

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
WISCONSIN PUBLIC SERVICE CORPORATION)
for a power supply cost recovery reconciliation) Case No. U-15402-R
proceeding for the 12-month period ended)
December 31, 2008.)
_____)

At the October 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 March 31, 2009, Wisconsin Public Service Corporation (WPS Corp.) 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, and to recover the deferred 2007 Michigan retail jurisdictional portion of PSCR costs associated with the lightning strike and subsequent forced outage of the Weston 3 generation unit (Weston 3).

A prehearing conference was held on May 28, 2009 before Administrative Law Judge Mark E. Cummins. WPS Corp., SFK Pulp Recycling U.S. Inc., and the Commission Staff participated in the proceedings. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

According to the settlement agreement, attached as Exhibit A, WPS Corp. experienced a total net overcollection of \$261,612, not including PSCR costs associated with the Weston 3 outage. This amount includes the amortization of the Michigan jurisdictional portion of the Kewaunee Nuclear Power Plant Non-Qualified Decommissioning Trust Fund, the roll-in of the 2007 underrecovery authorized in Case No. U-15008-R, and interest.

The settlement agreement also provides that WPS Corp. should be authorized to recover \$400,000 to cover the deferred 2007 and 2008 Michigan retail jurisdictional portion of the PSCR costs associated with the lightning strike and subsequent forced outage of Weston 3. The parties agree that there is a total net underrecovery of \$138,388 that should be rolled-in to WPS Corp.'s 2009 PSCR reconciliation.

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. The proposed power supply cost recovery reconciliation net undercollection is approved.
- C. Wisconsin Public Service Corporation shall reflect the roll-in of the \$138,388 underrecovery amount in its 2009 power supply cost recovery reconciliation proceeding.

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

Orjiakor N. Isiogu, Chairman

Monica Martinez, Commissioner

Steven A. Transeth, Commissioner

By its action of October 13, 2009.

Mary Jo Kunkle, Executive Secretary

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for the 12-month period ended December 31, 2008.)
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SETTLEMENT AGREEMENT

As provided in Section 78 of the Administrative Procedures Act of 1969 (“APA”), as amended MCL 24.278 and Rule 333 of the Rules of Practice and Procedure Before the Commission, 1992 AACRS, R 460.17333, Wisconsin Public Service Corporation (“WPS Corp”), the Michigan Public Service Commission Staff (“Staff”) and SFK Pulp Recycling U.S. Inc. (“SFK”) have resolved through settlement discussions the contested issues regarding this proceeding.

1. On March 31, 2009, WPS Corp filed with the Michigan Public Service Commission (“Commission”) an application, with supporting testimony and exhibits of Messrs. Jensky, Guntlisbergen, and Molzahn seeking authority to reconcile its power supply costs with its power supply revenues for the 12-month period ending December 31, 2008. WPS Corp also sought to recover the deferred 2007 Michigan retail jurisdictional portion of the PSCR costs associated with the lightning strike and subsequent forced outage of WPS Corp’s Weston 3 generating unit (“Weston 3”).

2. On April 29, 2009, the Commission’s Executive Secretary issued the Notice of Hearing. As directed by the Executive Secretary, WPS Corp mailed the Notice

to municipalities throughout its Michigan electric service area and to intervenors in Case No. U-15402. WPS Corp also published the Notice in daily newspapers of general circulation in its Michigan electric service area. On May 6, 2008, WPS Corp electronically filed the requisite proofs of mailing and publication.

3. Administrative Law Judge (“ALJ”) Mark E. Cummins, presided over the prehearing conference held on May 28, 2009. WPS Corp and the Staff participated in the proceeding. The petition to intervene of SFK was granted.

4. Following Staff’s audit of WPS Corp’s books and records, the parties agree as follows:

a. The expenditures charged by WPS Corp for the cost of power supply were reasonably and prudently incurred for the 12-month period ending December 31, 2008. The purchase practices followed by WPS Corp comport with the 2008 PSCR Plan as reviewed by the Commission in Case No. U-15402 and were reasonable and prudent.

b. WPS Corp experienced a total net overrecovery, not including costs associated with the Weston 3 outage, of \$261,612 during the period ending December 31, 2008. This amount reflected amortization of the Michigan jurisdictional portion of the Kewaunee Nuclear Power Plant Non-Qualified Decommissioning Trust Fund, the roll-in of the 2007 underrecovery authorized in Case No. U-15008-R and interest.

c. For purposes of recovering both the deferred 2007 and 2008 Michigan retail jurisdictional of the PSCR costs associated with the lightning

strike and subsequent forced outage of Weston 3, the parties agree that WPS Corp should be authorized to recover \$400,000.

d. The addition of \$400,000 when added to the over-recovered amount of \$261,212 results in a total net underrecovery of \$138,388. See Attachment 1 for a complete calculation of the total net underrecovered amount. It is agreed that the WPS Corp shall reflect the roll-in of the \$138,388 underrecovered amount in its 2009 PSCR Reconciliation.

5. This settlement agreement is entered into for the sole and express purpose of reaching a compromise among the parties. All offers of settlement and discussions relating to this settlement are considered privileged under MRE 408. If the Commission approves this settlement agreement without modification, neither the parties to the settlement nor the Commission shall make any reference to, or use this 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 may be made to enforce or implement the provisions of this settlement agreement and the order approving it.

6. This settlement agreement is based on the facts and circumstances of this case and is intended as the final disposition of Case No. U-15402-R only. If the Commission approves this settlement agreement, without modification, the undersigned parties agree not to appeal, challenge or otherwise contest the Commission order approving this settlement agreement only. Except as otherwise stated in this settlement agreement, the parties agree and understand that this settlement agreement does not

limit any party's right to take new and/or different positions on similar issues in other administrative proceedings, or appeals related thereto.

7. This settlement agreement is not severable. Each provision of this settlement agreement is dependent upon all other provisions of this settlement agreement. Failure to comply with any provision of this settlement agreement constitutes failure to comply with the entire settlement agreement. If the Commission rejects or modifies this settlement agreement or any provision of this settlement agreement, this settlement agreement shall be deemed to be withdrawn, shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall not operate to prejudice the pre-negotiation positions of any party.

8. The Staff agrees that this settlement agreement is reasonable and in the public interest.

9. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969 (MCL 24.281), as it applies to the issues in this proceeding, if the Commission approves this settlement agreement without modification.

WISCONSIN PUBLIC SERVICE
CORPORATION

Dated: September 25, 2009

By: _____

One of its Attorneys
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MICHIGAN PUBLIC SERVICE COMMISSION
STAFF

Dated: September 25, 2009

By: _____

Its Attorney
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SFK PULP RECYCLING U.S. INC.

Dated: September 25, 2009

By: _____

Its Attorney
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Attachment 1WISCONSIN PUBLIC SERVICE CORPORATION
2008 Plan Year Reconciliation Summary

Line:

1	Principle amount of 2008 PSCR over-recovery	\$1,078,922	
2	Roll-in of 2007 under-recovery (U-15008-R)	(\$855,997)	
3	Net over recovery balance for 2008 before interest		\$222,925
4	Simple interest during 2008 plan year		(\$20,485)
5	Net over recovery ending balance for 2008 including interest		\$202,440
6	Moving 2008 Weston 3 replacement power costs - Michigan Jurisdiction to Line 10		\$57,208
7	Interest Rate - Average Short Term Debt Rate for 2008	3.4329%	
8	Removing 2008 Weston 3 replacement power carry cost for 2008 - Michigan Jurisdiction		\$1,964
9	Net 2008 PSCR over-recovery		\$261,612
10	2007 & 2008 Weston 3 replacement power costs excluding carrying cost - Michigan Jurisdiction	(\$546,390)	
11	Weston 3 replacement power costs not recovered - per Settlement	\$146,390	
12	Recovery of Weston 3 replacement power costs - per Settlement		(\$400,000)
13	Net under recovery balance to be rolled into the 2009 PSCR		(\$138,388)