

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of	)	
ALGER DELTA COOPERATIVE ELECTRIC	)	
ASSOCIATION for authority to implement	)	Case No. U-14709
its power supply cost recovery plan for the	)	
12-month period ending December 31, 2006.	)	
	)	

SETTLEMENT AGREEMENT

On September 30, 2005, Alger Delta Cooperative Electric Association (Alger Delta) 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 during the 12-month period ending December 31, 2006. On October 13, 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, Alger Delta provided notice of this proceeding throughout its service area.

At the December 6, 2005 prehearing conference, 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 notice's requisite publication. The Commission Staff (Staff) and Alger Delta participated in these proceedings. In lieu of setting a contested case schedule, and because the parties anticipated that this matter would settle, 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 April

10, 2005, and further adjourned to May 1, 2006, and May 22, 2006, to accommodate this settlement agreement.

The evidence presented in this proceeding indicated that Alger Delta plans to purchase all of its power requirements from The Marquette Board of Light & Power, Upper Peninsula Power Company, Wisconsin Electric Power Company, and Wisconsin Public Service Corporation.

According to Alger Delta's filing, for PSCR purposes, it anticipates purchasing 66,836,778 kWh during the 12-month period ending December 31, 2006. After adjusting for line losses, 60,694,478 kWh are subject to the PSCR mechanism. The total cost for this power was projected by Alger Delta to be \$4,602,758 which results in an average power supply cost of 75.83 mills per kWh. At the time of its initial filing in this docket, Alger Delta had 41.61 mills per kWh established as its allowance for cost of power supply in base rates. In its initial filing, it therefore requested a monthly ceiling PSCR factor of 34.22 mills per kWh for the 12-month period ending December 31, 2006. However, on October 18, 2005, in its order in Case No. U-14501, the Commission revised Alger Delta's base rates and increased its allowance for cost of power supply included in base rates from 41.61 mills per kWh to 54.98 mills per kWh. This increase in the allowance for cost of power supply included in base rates results in a reduced ceiling monthly PSCR from the originally requested 34.22 mills per kWh to 20.85 mills per kWh. Staff concluded that Alger Delta's calculations and projections were reasonable. The parties have agreed to enter into this Settlement Agreement.

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), Alger Delta and Staff hereby agree as follows:

A. Alger Delta's proposed PSCR factor, adjusted to reflect a revised allowance for cost of power supply included in base rates of 54.98 mills per kWh, of 20.85 mills per kWh or \$0.02085 per kWh, is reasonable and should be adopted.

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 Alger Delta apply lesser PSCR factors than those identified above, it shall notify the Commission Staff of that fact and file revised tariff sheets reflecting those PSCR factors.

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

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



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Albert Ernst

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Dated: June 6, 2006

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Not more than 45 days following the last day of each billing month in which a power supply recovery factor has been applied to customer's bills, Alger Delta Cooperative Electric Association shall file with the Commission a detailed statement for that month of the revenues recorded pursuant to the power supply cost recovery factor and the allowance for cost of power included in the base rates established in the latest Commission order for Alger Delta Cooperative Electric Association and the cost of power supply.

Not less than once a year and not later than 3 months after the end of the 12-month period covered by Alger Delta Cooperative Electric 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 Alger Delta Cooperative Electric Association's most recent power supply cost recovery plan, among other things. Alger Delta Cooperative Electric 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 Alger Delta Cooperative Electric Association for power supply. Alger Delta Cooperative Electric 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 Alger Delta Cooperative Electric Association for power supply.

For the **twelve** months ending **December 2006**, the Power Supply Cost Recovery Factor is **\$0.02085** per kWh. The allowance for cost of power supply included in base rates is **\$0.05498** 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.

Continued on Sheet No. 15.02

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By: Thomas G. Harrell, Manager
Gladstone, Michigan

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dated _____, **2006** in Case No. **U-14709**

The following factors are applied pursuant to 1982 PA 304 in the **12** months ending December **2006**:

<u>Month</u>	<u>Authorized Factor</u>	<u>Applied Factor</u>
Jan 06	\$0.02085	\$0.01459
Feb 06	\$0.02085	\$0.01459
Mar 06	\$0.02085	\$0.01459
Apr 06	\$0.02085	\$0.01459
May 06	\$0.02085	\$
Jun 06	\$0.02085	\$
Jul 06	\$0.02085	\$
Aug 06	\$0.02085	\$
Sep 06	\$0.02085	\$
Oct 06	\$0.02085	\$
Nov 06	\$0.02085	\$
Dec 06	\$0.02085	\$

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