

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of )  
**HOMEWORKS TRI-COUNTY 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-15413-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, Tri-County Electric Cooperative, d/b/a HomeWorks Tri-County Electric Cooperative (HomeWorks), 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. HomeWorks amended its application on June 8, 2009 and June 29, 2009.

A prehearing conference was held on July 30, 2009 before Administrative Law Judge Mark D. Eyster. HomeWorks 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, HomeWorks reported an overrecovery (power supply revenues exceed power supply costs) in the amount of \$876,700 and a remaining prior year's overrecovery of \$541,648. Thus, the net result is an overrecovery of \$1,418,348. HomeWorks plans to refund this overrecovery through a 4.00 mills per kilowatt-hour monthly credit starting with customers' March 2009 bills and ending when the entire overrecovery is refunded. With respect to its TIER ratemaking, HomeWorks reported an adjusted TIER of 1.62, which would require a \$705,874 (2.0%) increase to return margins to the 2.0 Target TIER.

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.
- D. Tri-County Electric Cooperative, d/b/a HomeWorks Tri-County Electric Cooperative, is authorized to revise its rates and other tariffs in accordance with the attached settlement agreement, effective for the next full billing month after the date of this order.
- E. Within 30 days, Tri-County Electric Cooperative, d/b/a HomeWorks Tri-County 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, 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 October 13, 2009.

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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	)	
Homeworks Tri-County Electric Cooperative	)	
(i) for a power supply cost recovery	)	Case No. U-15413-R
reconciliation proceeding and (ii) for a TIER	)	
Ratemaking mechanism review -- both for the	)	
twelve-month period ended December 31, 2008.	)	

**SETTLEMENT AGREEMENT**

On April 30, 2009, Tri-County Electric Cooperative, d/b/a HomeWorks Tri-County Electric Cooperative (Homeworks) 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. On June 8, 2009, Homeworks filed an amended application regarding its TIER ratemaking mechanism. On June 29, 2009, Homeworks filed revised exhibits regarding its actual sales data and its PSCR reconciliation summary report. For purposes of this settlement agreement, unless stated otherwise, references to the PSCR reconciliation presentation made by Homeworks are from the application, and all TIER calculations made by Homeworks are taken from its June 8, 2009 amended filing.

With respect to its PSCR reconciliation, for the 12-months ended December 31, 2008, Homeworks reported an overcollection (power supply revenues exceeded power supply costs) in the amount of \$992,092, and the application reported a remaining overcollection from 2007 of \$41,648. Thus, the result appeared to be a net

overcollection of \$1,033,740. After the Commission Staff (Staff) audit it became clear that, as of December 31, 2007, the remaining overcollection was \$541,648, and the 2008 overcollection was \$876,700, resulting in a total net overcollection of \$1,418,348 as of December 31, 2008. Homeworks requested that it be permitted to refund the overcollection through a 4.00 mills per kWh monthly credit starting with customers' March 2009 bills and ending when the entire 2008 overcollection is refunded.

With respect to its TIER Ratemaking, Homeworks reported an adjusted TIER of 1.62, which would require a \$705,874 (2.0%) increase to return margins to the 2.0 Target TIER. Staff's audit agreed with this calculation.

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

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

### **PSCR Reconciliation**

1. For the 12-months ended December 31, 2008, Homeworks had an overcollection in the amount of \$876,700, with an overcollection from 2007 of \$541,648. Thus, the result is a net overcollection of \$1,418,348 as of December 31, 2008. Homeworks will refund this overcollection through a 4.00 mills per kWh monthly credit starting with customers' March 2009 bills and ending when the entire overcollection is refunded.

### **TIER Ratemaking**

2. A key issue in this case was the amount of interest included in the TIER formula. Homeworks included \$1,880,845 in interest for the TIER formula. However, \$225,512 of the \$1,880,845 was for interim or short term interest; and was included because Homeworks took advantage of very low lines of credit rates for its loans that had not yet been rolled into long term notes. Homeworks represented that it had \$10,000,000 on a line of credit—at well below long term interest rates—and that temporary use of this line of credit had saved Homeworks' members hundreds of thousands of dollars over the past year in interest expense. Treatment of the \$225,512

as interest from long term debt resulted in an adjusted TIER of 1.62; treatment of the \$225,512 as “other interest” resulted in an adjusted TIER of 1.71. This settlement agreement includes the \$225,512 in interest for TIER ratemaking for the following reasons:

(a) Homeworks met its burden of convincing the Staff that its ratepayers benefitted from the interim use of short term or interim debt for normally long term debt purposes.

(b) Homeworks met its burden of quantifying for the Staff the benefits to its ratepayers from the interim use of short term or interim debt for normally long term debt purposes.

(c) Homeworks met its burden of convincing the Staff that the short term interest was utilized on an interim basis to meet what are normally long term debt purposes.

(d) Homeworks has agreed to advise Staff when the \$225,512 short term debt is converted to long term debt.

(e) Staff believes that allowing short term interest to be included in the TIER formula for regulated rural electric cooperatives encourages locking in optimal rates which reduced the need for, or the extent of, rate increases.

(f) Staff does not believe that carte blanche allowance of short term debt in the TIER formula is appropriate, i.e. a rural electric cooperative should be required to meet the above-outlined criteria in order to include short term debt in its TIER formula.

3. In light of the above paragraph 2, for the 12-month period ended December 31, 2008, Homeworks' adjusted TIER was 1.62, and a revenue increase of \$705,874 (2.0%) is required.

4. The \$705,874 increase should be implemented through the rates set forth on the attached tariffs. On a class-by-class basis, the settlement rates result in the following increases:

<u>Class</u>	<u>Increase</u>
Farm & Home Service	2.8%
General Service	0.1%
General Service TOD	2.1%
Outdoor Lighting	18.1%

5. In future TIER Ratemaking filings before this Commission, Homeworks will continue to provide a Revenue by Rate Calculation spreadsheet and Bill Frequency Distribution Report.

6. Homeworks should be authorized to revise its rates to reflect the changes on the tariff sheets attached as Exhibit A.

7. 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.

8. Homeworks and Staff jointly recommend that the Commission issue its Order Adopting Settlement Agreement.

9. 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.

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

Dated: September 29, 2009

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

Dated: September 29, 2009

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HOMEWORKS TRI-COUNTY  
ELECTRIC COOPERATIVE  
Albert Ernst (P24059)  
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**FARM AND HOME SERVICE  
SCHEDULE A**

Availability

Available in all territory served by the Cooperative in accordance with the Cooperative's Service Rules and Regulations.

Applicability

Applicable only for farm and home use and for use incidental thereto supplied through one meter to each individual dwelling unit, providing that the transformer capacity does not exceed 30 kVA. The capacity of individual motors served under this Schedule shall not exceed ten horsepower except by written permission of the Cooperative.

Type of Service

Single-phase, 60 hertz at available secondary voltages.

Monthly Rate

Availability Charge: \$12.00 per month

Energy Charge: **\$0.11350** per kWh

Energy Optimization Surcharge:

This rate is subject to the Energy Optimization Surcharge shown on Sheet No. D-1.03.

Monthly Rate for Multiple Dwellings (Apartment Buildings) with five (5) or more meters are in a common location served from a single service drop:

Availability Charge: \$8.00 per month per meter

Energy Charge: **\$0.11350** per kWh

Energy Optimization Surcharge:

This rate is subject to the Energy Optimization Surcharge shown on Sheet No. D-1.03.

Minimum Charge

The minimum charge is the Availability Charge or that which may be specified in a supplemental contract between the Cooperative and the Member-Consumer.

(Continued on Sheet No. D-5.01)

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Issued:  
By: Mark Kappler  
General Manager  
Portland, Michigan

Effective for service rendered for on and  
after

Issued under authority of the Michigan  
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**CONTROLLED HEATING  
SCHEDULE CH (Contd)  
(Continued from Sheet No. D-7.00)**

Monthly Rate

Energy Charge:                      **\$0.05675** per kWh

Terms of Payment

This rate schedule is subject to the terms of payment as set forth on the concurrent rate schedule that qualifies the Member-Consumer for service.

Tax Adjustment

- A. Bills shall be increased or decreased, 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 recognize such special charges and thereby prevent other customers from being compelled to share such local increases or decreases.
  
- B. Bills shall be adjusted to reflect any new, increased, or decreased specific tax or excise imposed by any governmental authority which impacts the Cooperative's cost of providing electric service.

Michigan State Sales Tax

Michigan State Sales Tax shall be added on all bills, where applicable.

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**GENERAL SERVICE  
SCHEDULE B**

Availability

Available in all territory served by the Cooperative in accordance with the Cooperative's Service Rules and Regulations.

Applicability

Applicable to all Member-Consumers who have installed transformer capacity of 50 kVA or less.

Type of Service

Single-phase and three-phase where available at standard secondary voltages. Motors having a rated capacity in excess of ten horsepower must be three-phase, unless otherwise specified in writing by the Cooperative.

Billing Rate

	<u>Single Phase Service</u>	<u>Three Phase Service</u>
Monthly Availability Charge:	\$20.00 per month	\$35.00 per month
or		
Annual Availability Charge:	\$240.00 per year	\$420.00 per year
Energy Charge:	<b>\$0.11056</b> per kWh	<b>\$0.11056</b> per kWh

Energy Optimization Surcharge:

This rate is subject to the Energy Optimization Surcharge shown on Sheet No. D-1.03.

Credit For Controlled Oil-Related Loads

An Energy Charge Credit of \$0.0030 per kWh shall be applied with respect to qualifying oil-related accounts. This credit shall be applied during any month in which the Member-Consumer's oil-related usage exceeds 500 kWh. This credit is available subject to the availability to the Cooperative of Wolverine Power Supply Cooperative's (Wolverine) Rider "OIL".

(Continued on Sheet No. D-9.01)

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**OPTIONAL GENERAL SERVICE TIME-OF-DAY  
SCHEDULE B-1**

Availability

Available in all territory served by the Cooperative in accordance with the Cooperative's Service Rules and Regulations. The Member-Consumer must contract to receive service on this rate for a minimum of twelve months.

Applicability

Applicable to all Member-Consumers who have installed transformer capacity of 50 kVA or less.

Type of Service

Single-phase and three-phase where available at standard secondary voltages. Motors having a rated capacity in excess of ten horsepower must be three-phase, unless otherwise specified in writing by the Cooperative.

Billing Rate

	<u>Single Phase Service</u>	<u>Three Phase Service</u>
Monthly Availability Charge:	\$25.00 per month	\$43.00 per month
or		
Annual Availability Charge:	\$300.00 per year	\$516.00 per year
Energy Charge:		
On-Peak @	<b>\$0.13497</b> per kWh	<b>\$0.13497</b> per kWh
Intermediate @	<b>\$0.09777</b> per kWh	<b>\$0.09777</b> per kWh
Off-Peak @	<b>\$0.09017</b> per kWh	<b>\$0.09017</b> per kWh

Definition of Periods

The time periods applicable to the rate are set forth in Sheet No. D-4.00.

(Continued on Sheet No. D-10.01)

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**STREET LIGHTING SERVICE  
SCHEDULE SL**

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 unmetered lighting system. Any such election is subject to the Cooperative having the necessary materials and to the discretion of the Cooperative.

Street Lighting is available through the Cooperative for Member-Consumers meeting the following conditions:

Cooperative Owned Lights

- A. Member-consumers must have in use a minimum of three lights.
- B. 175 Watt Mercury Vapor Light @ **\$11.00** per month
- C. 100 Watt High Pressure Sodium @ **\$7.75** per month
- D. 250 Watt High Pressure Sodium @ **\$16.80** per month

\*This service closed to new accounts. Mercury Vapor Lights will be replaced with High Pressure Sodium Lights as replacements become necessary.

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 to D-1.01. For purposes of this calculation, the following energy estimates shall be used:

<u>Size and Type</u>	<u>kWh/mo/ Light</u>
*175W MV	67
100W HPS	38
250W HPS	96

(Continued on Sheet No. D-15.01)

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