

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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| In the matter of the application of <b>PRESQUE ISLE</b> )<br><b>ELECTRIC &amp; GAS CO-OP</b> for authority to implement )<br>its power supply cost recovery plan for the 12-month )<br>period ending December 31, 2012. )<br>_____ ) | Case No. U-16893 |
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At the January 26, 2012 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. John D. Quackenbush, Chairman  
Hon. Orjiakor N. Isiogu, Commissioner  
Hon. Greg R. White, Commissioner

**ORDER APPROVING SETTLEMENT AGREEMENT**

On September 29, 2011, Presque Isle Electric & Gas Co-op (Presque Isle) filed an application, with supporting testimony and exhibits, seeking approval to implement its power supply cost recovery (PSCR) plan for the 12-month period ending December 31, 2012 and to reflect a monthly PSCR factor of up to 29.51 mills per kilowatt-hour (kWh) based on a 58.34 mills per kWh allowance for cost of power supply included in base rates.

A prehearing conference was held on December 6, 2011 before Administrative Law Judge Mark E. Cummins. Presque Isle 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, the parties agree to a monthly PSCR factor of up to 29.51 mills per kWh, or \$0.02951 per kWh. 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. Presque Isle Electric & Gas Co-op is authorized to implement a power supply cost recovery factor of up to 29.51 mills per kilowatt-hour, or \$0.02951 per kilowatt-hour, in its monthly bills to its retail electric customers during the plan year.

C. Capacity charges associated with power purchased for periods in excess of six months included in Presque Isle Electric & Gas Co-op's 2012 power supply cost recovery plan are approved in accordance with Section 6j(13)(b) of 1982 PA 304.

D. Within 30 days, Presque Isle Electric & Gas Co-op shall file with the Commission tariff sheets essentially the same as those attached to the settlement agreement.

E. If Presque Isle Electric & Gas Co-op desires to apply a lesser power supply cost recovery factor than that approved by this order, it shall notify the Commission ten days prior to the use of the lesser factor and shall file during that billing month a tariff sheet showing the lesser factor applied.

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

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John D. Quackenbush, Chairman

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Orjiakor N. Isiogu, Commissioner

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Greg R. White, Commissioner

By its action of January 26, 2012.

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Mary Jo Kunkle, Executive Secretary

STATE OF MICHIGAN  
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ELECTRIC & GAS CO-OP for authority to implement )  
its power supply cost recovery plan for the 12-month )  
period ending December 31, 2012. )  
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Case No. U-16893

SETTLEMENT AGREEMENT

On September 29, 2011, Presque Isle Electric & Gas Co-op ("Presque Isle") filed an application, with supporting testimony and exhibits, seeking approval to implement its power supply cost recovery ("PSCR") plan for the 12-month period ending December 31, 2012 and to reflect a monthly PSCR factor of up to 29.51 mills per kWh based on a 58.34 mills per kWh allowance for cost of power supply included in base rates.

On October 12, 2011, the Michigan Public Service Commission ("Commission") issued its Notice of Hearing commencing a PSCR proceeding and establishing a procedural schedule for the proceeding. On December 6, 2011, the prehearing conference was held pursuant to the Commission's Notice of Hearing, with Administrative Law Judge Mark E. Cummins presiding. Commission Staff and Presque Isle participated in the proceedings. At the prehearing conference, 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 notice. The prehearing conference was conducted as a contested case matter pursuant to the Administrative Procedures Act of 1969, 1969 PA 306, as amended, MCL 24.201 *et seq.*

DYKEMA GOSSETT A PROFESSIONAL LIMITED LIABILITY COMPANY, CAPITOL VIEW 201 TOWNSEND STREET SUITE 900 LANSING, MICHIGAN 48933

The parties have agreed to enter into this Settlement Agreement recommending approval of the proposed 29.51 mills per kWh (\$0.02951 per kWh) PSCR factor for the 12-month period ending December 31, 2012. This proposed factor assumes maintenance of the 58.34 mills per kWh (\$0.05834 per kWh) allowance for cost of power supply included in base rates.

In view of the foregoing, and pursuant to Section 78 of the Administrative Procedures Act of 1969, as amended (1969 PA 306, §78; MCL 24.278), Presque Isle and Staff hereby agree as follows:

A. Presque Isle proposed a PSCR factor of up to 29.51 mills per kWh, or \$0.02951 per kWh. In developing the proposed 2012 PSCR factor of 29.51 mills per kWh, Presque Isle rolled in a projected 2011 undercollection balance of \$300,000. The parties agree that Presque Isle's proposed 2012 PSCR factor is reasonable, appropriate, in the public interest, and consistent with Commission approval given in recent PSCR cases.

B. A proposed tariff sheet is attached as Attachment 1.

C. Should Presque Isle apply a lesser PSCR factor than that identified above, it shall notify the Commission Staff of that fact and file a revised tariff sheet reflecting that PSCR factor.

D. Capacity charges associated with power purchased for periods in excess of six months included in Presque Isle's 2012 PSCR Plan are specifically included in this Settlement Agreement – so that an order approving this Settlement Agreement constitutes the prior approval referenced in Section 6j(13)(b) of the PSCR Act.

E. No party will 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.

F. Section 81 of the Administrative Procedures Act of 1969 is waived.

Dated: January 3, 2012

**Michael J.  
Orris**

Digitally signed by Michael J. Orris  
DN: cn=Michael J. Orris, o=Michigan  
Attorney General, ou=Public Service  
Division, email=orrism@michigan.  
gov, c=US  
Date: 2012.01.03 11:25:23 -05'00'

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MICHIGAN PUBLIC SERVICE COMMISSION  
STAFF

By: Michael J. Orris (P51232)  
Assistant Attorney General  
6545 Mercantile Way, Ste. 15  
Lansing, MI 48911  
Telephone: (517) 241-6680

Dated: January 3, 2012

**Bret A. Totoraitis**

Digitally signed by Bret A. Totoraitis  
DN: cn=Bret A. Totoraitis, o=Dykema Gossett PLLC,  
ou, email=btotoraitis@dykema.com, c=US  
Date: 2012.01.03 10:47:51 -05'00'

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PRESQUE ISLE ELECTRIC & GAS CO-OP

By: Albert Ernst (P24095)  
Shaun M. Johnson (P69036)  
Bret A. Totoraitis (P72654)  
DYKEMA GOSSETT PLLC  
201 Townsend, Suite 900  
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Telephone: (517) 374-9155

POWER SUPPLY COST RECOVERY CLAUSE  
(Continued from Sheet No. D-1.00)

by the Commission under Cooperative's most recent power supply cost recovery plan, among other things. Cooperative shall be required to refund to Member-Consumers, or to credit to Member-Consumers' bills any net amount determined to have been recovered which is in excess of the amounts actually expended by Cooperative for power supply. Cooperative shall recover from Member-Consumers any net amount by which the amount determined to have been recovered over the period covered was less than the amount determined to have been actually expended by Cooperative for power supply.

For the twelve (12) months ending December **2012**, the Power Supply Cost Recovery Factor is **\$0.02951** per kWh. The allowance for cost of power supply included in base rates is \$0.05834 per kWh.

Should the Cooperative apply lesser factors than those above, or if the factors are later revised pursuant to Commission Order or 1982 PA 304, the Cooperative will notify the Commission and file a revision of the above factor.

The following factors are applied pursuant to 1982 PA 304 in the 12 billing months ending December **2012**:

| <u>Year</u> | <u>Month</u> | Maximum<br>Authorized<br><b>2012</b> PSCR<br>Factor<br>(per kWh) | Actual<br>Factor<br><u>Billed</u><br>(per kWh) |
|-------------|--------------|--|--|
| 2012        | January      | <b>\$0.02951</b>   |  |
| 2012        | February     | <b>\$0.02951</b>   |  |
| 2012        | March        | <b>\$0.02951</b>   |  |
| 2012        | April        | <b>\$0.02951</b>   |  |
| 2012        | May          | <b>\$0.02951</b>   |  |
| 2012        | June         | <b>\$0.02951</b>   |  |
| 2012        | July         | <b>\$0.02951</b>   |  |
| 2012        | August       | <b>\$0.02951</b>   |  |
| 2012        | September    | <b>\$0.02951</b>   |  |
| 2012        | October      | <b>\$0.02951</b>   |  |
| 2012        | November     | <b>\$0.02951</b>   |  |
| 2012        | December     | <b>\$0.02951</b>   |  |

(Continued on Sheet No. D-1.02)

Issued:  
By: Brian Burns  
President and CEO  
Onaway, Michigan

Effective for all electric bills rendered for  
the **2012** PSCR Plan Year

Issued under authority of Michigan  
Public Service Commission dated  
in Case No. **U-16893**