

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the petition of ALGER DELTA)
COOPERATIVE ELECTRIC ASSOCIATION)
relative to its TIER Ratemaking Mechanism)
for the twelve month period ended December)
31, 2005.)

Case No. U-14863

SETTLEMENT AGREEMENT

On April 25, 2006, Alger Delta Cooperative Electric Association (Alger Delta) filed a petition relative to its Times Interest Earned Ratio (TIER) Ratemaking Mechanism for the twelve month period ended December 31, 2005. The Petition reported an adjusted TIER of 1.67, equating to a \$269,305 revenue increase. The revenue increase was proposed to be collected through a 4.41 mills per kWh increase to base energy charges.

At the prehearing conference on June 1, 2006, Administrative Law Judge Barbara A. Stump presiding, Alger Delta 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 Alger Delta 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; MCLA 24.278; MSA 3.560 (178)). By this Settlement Agreement, Alger Delta and Staff hereby agree and stipulate as follows:

A. Based on discussions with Staff and after appropriate adjustments, for the twelve month period ended December 31, 2005, Alger Delta's adjusted TIER is 1.69 based on total margins. Accordingly, a \$247,877 base rate increase, approximating 3.09%, is required.

B. Alger Delta should be authorized to revise its rates to reflect the changes on the tariff sheets attached as Exhibit A to collect the required \$247,877 base rate increase, *i.e.*, based on a uniform increase in the base energy charges of 4.1 mills per kWh.

C. Alger Delta 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 determinants).

D. Alger Delta agrees to re-examine its current TIER range and target to determine if they are still appropriate, and to include its findings and recommendation to retain or adjust the TIER range and target in its TIER filing covering the 12-months ending December 31, 2006.

E. The due date for future TIER filings should be extended from the current March 31 to April 30. Thus, Alger Delta's next TIER filing, covering the 12 months ending December 31, 2006, should be submitted by April 30, 2007.¹

¹ 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 [Alger Delta'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

F. 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.

G. Alger Delta and the Commission Staff jointly recommend that the Commission issue its Order Adopting Settlement Agreement.

H. 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

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

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.

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

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

Dated: July 14, 2006



COMMISSION STAFF
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Assistant Attorney General
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Dated: July 14, 2006

Albert Ernst

Digitally signed by Albert Ernst
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Date: 2006.07.14 11:23:07
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ALGER DELTA COOPERATIVE
ELECTRIC ASSOCIATION
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SCHEDULE A
FARM AND HOME SERVICE

Availability

Available to member-consumers of the Cooperative for all normal farm and home uses at the address shown on the member-consumer's driver's license and voter's registration card, subject to the established rules and regulations of the Cooperative in Section II, Part G, 2. Service to individual motors under this rate schedule is limited to motors up to and including ten horsepower (10 H.P.). **This rate is also available to any member-consumer of the Cooperative for residential service to dwellings which are occupied seasonally, where consumption for the prior calendar year exceeded 8,000 kWh.**

Type of Service

Alternating current, 60 hertz, single-phase, at a nominal 120/240 volts.

Billing Rate

Monthly Service Charge: \$ 12.00 per month
or
Annual Service Charge: \$144.00

Energy Charge: \$ 0.1086 per kWh

Minimum Charge

- A. The monthly minimum charge is the Monthly Service Charge; or
- B. The annual minimum charge under this rate schedule shall be the Annual Service Charge; or
- C. The minimum charge may be increased in accordance with the Cooperative's rules and regulations in Section II, Part C, 3, in those cases in which a larger than average investment is necessary to serve an account under this schedule. Such minimum charges will be specified in a supplemental contract between the Cooperative and the member-consumer.

Continued on Sheet No. 8.01

Issued: [REDACTED], 2006
By: Thomas G. Harrell, Manager
Gladstone, Michigan

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[REDACTED], 2006
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dated [REDACTED], 2006 in Case No. U-14863

SCHEDULE AS
SEASONAL RESIDENTIAL SERVICE

Availability

Available to member-consumers of the Cooperative who use their homes or cottages only a part of each year or at intervals during the year for all residential uses, subject to the established rules and regulations of the Cooperative in Section II, Part G, 2. Service under this schedule is limited to individual motors up to, and including, ten horsepower (10 H.P.). **Any member-consumer who receives service under this rate, consuming more than 8,000 kWh during the prior calendar year may choose to take service under the Cooperative's Schedule A, Farm and Home Service.**

Type of Service

Alternating current, 60 hertz, single-phase, at approximately 120/240 volts.

Annual Rate

Service Charge: \$ 168.00 per year

Energy Charge: \$ 0.1241 per kWh

Minimum Annual Charge

The minimum annual charge under the above rate shall not be less than \$168.00. The minimum annual charge may be increased, subject to the Cooperative's rules and regulations in Section II, Part C, 3, in those cases in which a greater than average investment is necessary to serve an account under this schedule.

Meter Readings

The meter shall be read by the Cooperative once each calendar year, and an annual bill shall be rendered to the member-consumer for payment.

Continued to Sheet No. 9.01

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SCHEDULE B

COMMERCIAL AND SMALL POWER SERVICE

Availability

Available to churches and township hall member-consumers, commercial member-consumers, small industrial member-consumers, and three-phase farm member-consumers, when transformer capacity is less than 25 kVa, subject to the established rules and regulations of the Cooperative in Section II, Part G, 2, covering this service.

Member-consumers having their homes on the same premises with their business establishments 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-consumer 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 business purposes will be billed under this schedule and rate.

Type of Service:

Alternating current, 60 hertz, single-phase, and three-phase where available, at approximately 120/240 volts.

Billing Rate

Service Charge: \$14.00 per month

Energy Charge: \$ 0.1056 per kWh

Minimum Charge

The minimum monthly charge under the above rate shall not be less than \$14.00. The annual minimum charge under this rate schedule shall be not less than \$168.00. The minimum charge may be increased, subject to the Cooperative's rules and regulations in Section II, Part C, 3, in those cases in which a greater than average investment is necessary to serve an account under this schedule.

Continued to Sheet No. 10.01

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SCHEDULE LP

LARGE POWER

Availability

Available to member-consumers located on or near the Cooperative's three-phase lines for all types of usage where transformer capacity is greater than 25 kVa, subject to the established rules and regulations of the Cooperative in Section II, Part G, 2.

Type of Service

Three-phase, 60 cycles, at the Cooperative's standard voltages.

Billing Rate

Demand Charge: \$9.80 per Kw

Energy Charge: \$0.0751 per kWh

Determination of Billing Demand

The billing demand shall be the kilowatts (kW) supplied during the 15 minute period of maximum usage in the billing period, but not less than 25 KW . Billing demand will be determined by means of standard demand metering equipment.

Minimum Monthly Charge

The minimum monthly charge shall be the greater of the demand charge, determined above, or the contract minimum.

Continued to Sheet No. 11.01

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SCHEDULE DD

DUSK TO DAWN LIGHTING SERVICE

Availability

Available to member-consumers of the Cooperative for outdoor protective lighting service on premises on which the member-consumer is also taking service from the Cooperative under another rate schedule. Service under this rate is subject to the Cooperative's established rules and regulations.

Rate

Mercury Vapor <u>Lamp Sizes</u>	Nominal <u>Lumens</u>	Monthly Charge <u>Per Lamp</u>	Annual Charge <u>Per Lamp</u>
175 Watt	8,750	<u>\$11.53</u>	<u>\$138.36</u>
250 Watt	13,000	<u>\$14.39</u>	<u>\$172.68</u>
High Pressure <u>Sodium Lamp Sizes</u>	Nominal <u>Lumens</u>	Monthly Charge <u>Per Lamp</u>	Annual Charge <u>Per Lamp</u>
100 Watt	9,500	<u>\$11.53</u>	<u>\$138.36</u>
150 Watt	16,000	<u>\$14.39</u>	<u>\$172.68</u>

The above are based on the following kWh consumption assumptions: 68 kWh for 175 Watt Mercury Vapor Lamps and 100 Watt High Pressure Sodium Lamps. 96 kWh for 250 Watt Mercury Vapor Lamps and 150 Watt High Pressure Sodium Lamps.

Conditions of Service

- 1) Lighting shall be furnished from dusk to dawn, controlled by photo- sensitive devices, every night and all night for approximately 4,200 hours per year.
- 2) The light and its appurtenances shall remain the property of the Cooperative and the Cooperative shall have the right to remove same at its discretion.
- 3) The Cooperative shall, in all respects, maintain the lighting fixtures and its appurtenances, except that only one lamp replacement per fixture shall be made by the Cooperative every two years, if required, at no cost to the member-consumer. Lamp replacements in excess of one per two-year period shall be paid for by the member-consumer.

Continued to Sheet No. 12.01

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SCHEDULE SL
STREET LIGHTING SERVICE

Availability

Available to Townships, political subdivisions and others for multiple street lighting systems.

Rate

High Pressure Sodium Lamp Sizes*	Monthly Charge Per Lamp
100 Watt	\$11.28
150 Watt	\$14.14
Mercury Vapor Lamp Size*	Monthly Charge Per Lamp
175 Watt	\$11.28
250 Watt	\$14.14

The above are based on the following kWh consumption assumptions: 68 kWh for 100 Watt High Pressure Sodium Lamps. 96 kWh for 150 Watt High Pressure Sodium Lamps.

* For lamp sizes in excess of 250 Watt Mercury Vapor or 150 Watt High Pressure Sodium, a special contract must be developed.

Conditions of Service

- 1) Lighting shall be furnished from dusk to dawn.
- 2) Street lighting equipment, including the necessary street lighting circuits and poles, shall be furnished by the Cooperative to the extent of a total investment of not over twice the annual revenue. At the discretion of the Cooperative, additional street lamps will be installed from time to time under the same limitations without charge for installation, upon written request from the Township. Any excess cost must be borne by the Township.
- 3) Lamp and damaged glassware replacements will be made by the Cooperative. The material costs of the lamps and glassware replaced will be charged to the Township at cost, as a separate item on the monthly bill for service.
- 4) Where the Township, political subdivision, etc., owns the street lighting system and is simply tapped into the Cooperative's transformer, a discount of ten percent (10%) shall apply.

Continued to Sheet No. 13.01

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SCHEDULE LP-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. 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: **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.**

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 who are 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.
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.

Nature of Service:

Available to Member-Consumers located on or near the Cooperative's three-phase lines for all types of usage where transformer capacity is greater than 25 kVa, subject to the established rules and regulations of the Cooperative in Section II, Part G, 2.

Type of Service:

Three-phase, 60 cycles, at the Cooperative's standard voltages.

Billing Rate:

Demand Charge:	\$5.13 per kW
Variable Distribution Charge:	~~2.53¢~~ per kWh

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