

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
CLOVERLAND ELECTRIC COOPERATIVE)
(i) for a power supply cost recovery reconciliation)
proceeding and (ii) for a times interest earned ratio)
ratemaking mechanism review – both for the)
12-month period ended December 31, 2008.)
_____)

Case No. U-15406-R

At the November 12, 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, 2009, Cloverland Electric Cooperative (Cloverland) filed an application concerning its: (1) power supply cost recovery (PSCR) reconciliation proceeding and (ii) its times interest earned ratio (TIER) ratemaking mechanism – both for the 12-month period ended December 31, 2008.

A prehearing conference was held on July 30, 2009 before Administrative Law Judge Mark D. Eyster. Cloverland and the Commission Staff (Staff) participated in the proceedings. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

According to the terms of the settlement agreement, attached as Exhibit A, Cloverland reported a net underrecovery in the amount of \$206,463. Following its audit, the Staff determined that as of December 31, 2008, Cloverland actually had a net remaining cumulative underrecovery

of \$147,239. Cloverland originally requested that its underrecovery be recovered by applying a reconciliation factor. However, after consultations with the Staff, Cloverland agreed to roll-in the net \$147,239 remaining cumulative underrecovery into its 2009 PSCR reconciliation by adding the \$147,239 underrecovery to the 2009 PSCR reconciliation beginning balance. With respect to its TIER ratemaking, Cloverland reported an adjusted TIER of 1.56, but requested no rate adjustment.

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 underrecovery of \$147,239 is approved. Cloverland Electric Cooperative shall roll-in the underrecovery into its 2009 power supply cost recovery reconciliation by adding it to its 2009 power supply cost recovery reconciliation beginning balance.
- C. The proposed times interest earned ratio ratemaking mechanism review is approved.
- D. Within 30 days, Cloverland Electric Cooperative shall file with the Commission tariff sheets essentially the same as those 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

Orjiakor N. Isiogu, Chairman

Monica Martinez, Commissioner

Steven A. Transeth, Commissioner

By its action of November 12, 2009.

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)	
CLOVERLAND ELECTRIC COOPERATIVE)	
(i) for a power supply cost recovery)	Case No. U-15406-R
reconciliation proceeding and (ii) for a TIER)	
Ratemaking mechanism review -- both for the)	
twelve-month period ended December 31, 2008.)	
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SETTLEMENT AGREEMENT

On April 30, 2009, Cloverland Electric Cooperative (Cloverland) filed an application relative to (i) its power supply cost recovery (PSCR) reconciliation proceeding for the 12-months ended December 31, 2008, and (ii) its Times Interest Earned Ratio (TIER) Ratemaking Mechanism for the 12-months ended December 31, 2008.

With respect to its PSCR reconciliation, for the 12-months ended December 31, 2008, Cloverland reported a net underrecovery (power supply costs exceeded power supply revenues) in the amount of \$206,463. In the course of its audit, the Commission Staff (Staff) determined that as of December 31, 2008, Cloverland actually had a net remaining cumulative underrecovery of \$147,239. Cloverland originally requested that its underrecovery be recovered by applying a reconciliation factor. After consultations with Staff, however, Cloverland has agreed that it will roll-in the net \$147,239 remaining cumulative underrecovery into its 2009 PSCR reconciliation by adding the \$147,239 underrecovery to the 2009 PSCR reconciliation beginning balance.

With respect to its TIER Ratemaking, Cloverland reported an adjusted TIER of 1.56. While such an adjusted TIER is not within the quiet zone, due to the current economic climate, Cloverland is not seeking a rate adjustment at this time.

At the prehearing conference on July 30, 2009, Administrative Law Judge Mark D. Eyster (ALJ) presiding, Cloverland 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 Staff and Cloverland 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 and subsequent to the July 30, 2009 prehearing conference, the parties exchanged information and discussed Cloverland's filing. The result of those discussions is this executed settlement agreement between Cloverland and the Staff.

It is the opinion of Cloverland and Staff 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, Cloverland and Staff hereby agree and stipulate as follows:

PSCR Reconciliation

1. For the 12-months ended December 31, 2008, Cloverland had a net remaining cumulative underrecovery in the amount of \$147,239. Cloverland will roll-in the \$147,239 underrecovery into its 2009 PSCR reconciliation by adding the \$147,239 underrecovery to the 2009 PSCR reconciliation beginning balance.

TIER Ratemaking

2. For the 12-month period ended December 31, 2008, Cloverland reported an adjusted TIER of 1.56. While such an adjusted TIER is not within the quiet zone, due to the current economic climate, Cloverland is not seeking a rate adjustment at this time – and Staff has no objection to Cloverland postponing any further rate increases pending further order of this Commission.

3. 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.

4. On April 28, 2005, the Commission issued its order in Case No. U-14081, authorizing Cloverland to implement the Electric Select Rate, Schedule ES. In its order, the Commission required Cloverland to submit a report approximately three years later which addresses the effectiveness of the rate. On June 13, 2008, Cloverland filed the

required report. The Electric Select Rate, Schedule ES, is being phased out over a three year period, the first phase in 2009, the second phase in 2010 and the third and final phase in 2011. Thereafter, customers will take service under the Farm & Home Service Rate, Schedule FH. In addition, current declining block energy charges under Farm & Home Service Rate, Schedule FH will be eliminated over the same three year period. Currently two years remain, the 2010 and 2011 phases.

5. Cloverland and Staff jointly recommend that the Commission issue its Order Adopting Settlement Agreement.

6. 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

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

Dated: October 29, 2009

**MICHIGAN PUBLIC SERVICE COMMISSION
STAFF**

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

Dated: October 29, 2009

CLOVERLAND ELECTRIC COOPERATIVE
Albert Ernst (P24059)
Shaun M. Johnson (P69036)
Joseph J. Baumann (P69261)
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201 Townsend, Suite 900
Lansing, MI 48933
(517) 374-9155

**FARM AND HOME SERVICE
SCHEDULE FH**

Availability:

To Member-Consumers of the Cooperative for all normal farm and principal permanent home uses, subject to the established rules and regulations of the Cooperative. Member-Consumers having small businesses on their residential premises may take service under this schedule provided such business use does not exceed 25 percent of the energy usage.

Type of Service:

Single-phase, alternating current, 60 hertz, approximately 120/240 volts.

Monthly Rate:

Facility Charge:	\$9.00 per month
Energy Charges:	
First 500 kWh	\$0.10396 per kWh
Excess	\$0.10174 per kWh

Minimum Charge:

The Minimum Monthly Charge under this schedule shall be the Facility Charge.

Power Supply Cost Recovery Clause and Factor:

This rate schedule is subject to the Cooperative's Power Supply Cost Recovery Clause as set forth on Sheet Nos. D-1.00 and D-1.01.

Terms of Payment:

A one time late payment charge of 2% of the unpaid balance will be assessed on any bill not paid by the due date. This provision does not apply to Member-Consumers participating in the Winter Protection Plan set forth in U-4240.

(Continued on Sheet No. D-8.01))

Issued:
By Dan Dasho
General Manager
Dafer, Michigan

Effective for service rendered on and
after

Issued under authority of the Michigan
Public Service Commission dated
in Case No. **U-15406-R**

**ELECTRIC SELECT
SCHEDULE ES**

Availability

To Member-Consumers of the Cooperative for all normal farm and principal permanent home uses, subject to the established rules and regulations of the Cooperative. Member-Consumers having small businesses on their residential premises may take service under this schedule provided such business use does not exceed 25 percent of the energy usage. This schedule is only available to Member-Consumers who agree to take service under this schedule for a minimum of 12 months. The agreement to take service under this schedule shall continue for 12 months, at the end of which the agreement shall continue month to month until the Member-Consumer cancels.

Type of Service

Single-phase, alternating current, 60 hertz, approximately 120/240 volts.

Monthly Rate:

Facility Charge:	\$10.34 per month
Energy Charge:	
First 1000 kWh	\$0.10254 per kWh
Excess of 1000 kWh	\$0.09654 per kWh

Minimum Charge

The Minimum Monthly Charge under this schedule shall be the Facility Charge.

Power Supply Cost Recovery Clause and Factor:

This rate schedule is subject to the Cooperative's Power Supply Cost Recovery Clause as set forth on Sheet Nos. D-1.00 and D.1.01.

(Continued on Sheet No. D-8.01)

Issued: **October 29, 2009**
By Dan Dasho
General Manager
Dafer, Michigan

Effective for service rendered on and
after **December 5, 2008**

Issued under authority of the Michigan
Public Service Commission dated
12/04/08 in Case No. **U-15011-R**