



A Touchstone Energy® Cooperative 

Member Regulation Electric Rate Review

Board of Director's Meeting

March 18, 2013



Member Regulation Electric Rate Review – Proposed Resolutions

- Resolution 2013-MR1
 - PSCR Factor Collection Reconciliation
- Resolution 2013-MR2
 - 2012 TIER Analysis and Revenue Increase
- Resolution 2013-MR3
 - Application of Revenue Increase to Rate Classes per the updated Cost of Service Study
- Resolution 2013-MR4
 - Rate design increases per the updated Cost of Service Study



Member Regulation Electric Rate Review – PSCR Factor Reconciliation

- 2012 PSCR Plan Purchases
 - 264,415,707 kWh
 - \$21,030,429
 - 79.54 mills per kWh purchased

- 2012 PSCR Plan Sales
 - 240,851,297 kWh
 - \$21,159,600
 - 87.85 mills per kWh sold



Member Regulation Electric Rate Review – PSCR Factor Reconciliation

- 2012 Actual PSCR Purchases
 - 254,477,108 kWh
 - \$20,815,820
 - 81.80 mills per kWh purchased

- 2012 Actual PSCR Sales
 - 232,537,505 kWh
 - \$20,615,014
 - 88.65 mills per kWh sold



Member Regulation Electric Rate Review – PSCR Factor Reconciliation

| | |
|----------------------------|----------------------|
| □ 2012 Actual PSCR Cost | \$ 20,815,820.34 |
| □ 2012 Actual PSCR Revenue | <u>20,615,013.66</u> |
| □ 2012 Under-collection | \$ 200,806.68 |
| □ Additional MI JZ Credit | - 99,480.42 |
| □ Prior Year's | <u>- 5,422.52</u> |
| □ Net Under-collection* | \$ 95,903.74 |

*Currently collecting through the 2013
PSCR Factor



Member Regulation Electric Rate Review – PSCR Factor Reconciliation

- Resolution 2013-MR1
 - Accept 2012 Electric PSCR Factor collection analysis which indicates an under-collection of \$95,903.74 and direct management to continue collecting this amount from the membership through the use of the 2013 PSCR Factor.



Member Regulation Electric Rate Review – TIER Analysis

- Full Cost w/Draco
 - 0.93 TIER
 - \$1,566,203 revenue increase to achieve 1.8 TIER
 - 6.73 mills per kWh sold

- Remove Draco
 - 1.32 TIER
 - \$865,430 revenue increase to achieve 1.8 TIER
 - 3.72 mills per kWh sold



Member Regulation Electric Rate Review – TIER Analysis

- Remove Draco
- Resolution 2013-MR2
 - Accept management's adjusted Electric TIER analysis which indicates a revenue increase of \$865,430 is required to achieve a Target TIER of 1.80.



Member Regulation Electric Rate Review – Increase per Cost of Service Study

- Who should increase apply to?
 - Cost of Service Study
 - Since 2006, only Residential Monthly, Seasonal and Outdoor Lighting rate classes have been adjusted.
 - No increase to Commercial Accounts



Member Regulation Electric Rate Review – Increase per Cost of Service Study

- Cost of Service Study – Update March 2013
 - Still indicates need to adjust Monthly, Seasonal and Outdoor Lighting Rate Classes
 - No increase to Commercial Accounts



Member Regulation Electric Rate Review – Increase per Cost of Service Study

□ Cost of Service Study – Update March 2013

| | |
|-----------------------|--------------|
| ■ Residential Monthly | \$ 460,904 |
| ■ Seasonal | 397,140 |
| ■ Outdoor Lighting | <u>7,386</u> |
| ■ Total | \$ 865,430 |



Member Regulation Electric Rate Review – Increase per Cost of Service Study

□ Resolution 2013-MR3

- Direct management to implement electric rate increases to residential monthly, seasonal and outdoor lighting rate classes in the following manner effective with bills rendered on or after June 1, 2013

| | |
|-----------------------|--------------|
| ■ Residential Monthly | \$ 460,904 |
| ■ Seasonal | 397,140 |
| ■ Outdoor Lighting | <u>7,386</u> |
| ■ Total | \$ 865,430 |



Member Regulation Electric Rate Review – Rate Design

- How should the increase be applied?
 - Availability Charge?
 - Commodity Charge?
 - Both?

- Cost of Service Study Update
 - Availability charge should be \$28.56 per month for residential accounts.



Member Regulation Electric Rate Review – Rate Design

- Cost of Service Study Update

- Residential Rate Class

- Total Accounts 17,866
 - Total kWh 131,845,937
 - Average Consumption 7,380 kWh per year



Member Regulation Electric Rate Review – Rate Design

- Cost of Service Study Update

- Residential Rate Class

| | |
|--------------------------|---------------------|
| □ Accounts above avg. | 7,747 |
| □ Accounts below avg. | 10,119 |
| □ Total kWh above avg. | 92,284,263 |
| □ Total kWh below avg. | 39,561,674 |
| □ Consumption above avg. | 11,912 kWh per year |
| □ Consumption below avg. | 3,910 kWh per year |



Member Regulation Electric Rate Review – Rate Design

- Cost of Service Study Update
 - Residential Rate Class – Exhibit 3 Page 1
 - Subsidy to below average consumption accounts
 - \$63.54 per account annually
 - Cost of subsidy for above average consumption accounts
 - \$68.27 per account annually



Member Regulation Electric Rate Review – Rate Design

- How should the increase be applied?
 - Residential Monthly Accounts - % of Revenue
 - Availability Charge 47.60%
 - Commodity Charge 52.40%
 - Rate Adjustment needed to maintain current %'s
 - Availability Charge \$1.01 per month
 - Commodity Charge \$0.001740 per kWh
 - Suggested Rates
 - Availability Charge \$17.00 per month
 - Commodity Charge \$0.02928 per kWh



Member Regulation Electric Rate Review – Rate Design

- How should the increase be applied?
 - Residential Monthly Accounts – Current Rates
 - Availability Charge \$16.00 per month
 - Commodity Charge \$0.02752 per kWh
 - Suggested Rates
 - Availability Charge \$17.00 per month
 - Commodity Charge \$0.02928 per kWh
 - Increase to avg residential account – 640 kWh
 - \$2.21 per month



Member Regulation Electric Rate Review – Rate Design

- Cost of Service Study Update

- Seasonal Rate Class

| | |
|-----------------------|--------------------|
| □ Total Accounts | 13,183 |
| □ Total kWh | 28,602,486 |
| □ Average Consumption | 2,169 kWh per year |



Member Regulation Electric Rate Review – Rate Design

- Cost of Service Study Update

- Seasonal Rate Class

| | |
|--------------------------|--------------------|
| □ Accounts above avg. | 3,553 |
| □ Accounts below avg. | 9,630 |
| □ Total kWh above avg. | 9,368,489 |
| □ Total kWh below avg. | 19,233,997 |
| □ Consumption above avg. | 2,636 kWh per year |
| □ Consumption below avg. | 1,997 kWh per year |



Member Regulation Electric Rate Review – Rate Design

- Cost of Service Study Update
 - Seasonal Rate Class – Exhibit 3 Page 2
 - Subsidy to below average consumption accounts
 - \$61.25 per account annually
 - Cost of subsidy for above average consumption accounts
 - \$150.69 per account annually



Member Regulation Electric Rate Review – Rate Design

- How should the increase be applied?
 - Seasonal Accounts - % of Revenue
 - Availability Charge 63.42%
 - Commodity Charge 36.58%
 - Rate Adjustment needed to maintain current %'s
 - Availability Charge \$1.66 per month
 - Commodity Charge \$0.006735 per kWh
 - Suggested Rates
 - Availability Charge \$18.75 per month
 - Commodity Charge \$0.07511 per kWh



Member Regulation Electric Rate Review – Rate Design

- How should the increase be applied?
 - Seasonal Accounts – Current Rates
 - Availability Charge \$17.00 per month
 - Commodity Charge \$0.06901 per kWh
 - Suggested Rates
 - Availability Charge \$18.75 per month
 - Commodity Charge \$0.07511 per kWh
 - Increase to avg seasonal account – 2,076 kWh
 - \$2.81 per month or \$33.67 per year



Member Regulation Electric Rate Review – Rate Design

- Percentage of revenue after suggested increase
 - Monthly Accounts - % current % suggested
 - Availability 47.60% 47.56%
 - Commodity 52.40% 52.44%
 - Seasonal
 - Availability 63.42% 63.73%
 - Commodity 36.58% 36.27%



Member Regulation Electric Rate Review – Rate Design

□ How should the increase be applied?

| ■ Outdoor Lighting | Current Rates | Suggested Rates |
|--------------------|---------------|-----------------|
| 175W MV | \$11.65 | \$12.00 |
| 400W MV | \$21.10 | \$21.74 |
| 100W HPS | \$ 8.30 | \$ 8.55 |
| 250W HPS | \$14.25 | \$14.68 |



Member Regulation Electric Rate Review – Rate Design

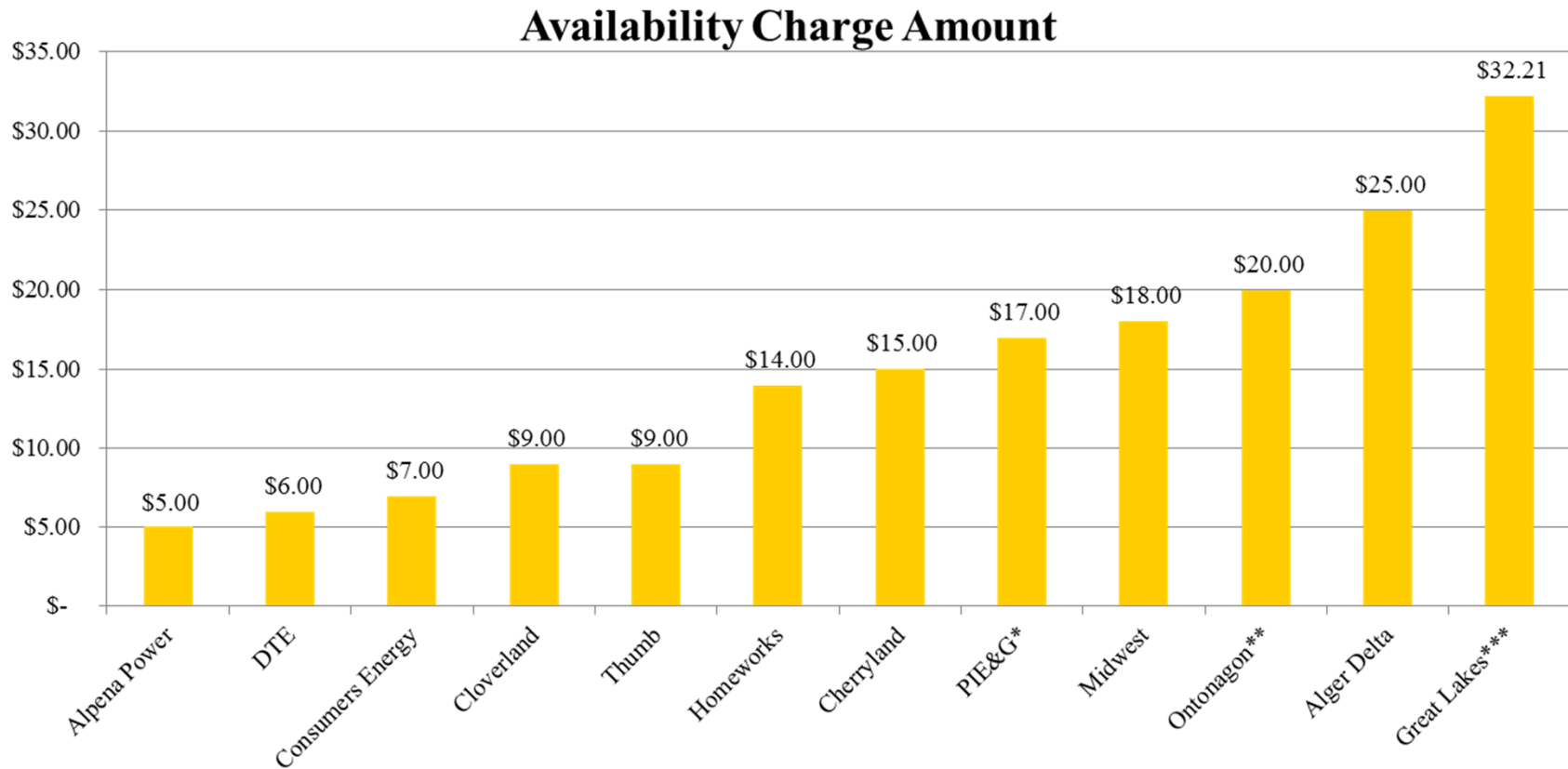
- Resolution 2013-MR4
 - Adjusted the Monthly, Seasonal and Outdoor Lighting Rate Classes in the following manner
 - Suggested Residential Monthly Rates
 - Availability Charge \$17.00 per month
 - Commodity Charge \$0.02928 per kWh
 - Suggested Seasonal Rates
 - Availability Charge \$18.75 per month
 - Commodity Charge \$0.07511 per kWh



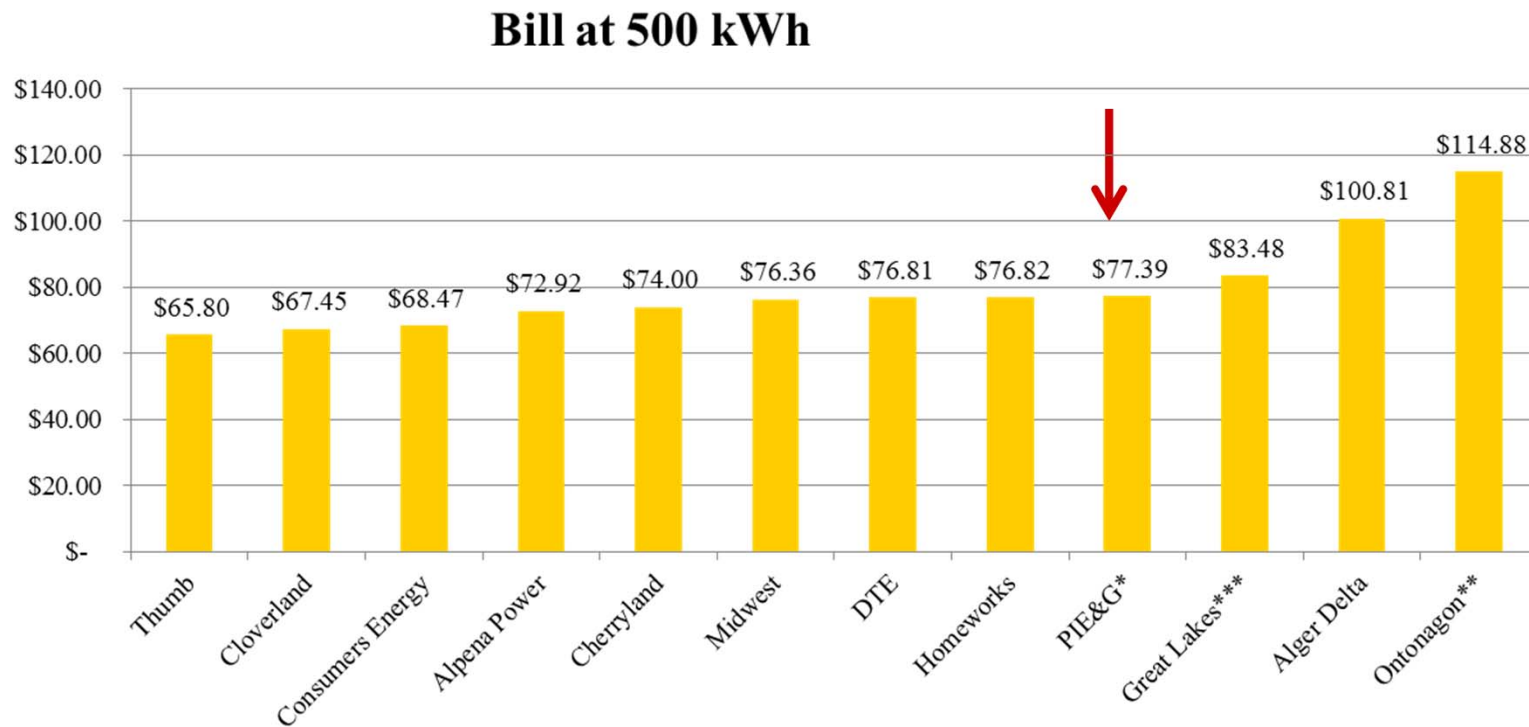
Member Regulation Electric Rate Review – Rate Design

- Suggested Outdoor Lighting Rates
 - 175W MV \$12.00 per month
 - 400W MV \$21.74 per month
 - 100W HPS \$ 8.55 per month
 - 250W HPS \$14.68 per month

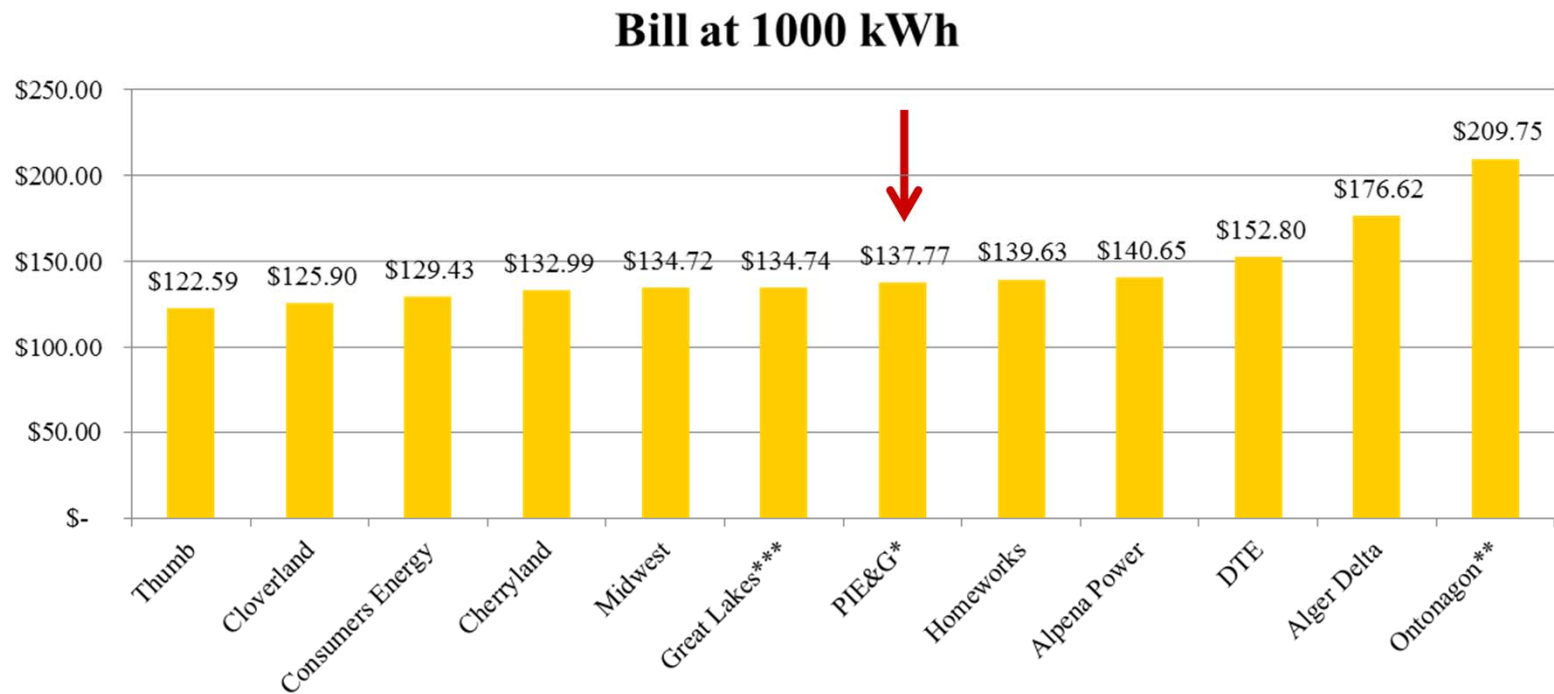
Member Regulation Electric Rate Review – Rate Design



Member Regulation Electric Rate Review – Rate Design



Member Regulation Electric Rate Review – Rate Design



Proposed Changes At A Glance

| | | |
|--------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| 1. Reconcile 2012 Power Supply Cost Recovery Factor Collections | 3. Approve the application of the 2013 revenue increase to the Monthly, Seasonal and Outdoor Lighting Rate Classes | 4. Review and approve the distribution rate design per management's recommendation |
| 2. Review and accept the 2012 TIER Analysis and approve a revenue increase of \$865,265.00 | | 5. Consider revisions to the Cooperative's Billing Rules |

1. Reconcile 2012 Power Supply Cost Recovery (PSCR) Factor Collections

| Existing Situation | Proposed Change | Management Recommends |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> o Power supply costs from Wolverine Power Supply Cooperative (WPSC) are passed through at cost to the members of Presque Isle Electric & Gas Co-op. o PIE&G, working with WPSC establishes a factor to collect or return power supply costs (PSCR) that are above or below the base energy rates, based upon cost and sales forecasts. o This PSCR Factor collection is reconciled annually with actual costs and the difference is either returned or charged to the membership. o The reconciliation for the 12 month period ending December 31, 2012 indicates that there was an under-collection of \$95,903.74 This amount has been rolled into the 2013 PSCR factor and is currently being collected from the membership throughout the 2013 calendar year. | <ul style="list-style-type: none"> o Accept the reconciliation of the 2012 PSCR Factor undercollection of \$95,903.74. | <ul style="list-style-type: none"> o Approval of the Proposed Power Supply Cost Recovery Reconciliation net Under-recovery of \$95,903.74. o The under-collection of \$95,903.74 will continue to be collected for the remainder of the 2013 calendar year. |

2. Review and accept the 2012 TIER Analysis and approve a revenue increase of \$865,265

| Existing Situation | Proposed Change | Management Recommends |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> o The TIER analysis based upon the 2012 operating year indicates an Adjusted TIER of 0.82. Management has reviewed this analysis with the board. Management has also provided the board with information related to the expenses associated with winter storm Draco and the impact to the TIER analysis. It has been determined that the impact of Draco should be considered an extraordinary event and should be excluded from the 2012 TIER analysis calculation of revenue requirement. The exclusion of Draco results in an Adjusted TIER of 1.32 and revenue requirement of \$865,430. | <ul style="list-style-type: none"> o Accept the 2012 TIER analysis which indicates and revenue increase of \$865,430 is necessary to return to an Adjusted TIER of 1.80. | <ul style="list-style-type: none"> o Management recommends acceptance of the 2012 TIER analysis and approval of the request to increase revenue by \$865,430 |

3. Review and approve management's request to implement the revenue increase on the Monthly, Seasonal and Outdoor Lighting Rate Classes

| Existing Situation | Proposed Change | Management Recommends | | | | | | | | | | | | | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-------------------|----------------------|-----------|------------------|----------|--------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------|----------------------|-----------|------------------|----------|--------------|-------------------|
| <ul style="list-style-type: none"> o The board has approved an increase in revenue of \$865,265 based upon the 2012 TIER analysis. o Management has presented updated Cost of Service Study exhibits which indicate that there continue to be subsidies between rate classes. o PIE&G Board Policy No. 307 provides that the cooperative will design energy rates in a manner that allocates costs across rate classes in an equitable manner and minimizes subsidies between rate classes. o The Cost of Service Study indicates there continues to be a need to increase the revenue requirement and rates of the Monthly, Seasonal and Outdoor Lighting rate classes. | <ul style="list-style-type: none"> o The proposed revenue/rate increase should be allocated to the Monthly, Seasonal and Outdoor Lighting rate classes in the following manner. <table border="0"> <tr> <td>Residential Monthly</td> <td align="right">\$ 460,904</td> </tr> <tr> <td>Residential Seasonal</td> <td align="right">\$397,140</td> </tr> <tr> <td>Outdoor Lighting</td> <td align="right">\$ 7,386</td> </tr> <tr> <td>Total</td> <td align="right">\$ 865,430</td> </tr> </table> | Residential Monthly | \$ 460,904 | Residential Seasonal | \$397,140 | Outdoor Lighting | \$ 7,386 | Total | \$ 865,430 | <ul style="list-style-type: none"> o Implementation of the revenue/rate increase to the following rate classes <table border="0"> <tr> <td>Residential Monthly</td> <td align="right">\$ 460,904</td> </tr> <tr> <td>Residential Seasonal</td> <td align="right">\$397,140</td> </tr> <tr> <td>Outdoor Lighting</td> <td align="right">\$ 7,386</td> </tr> <tr> <td>Total</td> <td align="right">\$ 865,430</td> </tr> </table> <ul style="list-style-type: none"> o Implementation of the revenue/rate increase be effective with bills rendered on or after June 1, 2013 | Residential Monthly | \$ 460,904 | Residential Seasonal | \$397,140 | Outdoor Lighting | \$ 7,386 | Total | \$ 865,430 |
| Residential Monthly | \$ 460,904 | | | | | | | | | | | | | | | | | |
| Residential Seasonal | \$397,140 | | | | | | | | | | | | | | | | | |
| Outdoor Lighting | \$ 7,386 | | | | | | | | | | | | | | | | | |
| Total | \$ 865,430 | | | | | | | | | | | | | | | | | |
| Residential Monthly | \$ 460,904 | | | | | | | | | | | | | | | | | |
| Residential Seasonal | \$397,140 | | | | | | | | | | | | | | | | | |
| Outdoor Lighting | \$ 7,386 | | | | | | | | | | | | | | | | | |
| Total | \$ 865,430 | | | | | | | | | | | | | | | | | |

4. Approved increases to the Distribution Availability and kWh charges for Residential Monthly, Seasonal and Outdoor Lighting Rate Classes

| Existing Situation | Proposed Change | Management Recommends | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-------------|------------|---------|--------|-----------|----------|--------|-----------|------------------|--|--|---------|---------|--|---------|---------|--|----------|---------|--|----------|---------|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-------------|------------|---------|----------|------------|----------|----------|------------|------------------|--|--|---------|----------|--|---------|----------|--|----------|---------|--|----------|----------|--|
| <ul style="list-style-type: none"> o The cooperative has approved increases to the Residential Monthly, Seasonal and Outdoor Lighting rate classes. | <ul style="list-style-type: none"> o The cooperative has approved increases in the following manner. <table border="0"> <thead> <tr> <th>Rate Class</th> <th>Monthly Chg</th> <th>kWh Charge</th> </tr> </thead> <tbody> <tr> <td>Monthly</td> <td align="right">\$1.00</td> <td align="right">\$0.00176</td> </tr> <tr> <td>Seasonal</td> <td align="right">\$1.75</td> <td align="right">\$0.00610</td> </tr> <tr> <td>Outdoor Lighting</td> <td></td> <td></td> </tr> <tr> <td>175W MV</td> <td align="right">\$ 0.35</td> <td></td> </tr> <tr> <td>400W MV</td> <td align="right">\$ 0.64</td> <td></td> </tr> <tr> <td>100W HPS</td> <td align="right">\$ 0.25</td> <td></td> </tr> <tr> <td>250W HPS</td> <td align="right">\$ 0.43</td> <td></td> </tr> </tbody> </table> | Rate Class | Monthly Chg | kWh Charge | Monthly | \$1.00 | \$0.00176 | Seasonal | \$1.75 | \$0.00610 | Outdoor Lighting | | | 175W MV | \$ 0.35 | | 400W MV | \$ 0.64 | | 100W HPS | \$ 0.25 | | 250W HPS | \$ 0.43 | | <ul style="list-style-type: none"> o The cooperative establish electric distribution rates as follows: <table border="0"> <thead> <tr> <th>Rate Class</th> <th>Monthly Chg</th> <th>kWh Charge</th> </tr> </thead> <tbody> <tr> <td>Monthly</td> <td align="right">\$ 17.00</td> <td align="right">\$ 0.02928</td> </tr> <tr> <td>Seasonal</td> <td align="right">\$ 18.75</td> <td align="right">\$ 0.07511</td> </tr> <tr> <td>Outdoor Lighting</td> <td></td> <td></td> </tr> <tr> <td>175W MV</td> <td align="right">\$ 12.00</td> <td></td> </tr> <tr> <td>400W MV</td> <td align="right">\$ 21.74</td> <td></td> </tr> <tr> <td>100W HPS</td> <td align="right">\$ 8.55</td> <td></td> </tr> <tr> <td>250W HPS</td> <td align="right">\$ 14.68</td> <td></td> </tr> </tbody> </table> | Rate Class | Monthly Chg | kWh Charge | Monthly | \$ 17.00 | \$ 0.02928 | Seasonal | \$ 18.75 | \$ 0.07511 | Outdoor Lighting | | | 175W MV | \$ 12.00 | | 400W MV | \$ 21.74 | | 100W HPS | \$ 8.55 | | 250W HPS | \$ 14.68 | |
| Rate Class | Monthly Chg | kWh Charge | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Monthly | \$1.00 | \$0.00176 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Seasonal | \$1.75 | \$0.00610 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Outdoor Lighting | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 175W MV | \$ 0.35 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 400W MV | \$ 0.64 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 100W HPS | \$ 0.25 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 250W HPS | \$ 0.43 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Rate Class | Monthly Chg | kWh Charge | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Monthly | \$ 17.00 | \$ 0.02928 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Seasonal | \$ 18.75 | \$ 0.07511 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Outdoor Lighting | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 175W MV | \$ 12.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 400W MV | \$ 21.74 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 100W HPS | \$ 8.55 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 250W HPS | \$ 14.68 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

5. Consider Revisions to the Cooperative's Billing Rules

| Existing Situation | | |
|-----------------------------------------------------------------------------------------------------------------------------------|--|--|
| <ul style="list-style-type: none"> o The cooperative has no recommended changes to its Billing Rules at this time. | | |

**PRESQUE ISLE ELECTRIC & GAS CO-OP
BOARD RESOLUTION
March 26, 2013**

**RESOLUTION 2013-MR1
2012 POWER SUPPLY COST RECOVERY (PSCR) FACTOR
RECONCILIATION**

WHEREAS, PIE&G transitioned to member regulation with an effective date of September 23, 2012 thus providing that its electric rates and charges are no longer regulated by the MPSC; and

WHEREAS, PIE&G staff has reviewed the 2012 PSCR Factor reconciliation exhibits with the Board of Directors; and

WHEREAS, the 2012 PSCR Factor reconciliation indicates that PIE&G has experienced an under-collection of power supply costs of \$95,903.74 for the 12 month period ending December 31, 2012; and

WHEREAS, PIE&G has incorporated the under-collection of \$95,903.74 into its 2013 PSCR Factor collection.

NOW BE IT HEREBY RESOLVED that the PIE&G Board of Directors accepts management's 2012 ELECTRIC PSCR Factor collection analysis, which indicates an under-collection of \$95,903.74, and directs management to continue collecting this amount from the membership through the use of the 2013 PSCR Factor.

CERTIFICATION

I, David Smith, Secretary of the Board of Directors of Presque Isle Electric & Gas Co-op, do hereby certify that the above is a true and correct copy of a resolution adopted at a special meeting of the Board of Directors of Presque Isle Electric & Gas Co-op held on March 26, 2013.

By: _____
David Smith, Secretary

Dated: _____

MICHIGAN DEPARTMENT OF COMMERCE
PUBLIC SERVICE COMMISSION
MONTHLY REPORT OF POWER SUPPLY COST

This form is authorized by Act 3, P.A. 1939,
as amended. Filing of this form is voluntary.
However, failure to file this form or an alter-
native submission approved by the Commission
will place you in violation of the Act.

INSTRUCTIONS

When completed, a copy of all bills for power and fuel, and any worksheets or other documents required to support the data reported herein are to be mailed to: MICHIGAN DEPARTMENT OF COMMERCE, PUBLIC SERVICE COMMISSION, Electric Division - Audit, 6545 Mercantile, P.O. Box 30221, Lansing, Michigan 48909. Alternatively, any of the above documentation may be submitted in a microcomputer readable format approved by MPSC Staff.

For assistance or clarification, please contact the Public Service Commission Staff at: (Area Code 517) 334-6416

STATUTORY REFERENCE

Section 6j(11) of Act 3, P.A. 1939, as amended, sets forth: "(1) Not more than 45 days following the last day of each billing month in which a power supply cost recovery factor has been applied to customer's bills, the utility 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 allowances for cost of power supply included in the base rates established in the latest commission order for the utility, and the cost of power supply. The detailed statement shall be in the manner and form prescribed by the commission. The commission shall establish procedures for insuring that the detailed statement is promptly verified and corrected if necessary."

| | |
|-------------------------------------------------------------------------------------------------------|-----------------------------------|
| 1. NAME OF REPORTING UTILITY: | PRESCUE ISLE ELECTRIC COOPERATIVE |
| 2. THIS REPORT FILED FOR THE COST MONTH OF: | December 2012 |
| 3. IS THIS REPORT SUBMITTED AS AN ORIGINAL OR REVISION? IF THIS IS A REVISION, ATTACH AN EXPLANATION. | Original |
| 4. DATE OF REPORT SUBMISSION: | None-Member Regulated |
| 5. UTILITY REPRESENTATIVE TO WHOM QUESTIONS REGARDING THIS REPORT MAY BE DIRECTED - NAME: | Dawn Cryderman |
| PHONE No. (include area code): | (989) 733-8515 |
| 6. POWER SUPPLY COST RECOVERY FACTOR AUTHORIZED (or requested): | mills per kWh 29.510 |

NAME OF REPORTING UTILITY: || PRESQUE ISLE ELECTRIC COOPERATIVE

| | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------|---------------|----|-----------------|
| 7. REVENUES RECORDED PURSUANT TO THE POWER SUPPLY COST RECOVERY FACTOR AND THE ALLOWANCE FOR POWER SUPPLY INCLUDED IN BASE RATES FOR THIS MONTH: | | | |
| a. kWh sales subject to the PSCR clause are: | kWh | | 19,668,976 |
| b. Applied PSCR factor: | mills per kWh | | 30.31242473 |
| c. PSCR factor revenues: (a * b) | | \$ | 596,214.35 |
| d. Allowance for power supply included in case rates: | mills per kWh | | 58.34 |
| e. Revenues collected pursuant to allowance for power supply included in base rates: (a * d) | | \$ | 1,147,488.06 |
| f. TOTAL POWER SUPPLY COST REVENUE: (c + e) | | \$ | 1,743,702.41 |
| 8. THE TOTAL COST OF POWER (from attached worksheets) APPLICABLE TO SALES REPORTED ABOVE: | | | \$ 1,762,907.91 |
| 9. MONTHLY OVER(UNDER) COLLECTION : (7f-8) | | | \$ (19,205.50) |
| TOTAL OVER/(UNDER) COLLECTION THIS PSCR YEAR PRIOR TO JOINT ZONE CREDIT | | | \$ (200,806.69) |
| ADDITIONAL MI JOINT ZONE CREDIT | | | \$ 99,480.42 |
| 10. TOTAL OVER/(UNDER) COLLECTION THIS PSCR YEAR | | | \$ (101,326.27) |
| 11. Is there a major difference between actual and projected costs this month: Please circle Yes or No (if yes, please explain) | | | |
| NO | | | |

12. Do you anticipate any significant changes which would have an effect on next month's projected costs? Please circle Yes or No (if yes, briefly explain the change)

NO

13. Authorized refund/surcharge this month due to reconciliation of prior year(s) PSCR:

| CASE NO. | PSCR YEAR | 2011 Roll In | Seasonal | Year to Date | Remaining |
|-------------------------|-----------|-----------------|----------------|-----------------|-------------|
| U-16430 | | | | | |
| | | | | | |
| Auth.PSCR adj.(m/kWh) | | | | | |
| Auth.PSCR adj.(dollars) | | \$ (21,573.10) | \$ (2,078.46) | \$ (22,329.13) | \$ (756.03) |
| CASE NO. | PSCR YEAR | 2011 Roll In | Monthly | Year to Date | Remaining |
| U-16430 | | | | | |
| | | | | | |
| Auth.PSCR adj.(m/kWh) | | | | | |
| Auth.PSCR adj.(dollars) | | \$ (170,443.29) | \$ (13,704.42) | \$ (164,264.73) | \$ 6,178.56 |

| PRESQUE ISLE ELECTRIC COOPERATIVE | | | NAME OF REPORTING UTILITY : | PRESQUE ISLE ELECTRIC COOPERATIVE | | | | | |
|-----------------------------------|-----------------|-----------------|----------------------------------------|-----------------------------------|------------------|-----------------------------|-------------------------|----------------------|------------------|
| December | | | 2012 | YEAR TO DATE | | | | | |
| (ag) | (ah) | (ai) | | (aj) | (ak) | (al) | | | |
| *UNITS | \$ | \$/Unit | PURCHASED POWER | *UNITS | \$ | \$/Unit | | | |
| 21,271,800 | \$ 1,155,356.55 | 0.054314 | 1 FROM WOLVERINE | 234,645,000 | \$ 12,744,508.53 | 0.054314 | | | |
| 1,343,400 | \$ 60,453.00 | 0.045000 | 2 Energy-A | 19,824,600 | \$ 892,107.00 | 0.045000 | | | |
| 22,615,200 | \$ (6,784.56) | (0.000300) | 3 Budget PSCR | 254,469,600 | \$ 654,000.48 | 0.002570 | | | |
| 21,637,200 | \$ (15,795.16) | (0.000730) | 4 PSCR Adjustment | 255,201,000 | 305013.65 | 0.001195 | | | |
| 22,615,200 | \$ 1,193,229.83 | 0.052762 | 5 Total Energy | 254,469,600 | \$ 14,595,629.66 | 0.057357 | | | |
| 39,647 | \$ 373,078.27 | 9.410000 | 6 Demand-Rate A | 443,970 | \$ 4,177,757.70 | 9.410000 | | | |
| 1,850 | \$ 22,412.73 | 12.114989 | 7 Demand-Rate C & I | 27,665 | \$ 320,929.89 | 11.600574 | | | |
| 6,923 | \$ 1,730.75 | 0.250000 | 8 kVAR Schedule A | 46,094 | \$ 11,523.50 | 0.250000 | | | |
| 2,212 | \$ 553.00 | 0.250000 | 9 kVAR Schedule C & I | 30,750 | \$ 7,687.50 | 0.250000 | | | |
| 41,497 | \$ (149,117.66) | (3.593456) | 11 Michigan Joint Zone Credit | 471,635 | (\$1,771,771.02) | (3.756657) | | | |
| | \$ (13,188.48) | | 12 Load Management Credits | | (\$145,557.15) | | | | |
| 18 | \$ 37,544.04 | \$ 2,085.78 | 13 Substation Fixed Charge | 252 | \$ 450,528.48 | \$ 1,787.81 | | | |
| | \$ 62,714.77 | Varies | 14 Substation Carrying Charge | | \$ 750,883.92 | Varies | | | |
| | \$ 3,079.55 | Varies | 15 Shared Dist. Equip. Carrying Charge | | \$ 36,868.13 | Varies | | | |
| | \$ 26,260.51 | Varies | 16 Radial Line Carrying Charge | | \$ 315,126.12 | Varies | | | |
| | \$204,543.61 | | 17 Transmission Charges | | \$2,065,361.30 | | | | |
| 22,615,200 | \$ 1,762,840.92 | 0.077949 | 18 TOTAL WPSC | 254,469,600 | \$ 20,814,968.03 | 0.081797 | | | |
| 590 | \$ 66.99 | 0.11354 | 18B Total NEG Purchases | 7,508 | \$ 852.33 | - | | | |
| 22,615,790 | \$ 1,762,907.91 | 0.077950 | 19 Total kWh Purchase & Cost | 254,477,108 | \$ 20,815,820.36 | 0.081798 | | | |
| 2,946,814 | | 0.130298964 | 20 Less: Line Loss | 21,939,603 | | 0.086214446 | | | |
| 19,668,976 | \$ 1,762,907.91 | 0.08962886 | 21 kWh Available for Use | 232,537,505 | \$ 20,815,820.36 | 0.08951597 | | | |
| 19,668,976 | \$ 1,762,907.91 | 0.089629 | 22 PSCR SALES & POWER COSTS | 232,537,505 | \$ 20,815,820.35 | 0.089516 | | | |
| | | | PSCR OVER/(UNDER) RECOVERY | | | | | | |
| <u>BASE</u> | <u>FACTOR</u> | <u>TOTAL</u> | <u>BASE</u> | <u>FACTOR</u> | <u>TOTAL</u> | | | | |
| 58.3400 | 30.312425 | 88.6524 | 23 1. Mills/kWh | 58.340000 | 30.312425 | 88.652425 | | | |
| 19,668,976 | 19,668,976 | 19,668,976 | 24 2. PSCR Sales | 232,537,505 | 232,537,505 | 232,537,505 | | | |
| \$ 1,147,488.06 | \$ 596,214.35 | \$ 1,743,702.41 | 25 3. PSCR Revenue [(1*2)/1000] | \$ 13,566,238.04 | \$ 7,048,775.62 | \$ 20,615,013.66 | | | |
| | | \$ 1,762,907.91 | 26 C. PSCR COST | | | \$ 20,815,820.34 | | | |
| | | \$ (19,205.50) | 27 D. OVER/(UNDER) RECOVERY | | | \$ (200,806.68) | | | |
| | | \$ (200,806.68) | Current Year to Date | | | \$ (200,806.68) | | | |
| <u>kWh</u> | <u>Recovery</u> | <u>FACTOR</u> | Surcharge Distribution: | | | Surcharge Remaining: | Target Surcharge | Est pscr kWh: | Adj. Rate |
| 17,078,756 | \$ (13,704.42) | (0.802425) | Prior Year Monthly - 2011 U-16430 | 204,710,444 | \$ (164,264.72) | \$ (6,178.56) | \$ (170,443.29) | 207,278,463 | |
| 2,590,220 | \$ (2,078.46) | (0.802425) | Prior Year Seasonal - 2011 U-16430 | 27,827,061 | \$ (22,329.12) | \$ 756.03 | \$ (21,573.10) | 32,016,743 | |
| | \$ (15,782.87) | (0.802425) | | 232,537,505 | \$ (186,593.84) | \$ (5,422.55) | \$ (192,016.39) | 239,295,206 | (0.802425) |
| 19,668,976 | \$ 580,431.48 | 29.51 | Combined PSCR | 232,537,505 | \$ 6,862,181.77 | 29.51 | | | |

239,295,206

**PRESQUE ISLE ELECTRIC & GAS CO-OP
BOARD RESOLUTION
March 26, 2013**

**RESOLUTION 2013-MR2
2012 ELECTRIC OPERATIONS TIMES INTEREST EARNED RATIO
(TIER) ANALYSIS**

WHEREAS, PIE&G transitioned to member regulation with an effective date of September 23, 2012 thus providing that its electric rates and charges are no longer regulated by the Michigan Public Service Commission; and

WHEREAS, PIE&G has established Board Policy No. 307 – Energy Rate Design, which requires energy rates be developed and implemented to generate margins adequate to meet annual lender requirements and the Cooperative’s long-term financial objectives; and

WHEREAS, PIE&G was authorized by the MPSC to employ the Times Interest Earned Ratio (TIER) Analysis rate setting mechanism when regulated by the Commission and continues to do so in order to satisfy the requirements of Board Policy No. 307; and

WHEREAS, the TIER rate setting mechanism provides for a TIER range of 1.6 to 2.2 with a Target TIER of 1.8 and PIE&G has established that the TIER calculation for the 2012 operating year indicates an adjusted TIER of 0.82; and

WEHREAS, PIE&G has experienced weather related events resulting in additional expense of \$700,770, which it considers extraordinary and wishes to remove from the 2012 TIER calculation and PIE&G has determined that the removal of the extraordinary expense results in an adjusted TIER of 1.32; and

WHEREAS, an adjusted TIER of 1.32 falls outside the “Quiet Zone”; and

WHEREAS, a revenue increase of **\$865,430** is required to achieve a 1.8 Target TIER;

NOW BE IT HEREBY RESOLVED that the PIE&G Board of Directors accepts management’s 2012 ELECTRIC TIER analysis, which indicates a revenue increase of **\$865,430** is required to achieve a Target TIER of 1.8.

CERTIFICATION

I, David Smith, Secretary of the Board of Directors of Presque Isle Electric & Gas Co-op, do hereby certify that the above is a true and correct copy of a resolution adopted at a special meeting of the Board of Directors of Presque Isle Electric & Gas Co-op held on March 26, 2013.

By: _____
David Smith, Secretary

Dated: _____

TEST YEAR MARGINS AND INTEREST
12 MONTHS ENDED DECEMBER 31, 2012

| | <u>Operating Margins</u> | <u>Total Margins</u> | <u>Interest</u> |
|-------------------|--------------------------|---------------------------|--------------------------|
| December 31, 2012 | (\$345,213) ¹ | \$ 1,403,415 ² | \$1,792,956 ³ |

¹ From December 2012 Form 7, Part 1A, line 20, *Patronage Capital and Operating Margins*.

² From December 2012 Form 7, Part 1A, line 28, *Patronage Capital*.

³ From December 2012 Form 7, Part 1A, line 15, *Interest on Long Term Debt* -- 2012 Electric Rate Documents.

ADJUSTED TOTAL MARGINS

| | | |
|------------------|-----------------------------------------------|----------------------------|
| <u>Step One:</u> | Unadjusted Total Margins | \$ 1,403,415 ⁴ |
| <u>Step Two:</u> | Add Back Net Loss From Equity Investments | \$ 134,815 ⁵ |
| | Add Back Extraordinary Weather Expenses | \$ 700,770 ⁶ |
| | Less G&T Capital Credits Allocated/Not Paid | \$(1,568,655) ⁷ |
| | Less Other Capital Credits Allocated/Not Paid | \$ (101,412) ⁸ |

(continued on next page)

⁴ From Exhibit A-2.

⁵ From December 2012 Form 7, page 1, column (b), line 23, "Income (Loss) from Equity Investments" includes a \$134,815 loss on disposition of utility plant. Accounts 421.10 and 421.20 (Gain/(Loss) on Disposition of Utility Plant are to be removed from Total Margins. When that is done, Total Margins increase by \$134,815.

⁶ Extraordinary weather expenses in 2012 include those costs associated with Winter Storm Draco, which occurred in December, 2012.

⁷ From December 2012 Form 7, page 1, column (b), line 25a, "Generation and Transmission Capital Credits" + Line 25b, "G&T Capital Credits – PSDFC".

⁸ From December 2012 Form 7, page 1, column (b), line 26, "Other Capital Credits and Patronage Dividends", i.e. \$252,695 less \$151,283. The \$151,283 is comprised of the following declared and paid other capital credits or patronage dividends.

| | |
|--------|-------------------|
| NRUCFC | \$ 74,874 |
| COBANK | \$ 28,562 |
| NISC | \$ 3,134 |
| RESCO | \$ <u>44,713</u> |
| Total | \$ <u>151,283</u> |

ADJUSTED TOTAL MARGINS
(continued from prior page)

| | |
|-------------------------------------------------------------------|--------------|
| <u>Step Three:</u> Issued Capital Credits/Past Years' Allocations | \$ 532,822 |
| Less General Capital Credit Retired to Members | \$(532,822) |
| <u>Step Four:</u> Less Member Remaining Capital Credits Retired | \$ 0 |
| Adjusted Total Margins | \$ 568,933 |

CALCULATION OF REQUIRED TIER REVISION

$$1.8 \text{ TIER} = \frac{\text{Necessary Margin} + \text{Interest}}{\text{Interest}}$$

Interest = \$1,792,956⁹

$$1.8 \text{ TIER} = \frac{\text{Necessary Margin} + \$1,792,956 \text{ Interest}}{\$1,792,956 \text{ Interest}}$$

Necessary Margins = \$ **1,434,363**

Target TIER:

$$1.8 \text{ TIER} = \frac{\$1,434,363 \text{ Necessary Margin} + \$1,792,863 \text{ Interest}}{\$1,792,863 \text{ Interest}}$$

Actual Adjusted Total TIER:

$$\text{TIER} = \frac{\$568,933^{10} + \$1,792,863 \text{ Interest}}{\$1,792,863 \text{ Interest}} = 1.\underline{32} \text{ TIER}$$

Based on Adjusted Total TIER of 1.32, an increase of **\$865,430** is required to return to a 1.8 TIER.

⁹ From Exhibit A-2.

¹⁰ From Exhibit A-3.

RECONCILIATION OF OPERATING AND TOTAL MARGINSLine No.

| | | | |
|----|--------------------------------------------------|---------------------------------|----------------------------|
| 1 | Operating Margins | | \$ (345,213) ¹¹ |
| 2 | Other Income | | |
| 3 | a. Non Operating Margins – Interest | \$ 52,093 ¹² | |
| | b. Income from Equity Investments | \$ (124,815) ¹³ | |
| | c. Non Operating Margins – Other | \$ 0 ¹⁴ | |
| | d. G&T Capital Credits | \$ 1,568,655 ¹⁵ | |
| | Other Capital Credits and Patronage Dividends | \$ <u>252,695</u> ¹⁶ | |
| 3. | Total Additions to Operating Margins | | \$ 1,748,628 |
| 4 | Total Margins | | \$ <u>1,403,415</u> |

¹¹ From Exhibit A-2.

¹² From December 2012 Form 7, Part 1A, line 21, “*Non Operating Margins – Interest*”.

¹³ From December 2012 Form 7, Part 1A, line 23, “*Income(Loss) from Equity Investments*”.

¹⁴ From December 2012 Form 7, Part 1A, line 24, “*Non Operating Margins – Other*”.

¹⁵ From 2012 December Form 7, Part 1A, line 25b, “*G&T Capital Credits - PSDFC*”.

¹⁶ From December 2012 Form 7, Part 1A, line 26, “*Other Capital Credits and Patronage Dividends*”.

CALCULATION OF REQUIRED AND REQUESTED INCREASELine No.

| | | |
|---|--------------------------------------|-----------------------------|
| 1 | Required \$ Increase Per Exhibit A-4 | \$ 865,430 |
| 2 | 2012 Revenue from Electric Sales | \$ 33,607,629 ¹⁷ |
| 3 | Required % Increase | 2.58% |
| 4 | 2012 kWh Sales | 232,545,013 ¹⁸ |
| 5 | Average Mills Per kWh Increase | 3.72 mills per kWh |

¹⁷ From December 2012 Form 7, Page 3, Electric Operations Plant Ratios, Sales & Revenue Report, Year to Date Total Sales of Electric Energy, dollars.

¹⁸ From December 2012 Form 7, Page 3, Electric Operations Plant Ratios, Sales & Revenue Report, Year to Date Total kWh sold.

PRESQUE ISLE ELECTRIC & GAS CO-OP

19831 M68 Hwy. P.O. Box 308 Onaway, MI 49765 (989) 733-8515 1-800-423-6634 Fax (989) 733-2247

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

Signature of Chief Financial Officer

Date

Signature of Chief Executive Officer

Date

PART 1A - STATEMENT OF ELECTRICAL OPERATIONS FOR THE PERIOD ENDED DECEMBER 31, 2012

| RUS Form 7 Line Number | ITEM | YEAR TO DATE | | | THIS MONTH |
|------------------------------|-----------------------------------------------|-------------------|-------------------|-------------------|------------------|
| | | 2011 | 2012 | BUDGET | |
| 1. | Operating Revenue - Electric | 32,104,834 | 34,291,312 | 35,927,055 | 2,848,581 |
| 1. | Total Revenue | 32,104,834 | 34,291,312 | 35,927,055 | 2,848,581 |
| 3. | Cost of Purchased Energy - Electric | 19,150,713 | 20,815,666 | 22,903,569 | 1,762,796 |
| 3. | Total Cost of Energy Sold | 19,150,713 | 20,815,666 | 22,903,569 | 1,762,796 |
| | Gross Revenues | 12,954,121 | 13,475,646 | 13,023,486 | 1,085,785 |
| 5. | Distribution Expense - Operation | 757,074 | 947,273 | 933,050 | 72,344 |
| 6. | Distribution Expense - Maintenance | 3,315,468 | 4,258,258 | 3,062,629 | 905,322 |
| 7. | Consumer Accounts Expense | 1,287,996 | 1,396,375 | 1,394,361 | 73,260 |
| 8. | Customer Service and Informational Expens | 444,154 | 437,364 | 310,144 | 49,603 |
| 10. | Administrative and General Expense | 1,320,739 | 1,374,747 | 1,282,692 | 82,195 |
| | Total Operation & Maintenance Expe | 7,125,431 | 8,414,017 | 6,982,875 | 1,182,724 |
| 12. | Depreciation & Amortization Expense | 2,630,692 | 2,695,590 | 2,862,000 | 226,960 |
| 13. | Tax Expense - Property & Gross Receipts | 745,138 | 758,282 | 752,390 | 64,343 |
| 14. | Tax Expense - Other | 60,674 | 1,732 | 26,010 | 2,062 |
| 15. | Interest on Long-Term Debt | 1,833,206 | 1,792,956 | 1,852,194 | 196,353 |
| 17. | Interest Expense - Other | 167,235 | 158,282 | 110,313 | 13,507 |
| 18. | Other Deductions | 0 | 0 | 503 | 0 |
| | Total Cost of Operations | 12,562,377 | 13,820,859 | 12,586,284 | 1,685,949 |
| 20. | Patronage Capital & Operating Margins | 391,744 | (345,213) | 437,202 | (600,164) |
| 21. | Non-Operating Margins - Interest | 56,810 | 52,093 | 53,693 | 176 |
| 23. | Income (Loss) from Equity Investments | (147,644) | (124,815) | (831) | (21,951) |
| 24. | Non-Operating Margins - Other | 0 | 0 | 0 | 0 |
| 25.a | Generation and Transmission Capital Credit | 478,950 | 1,568,655 | 650,000 | 1,568,655 |
| 25.b | G & T Capital Credits - PSDFC | 627,591 | 0 | 0 | 0 |
| 26. | Other Capital Credits and Patronage Divider | 280,647 | 252,695 | 294,421 | 15,294 |
| 27. | Extraordinary Items See attached sheet | 0 | 0 | 0 | 0 |
| 28. | Patronage Capital | 1,688,099 | 1,403,415 | 1,434,485 | 962,010 |

Net T.I.E.R. 1.84 1.72

Operating T.I.E.R. 1.20 0.82

PART 2A - DATA ON ELECTRICAL DISTRIBUTION PLANT

| ITEM | YEAR TO DATE | |
|-------------------------------------|--------------|--------|
| | 2011 | 2012 |
| 1. New Services Connected | 152 | 146 |
| 2. Services Retired | 72 | 38 |
| 3. Total Services in Place | 35,528 | 35,692 |
| 4. Idle Services (Excl Seasonal) | 2,407 | 2,502 |
| 5. Miles Distribution - Overhead | 3,858 | 3,860 |
| 6. Miles Distribution - Underground | 968 | 977 |
| 7. Total Miles Energized (5 + 6) | 4,826 | 4,837 |

PRESQUE ISLE ELECTRIC & GAS CO-OP

19831 M68 Hwy. P.O. Box 308 Onaway, MI 49765 (989) 733-8515 1-800-423-6634 Fax (989) 733-2247

PART 3 - COMBINED BALANCE SHEET AS OF DECEMBER 31, 2012

| RUS Form 7 Line Number | ASSETS AND OTHER DEBITS | RUS Form 7 Line Number | LIABILITIES AND OTHER CREDITS |
|------------------------------|-------------------------------------------------------------------------|------------------------------|------------------------------------------------------------------|
| 1a. | Utility Plant in Service - Electric 93,122,346 | 30a. | Memberships - Electric 221,240 |
| 1b. | Utility Plant in Service - Gas 30,848,413 | 30b. | Memberships - Gas 19,025 |
| 1. | Utility Plant in Service - Combined 123,970,759 | 30. | Memberships - Combined 240,265 |
| 2a. | Construction Work in Progress - Electric 954,278 | 31a. | Patronage Capital - Electric 36,843,000 |
| 2b. | Construction Work in Progress - Gas (7,564) | 31b. | Patronage Capital - Gas 1,289,359 |
| 2. | Construction Work in Progress - Combined 946,713 | 31. | Patronage Capital - Combined 38,132,359 |
| 3a. | Total Utility Plant (1+ 2) - Electric 94,076,623 | 32a. | Operating Margins - Prior Years - Electric (2,890,639) |
| 3b. | Total Utility Plant (1 + 2) - Gas 30,840,849 | 32b. | Operating Margins - Prior Years - Gas 0 |
| 3. | Total Utility Plant - Combined 124,917,472 | 32. | Operating Margins - Prior Years - Combined (2,890,639) |
| 4a. | Accumulated Provision for Depreciation - Electric 42,162,186 | 33a. | Operating Margins - Current Year - Electric (345,213) |
| 4b. | Accumulated Provision for Depreciation - Gas 6,423,159 | 33b. | Operating Margins - Current Year - Gas 355,654 |
| 4. | Accum. Provision for Depreciation - Combined 48,585,345 | 33. | Operating Margins - Current Year - Combined 10,441 |
| 5a. | Net Utility Plant (3 - 4) - Electric 51,914,437 | 34a. | Non Operating Margins - Electric 1,748,627 |
| 5b. | Net Utility Plant (3 - 4) - Gas 24,417,691 | 34b. | Non Operating Margins - Gas 95,949 |
| 5. | Net Utility Plant - Combined 76,332,128 | 34. | Non Operating Margins - Combined 1,844,577 |
| 7. | Investments in Subsidiary Companies 0 | 35a. | Other Margins and Equities - Electric 1,296,425 |
| 8.a | Invest. in Assoc. Org- Patronage Capital - WPC 10,489,176 | 35b. | Other Margins and Equities - Gas 5,274 |
| 8.b | Invest. in Assoc. Org. - Patronage Capital - WPC - PSDFC 7,980,339 | 35. | Other Margins and Equities - Combined 1,301,699 |
| 8.c | Invest. in Assoc. Org. - Patronage Capital - Other 1,959,634 | 36a. | Total Margins and Equities (30 thru 35) - Electric 36,873,439 |
| 9. | Invest. in Assoc. Org. - Other - General Funds 47,936 | 36b. | Total Margins and Equities (30 thru 35) - Gas 1,765,262 |
| 10. | Invest. in Assoc. Org. - Other - Nongeneral Funds 1,745,574 | 36. | Total Margins and Equities (30 thru 35) - Combined 38,638,701 |
| 11. | Invest. in Economic Development Projects 0 | 37. | Long Term Debt - RUS (Net) |
| 12. | Other Investments 0 | | (Payments-Unapplied \$ -0-) 0 |
| 13. | Restricted Funds 0 | 38. | Long Term Debt - RUS - Econ. Dev. (Net) 0 |
| 14. | Total Other Property and Investments (6 thru 13) 22,222,658 | 39. | Long Term Debt - Other - RUS Guaranteed 0 |
| 15. | Cash - General Funds 2,695,319 | 40. | Long Term Debt - Other (Net) 50,555,379 |
| 16. | Cash - Construction Funds 0 | 41. | Total Long Term Debt (37 thru 40) 50,555,379 |
| 17. | Special Deposits 0 | 42. | Obligations Under Capital Leases 0 |
| 18. | Temporary Investments 13,345 | 43. | Deferred Compensation 0 |
| 19. | Notes Receivable - Net 0 | 44. | Total Other Non Current Liabilities (42+43) 0 |
| 20. | Accounts Receivable - Net Sales of Energy 4,670,549 | 45. | Line of Credit Balance Due 7,278,699 |
| 21. | Accounts Receivable - Net Other 448,871 | 46. | Accounts Payable 3,246,715 |
| 22. | Materials and Supplies - Electric and Other 1,286,667 | 47. | Consumers Deposits 360,229 |
| 23. | Prepayments 328,170 | 48. | Other Current and Accrued Liabilities 7,526,885 |
| 24. | Other Current and Accrued Assets 0 | 49. | Total Current and Accrued Liabilities (45 thru 48) 18,412,527 |
| 25. | Total Current and Accrued Assets (15 thru 24) 9,442,921 | 50. | Deferred Credits 588,515 |
| 26. | Regulatory Assets 0 | 51. | Accumulated Deferred Income Taxes 0 |
| 27. | Other Deferred Debits 197,416 | 52. | Total Liabilities and Other Credits |
| 28. | Accumulated Deferred Income Taxes 0 | | (36+41+44+49 thru 51) 108,195,122 |
| 29. | Total Assets and Other Debits (5 + 14 + 25 thru 28) 108,195,122 | | <i>ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION</i> |
| | | 53. | Balance Beginning of the Year - Electric 19,279,250 |
| | | 54. | Balance Beginning of the Year - Gas 3,557,435 |
| | | 55. | Balance Beginning of the Year - Gas AER 1,054,511 |
| | | | Amount Received This Year (Net) - Electric 305,395 |
| | | | Amount Received This Year (Net) - Gas 110,410 |
| | | | Amount Received This Year (Net) - Gas AER 0 |
| | | | Total Contributions in Aid of Construction - Electric 19,584,645 |
| | | | Total Contributions in Aid of Construction - Gas 3,667,845 |
| | | | Total Contributions in Aid of Construction - Gas AER 1,054,511 |

PART 4 - NOTES TO COMBINED FINANCIAL STATEMENTS

THIS SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.

PRESQUE ISLE ELECTRIC & GAS CO-OP

19831 M68 Hwy. P.O. Box 308 Onaway, MI 49765 (989) 733-8515 1-800-423-6634 Fax (989) 733-2247

ELECTRIC OPERATIONS PLANT RATIOS, SALES & REVENUE REPORT FOR THE MONTH ENDING DECEMBER 31 2012

BALANCE SHEET RATIOS

| | | |
|------------------------------------------|------------|---------|
| Current Assets to Current Liabilities | - Combined | 51.29 % |
| Margins & Equities as % of Assets | - Combined | 35.71 % |
| Long Term Debt as % of Net Utility Plant | - Combined | 66.23 % |
| Long Term Debt as % of Plant | - Combined | 40.47 % |
| Modified Debt Service Coverage Ratio | - Combined | 1.40 |

CONSUMER SALES AND REVENUE DATA - MONTHLY

| CLASS OF SERVICE | Number Receiving Service | kWh Sold | Amount | Number of Minimum Bills |
|--------------------------------------------|--------------------------|------------|-----------|-------------------------|
| | A. | B. | C. | D. |
| Sales - Residential | 17,449 | 11,758,465 | 1,606,135 | 1,181 |
| Sales - Seasonal | 13,429 | 2,590,220 | 532,550 | 12,643 |
| Sales - General Service - Oil | 479 | 454,848 | 59,923 | 30 |
| Sales - Irrigation | 26 | 1,465 | 860 | 16 |
| Sales - General Service | 1,390 | 2,313,078 | 285,740 | 182 |
| Sales - Large Power - Oil | 9 | 129,676 | 14,128 | |
| Sales - Large Power | 39 | 2,018,882 | 205,507 | 1 |
| Sales - Public Street & Highway Lighting | 39 | 32,346 | 5,770 | |
| Sales - Public Buildings | 330 | 370,586 | 46,280 | 39 |
| Consumer Sales - PSCR | | | 34,988 | |
| Total Sales of Electric Energy (1 thru 11) | 33,190 | 19,669,566 | 2,791,881 | 14,092 |
| Other Electric Revenue | | | 56,700 | |
| Total (12 + 13) | | | 2,848,581 | |
| Last Year kWh Sales | 33,121 | 20,457,751 | | |

CONSUMER SALES AND REVENUE DATA - YEAR TO DATE

| CLASS OF SERVICE | Average Number Receiving Service | kWh Sold Cumulative | Amount Cumulative |
|--------------------------------------------|----------------------------------|---------------------|-------------------|
| | B. | C. | D. |
| Sales - Residential | 17,446 | 134,022,936 | 18,515,970 |
| Sales - Seasonal | 13,407 | 27,827,330 | 6,740,890 |
| Sales - General Service - Oil | 482 | 5,215,414 | 672,372 |
| Sales - Irrigation | 26 | 224,741 | 32,810 |
| Sales - General Service | 1,376 | 30,107,226 | 3,591,843 |
| Sales - Large Power - Oil | 9 | 1,509,725 | 162,840 |
| Sales - Large Power | 39 | 28,504,761 | 2,845,990 |
| Sales - Public Street & Highway Lighting | 39 | 394,073 | 70,262 |
| Sales - Public Buildings | 331 | 4,738,807 | 587,250 |
| Consumer Sales - PSCR | | | 387,401 |
| Total Sales of Electric Energy (1 thru 11) | 33,155 | 232,545,013 | 33,607,629 |
| Other Electric Revenue | | | 683,683 |
| Total (12 + 13) | | | 34,291,312 |
| Last Year kWh Sales | | 239,299,727 | |

KWH AND KWH STATISTICS

| ITEM | THIS MONTH | YEAR-TO-DATE |
|---------------------------------------------------|------------|--------------|
| 1. kWh Purchased | 22,615,200 | 254,469,600 |
| 2. Interchange kWh-Net | 590 | 7,508 |
| 3. Total kWh (1 + 2) | 22,615,790 | 254,477,108 |
| 4. Total kWh-Sold | 19,669,566 | 232,545,013 |
| 5. Office Use - **For Information Purposes Only** | 22,827 | 228,809 |
| 6. Total Unaccounted for (3 - 4) | 2,946,224 | 21,932,095 |
| 7. Percent System Loss (6/3)x100 | 13.03 | 8.62 |
| 8. Maximum Demand (kw) | 41,497 | 49,294 |
| 9. Month When Maximum Demand Occured | | 7 |

PRESQUE ISLE ELECTRIC & GAS CO-OP

19831 M68 Hwy. P.O. Box 308 Onaway, MI 49765 (989) 733-8515 1-800-423-6634 Fax (989) 733-2247

STATISTICAL INFORMATION FOR THE MONTH ENDING DECEMBER 31, 2012

| | THIS YEAR | LAST YEAR |
|------------------------------------------------|--------------|--------------|
| 1. KWHRs Sold Per Consumer: | | |
| a. For the Month | 593 | 618 |
| b. Year to Date | 584 | 601 |
| 2. Average Monthly Bill | 84.12 | 87.53 |
| Average Residential Bill | 92.05 | 89.37 |
| 3. Average Bill: | | |
| a. Year To Date | 84.47 | 79.80 |
| b. YTD Residential | 88.44 | 82.68 |
| 4. Cost Per KWHR Purchased | | |
| a. This Month Mills | 77.95 | 78.62 |
| b. Year to Date Mills | 81.80 | 74.42 |
| 5. Revenue Per KWHR Sold: | | |
| a. This Month Mills | 141.94 | 141.72 |
| b. Year to Date Mills | 144.52 | 131.27 |
| 6. Power Cost Adjustment | | |
| a. This Month | 0.029510 | 0.021980 |
| 7. Number of New Members - Electric | 116 | 162 |
| Number of Transferred Members Added - Electric | 1047 | 942 |
| 7. Number of New Members - Gas | 45 | 39 |
| Number of Transferred Members Added - Gas | 96 | 89 |
| 8. Security Lights Billed | 2062 | 2052 |
| 9. Regular Payroll - Hours | 11,563.50 | 11,839.25 |
| Overtime Payroll - Hours | 4,806.75 | 943.00 |
| Total Payroll | 16,370.25 | 12,782.25 |
| 10. Number of Employees | | |
| Full Time | 65 | 65 |
| Temporary | 4 | 6 |
| 11. Principal Paid To CFC-YTD | 1,886,739.82 | 1,762,135.05 |
| Interest Paid To CFC-YTD | 3,001,919.43 | 3,080,753.83 |
| 12. Interest Paid on Line of Credit - YTD | 174,655.18 | 195,556.48 |

| TIER CALCULATION | | | | |
|------------------------------------------------------------------------------------------|----------------------------------------------|-------------------|--------------------|---------------------------|
| CO-OP: Presque Isle Electric & Gas Co-op | | | | |
| Case: | | | | |
| Year: 2013 | | | | |
| FORM | | | | |
| 7 LINE | ITEM | 2012 All Costs | 2012 Less DRACO | Source/ Notes |
| | | \$ | | |
| | <u>Operating Revenue</u> | | | |
| | Sales of Gas | 34,291,275 | 34,291,275 | GL |
| | Other | - | - | GL |
| 1 | Operating Revenue | 34,291,275 | 34,291,275 | |
| | <u>Operating Expenses</u> | | | |
| 3 | Cost of Purchased Energy | 20,815,666 | 20,815,666 | Pwr bills |
| 4 | Transmission Expense | | | |
| 5 | Distribution Expense - Operation | 947,273 | 947,273 | Director's Report |
| 6 | Distribution Expense - Maintenance | 4,258,258 | 4,258,258 | Director's Report |
| 7 | Consumer Accounts Expense | 1,396,375 | 1,396,375 | Director's Report |
| 8 | Customer Service & Info. Expense | 437,327 | 437,327 | Director's Report |
| 9 | Sales Expense | - | - | |
| 10 | Administrative & General Expense | 1,374,747 | 1,374,747 | Director's Report |
| 11 | Total O & M Expense | 29,229,646 | 29,229,646 | = line 3 thru line 10 |
| 12 | Depreciation & Amortization Exp. | 2,695,590 | 2,695,590 | Director's Report |
| 13 | Tax Exp. - Property & Gross Recpts. | 758,282 | 758,282 | Director's Report |
| 14 | Tax Expense - Other | 1,732 | 1,732 | Director's Report |
| 15 | Interest on Long-Term Debt (mpsc) | 1,792,956 | 1,792,956 | from L/T Interest worksh |
| 16 | Interest Charged to Const. - Cr. | | | |
| 17 | Interest Expense - Other | 158,282 | 158,282 | Director's Report |
| 18 | Other Deductions | - | - | Director's Report |
| 19 | Total Cost of Operations | 34,636,488 | 34,636,488 | = line 11 thru line 18 |
| 20 | Ptrng Cap. & OPERATING Margins | (345,213) | (345,213) | Director's Report |
| 21 | Non-Operating Margins - Interest | 52,093 | 52,093 | Director's Report |
| 22 | AFUDC | | | |
| nt Isted | Loss from Property Retirements | (134,815) | (134,815) | |
| 23 | Inc. (Loss) from Equity Investments | 10,000 | 10,000 | Co. Response TMS-3 |
| 24 | Non-Operating Margins - Other | - | - | |
| 25.a | Gen. & Trans. Capital Crs. | 1,568,655 | 1,568,655 | Director's Report |
| 25.b | G & T Capital Crs - PSDFC | - | - | Director's Report |
| 26 | Other Capital Crs. & Patronage Div's. | 252,695 | 252,695 | Director's Report |
| 27 | Extraordinary Items | - | - | |
| 28 | Ptrng Capital or Margins (20-27) | 1,403,415 | 1,403,415 | =line 20 thru line 27 |
| Part II: Adjusted Margins & TIER AS FILED | | | | |
| | Actual Total Margin (Ln 28) | 1,403,415 | 1,403,415 | = line 28 |
| Step II | Back Out: | | | |
| | Gain/Loss from Equity Investments | 134,815 | 134,815 | Staff Wrksh - Step II Exh |
| | G&T Credits, Allocated/Not Paid | (1,568,655) | (1,568,655) | - Ln 25 |
| | Other Cap Crs. Allocated/Nt Pd | (101,412) | (101,412) | (\$106,775 - 53,783=\$52, |
| | Weather Normalization Adjustment | | | Weather Normalization A |
| | Adjustment for Non-Operating Loss | | | Write-Off of Prior Period |
| | Total Mrgns Less Cap. Crs. Allocation | (131,837) | (131,837) | Order dated 8-11-09 Exh |
| Step III | Add Back: | | | |
| | DRACO Costs | | 700,770 | |
| | Cap Crs Pd for Prior Years | 381,539 | 381,539 | Capital Credits Allocated |
| | Less offset of Cap Crs Retired/Members | (381,539) | (381,539) | Amount cannot result in i |
| | Preliminary Adjusted Total Margins | (131,837) | 568,933 | |
| Step IV | Back Out: | | | |
| | Member Remaining Cap Crs. Retired | | | Can't Back Out remainin |
| | Adjust for difference in LT Debt Interest | | | Filed amt - Corrected am |
| | Adjust for Add Back of C.C. Retired/Members | | | |
| | Adjusted Total Margin | (131,837) | 568,933 | |
| | Resulting TIER: | | | |
| | Adjusted Total Margin | (131,837) | 568,933 | |
| | + Interest, L/T Debt + | 1,792,956 | 1,792,956 | |
| | ÷ Interest, L/T Debt | 1,792,956 | 1,792,956 | |
| | = TIER | 0.93 | 1.32 | |
| | [Quiet zone = 1.6 - 2.2] | | | |
| Part III N/A - Increase in Rates resulting from the 2012 PSCR/TIER Reconciliation | | | | |
| Part III: Increase Calculation | | Full Cost | Less Draco | |
| | Target TIER as per Co-op Application | 1.80 | 1.80 | |
| | x Interest, LT Debt | 1,792,956 | 1,792,956 | |
| | Subtotal | 3,227,321 | 3,227,321 | |
| | LESS Interest, LT Debt | 1,792,956 | 1,792,956 | |
| | = Target Total Margin | 1,434,363 | 1,434,363 | |
| | LESS Adjusted Total Margin | (131,837) | 568,933 | |
| | Rate Increase for Co-op's Target TIER | 1,566,200 | 865,430 | |
| | <u>Percent Increase</u> | | | |
| | Annualized (Year) Gas Sales Revenue | 33,607,629 | 33,607,629 | |
| | | 1,566,200 | 865,430 | |
| | Percent Increase Needed for Target TIER | 4.66% | 2.58% | |
| | 2012 kWh Sales | 232,545,013 | 232,545,013 | |
| | Increase per kWh | 0.00674 | 0.00372 | |
| | Average Residential Bill - kWh | 640 | 640 | |
| | Monthly Residential Increase | \$ 4.31 | \$ 2.38 | |

**PRESQUE ISLE ELECTRIC & GAS CO-OP
BOARD RESOLUTION
March 26, 2013**

**RESOLUTION 2013-MR3
2013 ELECTRIC RATE REVENUE REQUIREMENTS**

WHEREAS, PIE&G transitioned to member regulation with an effective date of September 23, 2012 thus providing that its electric rates and charges are no longer regulated by the MPSC; and

WHEREAS, PIE&G has established Board Policy No. 307 – Energy Rate Design which requires energy rates be developed and implemented to in a manner that allocates cost across rate classes in an equitable manner and minimizes subsidies between rate classes; and;

WHEREAS, PIE&G has established that the 2012 TIER Analysis provides for an increase of **\$865,430** to achieve a Target TIER of 1.8; and

WHEREAS, PIE&G has reviewed an updated Cost of Service Study Analysis which indicates subsidies continue to exist between rate classes; and

WHEREAS, PIE&G desires to develop and implement distribution rates across rate classes in an equitable manner and minimize subsidies between rate classes;

NOW BE IT HEREBY RESOLVED that the PIE&G Board of Directors directs management to implement electric rate increases to the residential monthly, seasonal and outdoor lighting rate classes in the following manner effective with bills rendered on or after June 1, 2013:

| | |
|-------------------------------------|-------------------|
| Residential Monthly Total Increase | \$ 460,904 |
| Residential Seasonal Total Increase | \$ 397,140 |
| Outdoor Lighting Total Increase | \$ 7,386 |

CERTIFICATION

I, David Smith, Secretary of the Board of Directors of Presque Isle Electric & Gas Co-op, do hereby certify that the above is a true and correct copy of a resolution adopted at a special meeting of the Board of Directors of Presque Isle Electric & Gas Co-op held on March 26, 2013.

By: _____
David Smith, Secretary

Dated: _____

Exhibit 1

Line 9 represents the required adjustments to each rate class necessary to achieve cost of service BEFORE any rate increase. Thus the decreases in the commercial rate classes are exactly (within \$1) equal to the increases in the monthly, seasonal and outdoor lighting rate classes. I have highlighted the the adjustments necessary to achieve cost of service in yellow.

Exhibit 2

Page 1 of 4

Lines 1 through 10 indicate the rate adjustments necessary among the rate classes to achieve equitable cost of service among all rate classes.

As you can see on lines 9 and 10 (highlighted in blue), that requires decreased rates to the commercial rate classes and increased rates to monthly, seasonal and outdoor lighting.

Per the board's direction at the February meeting, no decrease will be implemented on the Commercial rate classes and the required revenue increase of \$865,265 will be assessed on the monthly, seasonal and outdoor lighting rate classes.

Lines 12 through 21 indicate the impact of adjusting rates in the manner described above. Thus by rate class the dollar amount and percentage increases from lines 17 and 18 (highlighted in red) are as follows:

| | | |
|------------------|-----------|-------|
| Monthly | \$460,904 | 2.33% |
| Seasonal | \$397,140 | 6.54% |
| Outdoor Lighting | \$ 7,386 | 3.00% |
| Total | \$865,430 | |

The significant lines to observe on this page are Lines 9 and 10 (highlighted in blue) and lines 20 and 21 (highlighted in green) which indicate how far from true cost of service rate recovery we are if we implement the rate increase with decreases to the commercial rate classes as indicated by cost of service (lines 9 and 10) and if we implement only an increase to the monthly, seasonal and outdoor lighting rate classes (lines 20 and 21).

Presque Isle Electric & Gas Co-op
Cost of Service Summary
Revenue Requirements Summary -- BUNDLED

| Line No. | Description | Total | Residential (A) | Seasonal Residential (S) | General Service (GS) | Large General (LG) | Lg. Power TOD (LPTOD) | Primary Service (PSDS) | Outdoor Lighting |
|-----------------|------------------------------------|--------------|------------------------|---------------------------------|-----------------------------|---------------------------|------------------------------|-------------------------------|-------------------------|
| 1 | <u>Revenue Requirements</u> | | | | | | | | |
| 2 | Revenue Requirements | 34,807,940 | 20,244,052 | 6,415,047 | 4,799,084 | 533,023 | 1,444,821 | 1,120,233 | 251,680 |
| 3 | | | | | | | | | |
| 4 | <u>Present Rates</u> | | | | | | | | |
| 5 | Revenue-Present Rates | 34,124,295 | 19,759,834 | 6,069,896 | 4,909,574 | 545,795 | 1,472,210 | 1,120,782 | 246,204 |
| 6 | Revenue Credits | 683,646 | 395,868 | 121,604 | 98,358 | 10,934 | 29,494 | 22,454 | 4,932 |
| 7 | Total Revenue | 34,807,941 | 20,155,702 | 6,191,500 | 5,007,932 | 556,729 | 1,501,704 | 1,143,236 | 251,136 |
| 8 | | | | | | | | | |
| 9 | Required Incr./(Decr) | (1) | 88,349 | 223,546 | (208,848) | (23,707) | (56,883) | (23,002) | 544 |
| 10 | Percent | (0.00%) | 0.45% | 3.68% | (4.25%) | (4.34%) | (3.86%) | (2.05%) | 0.22% |

Presque Isle Electric & Gas Co-op
Cost of Service Summary
Revenue Requirements Summary -- BUNDLED

| Line No. | Description | Total | Residential (A) | Seasonal Residential (S) | General Service (GS) | Large General (LG) | Lg. Power TOD (LPTOD) | Primary Service (PSDS) | Outdoor Lighting |
|----------|-------------------------------------------|----------------|-----------------|--------------------------|----------------------|--------------------|-----------------------|------------------------|------------------|
| 1 | Revenue Requirements | | | | | | | | |
| 2 | Revenue Requirements | 35,673,371 | 20,716,561 | 6,700,159 | 4,878,536 | 537,407 | 1,453,703 | 1,126,617 | 260,388 |
| 3 | | | | | | | | | |
| 4 | Present Rates | | | | | | | | |
| 5 | Revenue-Present Rates | 34,124,295 | 19,759,834 | 6,069,896 | 4,909,574 | 545,795 | 1,472,210 | 1,120,782 | 246,204 |
| 6 | Revenue Credits | 683,646 | 395,868 | 121,604 | 98,358 | 10,934 | 29,494 | 22,454 | 4,932 |
| 7 | Total Revenue | 34,807,941 | 20,155,702 | 6,191,500 | 5,007,932 | 556,729 | 1,501,704 | 1,143,236 | 251,136 |
| 8 | | | | | | | | | |
| 9 | Required Incr./(Decr) | 865,430 | 560,858 | 508,659 | (129,397) | (19,322) | (48,001) | (16,619) | 9,252 |
| 10 | Percent | 2.54% | 2.84% | 8.38% | (2.64%) | (3.54%) | (3.26%) | (1.48%) | 3.76% |
| 11 | | | | | | | | | |
| 12 | Proposed Rates | | | | | | | | |
| 13 | Revenue-Proposed Rates | 34,989,725 | 20,220,738 | 6,467,036 | 4,909,574 | 545,795 | 1,472,210 | 1,120,782 | 253,590 |
| 14 | Revenue Credits | 683,646 | 395,868 | 121,604 | 98,358 | 10,934 | 29,494 | 22,454 | 4,932 |
| 15 | Total Revenue | 35,673,371 | 20,616,606 | 6,588,640 | 5,007,932 | 556,729 | 1,501,704 | 1,143,236 | 258,522 |
| 16 | | | | | | | | | |
| 17 | Proposed Incr./(Decr) | 865,430 | 460,904 | 397,140 | | | | | 7,386 |
| 18 | Percent | 2.54% | 2.33% | 6.54% | | | | | 3.00% |
| 19 | | | | | | | | | |
| 20 | Remaining Incr./(Decr) to Cost of Service | 0 | 99,954 | 111,519 | (129,397) | (19,322) | (48,001) | (16,619) | 1,866 |
| 21 | Percent | 0.00% | 0.49% | 1.72% | (2.64%) | (3.54%) | (3.26%) | (1.48%) | 0.74% |

The spreadsheet accompanying this resolution indicates that currently the availability charge represents 47.60 percent of the revenue received from the monthly rate class. In order to maintain that percentage, an increase to the availability charge of \$1.01 per month must be made. This results in an increase to the kWh charge of \$0.001739.

The availability charge represents 63.42% of the distribution revenue received from the seasonal rate class. In order to maintain that percentage, an increase to the availability charge of \$1.66 per month must be made. This results in an increase the kWh charge of \$0.006735.

I have included a sample resolution with suggested changes only as an example. If implemented as suggested, the availability charge would represent 47.56% of total revenue for the monthly rate class and the availability charge would represent 63.73% of the total revenue for the seasonal rate class.

The Cost of Service Study update indicates that the availability charge for both monthly and seasonal rate classes should be \$28.56 which can be found on line 24 of Exhibit 2, page 4 of 4.

Exhibit 3, page 1 of 2 indicates that those monthly accounts (7,747 of the total 17,866 accounts) who consume more than the annual average of 7,380 kWh pay an additional \$68.27 per year to make up for the lack of consumption for those accounts that use less than the average monthly consumption.

Exhibit 3, page 2 of 2 indicates that those seasonal accounts (3,553 of the total 13,183 accounts) who consume more than the annual average of 2,169 kWh pay an additional \$150.69 per year to make up for the lack of consumption for those accounts that use less than the average seasonal consumption.

**PRESQUE ISLE ELECTRIC & GAS CO-OP
BOARD RESOLUTION
March 26, 2013**

**RESOLUTION 2013-MR4
2013 ELECTRIC RATE DESIGN**

WHEREAS, PIE&G transitioned to member regulation with an effective date of September 23, 2012 thus providing that its electric rates and charges are no longer regulated by the MPSC; and

WHEREAS, PIE&G has established Board Policy No. 307 – Energy Rate Design which requires energy rates be developed and implemented in a manner that phases out intentional subsidies within rate classes and minimizes subsidies between classes; and

WHEREAS, PIE&G has established that the 2012 TIER Analysis provides for an increase of **\$865,430** to achieve a Target TIER of 1.8; and

WHEREAS, PIE&G has established that the increase of **\$865,430** is to be implemented on the Residential Monthly, Seasonal and Outdoor Lighting rate classes; and

WHEREAS, PIE&G has reviewed an updated Cost of Service Study Analysis which indicates subsidies continue to exist within rate classes;

NOW BE IT HEREBY RESOLVED that the PIE&G Board of Directors directs management to implement electric distribution rate increases to the residential monthly, seasonal and outdoor lighting rate classes in the following manner effective with bills rendered on or after June 1, 2013:

| | | |
|----------------------|---------------------|--------------------|
| Residential Monthly | monthly charge | \$ 17.00 per month |
| | distribution charge | \$0.02928 per kWh |
| Residential Seasonal | monthly charge | \$ 18.75 per month |
| | distribution charge | \$0.07511 per kWh |
| Outdoor Lighting | 175W MV | \$ 12.00 per month |
| | 400W MV | \$ 21.74 per month |
| | 100W HPS | \$ 8.55 per month |
| | 250W HPS | \$ 14.68 per month |

CERTIFICATION

I, David Smith, Secretary of the Board of Directors of Presque Isle Electric & Gas Co-op, do hereby certify that the above is a true and correct copy of a resolution adopted at a special meeting of the Board of Directors of Presque Isle Electric & Gas Co-op held on March 26, 2013.

By: _____
David Smith, Secretary

Dated: _____

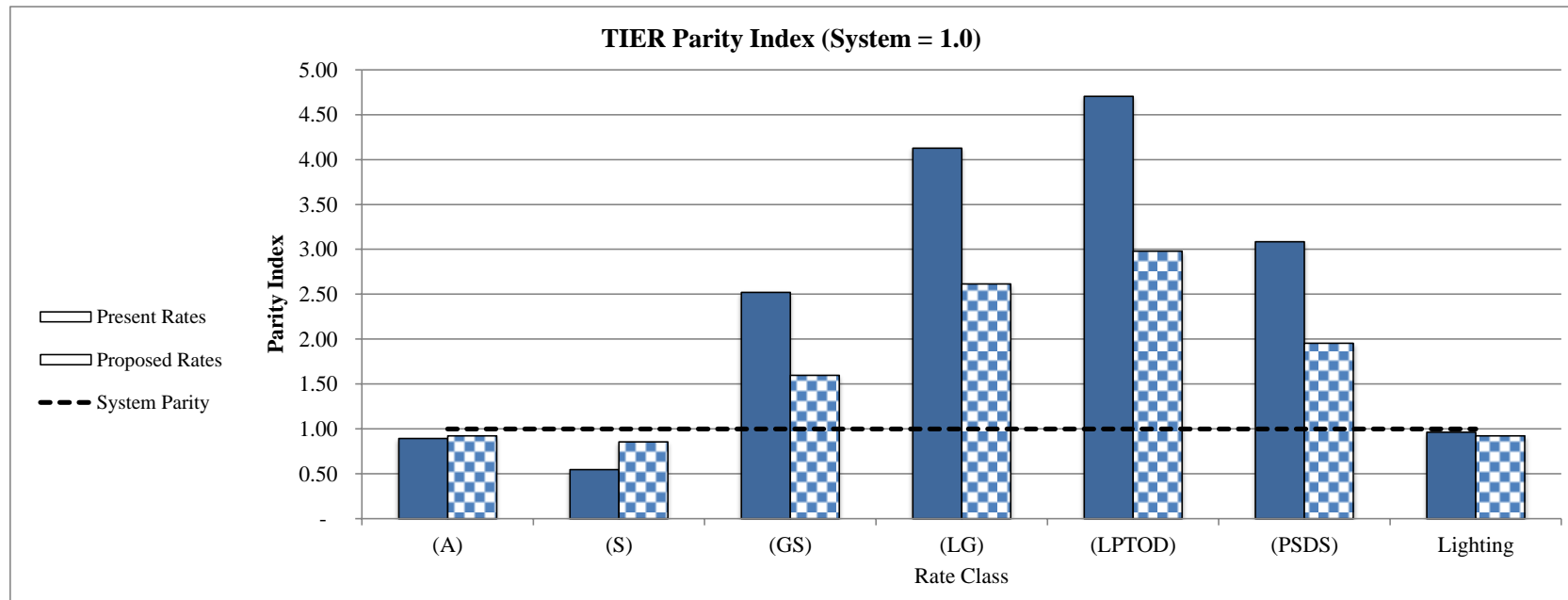
PRESQUE ISLE ELECTRIC & GAS CO-OP

2013 REVENUE CALCULATION

| RESIDENTIAL SERVICE (A) | UNITS | CURRENT | REVENUE | PERCENTAGE OF | 2013 | INCREASE NEEDED | | REVENUE |
|-------------------------------------------------|-------------|-----------|------------------|---------------|------------|------------------|-----------|-------------|
| | | PROFORMA | | RATE | | TOTAL REVENUE | PROPOSED | |
| | | RATE | AT CURRENT RATES | RATE | CURRENT % | CHARGE | | |
| SERVICE CHARGE | 216,876 | \$16.00 | \$3,470,016 | 47.60% | \$16.00 | \$1.01 | \$17.01 | \$3,689,310 |
| ENERGY CHARGE | 138,827,468 | \$0.02752 | \$3,820,532 | 52.40% | \$0.027520 | \$0.001739 | \$0.02926 | \$4,061,977 |
| Total Revenue | | | \$7,290,548 | 100.00% | | | | \$7,751,287 |
| Required Increase | | | | | | \$460,739 | | \$460,739 |
| SEASONAL RESIDENTIAL SERVICE (S) | | | | | | | | |
| SERVICE CHARGE | 151,797 | \$17.00 | \$2,580,549 | 63.42% | \$17.00 | \$1.66 | \$18.66 | \$2,832,411 |
| ENERGY CHARGE | 21,569,414 | \$0.06901 | \$1,488,505 | 36.58% | \$0.06901 | \$0.006735 | \$0.07575 | \$1,633,783 |
| Total Revenue | | | \$4,069,054 | | | | | \$4,466,194 |
| Required Increase | | | | | | \$397,140 | | \$397,140 |
| OUTDOOR PROTECTIVE LIGHTING SERVICE (OD) | | | | | | | | |
| 175 W MV | 821 | \$11.65 | \$114,776 | 47.15% | \$11.65 | \$0.35 | \$12.00 | \$118,258 |
| 400 W MV | 11 | \$21.10 | \$2,785 | 1.14% | \$21.10 | \$0.64 | \$21.74 | \$2,870 |
| 100 W HPS | 893 | \$8.30 | \$88,943 | 36.54% | \$8.30 | \$0.25 | \$8.55 | \$91,641 |
| 250 W HPS | 216 | \$14.25 | \$36,936 | 15.17% | \$14.25 | \$0.43 | \$14.68 | \$38,057 |
| Total Revenue | | | \$243,440 | | | | | \$250,826 |
| Required Increase | | | | | | \$7,386 | | \$ 7,386 |
| Total Revenue Increase | | | | | | \$865,265 | | |

Cost of Service Summary
Margin by Rate Class

| Line No. | Description | Total Including DRACO Costs | Total | Residential (A) | Seasonal Residential (S) | General Service (GS) | Large General (LG) | Lg. Power TOD (LPTOD) | Primary Service (PSDS) | Outdoor Lighting |
|----------|------------------------------------------|-----------------------------|------------|-----------------|--------------------------|----------------------|--------------------|-----------------------|------------------------|------------------|
| 1 | <u>TIER Under Present Rates</u> | | | | | | | | | |
| 2 | Revenue-Present Rates | 34,807,941 | 34,807,941 | 20,155,702 | 6,191,500 | 5,007,932 | 556,729 | 1,501,704 | 1,143,236 | 251,136 |
| 3 | Operating Expenses Allocated Less Margin | 35,116,756 | 35,116,755 | 20,412,659 | 6,516,784 | 4,827,435 | 534,587 | 1,447,991 | 1,122,511 | 254,788 |
| 4 | Margin Under Present Rates | (308,815) | (308,814) | (256,956) | (325,284) | 180,497 | 22,142 | 53,714 | 20,725 | (3,651) |
| 5 | Allocated LT Interest Expense | 1,804,789 | 1,804,789 | 985,380 | 594,580 | 165,690 | 9,144 | 18,523 | 13,312 | 18,160 |
| 6 | TIER - Present Rates | 0.83 | 0.83 | 0.74 | 0.45 | 2.09 | 3.42 | 3.90 | 2.56 | 0.80 |
| 7 | | | | | | | | | | |
| 8 | TIER Parity Index - Present Rates | | 1.00 | 0.89 | 0.55 | 2.52 | 4.13 | 4.70 | 3.08 | 0.96 |
| 9 | | | | | | | | | | |
| 10 | <u>TIER Under Proposed Rates</u> | | | | | | | | | |
| 11 | Revenue-Proposed Rates | 36,374,143 | 35,673,371 | 20,616,606 | 6,588,640 | 5,007,932 | 556,729 | 1,501,704 | 1,143,236 | 258,522 |
| 12 | Operating Expenses Allocated Less Margin | 35,116,756 | 35,116,755 | 20,412,659 | 6,516,784 | 4,827,435 | 534,587 | 1,447,991 | 1,122,511 | 254,788 |
| 13 | Margin - Proposed Rates | 1,257,387 | 556,616 | 203,948 | 71,856 | 180,497 | 22,142 | 53,714 | 20,725 | 3,735 |
| 14 | Allocated LT Interest Expense | 1,804,789 | 1,804,789 | 985,380 | 594,580 | 165,690 | 9,144 | 18,523 | 13,312 | 18,160 |
| 15 | TIER - Proposed Rates | 1.70 | 1.31 | 1.21 | 1.12 | 2.09 | 3.42 | 3.90 | 2.56 | 1.21 |
| 16 | | | | | | | | | | |
| 17 | TIER Parity Index - Proposed Rates | | 1.00 | 0.92 | 0.86 | 1.60 | 2.61 | 2.98 | 1.95 | 0.92 |



**Cost of Service Summary
Class Allocation Summary -- BUNDLED**

| Line No. | Category | Total | Residential (A) | Seasonal Residential (S) | General Service (GS) | Large General (LG) | Lg. Power TOD (LPTOD) | Primary Service (PSDS) | Outdoor Lighting |
|-----------------|----------------------------|-------------------|------------------------|---------------------------------|-----------------------------|---------------------------|------------------------------|-------------------------------|-------------------------|
| 1 | <u>Power Supply</u> | | | | | | | | |
| 2 | Direct and Revenue Related | | | | | | | | |
| 3 | Wholesale Cost | | | | | | | | |
| 4 | Allocated Cost | | | | | | | | |
| 5 | Subtotal | | | | | | | | |
| 6 | Capacity Related | | | | | | | | |
| 7 | Wholesale Cost | 3,852,909 | 2,351,854 | 366,904 | 588,018 | 99,939 | 250,865 | 159,920 | 35,409 |
| 8 | Allocated Cost | | | | | | | | |
| 9 | Subtotal | 3,852,909 | 2,351,854 | 366,904 | 588,018 | 99,939 | 250,865 | 159,920 | 35,409 |
| 10 | Energy Related | | | | | | | | |
| 11 | Wholesale Cost | 15,414,792 | 9,279,526 | 1,447,663 | 2,614,753 | 312,140 | 914,508 | 761,632 | 84,571 |
| 12 | Allocated Cost | | | | | | | | |
| 13 | Subtotal | 15,414,792 | 9,279,526 | 1,447,663 | 2,614,753 | 312,140 | 914,508 | 761,632 | 84,571 |
| 14 | Subt. Power Supply | 19,267,701 | 11,631,380 | 1,814,566 | 3,202,771 | 412,079 | 1,165,373 | 921,552 | 119,980 |
| 15 | <u>Transmission</u> | | | | | | | | |
| 16 | Direct | | | | | | | | |
| 17 | Capacity | 727,870 | 444,299 | 69,313 | 111,085 | 18,880 | 47,392 | 30,211 | 6,689 |
| 18 | Energy | | | | | | | | |
| 19 | Allocated Cost | | | | | | | | |
| 20 | Subt. Transm. | 727,870 | 444,299 | 69,313 | 111,085 | 18,880 | 47,392 | 30,211 | 6,689 |
| 21 | <u>Distribution</u> | | | | | | | | |
| 22 | Direct | 76,203 | | | | | | | 76,203 |
| 23 | Consumer | 11,578,096 | 6,194,507 | 4,375,258 | 919,501 | 27,551 | 21,879 | 6,313 | 33,086 |
| 24 | Capacity | 4,023,502 | 2,446,374 | 441,021 | 645,179 | 78,897 | 219,059 | 168,541 | 24,431 |
| 25 | Energy | | | | | | | | |
| 26 | Subt. Distrib. | 15,677,800 | 8,640,881 | 4,816,279 | 1,564,680 | 106,449 | 240,938 | 174,854 | 133,719 |
| 27 | | | | | | | | | |
| 28 | Total | 35,673,371 | 20,716,561 | 6,700,159 | 4,878,536 | 537,407 | 1,453,703 | 1,126,617 | 260,388 |

**Cost of Service Summary
Rate Design Factors -- BUNDLED**

| Line No. | Units | Residential (A) | Seasonal Residential (S) | General Service (GS) | Large General (LG) | Lg. Power TOD (LPTOD) | Primary Service (PSDS) | Outdoor Lighting |
|-----------|---------------------------------------------------|-----------------|--------------------------|----------------------|--------------------|-----------------------|------------------------|------------------|
| 1 | <u>Costs Broken Down by Function</u> | | | | | | | |
| 2 | <u>Power Supply</u> | | | | | | | |
| 3 | Direct and Revenue Related | | | | | | | |
| 4 | ¢/kWh | | | | | | | |
| 5 | \$/Mo./cons | | | | | | | |
| 6 | Subtotal | | | | | | | |
| 7 | Capacity Related | | | | | | | |
| 8 | ¢/kWh | 1.67 | 1.67 | 1.49 | 2.12 | 1.81 | 1.39 | 2.77 |
| 9 | ¢/kWh | | | | | | | |
| 10 | ¢/kWh | 1.67 | 1.67 | 1.49 | 2.12 | 1.81 | 1.39 | 2.77 |
| 11 | Energy Related | | | | | | | |
| 12 | ¢/kWh | 6.61 | 6.61 | 6.61 | 6.61 | 6.61 | 6.61 | 6.61 |
| 13 | ¢/kWh | | | | | | | |
| 14 | ¢/kWh | 6.61 | 6.61 | 6.61 | 6.61 | 6.61 | 6.61 | 6.61 |
| 15 | ¢/kWh | 8.28 | 8.28 | 8.09 | 8.72 | 8.42 | 8.00 | 9.38 |
| 16 | <u>Transmission</u> | | | | | | | |
| 17 | ¢/kWh | | | | | | | |
| 18 | ¢/kWh | 0.32 | 0.32 | 0.28 | 0.40 | 0.34 | 0.26 | 0.52 |
| 19 | ¢/kWh | | | | | | | |
| 20 | ¢/kWh | | | | | | | |
| 21 | ¢/kWh | 0.32 | 0.32 | 0.28 | 0.40 | 0.34 | 0.26 | 0.52 |
| 22 | <u>Distribution</u> | | | | | | | |
| 23 | \$/Mo./cons | | | | | | | 3.29 |
| 24 | \$/Mo./cons | 28.56 | 28.56 | 35.12 | 76.32 | 139.36 | 131.53 | 1.43 |
| 25 | ¢/kWh | 1.74 | 2.01 | 1.63 | 1.67 | 1.58 | 1.46 | 1.91 |
| 26 | ¢/kWh | | | | | | | |
| 27 | ¢/kWh | 6.15 | 21.99 | 3.95 | 2.25 | 1.74 | 1.52 | 10.45 |
| 28 | ¢/kWh | 14.75 | 30.58 | 12.33 | 11.38 | 10.50 | 9.78 | 20.35 |
| 29 | <u>Costs Broken Down by Classification</u> | | | | | | | |
| 30 | ¢/kWh | | | | | | | 3.29 |
| 31 | \$/Mo./cons | 28.56 | 28.56 | 35.12 | 76.32 | 139.36 | 131.53 | 1.43 |
| 32 | ¢/kWh | 3.73 | 4.00 | 3.40 | 4.19 | 3.74 | 3.11 | 5.20 |
| 33 | ¢/kWh | 6.61 | 6.61 | 6.61 | 6.61 | 6.61 | 6.61 | 6.61 |
| 34 | ¢/kWh | 14.75 | 30.58 | 12.33 | 11.38 | 10.50 | 9.78 | 20.35 |

Comparison of Monthly Bills Under Present Rates and Cost of Service Based Rates Residential

| Description | Average Monthly Usage Level | | | | | | | | | | |
|---------------------|-----------------------------|-----|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| | - | 33 | 100 | 167 | 233 | 300 | 367 | 433 | 500 | 567 | 993 |
| Annual Usage | - | 400 | 1,200 | 2,000 | 2,800 | 3,600 | 4,400 | 5,200 | 6,000 | 6,800 | 11,912 |

| Total Charges | | | | | | | | | | | |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| Present | \$16.00 | \$19.89 | \$27.67 | \$35.45 | \$43.23 | \$51.01 | \$58.79 | \$66.57 | \$74.35 | \$82.12 | \$131.83 |
| Cost Data - Revenue Neutral | \$26.68 | \$30.02 | \$36.70 | \$43.38 | \$50.06 | \$56.74 | \$63.42 | \$70.10 | \$76.78 | \$83.46 | \$126.15 |
| Cost Data - \$865k Increase | \$28.39 | \$31.75 | \$38.48 | \$45.21 | \$51.93 | \$58.66 | \$65.39 | \$72.11 | \$78.84 | \$85.57 | \$128.55 |

| Mills Per kWh | | | | | | | | | | | |
|-----------------------------|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Present | | 596.69 | 276.69 | 212.69 | 185.26 | 170.02 | 160.33 | 153.61 | 148.69 | 144.93 | 132.81 |
| Cost Data - Revenue Neutral | | 900.60 | 367.00 | 260.28 | 214.54 | 189.13 | 172.96 | 161.77 | 153.56 | 147.28 | 127.08 |
| Cost Data - \$865k Increase | | 952.60 | 384.80 | 271.24 | 222.57 | 195.53 | 178.33 | 166.42 | 157.68 | 151.00 | 129.50 |

| Change in Monthly Bill | | | | | | | | | | | |
|-------------------------------|---------|---------|---------|--------|--------|--------|--------|--------|--------|--------|----------|
| Cost Data - Revenue Neutral | \$10.68 | \$10.13 | \$9.03 | \$7.93 | \$6.83 | \$5.73 | \$4.63 | \$3.53 | \$2.44 | \$1.34 | (\$5.69) |
| Cost Data - \$865k Increase | \$12.39 | \$11.86 | \$10.81 | \$9.76 | \$8.71 | \$7.65 | \$6.60 | \$5.55 | \$4.50 | \$3.44 | (\$3.28) |

| Percent Difference from Present | | | | | | | | | | | |
|----------------------------------------|-------|-------|-------|-------|-------|-------|-------|------|------|------|-------|
| Cost Data - Revenue Neutral | 66.8% | 50.9% | 32.6% | 22.4% | 15.8% | 11.2% | 7.9% | 5.3% | 3.3% | 1.6% | -4.3% |
| Cost Data - \$865k Increase | 77.4% | 59.6% | 39.1% | 27.5% | 20.1% | 15.0% | 11.2% | 8.3% | 6.0% | 4.2% | -2.5% |

Estimated Annual Cross Subsidy Due to Rate Design (Present v. Cost Data Revenue Neutral)

| | Below Average Consumption | | | | | | | | | | Above Avg. |
|-------------------------------------|---------------------------|-----------|----------|----------|-----------|----------|----------|----------|----------|----------|-------------|
| | 205 | 1,038 | 654 | 760 | 943 | 1,119 | 1,328 | 1,339 | 1,404 | 1,329 | 7,747 |
| Customers | 205 | 1,038 | 654 | 760 | 943 | 1,119 | 1,328 | 1,339 | 1,404 | 1,329 | 7,747 |
| Percent of Grand Total | 1.15% | 5.81% | 3.66% | 4.25% | 5.28% | 6.26% | 7.43% | 7.49% | 7.86% | 7.44% | 43.36% |
| Subsidy - Benefit/(Cost) | \$26,273 | \$126,183 | \$70,875 | \$72,337 | \$77,315 | \$76,983 | \$73,842 | \$56,790 | \$41,025 | \$21,301 | -\$528,879 |
| Total Customers | | | | | 10,119 | | | | | | 7,747 |
| Percent of Grand Total | | | | | 56.64% | | | | | | 43.36% |
| Subsidy - Benefit/(Cost) | | | | | \$642,924 | | | | | | \$(528,879) |
| Average Subsidy per Customer | | | | | \$63.54 | | | | | | (68.27) |

Comparison of Monthly Bills Under Present and Proposed Rates Seasonal Residential

| Description | ANNUAL Usage Level | | | | | | | | | | |
|----------------------------------------|--------------------|----------|----------|----------|----------|----------|----------|------------|------------|------------|------------|
| | 0 | 400 | 1200 | 2000 | 2800 | 3600 | 4400 | 5200 | 6000 | 6800 | 7400 |
| Total Charges | | | | | | | | | | | |
| Present | \$204.00 | \$267.28 | \$393.83 | \$520.38 | \$646.93 | \$773.48 | \$900.04 | \$1,026.59 | \$1,153.14 | \$1,279.69 | \$1,374.61 |
| Cost Data - Revenue Neutral | \$320.16 | \$360.08 | \$439.92 | \$519.76 | \$599.60 | \$679.44 | \$759.28 | \$839.12 | \$918.96 | \$998.80 | \$1,058.68 |
| Cost Data - \$865k Increase | \$340.68 | \$381.04 | \$461.76 | \$542.48 | \$623.20 | \$703.92 | \$784.64 | \$865.36 | \$946.08 | \$1,026.80 | \$1,087.34 |
| Mills Per kWh | | | | | | | | | | | |
| Present | | 668.19 | 328.19 | 260.19 | 231.05 | 214.86 | 204.55 | 197.42 | 192.19 | 188.19 | 185.76 |
| Cost Data - Revenue Neutral | | 900.20 | 366.60 | 259.88 | 214.14 | 188.73 | 172.56 | 161.37 | 153.16 | 146.88 | 143.06 |
| Cost Data - \$865k Increase | | 952.60 | 384.80 | 271.24 | 222.57 | 195.53 | 178.33 | 166.42 | 157.68 | 151.00 | 146.94 |
| Change In Annual Bill | | | | | | | | | | | |
| Cost Data - Revenue Neutral | 116.16 | 92.80 | 46.09 | (0.62) | (47.33) | (94.04) | (140.76) | (187.47) | (234.18) | (280.89) | (315.93) |
| Cost Data - \$865k Increase | 136.68 | 113.76 | 67.93 | 22.10 | (23.73) | (69.56) | (115.40) | (161.23) | (207.06) | (252.89) | (287.27) |
| Percent Difference from Present | | | | | | | | | | | |
| Cost Data - Revenue Neutral | 56.9% | 34.7% | 11.7% | -0.1% | -7.3% | -12.2% | -15.6% | -18.3% | -20.3% | -21.9% | -23.0% |
| Cost Data - \$865k Increase | 67.0% | 42.6% | 17.2% | 4.2% | -3.7% | -9.0% | -12.8% | -15.7% | -18.0% | -19.8% | -20.9% |

Estimated Annual Cross Subsidy Due to Rate Design (Present v. Cost Data Revenue Neutral)

| | Below Average Consumption | | | | Above Average Consumption | | | | | | |
|-------------------------------------|---------------------------|------------------|------------|------------|---------------------------|-------------|-------------|--------------------|-------------|-------------|--------------|
| | 530 | 4,222 | 2,985 | 1,893 | 1,099 | 689 | 459 | 284 | 210 | 142 | 670 |
| Customers | 530 | 4,222 | 2,985 | 1,893 | 1,099 | 689 | 459 | 284 | 210 | 142 | 670 |
| Percent of Grand Total | 4.02% | 32.03% | 22.64% | 14.36% | 8.34% | 5.23% | 3.48% | 2.15% | 1.59% | 1.08% | 5.08% |
| Subsidy - Benefit/(Cost) | \$ 61,565 | \$ 391,818 | \$ 137,585 | \$ (1,174) | \$ (52,018) | \$ (64,796) | \$ (64,607) | \$ (53,241) | \$ (49,178) | \$ (39,887) | \$ (211,670) |
| Total Customers | | 9,630 | | | | | | 3,553 | | | |
| Percent of Grand Total | | 73.05% | | | | | | 26.95% | | | |
| Subsidy - Benefit/(Cost) | | \$589,794 | | | | | | (\$535,397) | | | |
| Average Subsidy per Customer | | \$61.25 | | | | | | (\$150.69) | | | |