

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> for authority to	)	
reconcile its power supply costs and revenues for	)	Case No. U-15000-R
the 12-month period ending December 31, 2007.	)	
_____	)	

At the August 12, 2008 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 14, 2008, Alpena Power Company (Alpena) filed an application, with supporting testimony and exhibits, for a power supply cost recovery (PSCR) reconciliation for the 12-month period ending December 31, 2007. The application was filed pursuant to MCL 460.6j *et seq.*

A prehearing conference was held on May 29, 2008, before Administrative Law Judge James N. Rigas. The Commission Staff (Staff) and Alpena participated in the proceedings. Subsequently, the Staff and Alpena submitted a settlement agreement, attached as Exhibit A, resolving all issues in the case.

According to the terms of the settlement agreement, Alpena experienced a net overrecovery of \$398,359, including interest, during 2006 and 2007. This amount includes a 2007 overrecovery of \$410,780, a rolled-in underrecovery of \$27,435 from Alpena's 2006 PSCR reconciliation, and \$15,014 in interest calculated on the monthly average balance total. The parties have agreed that

Alpena has begun refunding these over-recoveries into its current 2008 PSCR plan beginning in January 2008 in accordance with the method approved by the Commission in the January 30, 2007 order in Case No. U-15000, and it will continue to refund customers through the 2008 plan year in order to refund the total overrecovery of \$398,359.

The Commission finds that 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 2008 power supply cost recovery plan the overrecovered amount of \$398,359.

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, under MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

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Orjiakor N. Isiogu, Chairman

By its action of August 12, 2008.

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Monica Martinez, Commissioner

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Mary Jo Kunkle, Executive Secretary

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Steven A. Transeth, Commissioner

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, 2007.

**Case No. U-15000-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 14, 2008, Alpena filed its application for a power supply cost recovery (PSCR) reconciliation proceeding for the 12-month period ending December 31, 2007, together with its prepared testimony and exhibits of its witnesses in support of the application. Based on calculations, Alpena determined that power supply revenues exceeded power supply costs, resulting in an over-recovery. Alpena has requested to roll the over-recovery into its current PSCR plan costs. On May 2, 2008, the Michigan Public Service Commission ("Commission") issued its notice of hearing, setting this matter for a prehearing conference on May 29, 2008. 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 James N. Rigas. 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 \$14,260,189 in base and PSCR revenues and had \$13,849,409 in power supply costs during the 12-month period ending December 31, 2007, resulting in an over-recovery of \$410,780. In accordance with the Commission's order in Case No. U-15250, included in the PSCR revenues was \$18,454 related to sales under Alpena's Large Electric Furnace Service tariff after June 12, 2007.

c. The 2007 over-recovery of \$410,780, when added to the 2006 PSCR under-recovery of \$27,435 that Alpena rolled into its 2007 PSCR plan as authorized by the Commission's order in Case No. U-14700-R, results in a net over-recovery of \$383,345.

d. Interest through the 2007 plan period equals \$15,014, and when added to the net PSCR over-recovery results in a total PSCR over-recovery of \$398,359.

e. Alpena has initiated refunding these over-recoveries into its current 2008 PSCR plan beginning in January 2008 pursuant to the methodology authorized by the Commission in Case No. U-15000 and will continue to refund to customers through the 2008 plan year in order to refund the total over-recovery of \$398,359.

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 (P51232)  
Assistant Attorney General

ALPENA POWER COMPANY

By: \_\_\_\_\_  
Timothy M. Gulden (P41232)  
Its: Attorney