STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of )
ALPENA POWER COMPANY )
for a power supply cost recovery reconciliation )
proceeding for the 12-month period ended )
December 31, 2013. )
Case No. U-17090-R

At the July 22, 2014 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. John D. Quackenbush, Chairman
Hon. Greg R. White, Commissioner
Hon. Sally A. Talberg, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On March 24, 2014, Alpena Power Company (Alpena) filed an application, with supporting testimony and exhibits, for authority to reconcile its power supply cost recovery (PSCR) costs and revenues for the 12-month period ended December 31, 2013.

A prehearing conference was held on May 21, 2014, before Administrative Law Judge Mark E. Cummins (ALJ). Alpena and the Commission Staff participated in the proceedings. The ALJ granted intervenor status to Citizens Against Rate Excess. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

According to the terms of the settlement agreement, attached as Exhibit A, Alpena had a cumulative underrecovery of $677,912, including interest. This amount includes a beginning underrecovery balance of $1,967,146 from Alpena’s 2012 PSCR reconciliation and an
overrecovery of $1,318,648 for its 2013 PSCR reconciliation. Interest calculated on the monthly average balance increased the net underrecovery by $29,414, for a cumulative underrecovery of $677,912. The parties agree that Alpena should be authorized to roll the $677,912 underrecovery into its 2014 PSCR reconciliation beginning balance.

The Commission finds that 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. Alpena Power Company’s 2014 power supply cost recovery reconciliation beginning balance will be the cumulative underrecovery of $677,912.

C. Alpena Power Company shall continue to recover the $677,912 underrecovery in its current 2014 power supply cost recovery plan factor pursuant to the methodology authorized in Case No. U-17297.

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, under MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

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John D. Quackenbush, Chairman

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Greg R. White, Commissioner

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Sally A. Talberg, Commissioner

By its action of July 22, 2014.

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Sally L. Wallace, Acting Executive Secretary
STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

In the Matter of the Application of  
ALPENA POWER COMPANY  
)  
to commence a Power Supply Cost  
Reconciliation Proceeding for the 12-month  
period ending December 31, 2013.  
)  
Case No. U-17090-R  
(Power Supply Cost Reconciliation)  
)

SETTLEMENT AGREEMENT

Alpena Power Company ("Alpena"), by and through its attorney, Timothy M. Gulden, of the law firm of Gillard, Bauer, Mazrum, Florip, Smigelski & Gulden, the Michigan Public Service Commission Staff ("Staff"), by and through its attorney, Assistant Attorney General Lauren D. Donofrio, and Citizens Against Rate Excess ("CARE"), by and through its attorney, Constance De Young Groh, hereby present this Settlement Agreement in resolution of the above matter.

1. On March 24, 2014, Alpena filed its application for a power supply cost recovery (PSCR) reconciliation proceeding for the 12-month period ending December 31, 2013, together with its prepared testimony and exhibits of its witness in support of the application. Based on calculations, Alpena determined that power supply costs exceeded power supply revenues, resulting in an under-recovery. Alpena has requested to roll the under-recovery into its current PSCR plan costs. On April 24, 2014, the Michigan Public Service Commission ("Commission") issued its notice of hearing, setting this matter for a prehearing conference on May 21, 2014.
Pursuant to the Commission's directives, Alpena mailed a copy of the notice of hearing to all cities, incorporated villages, townships, and counties in its service area, and published the notice of hearing in daily newspapers of general circulation within its service area. On April 7, 2014, CARE filed a petition for leave to intervene. The prehearing conference was conducted by Administrative Law Judge Mark E. Cummins, who reviewed the status of the case, created a case schedule, determined that there were no objections to CARE's petition for leave to intervene, and granted the petition for leave to intervene. Staff thereafter conducted its audit. Based upon the audit, and discussions of Staff, Alpena and CARE concerning Alpena's application and the audit, Staff, Alpena, and CARE enter this Settlement Agreement. The parties agree as follows:

a. Proceedings in this PSCR reconciliation were conducted in accordance with 1982 PA 304. The expenditures charged by Alpena for the cost of power supply were reasonably and prudently incurred.

b. Alpena collected $19,473,083 in base and PSCR revenues and had $18,154,435 in power supply costs during the 12-month period ending December 31, 2013, resulting in an over-recovery of $1,318,648.

c. The 2013 over-recovery of $1,318,648, when coupled with the 2012 PSCR under-recovery of $1,967,146, which was the 2013 PSCR reconciliation beginning balance as authorized by the Commission's order in Case No. U-16880-R, results in an under-recovery of $648,498, not including interest.

d. Interest through the 2013 reconciliation period equals $29,414, and when
added to the PSCR under-recovery results in a net under-recovery of $677,912.

e. Alpena shall roll its net under-recovery of $677,912 into its 2014 PSCR reconciliation beginning balance.

f. Alpena has initiated recovering these under-recoveries in its current 2014 PSCR plan factor beginning in January 2014 pursuant to the methodology authorized by the Commission in Case No. U-17297.

2. It is the opinion of the parties that this Settlement Agreement is in the public interest and will aid the expeditious conclusion of this case, this Settlement Agreement is intended for final disposition of this proceeding, and the parties join in respectfully requesting the Commission to grant prompt approval of the Settlement Agreement.

3. This Settlement Agreement will become binding upon the parties only if the Commission accepts and approves it without modification. If the Commission does not approve this Settlement Agreement without modification, it shall be withdrawn and shall not constitute any part of the record in the proceeding or be used for any purpose whatsoever.

4. This Settlement Agreement has been made for the sole and express purpose of reaching a compromise among the positions of the signatories without prejudice to their rights to take new and different positions in other proceedings. All offers of settlement and discussions relating to this Settlement Agreement shall be considered privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, the parties shall make no reference to or use 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 any other case or proceeding; provided, however, such references or use may be made to enforce the Settlement Agreement and Order.

5. All parties waive Section 81 of the Administrative Procedures Act of 1969, as amended, MCL 24.281.

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

Lauren D. Donofrio

By: Lauren D. Donofrio (P66026)
Assistant Attorney General

ALPENA POWER COMPANY

Timothy M. Gulden

By: Timothy M. Gulden (P41232)
Its: Attorney

CITIZENS AGAINST RATE EXCESS

Constance De Young Groh

By: Constance De Young Groh (P73590)
Its: Attorney