

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
UPPER PENINSULA POWER COMPANY AND)
ALGER DELTA COOPERATIVE ELECTRIC)
ASSOCIATION for approval pursuant to)
MCL 460.6q for the sale and purchase of certain)
assets.)
_____)

Case No. U-16029

At the November 12, 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

OPINION AND ORDER

On August 5, 2009, Upper Peninsula Power Company (UPPCo) and Alger Delta Cooperative Electric Association (Alger Delta) filed a joint application pursuant to 1939 PA 3, as amended by 2008 PA 286, MCL 460.6q, requesting approval of the sale by UPPCo and the purchase by Alger Delta of certain electric distribution assets relating to the Nahma distribution line (the transaction).

The parties provided a notice of opportunity to comment on the transaction pursuant to MCL 460.6q(4). No comments were received.

A prehearing conference was held on October 7, 2009 before Administrative Law Judge Sharon L. Feldman. UPPCo, Alger Delta, and the Commission Staff participated in the proceedings. Subsequently, the parties submitted a settlement agreement resolving all issues in this case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that the transaction: (i) will not have an adverse impact on the rates of customers affected by the transaction; (ii) will not have an adverse impact on the provision of safe, reliable and adequate energy service in the state; (iii) will not result in the subsidization of non-regulated activities of UPPCo through the rates paid by its customers; (iv) will not significantly impair UPPCo's ability to raise necessary capital or maintain a reasonable capital structure; and (v) is not otherwise inconsistent with the public policy and interest.

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. Upper Peninsula Power Company is authorized to sell and Alger Delta Cooperative Electric Association is authorized to acquire the distribution assets related to the Nahma distribution line as set forth in the application and testimony in this proceeding.

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 November 12, 2009.

Mary Jo Kunkle, Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the joint application of)
UPPER PENINSULA POWER COMPANY) Case No. U-16029
and **ALGER DELTA COOPERATIVE**)
ELECTRIC ASSOCIATION for approval)
pursuant to MCL 460.6q of the purchase and sale)
of certain assets.)

SETTLEMENT AGREEMENT

On August 5, 2009, Upper Peninsula Power Company (“UPPCO”) and Alger Delta Cooperative Electric Association (“Alger Delta”) jointly filed an application for approval of the sale by UPPCO and the purchase by Alger Delta of certain electric distribution assets (the “Transaction”) relating to the Nahma distribution line running from the Masonville substation in the Township of Nahma, Delta County, Michigan.

On August 12, 2009, the Michigan Public Service Commission (“Commission”) issued its Notice of Opportunity for Comments. In accordance with the Commission’s Notice of Opportunity for Comment, UPPCO and Alger Delta mailed and published the requisite notice. No comments have been filed.

On September 17, 2009, the Commission issued its Notice of Hearing. In accordance with the Commission’s Notice of Hearing, UPPCO and Alger Delta mailed and published the requisite notice of hearing. No petitions to intervene have been received.

At the October 7, 2009 prehearing conference, UPPCO and Alger Delta presented proof of service of the notices, appearances were entered on behalf of Alger Delta, UPPCO and Commission Staff (“Staff”) and all the parties stipulated to the binding into the record of the prefiled direct testimony of Dennis M. Derricks and the admission into evidence of Exhibit A-1.

Based on discussions in this matter, the parties have agreed to enter into this Settlement Agreement. This Settlement Agreement is submitted pursuant to Section 78 of the Administrative Procedures Act of 1969, as amended (1969 PA 306, §78; MCL 24.278) and Rule 333 of the Commission's Rules of Practice and Procedure, Mich Admin Code R 460.17333. By this Settlement Agreement, the parties hereby agree and stipulate as follows:

1. The Transaction: (i) will not have an adverse impact on the rates of customers affected by the Transaction; (ii) will not have an adverse impact on the provision of safe, reliable and adequate energy service in the state; (iii) will not result in the subsidization of non-regulated activities of UPPCO through the rates paid by customers; (iv) will not significantly impair UPPCO's ability to raise necessary capital or maintain a reasonable capital structure; and (v) is not otherwise inconsistent with the public policy and interest.

2. The Transaction should be approved by the Commission.

3. This Settlement Agreement is without precedential effect and is intended only for final disposition of the issues in this proceeding. The parties to this Settlement Agreement join in respectfully requesting the Commission to grant prompt approval of same. It is the opinion of the signatories hereto that this Settlement Agreement will be in the public interest, aid the expeditious conclusion of this case and minimize the time and expense which would otherwise have to be devoted to this matter by the Commission and the parties.

4. Each signatory agrees not to appeal, challenge or contest the Commission's order in this case if it is the result of the Commission 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. Section 81 of the Administrative Procedures Act of 1969 is waived by the signatories hereto, if this Settlement Agreement and Stipulation is approved by the Commission without modification.

6. It is the opinion of all signatories that this Settlement Agreement is reasonable, prudent and will aid the expedition conclusion of this case.

ALGER DELTA COOPERATIVE
ELECTRIC ASSOCIATION

Dated: October 21, 2009

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UPPER PENINSULA POWER COMPANY

Dated: October 21, 2009

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Dated: October 21, 2009

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