

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
THUMB 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-15409-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 March 31, 2009, Thumb Electric Cooperative (Thumb) 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. Thumb and the Commission 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, Thumb had a net overrecovery (power supply revenues exceeded power supply costs) of \$338,360. In its 2009 PSCR plan submission, Thumb projected a December 31, 2008 net overrecovery of \$233,326,

which was rolled into the calculation of its 2009 PSCR plan factor. Thumb will roll-in the net \$338,360 cumulative overrecovery, as well as any additional 2009 overrecovery/underrecovery into its 2010 PSCR plan to be filed on or before September 30, 2009.

With respect to its TIER ratemaking mechanism, Thumb reported an adjusted TIER of 1.86 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 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, 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)
THUMB ELECTRIC COOPERATIVE (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-15409-R

SETTLEMENT AGREEMENT

On March 31, 2009, Thumb Electric Cooperative (Thumb) 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, Thumb reported a net overcollection (power supply revenues exceeded power supply costs) of \$336,998. In its 2009 PSCR plan submission, Thumb projected a December 31, 2008, net overcollection balance of \$233,326, which was rolled into the calculation of its 2009 PSCR plan factor. Staff’s audit resulted in a determination that as of December 31, 2008, Thumb’s net overcollection was \$338,360 as opposed to Thumb’s proposed \$336,998.

With respect to its TIER Ratemaking, Thumb reported an adjusted TIER, based on total margins, of 1.86. Staff’s audit resulted in a determination that the adjusted TIER was 1.89 as opposed to Thumb’s calculated 1.86. In any event, both adjusted TIERS are 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, Thumb 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 Thumb 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 Thumb's filing. The result of those discussions is this executed settlement agreement between Thumb and Staff.

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

PSCR Reconciliation

1. As of December 31, 2008, Thumb's net overcollection was \$338,360,. In its 2009 PSCR plan submission, Thumb projected a December 31, 2008, net overcollection balance of \$233,326, which was rolled into the calculation of its 2009 PSCR plan factor. Thumb will roll-in the net \$338,360 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, no rate revision is required.

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. Thumb 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: October 5, 2009

MICHIGAN PUBLIC SERVICE COMMISSION
STAFF

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Dated: October 5, 2009

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