

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 a power	)	
supply cost recovery reconciliation proceeding for	)	Case No. U-15400-R
the 12-month period ended December 31, 2008.	)	
_____	)	

At the September 15, 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 March 26, 2009, Alpena Power Company (Alpena) filed an application, with supporting testimony and exhibits, requesting approval of its power supply cost recovery (PSCR) reconciliation for the 12-month period ended December 31, 2008.

A prehearing conference was held on May 19, 2009 before Administrative Law Judge James N. Rigas. Alpena 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.

According to the terms of the settlement agreement, Alpena underrecovered \$189,287, including interest, during 2007 and 2008. This amount includes a 2008 PSCR underrecovery of \$603,345, a rolled-in overrecovery of \$398,359 from Alpena’s 2007 PSCR reconciliation, and \$15,699 in interest calculated on the monthly average balance total, resulting in a total net underrecovery of \$189,287. The parties agree that Alpena has incorporated these underrecoveries

as surcharges in its current 2009 PSCR plan beginning in January 2009 pursuant to the methodology authorized by the Commission in Case No. U-15660 and will continue to surcharge customers through the 2009 plan year in order to collect the total underrecovery of \$189,287.

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 2009 power supply cost recovery plan the underrecovered amount of \$189,287 and shall include surcharges to customers for this underrecovery beginning in January 2009.

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 September 15, 2009.

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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, 2008.

**Case No. U-15400-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 Vincent J. Leone, present this settlement agreement in resolution of the above matter.

1. On March 26, 2009, Alpena filed its application for a power supply cost recovery (PSCR) reconciliation proceeding for the 12-month period ending December 31, 2008, together with its prepared testimony and exhibits of its witnesses in support of the application. Based on calculations, Alpena determined that power supply costs exceeded power supply revenues, resulting in an under-recovery. Alpena has requested to roll the under-recovery into its current PSCR plan costs. On April 22, 2009, the Michigan Public Service Commission ("Commission") issued its notice of hearing, setting this matter for a prehearing conference on May 19, 2009. 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 \$15,107,377 in base and PSCR revenues and had \$15,710,722 in power supply costs during the 12-month period ending December 31, 2008, resulting in an under-recovery of \$603,345.

c. The 2008 under-recovery of \$603,345, when added to the 2007 PSCR over-recovery of \$398,359 that Alpena rolled into its 2008 PSCR plan as authorized by the Commission's order in Case No. U-15000-R, results in a net under-recovery of \$204,986.

d. Interest through the 2008 plan period equals (\$15,699), and when added to the net PSCR under-recovery results in a total PSCR under-recovery of \$189,287.

e. Alpena has initiated surcharging these under-recoveries into its current 2009 PSCR plan beginning in January 2009 pursuant to the methodology authorized by the Commission in Case No. U-15660 and will continue to surcharge customers through the 2009 plan year in order to collect the total under-recovery of \$189,287.

2. It is the opinion of the parties that this settlement agreement is in the public interest and 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: \_\_\_\_\_  
Vincent J. Leone (P24093)  
Assistant Attorney General

ALPENA POWER COMPANY

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