

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
MIDWEST ENERGY 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-15407-R

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 April 22, 2009, Midwest Energy Cooperative (Midwest) filed an application concerning:
(1) its power supply cost recovery (PSCR) reconciliation proceeding and (2) 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. Midwest and the Commission Staff participated in the proceeding. 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, Midwest reported
an overrecovery (power supply revenues exceed power supply costs) in the amount of \$1,396,701

for the 12-month period ended December 31, 2008 and a remaining prior year's underrecovery of \$162,602. Thus, the net result is an overrecovery of \$1,234,099.

Pursuant to the roll-in method authorized by the Commission in its August 22, 2006 order in Case No. U-14270-R, Midwest rolled-in an anticipated 2008 PSCR overrecovery of \$700,857 into its 2009 PSCR plan, Case No. U-15667. Midwest plans to roll-in the net \$1,234,099 cumulative overrecovery, as well as any additional 2009 overrecovery or underrecovery, into its 2010 PSCR plan to be filed on or before September 30, 2009. With respect to its TIER ratemaking, Midwest reported an adjusted TIER of 1.59, 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 overrecovery is approved.
- C. The proposed times interest earned ratio ratemaking mechanism review is approved.

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

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
MIDWEST ENERGY COOPERATIVE)
(i) for a power supply cost recovery recon-)
ciliation proceeding and (ii) for a TIER)
Ratemaking mechanism review – both for the)
twelve month period ended December 31, 2008)

Case No. U-15407-R

SETTLEMENT AGREEMENT

On April 22, 2009, Midwest Energy Cooperative (Midwest) 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, Midwest reported an overcollection (power supply revenues exceed power supply costs) in the amount of \$1,396,701 with a remaining undercollection from prior years in the amount of \$162,602. Thus, the net result is an overcollection of \$1,234,099 (\$1,396,701 - \$162,602). Consistent with the methodology previously approved by the Commission in Case No. U-14270-R on August 22, 2006, Midwest included an anticipated 2008 PSCR overcollection of \$700,857 in its 2009 PSCR Plan, Case No. U-15667. Midwest will roll-in the net \$1,234,099 cumulative overcollection, as well as any additional 2009 overcollection or undercollection, into its 2010 PSCR plan to be filed on or before September 30, 2009.

DYKEMA GOSSETT, A PROFESSIONAL LIMITED LIABILITY COMPANY, CAPITOL VIEW 201 TOWNSEND STREET SUITE 900, LANSING, MICHIGAN 48933

With respect to its TIER Ratemaking, Midwest reported an adjusted TIER of 1.59. While such an adjusted TIER is not within the quiet zone, due to the current economic climate, Midwest 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, Midwest 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 Midwest 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 Midwest's filing. The result of those discussions is this executed settlement agreement between Midwest and the Staff.

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

PSCR Reconciliation

1. For the 12-months ended December 31, 2008, Midwest overcollected (power supply revenues exceed power supply costs) in the amount of \$1,396,701 with a remaining undercollection from prior years in the amount of \$162,602. Thus, the net result is an overcollection of \$1,234,099 (\$1,396,701 - \$162,602). Consistent with the methodology previously approved by the Commission in Case No. U-14270-R on August 22, 2006, Midwest rolled-in an anticipated 2008 PSCR overcollection of \$700,857 into its 2009 PSCR Plan, Case No. U-15667. Midwest will roll-in the net \$1,234,099 cumulative overcollection, as well as any additional 2009 overcollection or undercollection, into its 2010 PSCR plan to be filed on or before September 30, 2009.

TIER Ratemaking

2. For the 12-month period ended December 31, 2008, Midwest reported an adjusted TIER of 1.59. While such an adjusted TIER is not within the quiet zone, due to the current economic climate, Midwest is not seeking a rate adjustment at this time – and Staff has no objection to Midwest 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. Midwest and Staff jointly recommend that the Commission issue its Order Adopting Settlement Agreement.

5. 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

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

Dated: September 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: September 29, 2009

MIDWEST ENERGY COOPERATIVE

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