that its adjusted TIER for the twelve-month period ended December 31, 2006 is 1.16, which requires a \$673,472 revenue increase to return margins to a 1.6 Target TIER.

At the prehearing conference on June 5, 2007, Administrative Law Judge Sharon Feldman (ALJ) presiding, Presque Isle 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 Presque Isle participated in the proceedings. The proceeding was conducted as a contested case matter pursuant to Chapter 4 of the Administrative Procedures Act of 1969, 1969 PA 306.

Prior to the June 5, 2007 prehearing conference, the parties exchanged information and discussed Presque Isle's filing. The result of those discussions is this executed settlement agreement.

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 otherwise would 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, Presque Isle and Staff hereby agree and stipulate as follows:

1. For the 12 months ended December 31, 2006, Presque Isle experienced an undercollection in the amount of \$337,828. After netting the 2006 undercollection with the remaining prior years' underrecoveries of \$176,643, the total amount to be collected from member-customers is \$514,471. Presque Isle will roll the remaining \$514,471 net undercollection into its monthly PSCR factor.

2. For the twelve month period ended December 31, 2006, Presque Isle's adjusted TIER is 1.16 and a revenue increase of \$673,472 is required. The rate impact to the Residential Service – Schedule A is 2.3%, the rate impact to the Seasonal Residential Service - Schedule S is 6.92%, and the rate impact to the Outdoor Lighting Service – Schedule OD is 2.4%. There will be no increase to the other classes.

3. In future TIER Ratemaking filings, Presque Isle will provide a Revenue by Rate Calculation spreadsheet and Bill Frequency Distribution Reports.

4. Consistent with the Commission's June 15, 2006 Order in Case U-14637, Presque Isle's tariffs should be revised to state that Presque Isle'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.

5. Presque Isle should be authorized to revise its rates to reflect the changes on the tariff sheets attached as Exhibit A.

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. Presque Isle 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 13, 2007

COMMISSION STAFF
Michael J. Orris (P51232)
Assistant Attorney General
6545 Mercantile Way, Suite 15
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(517) 241-6680

Dated: June 13, 2007

PRESQUE ISLE ELECTRIC & GAS
CO-OP
Albert Ernst (P24059)
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Not less than once a year and not later than 4 months after the end of the 12-month period covered by Cooperative'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 the base rates as established by the Commission under Cooperative's most recent power supply cost recovery plan, among other things. Cooperative 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 Cooperative for power supply. Cooperative 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 Cooperative for power supply.

For the twelve (12) months ending December 2007, the Power Supply Cost Recovery Factor is \$0.01613 per kWh. The allowance for cost of power supply included in base rates is \$0.05834 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.

The following factors are applied pursuant to 1982 PA 304 in the 12 billing months ending December 2007:

<u>Year</u>	<u>Month</u>	Maximum Authorized 2007 PSCR Factor (per kWh)	Actual Factor Billed (per kWh)
2007	January	\$0.01613	\$0.01613
2007	February	\$0.01613	\$0.01613
2007	March	\$0.01613	\$0.01613
2007	April	\$0.01613	\$0.01613
2007	May	\$0.01613	\$0.01613
2007	June	\$0.01613	\$0.01613
2007	July	\$0.01613	\$0.01613
2007	August		
2007	September		
2007	October		
2007	November		
2007	December		

Issued:
By: Brian Burns
President and CEO
Onaway, Michigan

Effective for bills rendered for
the 2007 PSCR Plan Year
Issued under the authority of the M.P.S.C. dated
in Case No. **U-14710-R**

Residential Service - Schedule A

Availability

Available to any member-consumer desiring service for domestic and farm uses, which includes only those purposes which are usual in an individual permanent residence, or separately metered apartments, and in the usual other buildings normally served through the residential meter.

This rate is also available to any member-consumer of the Cooperative for residential service to dwellings that are occupied seasonally, where consumption for the prior calendar year exceeded 7,200 kWh.

Nature of the Service

Single-phase, 60 cycles, at available secondary voltages.

Billing Rate

Distribution Service:

Monthly Availability Charge: \$12.00 per member per month, plus

Or Annual Availability Charge: \$144.00

Distribution Variable Charge: **\$0.02432** per kWh for all kWh, plus

Power Supply Service

Energy Charge: \$0.05650 per kWh for all kWh

Tax Adjustments

- A. Bills shall be increased within the limits of political subdivisions which levy special taxes, license fees or rentals against the Cooperative's property, or its operations, or the production and/or sale of electric energy, to offset such special charges and thereby prevent other member-consumers from being compelled to share such local increases.
- B. Bills shall be increased to offset any new or increased specific tax or excise imposed by any governmental authority which increases the Cooperative's cost of providing electric service.

Power Supply Cost Recovery Clause and Factor

This rate schedule is subject to the Cooperative's Power Supply Cost Recovery Clause as set forth on Sheet No. 10.01.

(Continued on Sheet No. 11.01)

Issued:
By: Brian Burns
President and CEO
Onaway, Michigan

Effective for service rendered on and after
Issued under the authority of the M.P.S.C. dated
in Case No. U-14710-R

Seasonal Residential Service - Schedule S

Availability

Available to any member-consumer who desires service for domestic use on premises that serve as a secondary dwelling for those services that are usual in a dwelling of this nature.

This rate is not available for resale purposes, or for any non-residential use. Any member-consumer who receives service under this rate, consuming more than 7,200 kWh during the prior billing year may choose to take service under the Cooperative's Residential Service, Schedule A.

Nature of the Service

Single-phase, 60 cycles, at available secondary voltages.

Billing Rate

Distribution Service:

Annual Availability Charge:	\$144.00	plus,
Distribution Variable Charge:	\$0.05250	per kWh for all kWh, plus

Power Supply Service

Energy Charge:	\$0.05650	per kWh for all kWh
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Tax Adjustments

- A. Bills shall be increased within the limits of political subdivisions which levy special taxes, license fees or rentals against the Cooperative's property, or its operations, or the production and/or sale of electric energy, to offset such special charges and thereby prevent other customers from being compelled to share such local increases.
- B. Bills shall be increased to offset any new or increased specific tax or excise imposed by any governmental authority which increases the Cooperative's cost of providing electric service.

(Continued on Sheet No. 12.01)

Issued:
By: Brian Burns
President and CEO
Onaway, Michigan

Effective for service rendered on and after
Issued under the authority of the M.P.S.C. dated
in Case No. U-14710-R

Outdoor Lighting Service – Schedule OD

Availability

Available in all territory served by the Cooperative, in accordance with Cooperative Rules and Regulations. Conversions from MV service to High Pressure Sodium (HPS) service will be at the discretion of the Cooperative.

Nature of Service

Dusk to dawn service controlled by photo-sensitive devices which provide service every night and all night.

Rates

Nominal Rating	Monthly	Annual
175 Watts MV*	\$ 8.95	\$107.40
400 Watts MV*	\$16.00	\$192.00
100 Watts HPS	\$ 6.80	\$ 81.60
250 Watts HPS	\$10.90	\$130.80

*No longer available for new installations

Tax Adjustments

- A. Bills shall be increased within the limits of political subdivisions which levy special taxes, license fees or rentals against the Cooperative's property, or its operations, or the production and/or sale of electric energy, to offset such special charges and thereby prevent other customers from being compelled to share such local increases.
- B. Bills shall be increased to offset any new or increased specific tax or excise imposed by any governmental authority which increases the Cooperative's cost of providing electric service.

Type of Service

The Cooperative will supply the energy and will own, operate and maintain the lighting fixtures. Burned out lamps must be reported by the member-consumer, and the Cooperative will undertake to replace the lamps as soon as possible during regular working hours. Broken lamps or damage to fixtures by accident or vandalism will be repaired at the member-consumer's expense. The Cooperative shall replace or repair, at its cost, streetlight equipment that is out of service."

(Continued on Sheet No. 21.01)

Issued:
By: Brian Burns
President and CEO
Onaway, Michigan

Effective for service rendered on and after
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in Case No. U-14710-R