

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of )  
**PRESQUE ISLE ELECTRIC & GAS CO-OP** )  
(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-15412-R

At the September 15, 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, Presque Isle Electric & Gas Co-op (Presque Isle) 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.

With respect to its PSCR reconciliation, Presque Isle reported a net overrecovery (power supply recovery exceeded power supply costs) in the amount of \$748,547 and a remaining underrecovery from prior years of \$2,432 – for a total net overrecovery of \$746,115. Consistent with the methodology approved by the Commission in Case No. U-14710 on April 25, 2006 and in Case No. U-14270-R on August 22, 2006, Presque Isle included an anticipated overcollection of \$750,000 in its 2009 PSCR plan, Case No. U-15672. Presque Isle claims that the current PSCR

billings to member-consumers should be sufficient to return the remaining overcollection and that any minor adjustments may be handled in Presque Isle's 2010 PSCR plan to be filed in September 2009.

With respect to its TIER ratemaking mechanism, Presque Isle reported an adjusted TIER of 1.24. This would normally require a \$989,577 (3.59%) revenue increase to return margins to a 1.8 target TIER. However, due to current economic conditions and to ease the burden on its member-consumers, for this year's TIER docket, Presque Isle proposes to limit its revenue increase to that required by a calculated 1.6 TIER, thus resulting in a \$350,972 lesser requested increase, i.e., \$638,605 (2.32%).

A prehearing conference was held on June 10, 2009 before Administrative Law Judge Mark D. Eyster. Presque Isle and the Commission Staff participated in the proceedings. Subsequently, the parties submitted a settlement agreement, attached as Exhibit A, in which they agreed to recommend that the Commission approve Presque Isle's proposed reconciliation calculations and the requested increase as described in the settlement agreement.

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 overcollection of \$750,979 is approved.
- C. The proposed times interest earned ratio ratemaking mechanism increase in the amount of \$638,252 is approved.

D. Presque Isle Electric & Gas Co-op is authorized to increase its rates by \$638,252 to be allocated as described in the settlement agreement effective for the next full billing month after the date of this order.

E. Within 30 days, Presque Isle Electric & Gas Co-op shall file with the Commission tariff sheets substantially 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, under MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

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Orjiakor N. Isiogu, Chairman

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Monica Martinez, Commissioner

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Steven A. Transeth, Commissioner

By its action of September 15, 2009.

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Mary Jo Kunkle, Executive Secretary

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

\* \* \* \* \*

In the matter of the application of )  
Presque Isle Electric & Gas Co-Op )  
(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-15412-R

**SETTLEMENT AGREEMENT**

On March 31, 2009, Presque Isle Electric & Gas Co-Op (Presque Isle) 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, Presque Isle reported a net overcollection (power supply revenues exceed power supply costs) in the amount of \$748,547 and remaining undercollection from prior years of \$2,432 – for a total net overcollection of \$746,115. Consistent with the methodology approved by the Commission in Case No. U-14710 on April 25, 2006 and in Case No. U-14270-R on August 22, 2006, Presque Isle included an anticipated overcollection of \$750,000 into its 2009 PSCR Plan, Case No. U-15672. Presque Isle represented that the current (2009) PSCR billings to member consumers should be sufficient to return the remaining overcollection; and that any minor adjustment can be handled in Presque Isle’s 2010 PSCR Plan, to be filed in September 2009.

With respect to its TIER Ratemaking, Presque Isle reported an adjusted TIER of 1.24, which would normally require a \$989,577 (3.59%) revenue increase to return margins to a 1.8 Target TIER. However, to ease the burden on its member-consumers and in view of current economic conditions, for this year's TIER docket, Presque Isle limited its revenue increase to that required by a calculated 1.6 TIER, thus resulting in a \$350,972 lesser requested increase, i.e., \$638,605 (2.32%).

At the prehearing conference on June 10, 2009, Administrative Law Judge Mark D. Eyster (ALJ) presiding, Presque Isle 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 Presque Isle participated in the proceedings. No 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.

Subsequent to the June 10, 2009 prehearing conference, the parties exchanged information and discussed Presque Isle's filing. The result of those discussions is this executed settlement agreement between Presque Isle and the Staff.

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

**PSCR Reconciliation**

1. For the 12-months ended December 31, 2008, Presque Isle overcollected (power supply revenues exceed power supply costs) in the amount of \$748,547 and had a remaining overcollection from prior years of \$2,432 – for a total net overcollection of \$750,979. Consistent with the methodology approved by the Commission in Case No. U-14710 on April 25, 2006 and in Case No. U-14270-R on August 22, 2006, Presque Isle included an anticipated overcollection of \$750,000 into its 2009 PSCR Plan, Case No. U-15672. The current (2009) PSCR billings to member consumers will likely be sufficient to return the remaining overcollection. Any minor adjustment can be handled in Presque Isle’s 2010 PSCR Plan, to be filed in September 2009.

**TIER Ratemaking**

2. For the twelve month period ended December 31, 2008, a revenue increase of \$638,252 (2.24%) is reasonable and appropriate. On a class-by-class basis, the tariff sheets attached hereto result in the following impacts:

| Rate Class                   | % Increase |
|------------------------------|------------|
| Residential Service          | 1.52%      |
| Seasonal Residential Service | 8.09%      |
| General Service              | 0.00%      |
| Large General Service        | 0.00%      |

|                                     |       |
|-------------------------------------|-------|
| Large General Service – TOD         | 0.00% |
| Water Heater Credits                | 0.00% |
| Controlled Heating                  | 0.00% |
| Outdoor Protective Lighting Service | 0.88% |
| Primary Supply Rate                 | 0.00% |
| Total-All Classes                   | 2.24% |

3. Presque Isle should be authorized to revise its rates to reflect the changes on the tariff sheets attached as Exhibit A, incorporating the \$638,252 revenue increase.

4. 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.

5. Presque Isle 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: August 27, 2009

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

Dated: August 27, 2009

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PRESQUE ISLE ELECTRIC & GAS  
CO-OP  
Albert Ernst (P24059)  
Shaun M. Johnson (P69036)  
Joseph J. Baumann (P69261)  
DYKEMA GOSSETT PLLC  
201 Townsend, Suite 900  
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(517) 374-9155

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**RESIDENTIAL SERVICE  
SCHEDULE A**

Availability

Available to any Member-Consumer desiring service for domestic and farm uses, which includes only those purposes which are usual in an individual permanent residence, or separately metered apartments, and in the usual other buildings normally served through the residential meter.

This rate is also available to any Member-Consumer of the Cooperative for residential service to dwellings that are occupied seasonally, where consumption for the prior calendar year exceeded 7,200 kWh.

Nature of the Service

Single-phase, 60 cycles, at available secondary voltages.

Billing Rate

Distribution Service:

Monthly Availability Charge: \$12.00 per Member-Consumer per month, plus

Or Annual Availability Charge: \$144.00

Distribution Variable Charge: **\$0.02609** per kWh for all kWh, plus

Power Supply Service

Energy Charge: \$0.05650 per kWh for all kWh

Tax Adjustments

- A. Bills shall be increased within the limits of political subdivisions which levy special taxes, license fees or rentals against the Cooperative's property, or its operations, or the production and/or sale of electric energy, to offset such special charges and thereby prevent other Member-Consumers from being compelled to share such local increases.
- B. Bills shall be increased to offset any new or increased specific tax or excise imposed by any governmental authority which increases the Cooperative's cost of providing electric service.

(Continued on Sheet No. D-5.01)

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Issued  
By: Brian Burns  
President and CEO  
Onaway, Michigan

Effective for service rendered on and after

Issued under authority of the Michigan Public  
Service Commission dated \_\_\_\_\_ in  
**Case No. U-15412-R**

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**SEASONAL RESIDENTIAL SERVICE  
SCHEDULE S**

Availability

Available to any Member-Consumer who desires service for domestic use on premises that serve as a secondary dwelling for those services that are usual in a dwelling of this nature.

This rate is not available for resale purposes, or for any non-residential use. Any Member-Consumer who receives service under this rate, consuming more than 7,200 kWh during the prior billing year may choose to take service under the Cooperative's Residential Service, Schedule A.

Nature of the Service

Single-phase, 60 cycles, at available secondary voltages.

Billing Rate

Distribution Service:

Annual Availability Charge: **\$156.00** plus,

Distribution Variable Charge: **\$0.06244** per kWh for all kWh, plus

Power Supply Service

Energy Charge: \$0.05650 per kWh for all kWh

Tax Adjustments

- A. Bills shall be increased within the limits of political subdivisions which levy special taxes, license fees or rentals against the Cooperative's property, or its operations, or the production and/or sale of electric energy, to offset such special charges and thereby prevent other Member-Consumers from being compelled to share such local increases.
- B. Bills shall be increased to offset any new or increased specific tax or excise imposed by any governmental authority which increases the Cooperative's cost of providing electric service.

(Continued on Sheet No. D-6.01)

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Issued  
By: Brian Burns  
President and CEO  
Onaway, Michigan

Effective for service rendered on and after

Issued under authority of the Michigan Public  
Service Commission dated \_\_\_\_\_ in  
**Case No. U-15412-R**

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**OUTDOOR LIGHTING SERVICE**  
**SCHEDULE OD**

Availability

The Energy Policy Act of 2005 requires that mercury vapor lamp ballasts shall not be manufactured or imported after January 1, 2008. To the extent that the Cooperative has the necessary materials, the Cooperative will continue to maintain existing mercury vapor lamp installations in accordance with this Electric Rate Schedule. With respect to mercury vapor lamp installations, rates apply to existing luminaires only and are not open to new business except where the Cooperative elects, at the customer's request, to install additional luminaires within an area already served by a mercury vapor unmetereed lighting system. Any such election is subject to the Cooperative having the necessary materials and to the discretion of the Cooperative.

Available in all territory served by the Cooperative, in accordance with Cooperative Rules and Regulations. Conversions from MV service to High Pressure Sodium (HPS) service will be at the discretion of the Cooperative.

Nature of Service

Dusk to dawn service controlled by photo-sensitive devices which provide service every night and all night.

Rates

| Nominal Rating | Monthly        | Annual          |
|----------------|----------------|-----------------|
| 175 Watts MV*  | <b>\$ 9.15</b> | <b>\$109.80</b> |
| 400 Watts MV*  | <b>\$16.40</b> | <b>\$196.80</b> |
| 100 Watts HPS  | <b>\$ 6.90</b> | <b>\$ 82.80</b> |
| 250 Watts HPS  | <b>\$11.20</b> | <b>\$134.40</b> |

\*No longer available for new installations

Tax Adjustments

- A. Bills shall be increased within the limits of political subdivisions which levy special taxes, license fees or rentals against the Cooperative's property, or its operations, or the production and/or sale of electric energy, to offset such special charges and thereby prevent other Member-Consumers from being compelled to share such local increases.
- B. Bills shall be increased to offset any new or increased specific tax or excise imposed by any governmental authority which increases the Cooperative's cost of providing electric service.

(Continued on Sheet No. D-15.01)

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Issued  
By: Brian Burns  
President and CEO  
Onaway, Michigan

Effective for service rendered on and  
after **J**

Issued under authority of the Michigan Public  
Service Commission dated \_\_\_\_\_ in  
**Case No. U-15412-R**