

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the report of THE ONTONAGON)
COUNTY RURAL ELECTRIFICATION)
ASSOCIATION relative to the TIER Ratemaking)
mechanism for the twelve month period ended)
December 31, 2005.)
_____)

Case No. U-14864

SETTLEMENT AGREEMENT

On May 1, 2006, The Ontonagon County Rural Electrification Association (Ontonagon) filed a petition relative to its Times Interest Earned Ratio (TIER) Ratemaking Mechanism for the twelve month period ended December 31, 2005. The May 1, 2006 submission reported an adjusted TIER for the twelve month period ended December 31, 2005, of 1.26 (Exhibit A-4), below the TIER "floor" and thus, a \$297,923 increase was indicated, i.e., approximately 7.50% equating to a 10.82 mills per kWh surcharge. However, to minimize the impact of the rate increase on its members, Ontonagon requested that its increase be limited to 5.00 mills per kWh. This reduces the proposed increase from \$297,923 to \$137,654; from 7.50% to 3.46%; and from 10.82 mills per kWh to 5.00 mills per kWh.¹

¹ It should be noted that in last year's comparable filing, i.e., covering the 12 months ended December 31, 2004, the following was stated:

By this report, Ontonagon advises the Commission that Ontonagon's adjusted TIER for the twelve month period ended December 31, 2004 is 1.63 (Exhibit A-5), i.e., below the TIER "floor" and thus, a \$123,522 increase is indicated, i.e., approximately 3.32% which equates to a 4.50 mills per kWh surcharge. **However, Ontonagon requests that it not**

At the prehearing conference on July 26, 2006, Ontonagon 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 Ontonagon participated in these 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.

It is the opinion of the signatories hereto 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; MCL 24.278). By this Settlement Agreement, Ontonagon and Staff hereby agree and stipulate as follows:

A. Ontonagon should be authorized to increase its rates by \$137,654, approximately 3.46%, to be collected through a uniform 5.00 mills per kWh surcharge.

be required to increase its rates at this time – with further review deferred to its TIER Ratemaking filing covering the period ending December 31, 2005. [emphasis added].

Thus, Ontonagon totally deferred any rate increase last year – and is voluntarily reducing its request by 53.80% this year, i.e., from \$297,923 to \$137,654.

B. Ontonagon should be authorized to revise its rates to reflect the changes on the attached tariff sheets, wherein a 5.00 mills per kWh surcharge is applied to energy charges to collect the required \$137,654 base rate increase. Set forth below is a summary of the requisite tariff sheet revisions:

TARIFF SHEET REVISIONS

INCORPORATING 5.00 MILLS PER KWH SURCHARGE

Rate Class	Current Tariff	Revised Tariff	Current Energy Charge (per kWh)	Proposed Energy Charge (per kWh)
A	15 th Revised Sheet No. 8.00	16 th Revised Sheet No. 8.00	10.82¢	11.32¢
AH	4 th Revised Sheet No. 8.01	5 th Revised Sheet No. 8.01	10.78¢ 1 st 500 kWh 8.22¢ for excess	11.28¢ 1 st 500 kWh 8.72¢ for excess
AS	15 th Revised Sheet No. 9.00	16 th Revised Sheet No. 9.00	11.32¢	11.82¢
B	17 th Revised Sheet No. 10.00	18 th Revised Sheet No. 10.00	10.90¢	11.40¢
Small Multi-Phase Farm Service	10 th Revised Sheet No. 10.01	10 th Revised Sheet No. 10.01	11.15¢	11.65¢
LP	15 th Revised Sheet No. 11.00	16 th Revised Sheet No. 11.00	7.26¢	7.76¢
LP-1	4 th Revised Sheet No. 11.03	5 th Revised Sheet No. 11.03	5.05¢	5.55¢

SA-A	16 th Revised Sheet No. 12.00	17 th Revised Sheet No. 12.00	10.75¢	11.25¢
LP-1-C	1 st Revised Sheet No. 20.00	2 nd Revised Sheet No. 20.00	0.06¢	0.56¢
LP-C	1 st Revised Sheet No. 21.00	2 nd Revised Sheet No. 21.00	2.92¢	3.42¢

C. The due date for future TIER filings should be extended from the current March 31 to April 30. Thus, Ontonagon's next TIER filing, covering the 12 months ending December 31, 2006, should be submitted by April 30, 2007.²

² Michigan's rural electric cooperatives have been working with the Commission Staff to simplify annual filings on a generic basis. To date, that simplification has evolved into combining the annual TIER Ratemaking filings with the annual PSCR reconciliation filings. Per MCL 460.6j(12), the PSCR reconciliation filing is due "not later than 3 months after the end of the 12-month period covered by [Ontonagon's] power supply cost recovery plan", *i.e.*, by March 31. However, from a logistical perspective, it is sometimes difficult for rural electric cooperatives to have their *post-audit* RUS Form 7s completed by March 31 – and those Form 7s are necessary to complete the TIER Ratemaking filing. Thus, it would be administratively easier, for both the rural electric cooperatives and the Staff, to have both the PSCR reconciliations and the TIER filings due April 30 instead of March 31. Such a transition is specifically provided for in 1982 PA 304, *i.e.*, MCL 460.6j(17)(b) provides as follows:

(17) To avoid undue hardship or unduly burdensome or excessive cost, the commission may:

(b) Exempt an energy utility organized as a cooperative corporation pursuant to sections 98 to 109 of Act No. 327 of the Public Acts of 1931, being sections 450.98 to 450.109 of the Michigan Compiled Laws, from 1 or more of the provisions of this section.

By this settlement agreement, Ontonagon and the Staff recommend that the Commission apply the above quoted MCL 460.6j(17)(b) to allow Ontonagon to file its PSCR reconciliation filings "not later than 4 months after the end of the 12-month period covered by [Ontonagon's] power supply cost recovery plan", *i.e.*, by April 30. More specifically, if the Commission issues its order approving this settlement agreement, Ontonagon and the Staff understand that future PSCR reconciliation filings will be due "not later than 4 months after the end of the 12-month period covered by [Ontonagon's] power supply cost recovery plan", *i.e.*, by April 30.

D. Ontonagon agrees to provide in all future TIER filings actual sales data and revenue by rate schedule. The sales data shall include demand, energy, and average number of customers (annual billing determinates).

E. Ontonagon agrees to provide a cost of service study with its 2006 TIER filing, even if the TIER calculation is in the quiet zone.

F. Ontonagon agrees to re-examine its current TIER range and target to determine if they are still appropriate, and include its findings and recommendation to retain or adjust the TIER range and target in its 2006 TIER filing.

G. 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.

H. Ontonagon and the Commission Staff jointly recommend that the Commission issue its Order Adopting Settlement Agreement.

I. 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 provision of the settlement agreement and this footnote mirror that approved by the Commission in its June 15, 2006 order for Presque Isle Electric & Gas Co-Op in Case No. U-14637.

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

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

Dated: July 18, 2006



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

Dated: July 18, 2006

Albert Ernst Digitally signed by Albert Ernst
DN: cn=Albert Ernst, c=US, o=Dykema
Gossett PLLC
Date: 2006.07.18 10:20:58 -04'00'

THE ONTONAGON COUNTY RURAL
ELECTRIFICATION ASSOCIATION
By: Albert Ernst (P24059)
DYKEMA GOSSETT PLLC
124 West Allegan, Suite 800
Lansing, MI 48933
Telephone: (517) 374-9155

SCHEDULE A

Availability:

Available in all territory served by the Association, subject to the Association's established service rules and regulations.

Applicability:

Applicable to rural residential consumers for all uses in the home and on the farm, including service to public buildings, such as schools, churches and community halls.

Type of Service:

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

Rate:

Service Charge:	\$7.00 per month
Energy Charge:	11.32¢ per kWh for all kWh

Minimum Monthly Charge:

Service charge included in the rate.

Sales Tax:

Michigan States Sales Tax will be added where applicable.

Terms of Payment:

This rate schedule is subject to the Association's Allowance Charges as set forth on Sheet No. 7.04

Power Supply Cost Recovery Clause and Factor:

This rate schedule is subject to the Association's Power Supply Cost Recovery Clause as set forth on Sheet Nos. 13.00 and 13.01.

Issued: **_____, 2006**
By Thomas A. Haarala, Manager
Ontonagon, Michigan

Effective for **electric** service rendered on and
after : **_____, 2006**
Issued under the authority of the M.P S.C.
dated : **_____, 2006** in Case No. **U-14864**

SCHEDULE AH

Availability:

Available in all territory served by the Association, subject to the Association's established service rules and regulations.

Applicability:

Any monthly billed rural residential consumer in a single family dwelling with Geo-Thermal heating or electric space heating provided the facilities are permanently installed and the primary source of space heating.

Type of Service:

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

Rate:

Service Charge: \$7.00 per month

Energy Charge:

For billing months June
through September **11.28¢**/kWh for all kWh

For billing months October
through May **11.28¢**/kWh for 1st 500 kWh
8.72¢/kWh for the excess

Minimum Monthly Charge:

Service charge included in the rate.

Issued: **_____, 2006**
By Thomas A. Haarala, Manager
Ontonagon, Michigan

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SCHEDULE AS
SEASONAL RESIDENTIAL SERVICE

Availability:

Available in all territories served by the Association, subject to the Association's established service rules and regulations.

Applicability:

Applicable to residential consumers for service to residence, located adjacent to existing distribution lines, which are occupied for periods aggregating not more than nine months per year. If the premises are occupied intermittently throughout the year, service need not be disconnected during periods of non-occupancy.

This schedule is not applicable to consumers for service to seasonal cabins for transients and other commercial seasonal service.

Type of Service:

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

Rate:

Service Charge: \$111.00 per customer per year

Energy Charge: **11.82¢** per kWh for all kWh

For the purpose of billing under this rate, the season shall begin October 1 and end on the following October 1. Billing shall be prorated for the first season electric service is used. Billing for succeeding seasons shall be the full charge for the season or for any portion thereof.

Minimum Charge:

The minimum annual charge shall be the service charge.

Sales Tax:

Michigan State Sales Tax will be added where applicable.

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By Thomas A. Haarala, Manager
Ontonagon, Michigan

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SCHEDULE B
GENERAL SERVICE

Availability:

Available in all territories served by the Association to members with installed transformer capacity of 25 kVa or less subject to the Association's established service rules and regulations. This rate is available on an experimental basis until July 1, 1990 for multi-phase service.

Type of Service:

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

Rate

Service Charge:	Single phase	\$ 7.85 per customer per month
	Multi-phase	\$15.85 per customer per month
Energy Charge:		11.40¢ per kWh for all kWh

Minimum Monthly Charge:

The minimum monthly charge shall be the service charge.

Sales:

Michigan State Sales Tax will be added where applicable.

Terms of Payment:

Bills are rendered net with payment due 21 days from date of bill. A 2% late payment charge will be added to bills not paid by the due date shown thereon.

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. 13.00 and 13.01.

Issued: **_____, 2006**
By Thomas A. Haarala, Manager
Ontonagon, Michigan

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SMALL MULTI-PHASE FARM SERVICE

Availability:

Available to multi-phase farm consumers located on or near and served by the Cooperative's multi-phase lines, when transformer capacity is less than 25 kVa, subject to the established rules and regulations of the Cooperative covering this service.

Members having their homes on the same premises with their multi-phase farm service may include service to both on the same meter, in which case all service will be billed under this schedule, using the rate set out below. The member may, however, make provision for two meters, in which case his usage for residential purposes will be billed under the appropriate residential schedule, and his usage for farm purposes will be billed under this schedule and rate.

Type of Service:

Multi-phase, 60 cycle, at the Cooperative's standard voltages.

Monthly Rate:

Service Charge: \$14.50 per month

Energy Charge: **11.65¢** per kWh for all kWh

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. 13.00 and 13.01.

Minimum Monthly Charge:

The minimum monthly charge shall be the service charge.

Sales Tax:

Michigan State Sales Tax will be added where applicable.

Terms of Payment:

Bills are rendered net with payment due 21 days from date of bill. A 2% late payment charge will be added to all bills not paid by the due date shown thereon.

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SCHEDULE LP
LARGE POWER SERVICE

Availability:

Available to consumers served by Association's single or three-phase lines, for all types of usage with a billing demand of 10 kW or greater, subject to the established rules and regulations of the Association.

Rate:

\$7.50 per month per Kw of billing demand plus energy charges of **7.76¢** per kWh for all kWh.

Determination of Billing Demand:

The billing demand shall be the maximum kilowatt demand established by the consumer for any period of fifteen consecutive minutes during the month for which the bill is rendered, as indicated or recorded by a demand meter and adjusted for power factor as follows:

Power Factor Adjustment:

The consumer agrees to maintain unity power factor as nearly as possible. Power factor may be measured at any time. Should such measurements indicate that the power factor at the time of maximum demand is less than 90 percent, the demand for billing purposes shall be multiplied by the demand as indicated or recorded by the demand meter, multiplied by 90 percent and divided by the percent power factor.

Power Supply Cost Recovery Clause and Factor:

This rate schedule is subject to the Association's Power Supply Cost Recovery Clause as set forth on Sheet Nos. 13.00 and 13.01.

Minimum Monthly Charge:

The minimum monthly charge shall be the demand charge but not less than the demand charge for 10 kW.

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By Thomas A. Haarala, Manager
Ontonagon, Michigan

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SCHEDULE LP-1
LARGE POWER SERVICE

Availability:

Available to consumers served by Association's three-phase lines, for all types of usage with a billing demand of 150 kW or greater, subject to the established rules and regulations of the Association.

Rate:

\$9.25 per month per Kw of billing demand plus energy charges of **5.55¢** per kWh for all kWh.

Determination of Billing Demand:

The billing demand shall be the maximum kilowatt demand established by the consumer for any period of fifteen consecutive minutes during the month for which the bill is rendered, as indicated or recorded by a demand meter and adjusted for power factor as follows:

Power Factor Adjustment:

The consumer agrees to maintain unity power factor as nearly as possible. Power factor may be measured at any time. Should such measurements indicate that the power factor at the time of maximum demand is less than 90 percent, the demand for billing purposes shall be multiplied by the demand as indicated or recorded by the demand meter, multiplied by 90 percent and divided by the percent power factor.

Power Supply Cost Recovery Clause and Factor:

This rate schedule is subject to the Association's Power Supply Cost Recovery Clause as set forth on Sheet Nos. 13.00 and 13.01.

Minimum Monthly Charge:

The minimum monthly charge shall be the demand charge but not less than the demand charge for 150 kW.

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By Thomas A. Haarala, Manager
Ontonagon, Michigan

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SCHEDULE SA-A
STREET LIGHTING SERVICE

Street Lighting Rates:

The charge shall be \$7.10 per lamp per month; or
11.25¢ per kWh for all kWh, if metered

Conditions of Service:

- (1) Village is to turn the lights on and off.
- (2) Street lighting equipment is to be supplied by the village, the Association is to string the necessary wires.
- (3) Lamp replacement shall be made by the village.
- (4) Bills are rendered net with payment due 21 days from date of bill.

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. 13.00 and 13.01.

Sales Tax:

Michigan States Sales Tax will be added where applicable.

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 customers from being compelled to share such local taxes.
- 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 energy.

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SCHEDULE LP-1-C
LARGE POWER SERVICE RATE-CHOICE

Availability:

Subject to the Rules and Regulations of the Cooperative and its *Retail Access Service Tariff*, this schedule is available to Member-Consumers eligible to be taking service under the Cooperative's Large Power Service Rate, Schedule LP-1. Service under this rate is for delivery of power from the Point of Distribution Receipt to the Point of Distribution Delivery and is subject to the following conditions:

1. The Member-Consumer must have a Maximum Demand of at least **150 kW**. Individual Member-Consumers receiving demand metered service at multiple metering points and eligible to be taking service under the Cooperative's **Schedule LP** may achieve the **150 kW** Maximum Demand threshold by aggregating or summing the Maximum Demands for each metering point occurring during a single month. The applicable rate schedule will apply to all aggregated metering points on an individual account basis.
2. The Member-Consumer must enter a Retail Access Service Agreement with the Cooperative.
3. The transmission of power to the Distribution Point of Receipt and all related costs shall be the responsibility of the Member-Consumer and/or Alternative Electric Supplier (AES).
4. The Member-Consumer must agree to purchase any default energy delivered pursuant to Schedule RASS-Retail Access Standby Service in addition to the service specified herein.

Billing Rate:

Demand Charge: \$6.89 per Kw

Variable Distribution Charge: **0.56¢** per kWh

Determination of Billing Demand:

The billing demand shall be the maximum kilowatt demand established by the Member-Consumer for any period of fifteen consecutive minutes during the month for which the bill is rendered, as indicated or recorded by a demand meter and adjusted for power factor as follows:

(Continued on Sheet No. 20.01)

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SCHEDULE LP-C
LARGE POWER SERVICE RATE-CHOICE
(continued from Sheet No. 21.01)

Availability:

Subject to the Rules and Regulations of the Cooperative and its *Retail Access Service Tariff*, this schedule is available to Member-Consumers eligible to be taking service under the Cooperative's Large Power Service Rate, Schedule LP. Service under this rate is for delivery of power from the Point of Distribution Receipt to the Point of Distribution Delivery and is subject to the following conditions:

1. The Member-Consumer must have a Maximum Demand of at least **50 kW**. Individual Member-Consumers receiving demand metered service at multiple metering points and eligible to be taking service under the Cooperative's Schedule LP may achieve the **50 kW** Maximum Demand threshold by aggregating or summing the Maximum Demands for each metering point occurring during a single month. The applicable rate schedule will apply to all aggregated metering points on an individual account basis. No more than 30% of the total number of member-consumers between 50 kW and 199 kW may be eligible for service under this tariff.
2. The Member-Consumer must enter a Retail Access Service Agreement with the Cooperative.
3. The transmission of power to the Distribution Point of Receipt and all related costs shall be the responsibility of the Member-Consumer and/or Alternative Electric Supplier (AES).
4. The Member-Consumer must agree to purchase any default energy delivered pursuant to Schedule RASS-Retail Access Standby Service in addition to the service specified herein.

Type of Service

Single or triple-phase, 60 cycle, at Cooperative's standard or secondary voltages.

Billing Rate

Demand Charge: \$6.95 per Kw

Variable Distribution Charge: **3.42¢** per kWh

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