

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of )  
**PRESQUE ISLE ELECTRIC & GAS CO-OP** )  
for a power supply cost recovery reconciliation )  
and for a times interest earned ratio ratemaking )  
mechanism review – both for the 12-month period )  
ended December 31, 2007. )  
\_\_\_\_\_ )

Case No. U-15063-R

At the January 13, 2009 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 April 30, 2008, Presque Isle Electric & Gas Co-Op (Presque Isle) filed an application concerning its power supply cost recovery (PSCR) reconciliation and its times interest earned ratio (TIER) ratemaking mechanism – both for the 12-month period ended December 31, 2007.

A prehearing conference was held on July 30, 2008 before Administrative Law Judge Mark D. Eyster. Presque Isle and the Commission Staff participated in the proceedings. Subsequently, the parties submitted a settlement agreement, attached as Exhibit A, resolving all issues in the case.

Presque Isle reported it had an undercollection of \$60,888 for the 12-month period ended December 31, 2007 and that there was a remaining undercollection of \$29,311 from prior years – for a total undercollection of \$90,199. Presque Isle states that the \$805,000 rolled into its 2008 PSCR plan is more than sufficient to recover the undercollected amount. Presque Isle will

discontinue application of further PSCR reconciliation surcharges after it recovers the \$90,199. Any minor adjustment may be adjusted in Presque Isle's 2009 PSCR plan that was filed in September 2008.

With respect to its TIER ratemaking mechanism review, Presque Isle agrees that its adjusted TIER for the 12-month period ended December 31, 2007 is 1.55 and prefers to defer any corresponding revenue increase at this time.

The Commission finds that the settlement agreement is reasonable, in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. The proposed power supply cost recovery reconciliation undercollection is approved.
- C. The proposed times interest earned ratio ratemaking mechanism review is approved.
- D. Presque Isle Electric & Gas Co-Op is authorized to revise its tariffs as indicated by the settlement agreement.
- 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, under MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

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Orjiakor N. Isiogu, Chairman

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Monica Martinez, Commissioner

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Steven A. Transeth, Commissioner

By its action of January 13, 2009.

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Mary Jo Kunkle, Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of
Presque Isle Electric & 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, 2007.

Case No. U-15063-R

SETTLEMENT AGREEMENT

On April 30, 2008, Presque Isle Electric & Gas Co-op (Presque Isle) filed an
application relative to its power supply cost recovery (PSCR) reconciliation proceeding
for the 12 months ended December 31, 2007 and (ii) its Times Interest Earned Ratio
(TIER) Ratemaking Mechanism for the twelve month period ended December 31, 2007.

With respect to its PSCR reconciliation, Presque Isle reported (i) it had an
undercollection (power supply costs exceed power supply revenues) of \$60,888 for the
12-months ended December 31, 2007, (ii) there was a remaining undercollection of
\$29,311 from prior years – for a total undercollection of \$90,199, (iii) that the \$805,000
rolled into its 2008 PSCR Plan was more than sufficient to recover the undercollected
amount, (vi) when Presque Isle has recovered the actual \$90,199 undercollection, it will
discontinue application of further PSCR reconciliation surcharges, and (vi) any minor
adjustment can be handled in Presque Isle’s 2009 PSCR plan, to be filed in September
2008. With respect to its TIER Ratemaking, Presque Isle reported that its adjusted
TIER for the twelve-month period ended December 31, 2007 is 1. 43, which required a
\$288,451 (1.03%) revenue increase to return margins to a 1.6 TIER.

DYKEMA GOSSETT, A PROFESSIONAL LIMITED LIABILITY COMPANY, CAPITOL VIEW 201 TOWNSEND STREET SUITE 900-LANSING, MICHIGAN 48233

At the prehearing conference on July 30, 2008, Administrative Law Mark D. Eyster 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. No other party intervened or otherwise participated. 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, Presque Isle and Staff hereby agree and stipulate as follows:

1. For the twelve-month period ended December 31, 2007, Presque Isle undercollected (power supply costs exceeded power supply revenue) in the amount of \$60,888, with a remaining undercollection from prior years of \$29,311 – for a total net undercollection of \$90,199. In view of Presque Isle's roll in of an anticipated undercollection in its 2008 PSCR Plan (Case No. U-15412), Presque Isle has been reducing such undercollection during 2008. To date, from 10 months of billings,

Presque Isle has collected \$77,328 of the \$90,199. Presque Isle intends to recover the remaining \$12,871 in November and December billings.

2. Presque Isle's tariffs should be adjusted to reflect the portion of the Federal Energy Policy Act of 2005, which requires insertion of the following with respect to mercury vapor lamps:

**Availability:**

The Energy Policy Act of 2005 requires that mercury vapor lamp ballasts shall not be manufactured or imported after January 1, 2008. To the extent that the Cooperative has the necessary materials, the Cooperative will continue to maintain existing mercury vapor lamp installations in accordance with this Electric Rate Schedule. With respect to mercury vapor lamp installations, rates apply to existing luminaires only and are not open to new business except where the Cooperative elects, at the customer's request, to install additional luminaires within an area already served by a mercury vapor unmetred lighting system. Any such election is subject to the Cooperative having the necessary materials and to the discretion of the Cooperative.

3. Presque Isle advised that its proposed adjusted TIER for the twelve-month period ended December 31, 2007 is 1.43, which would require a \$288,451 (1.03%) revenue increase to return margins to a 1.6 TIER. However, Staff's audit determined that the adjusted TIER for the twelve-month period ended December 31, 2007 is more accurately calculated at 1.55, which would generate a lower revenue increase, i.e., \$86,457. After reflecting on Staff's calculated proposed \$86,457, Presque Isle prefers to defer any revenue increase at this time, and Staff has no objection thereto.

4. In future TIER Ratemaking filings before this Commission, Presque Isle will continue to provide a Revenue by Rate Calculation spreadsheet and Bill Frequency Distribution Report.

5. 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.

6. Presque Isle and the Commission Staff jointly recommend that the Commission issue its order adopting settlement agreement.

7. 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

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

Dated: December 18, 2008

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COMMISSION STAFF  
Michael J. Orris (P51232)  
Assistant Attorney General  
6545 Mercantile Way, Suite 15  
Lansing, MI 48933  
(517) 241-6680

Dated: December 18, 2008

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PRESQUE ISLE ELECTRIC & GAS CO-OP  
COOPERATIVE

Albert Ernst (P24059)

Joseph J. Baumann (P69261)

DYKEMA GOSSETT PLLC

201 Townsend, Suite 900

Lansing, MI 48933

(517) 374-9155

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**OUTDOOR LIGHTING SERVICE**  
**SCHEDULE OD**

Availability

The Energy Policy Act of 2005 requires that mercury vapor lamp ballasts shall not be manufactured or imported after January 1, 2008. To the extent that the Cooperative has the necessary materials, the Cooperative will continue to maintain existing mercury vapor lamp installations in accordance with this Electric Rate Schedule. With respect to mercury vapor lamp installations, rates apply to existing luminaires only and are not open to new business except where the Cooperative elects, at the customer's request, to install additional luminaires within an area already served by a mercury vapor unmetered lighting system. Any such election is subject to the Cooperative having the necessary materials and to the discretion of the Cooperative.

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 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.

(Continued on Sheet No. D-15.01)

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Issued  
By: Brian Burns  
President and CEO  
Onaway, Michigan

Effective for service rendered on and after

Issued under authority of the Michigan  
Public Service Commission dated  
in Case No. **U-15063-R**