

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
WISCONSIN ELECTRIC POWER COMPANY)	
for a power supply cost recovery reconciliation)	Case No. U-15007-R
proceeding for the 12-month period ended)	
December 31, 2007.)	
_____)	

At the February 3, 2009 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Orjiakor N. Isiogu, Chairman
Hon. Monica Martinez, Commissioner
Hon. Steven A. Transeth, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On March 31, 2008, Wisconsin Electric Power Company, d/b/a We Energies (WEPCo) filed an application requesting approval of a power supply cost recovery (PSCR) reconciliation proceeding for the 12-month period ended December 31, 2007.

A prehearing conference was held on May 28, 2008 before Administrative Law Judge Mark E. Cummins. WEPCo and the Commission Staff participated in the proceedings. Subsequently, the parties entered into a settlement agreement, attached as Exhibit A, resolving all issues in the case.

According to the terms of the settlement agreement, WEPCo overrecovered a net amount of \$1,201,019 during 2007. Pursuant to the roll-in methodology authorized by the Commission in its August 21, 2007 order in Case No. U-14707-R, WEPCo began crediting to its Michigan electric customers subject in 2007 to its PSCR clause an estimated net 2007 PSCR overrecovery of

\$769,010 through its 2008 PSCR factors. The parties agree that the actual audited overrecovery was \$1,201,019 or \$432,009 greater than the unaudited estimate. WEPCo shall reflect the roll-in of the \$1,201,019 overrecovered amount in its 2008 PSCR reconciliation proceeding.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. Wisconsin Electric Power Company shall reflect the roll-in of the \$1,201,019 overrecovered amount in its 2008 power supply cost recovery reconciliation proceeding for those customers whose rates were subject to the power supply cost recovery clause in 2007.

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

Orjiakor N. Isiogu, Chairman

By its action of February 3, 2009.

Monica Martinez, Commissioner

Mary Jo Kunkle, Executive Secretary

Steven A. Transeth, Commissioner

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
WISCONSIN ELECTRIC POWER COMPANY’S) Case No. U-15007-R
power supply cost recovery reconciliation proceeding) (e-file)
the 12-month period ended December 31, 2007.)

SETTLEMENT AGREEMENT

As provided in Section 78 of the Administrative Procedures Act of 1969 (“APA”), as amended MCL 24.278 and Rule 333 of the Rules of Practice and Procedure Before the Commission, 1992 AACS, R 460.17333, Wisconsin Electric Power Company (“Wisconsin Electric” or “Company”), and the Michigan Public Service Commission Staff (“Staff”), have resolved through settlement discussions the contested issues regarding this proceeding.

1. On March 31, 2008, Wisconsin Electric filed with the Michigan Public Service Commission (“Commission”) an application with, supporting testimony and exhibits, seeking authority to reconcile its power supply costs with its power supply revenues for the 12-month period ending December 31, 2007 and to true-up the results of its 2006 reconciliation. Based on calculations, Wisconsin Electric determined that 2007 power supply revenues exceeded power supply costs, which resulted in an overrecovery and requested authority to implement a credit to its Michigan electric retail customers whose rates were subject to the PSCR clause in 2007.

2. On April 30 2008, the Commission’s Executive Secretary issued the Notice of Hearing. As directed by the Executive Secretary, Wisconsin Electric mailed and published the Notice throughout its Michigan electric service area, mailed notice to all intervenors in Case Nos. U-14707-R and U-15007 and filed the requisite proofs prior to the prehearing conference held on May 28, 2008.

3. Administrative Law Judge Mark E. Cummins presided over the prehearing conference. The Staff participated in the proceeding.

4. Following discovery, Staff's audit of Wisconsin Electric's books and records, and discussions, the parties agreed as follows:

a. The expenditures, as set forth in Wisconsin Electric's Application and testimony and exhibits for the cost of power supply were reasonably and prudently incurred for the 12-month period ending December 31, 2007; the purchase practices followed by Wisconsin Electric comport with the 2007 power supply cost recovery ("PSCR") Plan as reviewed by the Commission in Case No. U-15007; and were reasonable and prudent.

b. Pursuant to the roll-in methodology authorized by the Commission in its August 21, 2007 Order Approving Settlement Agreement issued in Case No. U-14707-R, WEPCO began crediting to its Michigan electric customers subject in 2007 to WEPCO's PSCR Clause an estimated net 2007 PSCR over-recovery (including interest as of December 31, 2007) of \$769,010 through its 2008 PSCR factors. The parties agree that the actual audited over-recovery (including interest through December 31, 2007) was \$1,201,019. The Company shall reflect the roll-in of the \$1,201,019 over-recovered amount in its 2008 PSCR Reconciliation.

5. It is the opinion of all signatories that this settlement agreement is reasonable, in the public interest and will result in the expeditious conclusion of this case.

9. This settlement agreement is intended for a final disposition of this proceeding. Each signatory agrees not to appeal, challenge or contest the Commission's order accepting and approving this settlement agreement without modification. If the Commission does not accept the settlement agreement without modification, the agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

10. The settlement agreement and all offers of settlement and discussions are privileged and shall not be used in any manner, nor be admissible, for any other purpose in connection with this proceeding or any other proceeding except so as to prove the contents herein.

11. All signatories agree to waive Section 81 of the APA, as amended MCL 24.281, as it applies to the issues in this proceeding.

WISCONSIN ELECTRIC POWER COMPANY

Dated: January 14, 2009

By: _____

One of Its Attorneys
Harvey J. Messing (P23309)
Ronald W. Bloomberg (P30011)
Sherri A. Wellman (P38989)
MILLER, CANFIELD, PADDOCK
AND STONE, P.L.C.
One Michigan Avenue, Suite 900
Lansing, MI 48933
(517) 487-2070

**MICHIGAN PUBLIC SERVICE
COMMISSION STAFF**

Dated: January 14, 2009

By: _____

Its Attorney
Kristin M. Smith (P46323)
Assistant Attorney General
Public Service Division
6545 Mercantile Way, Suite 15
Lansing, MI 48911
(517) 241-6680