

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 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 15, 2007, Great Lakes Energy Cooperative (Great Lakes) 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.

Great Lakes reported that its PSCR costs exceeded its PSCR revenues in the amount of \$2,690,543. This total includes an underrecovery in the amount of \$667,225 for the period ended December 31, 2006; a remaining \$1,992,902 underrecovery for the periods ended December 31, 2004 and December 31, 2005; and a refund to member-consumer Lexamar Corporation for a 2004

overrecovery in the amount of \$30,416. Consistent with the methodology approved by the Commission in Case No. U-14710 on April 25, 2006 and in Case No. U-14270-R on August 22, 2006, Great Lakes included its anticipated underrecovery in its 2007 PSCR plan. With respect to its TIER ratemaking mechanism, Great Lakes reported that its adjusted TIER for the 12-month period ended December 31, 2006 is 1.14, requiring a \$4,798,362 revenue increase, or a 3.73% increase.

Pursuant to due notice, a prehearing conference was held on June 5, 2007, before Administrative Law Judge Sharon L. Feldman. Great Lakes 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) that Great Lakes has underrecovered \$2,690,420 for the period ended December 31, 2006, (ii) that Great Lakes should be authorized to collect a revenue increase of \$4,389,101 or a 3.4% increase, and (iii) that Great Lakes should reduce its PSCR basing points from 67.27 mills per kilowatt-hour (kWh) to 65.27 mills per kWh or \$0.06527 per kWh.

The Commission finds that the settlement agreement is reasonable and 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. Great Lakes' recovery of a total underrecovery in the amount of \$2,690,420 for the period ended December 31, 2006 should be approved.

d. Great Lakes' TIER of 1.14 for the period ended December 31, 2006, which requires a rate increase of \$4,389,101, should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. Great Lakes Energy Cooperative's \$2,690,420 net underrecovery for the period ended December 31, 2006 is approved.

C. Great Lakes Energy Cooperative's times interest earned ratio of 1.14, which requires a rate increase of \$4,389,101, is approved.

D. Great Lakes Energy Cooperative is authorized to increase its rates \$4,389,101 to be allocated to three rate classes for service rendered on and after the day following this order.

E. Within 30 days of the date of this order, Great Lakes Energy Cooperative 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 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

\* \* \* \* \*

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 March 15, 2007, Great Lakes Energy Cooperative (Great Lakes) 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, Great Lakes reported a net undercollection (power supply costs exceed power supply revenues) in the amount of \$2,690,543. This net undercollection includes an undercollection in the amount of \$667,225 for the period ended December 31, 2006<sup>1</sup>; a remaining \$1,992,902 undercollection for the periods ended December 31, 2004 and December 31, 2005; and a refund to member-consumer Lexamar Corporation for a 2004 overcollection in the amount of \$30,416. Consistent with the methodology approved by the Commission in

<sup>1</sup> This consists of approximately \$55,946 attributable to seasonal member consumers and \$611,279 to monthly member consumers.

Case No. U-14710 on April 25, 2006 and in Case No. U-14270-R on August 22, 2006, Great Lakes included its anticipated undercollection in its 2007 PSCR Plan.

With respect to its TIER Ratemaking, Great Lakes reported an adjusted TIER of 1.14, requiring a \$4,798,362 revenue increase, or 3.73% increase.

At the prehearing conference on June 5, 2007, Administrative Law Judge Sharon Feldman (ALJ) presiding, Great Lakes 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 Great Lakes 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.

Prior to the June 5, 2007 prehearing conference, the parties exchanged information and discussed Great Lakes' filing at length. The result of those discussions is this executed settlement agreement, which was presented to the ALJ at the June 5, 2007 prehearing conference.

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; MCLA 24.278;

MSA 3.560 (178)). By this Settlement Agreement, Great Lakes and Staff hereby agree and stipulate as follows:

### **PSCR Reconciliation**

1. The parties agree that Great Lakes' net undercollection at December 31, 2006, was \$2,690,420, which includes an undercollection in the amount of \$667,102 for the period ended December 31, 2006; a remaining \$1,992,902 undercollection for the periods ended December 31, 2004 and December 31, 2005; and a refund to member-consumer Lexamar Corporation for a 2004 overcollection in the amount of \$30,416. Consistent with the methodology approved by the Commission in Case No. U-14710 on April 25, 2006 and in Case No. U-14270-R on August 22, 2006, Great Lakes included its anticipated undercollection in its 2007 PSCR Plan.

### **TIER Ratemaking**

2. For the twelve month period ended December 31, 2006, Great Lakes and the Staff agree to a \$4,389,101 revenue increase, or approximately 3.4% increase. The rate impact to the Residential Service Rate (Schedule A) is 3.4%, the rate impact to the Alternative Residential Service Rate (Schedule A-S) is 10.1%, and the rate impact to the Outdoor Lighting Service Rate (Schedule OL) is 3.7%. There will be no increase to the other classes.

3. Great Lakes should be authorized to revise its rates to reflect the changes on the tariff sheets attached as Exhibit A.

4. On March 6, 2007, in its 2007 PSCR plan docket, Case No. U-15062, Great Lakes filed supplemental testimony relative to how the addition of certain large

customers (C&I customers) to PSCR jurisdictional status has given rise to mechanical anomalies that need to be addressed in the 2007 PSCR plan docket (PSCR impact issue). In the settlement agreement executed by the parties in Case No. U-15062, the 2007 PSCR plan docket, Great Lakes withdrew its March 6, 2007 supplemental testimony and exhibits based on Staff's recommendation that the PSCR impact issue is more appropriately addressed in this TIER docket, Case No. U-14710-R. By order dated May 22, 2007, the Commission issued its order approving settlement agreement in Case No. U-15062.

5. The parties subsequently engaged in extensive discussions relative to the PSCR impact issue. The result of those discussions is (i) the currently authorized PSCR basing point of 67.27 mills per kWh or \$0.06727 per kWh should be reduced to 65.27 mills per kWh or \$0.06527 per kWh to recognize the impact of shifting large customers from special contracts to tariff rates, and (ii) in future TIER cases the determination of the PSCR basing point should consider the PSCR impact of large customer migration.

6. In future TIER Ratemaking filings, Great Lakes will provide Revenue by Rate Calculation spreadsheet and the Bill Frequency Distribution Reports.

7. Consistent with the Commission's September 12, 2006 Order in Case U-14790, Great Lakes' tariffs should be revised to state that Great Lakes' 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.

8. 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.

9. Great Lakes and the Commission Staff jointly recommend that the Commission issue its Order Adopting Settlement Agreement.

10. 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

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

Dated: June 22, 2007

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COMMISSION STAFF  
Michael J. Orris (P51232)  
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(517) 241-6680

Dated: June 22, 2007

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**RESIDENTIAL SERVICE RATE**  
**(Schedule A)**

Availability

Available to member-consumers of the Great Lakes Energy Cooperative for service through one meter to individual principal permanent residential units for all usual residential purposes, subject to the Cooperative's established rules and regulations. The member-consumer shall read the meter and be billed monthly.

Apartment houses, multiple dwelling units, and member-consumers having two or more homes or dwelling units on their premises may take service under this schedule through one meter, except that the number of kilowatt-hours in each step of the rate and minimum charge shall be multiplied by the number of apartments or dwelling units; no credit will be given for unoccupied apartments or dwelling units.

This rate is also available to any member-consumer of the Cooperative for residential service to dwellings which are occupied seasonally, as long as consumption for the prior calendar year exceeded 8,000 kWh.

Type of Service

Alternating current, 60 Hertz, single-phase, three-wire, at approximately 120/240 volts. Service under this schedule is limited to individual motors not in excess of 3 H.P., nor the total capacity of 10 H.P., unless special arrangements have been made with the Cooperative.

Monthly Rate

Monthly Charge	@	\$12.00
Energy Charge	@	<b>\$0.09735</b> per kWh

St. James and Peaine Townships Monthly Charge

For member-consumers located in St. James and Peaine Townships, Charlevoix County, an additional \$10.25 per month shall be added to the above Monthly Charge.

Minimum Charge

The minimum charge under this schedule shall be the monthly charge, except in the case of apartment houses and member-consumers having two or more dwelling units served through one meter (see "Availability"), and except that the minimum charge may be increased, in accordance with the Cooperative's rules and regulations, in those cases in which a greater than average investment is necessary to serve a member-consumer under this schedule.

Issued:  
By: Steven L. Boeckman  
President and Chief Executive Officer

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

**ALTERNATIVE RESIDENTIAL SERVICE**  
**(Schedule A-S)**

Availability

Subject to any restrictions, this rate is available and mandatory for any member-consumer desiring electric service for any usual residential use at a dwelling which is not a principal permanent year-round residence.

This rate is not available for resale purposes or for any nonresidential use. Any member-consumer who receives service under this rate, consuming more than 8,000 kWh during the prior calendar year, may choose to take service under the Cooperative's Schedule A, Residential Service.

Type of Service

Alternating current, 60 hertz, single-phase, three-wire, at approximately 120/240 volts. Service under this schedule is limited to individual motors not in excess of 3 H.P., nor the total capacity of 10 H.P., unless special arrangements have been made with the Cooperative.

Quarterly Rate

Quarterly Availability Charge	@	\$36.00
Energy Charge	@	<b>\$0.13859</b> per kWh

Monthly Rate - For member-consumers with automatic meter reading

Monthly Availability Charge	@	\$12.00
Energy Charge	@	<b>\$0.13859</b> per kWh

St. James and Peaine Townships Additional Availability Charge

For member-consumers located in St. James and Peaine Townships, Charlevoix County, an additional \$10.25 per month (monthly rate) or \$ 30.75 per quarter (quarterly rate) shall be added to the above Availability Charge.

Minimum Charge

The minimum charge under this schedule shall be any Availability Charges, payable in advance for member-consumers billed quarterly, except in the case of apartment houses and member-consumers having two or more dwelling units served through one meter, and except that the minimum charge may be increased, in accordance with the Cooperative's rules and regulations, in those cases in which a greater than average investment is necessary to serve a member-consumer under this schedule.

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**OUTDOOR LIGHTING SERVICE**  
**(Schedule OL)**

Availability

Available to all member-consumers of the Cooperative for outdoor protective lighting service on premises on which the member-consumer is already taking service from the Cooperative under another rate schedule.

Also, available to municipalities, political subdivisions and others for public street lighting with the provision that such users become member-consumers of the Cooperative.

Hours of Service

Dusk to dawn, controlled by photo-sensitive devices, every night and all night for approximately 4,200 hours per year.

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.

If, for some reason, the Cooperative is not able to make such restoration within three working days from the day the outage is first reported to the Cooperative, the Cooperative shall make pro rata deductions in the member-consumer's billing for service under this rate schedule. Such pro rata rate reductions will begin three working days after such outage is reported to the Cooperative.

Outages caused by factors beyond the Cooperative's reasonable control as provided for in Section II-D, Nature and Quality of Service, and Section IV, Emergency Electrical Procedures, of the Cooperative's Electric Rate Schedules are not covered by this policy. Such outages would be handled consistent with the particular circumstances and no proration would be made for such outages.

Monthly Rate

Nominal Rating	
175 Watts MV*	<b>\$10.60</b>
250 Watts MV*	<b>\$13.70</b>
400 Watts MV*	<b>\$19.40</b>
100 Watts HPS	<b>\$ 8.10</b>
150 Watts HPS	<b>\$10.00</b>
250 Watts HPS	<b>\$13.70</b>
400 Watts HPS	<b>\$19.40</b>

\*Mercury Vapor Lights are only available at existing installations

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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 the 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 member-consumers, or to credit to member-consumers' 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 member-consumers 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 \_\_\_\_\_ ( ) months ending \_\_\_\_\_, 2007 the Power Supply Cost Recovery Factor is \$0.00422 per kWh. The allowance for cost of power supply included in base rates is \$0.06727 per kWh.

**For the \_\_\_\_\_ ( ) months ending \_\_\_\_\_, 2007 the Power Supply Cost Recovery Factor is \$0.00422 per kWh. The allowance for cost of power supply included in base rates is \$0.06527 per kWh.**

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 <u>Factor</u> (per kWh)	Actual Factor <u>Billed</u> (per kWh)
2007	January	\$0.00422	\$0.00422
2007	February	\$0.00422	\$0.00422
2007	March	\$0.00422	\$0.00422
2007	April	\$0.00422	\$0.00422
2007	May	\$0.00422	\$0.00422
2007	June	\$0.00422	\$0.00422
2007	July	\$0.00422	\$0.00422
2007	August		
2007	September		
2007	October		
2007	November		
2007	December		

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