

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of ONTONAGON	)	
COUNTY RURAL ELECTRIFICATION	)	
ASSOCIATION for authority to implement its power	)	Case No. U-14713
supply cost recovery plan for the 12-month period	)	
ending December 31, 2006.	)	
_____	)	

At the July 11, 2006 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. J. Peter Lark, Chairman
Hon. Laura Chappelle, Commissioner
Hon. Monica Martinez, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On September 30, 2005, Ontonagon County Rural Electrification Association (Ontonagon) filed an application, with supporting testimony and exhibits, seeking approval to implement a power supply cost recovery (PSCR) plan and to reflect PSCR factors in its 2006 monthly billings to its retail electric customers.

Pursuant to due notice, a prehearing conference was held on December 6, 2005. Ontonagon and the Commission Staff participated in the proceedings. Subsequently, the parties submitted a settlement agreement resolving all issues.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree to a PSCR factor of 35.00 mills per kilowatt-hour (kWh), or \$0.03500 per kWh, for the 12-month period ending December 31, 2006.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 *et seq.*; 1919 PA 419, as amended, MCL 460.51 *et seq.*; 1939 PA 3, as amended, MCL 460.1 *et seq.*; 1982 PA 304, as amended, MCL 460.6h *et seq.*; 1969 PA 306, as amended, MCL 24.201 *et seq.*; and the Commission's Rules of Practice and Procedure, 1999 AC, R 460.17101 *et seq.*

b. 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. Ontonagon County Rural Electrification Association is authorized to implement a power supply cost recovery factor of \$0.03500 per kilowatt-hour in its monthly bills to its retail electric customers during the plan year.

C. Pursuant to MCL 460.6j(13)(b), this order constitutes prior approval of capacity charges associated with power purchased for periods in excess of 6 months.

D. Within 30 days, Ontonagon County Rural Electrification Association shall file a tariff sheet essentially the same as that attached to the settlement agreement.

E. Should Ontonagon desire to apply a lesser power supply cost recovery factor than that approved by this order, it shall notify the Commission ten days before using 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

/s/ J. Peter Lark
Chairman

(S E A L)

/s/ Laura Chappelle
Commissioner

/s/ Monica Martinez
Commissioner

By its action of July 11, 2006.

/s/ Mary Jo Kunkle
Its Executive Secretary

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



Chairman



Commissioner



Commissioner

By its action of July 11, 2006.



Its Executive Secretary

PROOF OF SERVICE

STATE OF MICHIGAN)

Case No. U-14713

County of Ingham)

Patricia A. Fronta being duly sworn, deposes and says that on July 11th 2006, A.D. she served a copy of the attached Commission order by first class mail, postage prepaid, or by inter-departmental mail, to the persons as shown on the attached service list.

Patricia
A. Fronta

Digitally signed by
Patricia A. Fronta
DN: CN = Patricia A.
Fronta, C = US, O = Case
Management, OU =
MPSC
Date: 2006.07.17
11:02:13 -04'00'

Patricia Fronta

Subscribed and sworn to before me
this 11th day of July 2006

Sharron A.
Allen

Digitally signed by Sharron A. Allen
DN: cn=Sharron A. Allen, c=US,
o=MPSC, ou=Case Management,
email=saallen@michigan.gov
Date: 2006.07.17 10:56:24 -04'00'

Sharron A. Allen
Notary Public, Ingham County, MI
My Commission Expires August 16, 2011

SERVICE LIST FOR DOCKET # U – 14713
DATE OF PREPARATION: 10/13/2005

CASE #

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STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

**In the matter of the application of)
 ONTONAGON COUNTY RURAL)
 ELECTRIFICATION ASSOCIATION for)
 authority to implement its Power Supply)
 Cost Recovery Plan for the 12-month)
 period ending December 31, 2006.)**

Case No. U-14713 (e-file)

SETTLEMENT AGREEMENT

On September 27, 2005, Ontonagon County Rural Electrification Association (Ontonagon) filed an application, with supporting testimony and exhibits, seeking approval to implement a Power Supply Cost Recovery (PSCR) Plan to reflect PSCR factors in its monthly billings to its retail electric customers for the 12-months ending December 31, 2006. On October 17, 2005, the Commission issued its Notice of Hearing commencing a PSCR proceeding and establishing a procedural schedule for such proceeding. In accordance with the Commission's Notice of Hearing, Ontonagon provided notice of this proceeding throughout its service area.

At the December 6, 2005 prehearing conference, 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 notice's requisite publication.

On May 5, 2006, Ontonagon filed a motion for expedited temporary order and supplemental testimony and exhibits of Thomas A. Haarala. Therein, Ontonagon increased its requested PSCR factor to reflect revised wholesale power supply agreements with Upper Peninsula Power Company and Wisconsin Electric Power Company.

The Commission Staff (Staff) and Ontonagon participated in these proceedings. Because the parties agreed that this matter would likely settle, in lieu of setting a contested case schedule, 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.* In the unlikely event a settlement was not reached or finalized, a second prehearing conference was scheduled for February 17, 2006. The scheduled February 17, 2006 second was canceled to facilitate the parties reaching this settlement agreement. At the rescheduled May 22, 2006 prehearing conference, the parties advised the ALJ that they had reached this settlement agreement.

The evidence presented in this proceeding indicates that Ontonagon plans to purchase all of its power requirements from Upper Peninsula Power Company and We Energies. According to Ontonagon's filing, as revised in its supplemental submission, for PSCR purposes, it anticipates purchasing 31,181,266 kWh during the 12-month period ending December 31, 2006. After adjusting for line losses, 28,118,682 kWh are subject to the PSCR mechanism. The total cost for this power was projected by Ontonagon to be \$2,353,401¹ which results in an average power supply cost of 83.89 mills per kWh. Ontonagon presently has 48.89 mills per kWh established as its allowance for cost of power supply in base rates. Therefore, Ontonagon requests a monthly PSCR factor of 35.00 mills per kWh, or \$0.03500 per kWh, for the 12-month period ending December 31, 2006. Copies of the revised wholesale power agreements were provided to the Staff, including provisions for capacity charges associated with power purchased for periods in excess of 6 months. The parties have agreed to enter into this Settlement Agreement.

¹ Revised Exhibit A-1, page 22, actually reflects PSCR revenue of \$2,358,876, or \$5,475 more than the targeted \$2,353,401. However, this over recovery can be addressed in the related reconciliation proceeding, if required.

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, Ontonagon and Staff hereby agree as follows:

A. Ontonagon's proposed PSCR factor of 35.00 mills per kWh, or \$0.03500 per kWh, should be approved.

B. Proposed tariff sheets are attached as Attachment 1.

C. Pursuant to MCL 460.6j(13)(b), the revised PSCR Plan recommended for approval in this docket includes prior approval of capacity charges associated with power purchased for periods in excess of 6 months.

D. Should Ontonagon apply lesser PSCR factors than those identified above, it shall notify the Commission Staff of that fact and file a revised tariff sheet reflecting those PSCR factors.

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

F. This settlement agreement will become binding on the parties only if the Commission accepts the same 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 the proceeding or be used for any purpose whatsoever.

Dated: June 6, 2006

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

Dated: June 6, 2006

THE ONTONAGON COUNTY RURAL
ELECTRIFICATION ASSOCIATION

By: Albert Ernst (P24059))
DYKEMA GOSSETT PLLC
124 West Allegan, Suite 800
Lansing, MI 48933
Telephone: (517) 374-9184

Not less than once a year and not later than 3 months after the end of the 12-month period covered by Association's most recently authorized power supply cost recovery plan, a power supply cost reconciliation proceeding will be conducted to reconcile the revenues recorded pursuant to the power supply cost recovery factor and the allowance for cost of power included in base rates as established by the Commission under Association's most recent power supply cost recovery plan, among other things. Association shall be required to refund to customers, or to credit to customers' bills any net amount determined to have been recovered which is in excess of the amounts actually expensed by Association for power supply. Association shall recover from customers 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 expensed by Association for power supply.

For the 6 months ending June **2006**, the Power Supply Cost Recovery Factor is **\$0.03241** per kWh. The allowance for cost of power supply included in base rates is \$0.04889 per kWh.

For the 6 months ending December **2006**, the Power Supply Cost Recovery Factor is **\$0.03500** per kWh. The allowance for cost of power supply included in base rates is \$0.04889 per kWh.

Should the Cooperative apply lesser factors than those above, or if the factors are later revised pursuant to Commission Orders 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 **2006**:

<u>Month</u>	<u>Authorized Factor</u>
Jan '06	\$0.03241
Feb '06	\$0.03241
Mar '06	\$0.03241
Apr '06	\$0.03241
May '06	\$0.03241
Jun '06	\$0.03241
Jul '06	\$0.03500
Aug '06	\$0.03500
Sep '06	\$0.03500
Oct '06	\$0.03500
Nov '06	\$0.03500
Dec '06	\$0.03500

Issued
By Tom Haarala
General Manager
Ontonagon, Michigan

Effective for bills rendered for
the 2006 PSCR Plan year

Issued under the authority of the M.P.S.C. order
dated in Case No. **U-14713**