

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
THE ONTONAGON COUNTY RURAL)
ELECTRIFICATION ASSOCIATION (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-15408-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 30, 2009, The Ontonagon County Rural Electrification Association (Ontonagon) filed an application, with supporting testimony and exhibits, requesting approval of its power supply cost recovery (PSCR) reconciliation proceeding and 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. Ontonagon 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, Ontonagon reported an underrecovery (power supply costs exceeded power supply revenues) of \$162,690,

with a remaining underrecovery from 2007 of \$128,006, and as of February 9, 2009, a remaining underrecovery from 2005 and 2006 of \$33,156. The result was a net underrecovery of \$323,852.

Following an audit by the Staff, the parties agreed to a revised total net underrecovery of \$339,145 as of December 31, 2008, with any remaining actual and estimated PSCR overrecovery/underrecovery balances through 2009 to be rolled into Ontonagon's 2010 PSCR plan to be filed on or before September 30, 2009.

With respect to its TIER ratemaking mechanism, Ontonagon reported an adjusted TIER of 1.76 for the 12-month period ended December 31, 2008, which fell within its "quiet zone," and does not require a rate increase.

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 power supply cost recovery reconciliation underrecovery of \$339,145 is approved, with any remaining actual and estimated power supply cost recovery overrecovery/underrecovery balances through 2009 to be rolled into The Ontonagon County Rural Electrification Association's 2010 power supply cost recovery plan to be filed on or before September 30, 2009.
- 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, pursuant to 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

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In the matter of the application of)
THE ONTONAGON COUNTY RURAL)
ELECTRIFICATION ASSOCIATION (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, 2008.)
_____)

Case No. U-15408-R

SETTLEMENT AGREEMENT

On April 30, 2009, the Ontonagon County Rural Electrification Association (Ontonagon) 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, Ontonagon reported an undercollection (power supply costs exceed power supply revenues) in the amount of \$162,690, with a remaining undercollection from 2007 of \$128,006, and as of February 9, 2009, a remaining undercollection from 2005 and 2006 of \$33,156. Thus, the result appeared to be a net undercollection of \$323,852. After the Commission Staff (Staff) audit, it became clear that, as of December 31, 2008, the remaining undercollection from 2005 and 2006 was \$48,449, resulting in a total net undercollection of \$339,145 as of December 31, 2008. Ontonagon requested that it be permitted to collect the undercollection by continuing to apply a uniform surcharge of 3.6 mills per kWh. Instead, Staff suggested that any remaining actual and estimated PSCR

overcollection/undercollection balances through 2009 be rolled into Ontonagon's 2010 PSCR plan to be filed on or before September 30, 2009.

With respect to its TIER Ratemaking, Ontonagon reported an adjusted TIER of 1.76. This adjusted TIER is within the "quiet zone." As such, no rate increase is required.

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

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

PSCR Reconciliation

1. For the 12-months ended December 31, 2008, Ontonagon had an undercollection in the amount of \$162,690, with a remaining undercollection from 2007 of \$128,006, and \$48,449 from 2005 and 2006. Thus, the result is a net undercollection of \$339,145 as of December 31, 2008. Any remaining actual and estimated PSCR overcollection/undercollection balances through 2009 will be rolled into Ontonagon's 2010 PSCR plan to be filed on or before September 30, 2009.

TIER Ratemaking

2. For the 12-month period ended December 31, 2008, Ontonagon's adjusted TIER was 1.76. As such, Ontonagon is not pursuing a rate increase at this time.

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. Ontonagon 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 30, 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 30, 2009

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