

**PRESQUE ISLE ELECTRIC & GAS CO-OP
SPECIAL BOARD MEETING
9 A.M. March 28, 2017**

AGENDA

Call to Order – Chairman Brown

Roll Call

PA167 of 2008: The Electric Cooperative Member-Regulation Act – CEO Burns

Member Comment – CEO Burns

Review Items:

1. Accept 2016 Power Supply Cost Recovery (PSCR) Factor Reconciliation
2. Accept 2016 Electric Operations TIER Analysis
3. Energy Optimization Surcharge – Outdoor Lighting
4. Revise/Implement Renewable Energy Tariffs

Member Comment – CEO Burns

Action Items:

1. Accept 2016 Power Supply Cost Recovery (PSCR) Factor Reconciliation
2. Accept 2016 Electric Operations TIER Analysis
3. Energy Optimization Surcharge – Outdoor Lighting
4. Revise/Implement Renewable Energy Tariffs

Adjournment

Proposed Changes At A Glance

<p>1. Reconcile 2016 Power Supply Cost Recovery Factor Collections</p> <p>2. Review and accept the 2016 TIER Analysis.</p>	<p>3. Implement an Energy Optimization Surcharge on the Outdoor Lighting Tariff</p> <p>4. Revise Renewable Energy Tariffs</p> <p>5. Revise residential billing/deposit rules.</p>	
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1. Reconcile 2016 Power Supply Cost Recovery (PSCR) Factor Collections

<p>Existing Situation</p> <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, 2016 indicates that there was an under-collection of \$67,372.54 This amount has been rolled into the 2016 PSCR factor and is currently being collected to the membership throughout the 2017 calendar year. 	<p>Proposed Action</p> <ul style="list-style-type: none"> o Accept the reconciliation of the 2016 PSCR Factor cumulative under-collection of \$67,372.54. 	<p>Management Recommends</p> <ul style="list-style-type: none"> o Approval of the Proposed Power Supply Cost Recovery Reconciliation net Under-recovery of \$67,372.54. o The under-collection of \$67,372.54 will continue to be collected for the remainder of the 2017 calendar year.
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2. Review and accept the 2016 TIER Analysis

<p>Existing Situation</p> <ul style="list-style-type: none"> o The TIER analysis based upon the 2016 operating year indicates an Adjusted TIER of 2.00. Management has reviewed this analysis with the board. 	<p>Proposed Action</p> <ul style="list-style-type: none"> o Accept the 2016 TIER analysis which establishes an adjusted TIER of 1.60 and indicates no adjustment to revenue is necessary. 	<p>Management Recommends</p> <ul style="list-style-type: none"> o Management recommends acceptance of the 2016 TIER analysis.
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3. Implement Energy Optimization (EO) Surcharge on Outdoor Lighting Tariffs

<p>Existing Situation</p> <ul style="list-style-type: none"> o The Energy Optimization program allows for participation by utilities once they have implemented an EO Surcharge on their Outdoor Lighting Tariffs. The Michigan Electric Cooperative Association has developed an appropriate Outdoor Lighting Surcharge. PIE&G is in a position to access EO funds for the conversion of its outdoor lighting assets to LED technology. 	<p>Proposed Action</p> <ul style="list-style-type: none"> o Adopt the recommended EO surcharge on Outdoor Lighting fixtures as indicated below. Tariff Sheet D-15.00 - Schedule OD - Outdoor Lighting Service - \$0.00312/kWh. This translates to an additional monthly charge of \$0.04472 for a 40W LED fixture and \$0.07826 for a 70W LED fixture. 	<p>Management Recommends</p> <ul style="list-style-type: none"> o Management recommends adoption and implementation of the EO Lighting Tariff.
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4. Revise Renewable Energy Tariffs

Existing Situation	Proposed Action	Management Recommends
<p>o Presque Isle Electric & Gas Co-op has limited renewable energy options to offer its members and current net metering tariffs reflect full retail subsidies. Presque Isle's current power supplier has concerns related to it's All Requirements Contract with Presque Isle and seeks additional renewable energy sources. Presque Isle's current power supplier also seeks consistency among its membership.</p>	<p>o Revise the current net metering tariffs to eliminate the current subsidies and expand renewable energy options to include those currently offered by Presque Isle's power supplier.</p> <ul style="list-style-type: none"> * DRE option (buy-all, sell-all), <1 MW * community solar option <p>Grandfather the existing net metering members.</p> <p>* DRE: Distributed Renewable Energy</p>	<p>o Management recommends adoption of revised net metering rates (\$0.056/kWh) and a community solar option for its members. Management also recommends adoption of a "buy-all, sell-all" option for large scale Distribution Renewable Energy members.</p>

**PRESQUE ISLE ELECTRIC & GAS CO-OP
BOARD RESOLUTION
MARCH 28, 2017**

**RESOLUTION 2017-MR-01
2016 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, charges, accounting standards, billing practices, and terms and conditions of service are under authority of the board of directors and not the Michigan Public Service Commission (MPSC); and

WHEREAS, PIE&G staff has reviewed the 2016 PSCR Factor reconciliation exhibits with the Board of Directors; and

WHEREAS, the 2016 PSCR Factor reconciliation indicates that PIE&G has experienced a cumulative under-collection of power supply costs of \$67,372.54 for the 12 month period ending December 31, 2016; and

WHEREAS, PIE&G has incorporated the under-collection of \$67,372.54 into its 2017 PSCR Factor reconciliation.

NOW BE IT HEREBY RESOLVED that the PIE&G Board of Directors accepts management's 2016 ELECTRIC PSCR Factor reconciliation analysis, which indicates an under-collection of \$67,372.54 and directs management to continue collecting this amount to the membership through the use of the 2017 PSCR Factor.

CERTIFICATION

I, Sandra Borowicz, 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 28, 2017.

By: _____
Sandra Borowicz, 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:	PRESQUE ISLE ELECTRIC COOPERATIVE
2. THIS REPORT FILED FOR THE COST MONTH OF:	December 2016
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 -1.310

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		20,448,521
b. Applied PSCR factor:	mills per kWh		-0.762593086
c. PSCR factor revenues: (a * b)		\$	(15,593.90)
d. Allowance for power supply included in case rates:	mills per kWh		87.85
e. Revenues collected pursuant to allowance for power supply included in base rates: (a * d)		\$	1,796,402.57
f. TOTAL POWER SUPPLY COST REVENUE: (c + e)		\$	1,780,808.67
8. THE TOTAL COST OF POWER (from attached worksheets) APPLICABLE TO SALES REPORTED ABOVE:			\$ 1,901,874.09
9. MONTHLY OVER(UNDER) COLLECTION : (7f-8)			\$ (121,065.42)
10. TOTAL OVER/(UNDER) COLLECTION THIS PSCR YEAR			\$ (67,940.62)
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:						
MEMBER REGULATED	PSCR YEAR	2015 Roll In		<u>Seasonal</u>	<u>Year to Date</u>	<u>Remaining</u>
Auth.PSCR adj.(m/kWh)						
Auth.PSCR adj.(dollars)		\$ (17,448.84)		\$ (1,504.05)	\$ (16,995.91)	\$ (452.93)
MEMBER REGULATED	PSCR YEAR	2015 Roll In		<u>Monthly</u>	<u>Year to Date</u>	<u>Remaining</u>
Auth.PSCR adj.(m/kWh)						
Auth.PSCR adj.(dollars)		\$ (113,795.39)		\$ (9,689.61)	\$ (113,680.23)	\$ (115.16)

NAME OF REPORTING UTILITY :	PRESQUE ISLE ELECTRIC COOPERATIVE			PRESQUE ISLE ELECTRIC COOPERATIVE				
	2016			YEAR TO DATE				
	(ag)	(ah)	(ai)	(aj)	(ak)	(al)		
PURCHASED POWER	*UNITS	\$	\$/Unit	*UNITS	\$	\$/Unit		
FROM WOLVERINE								
1 Energy-A	22,878,679	\$ 1,262,033.69	0.055162	245,238,084	\$ 13,527,823.17	0.055162		
2 Energy-C&I	970,767	\$ 53,549.45	0.055162	14,666,460	\$ 809,031.27	0.055162		
3 C & I Energy Credit	970,767	\$ (4,853.84)	(0.005000)	14,666,460	\$ (73,332.34)	(0.005000)		
4 PSCR Adjustment	0	\$ -	0.000000	0	\$ 0.00	#DIV/0!		
5 Total Energy	23,849,446	\$ 1,310,729.31	0.054958	259,904,544	\$ 14,263,522.09	0.054880		
6 Demand-Rate A	40,106	\$ 238,285.79	5.941400	441,605	\$ 2,623,751.99	5.941400		
7 Demand-Rate C & I	2,381	\$ 14,146.48	5.941403	31,827	\$ 189,096.95	5.941400		
8 Miso-Demand Rate A	38,420	\$ 205,935.04	5.360100	461,040	\$ 2,471,220.50	5.360100		
9 Miso-Demand Rate C & I	2,199	\$ 11,786.86	5.360100	26,388	\$ 141,442.32	5.360100		
11 Michigan Joint Zone Credit	42,487	\$ -	0.000000	0	\$ 0.00	True Up		
12 Load Management Credits		\$ (11,948.94)			\$ (\$162,697.92)			
13 Substation Fixed Charge	18	\$ 40,554.00	\$ 2,253.00	252	\$ 486,648.00	1931.142857		
14 Substation Investment Charge		\$ 67,243.18	Varies		\$ 807,044.97	Varies		
15 Dedicated Excluded Facilites		\$ -	Varies		\$ -	Varies		
16 Shared Excluded Facilites		\$ 739.04	Varies		\$ 10,773.33	Varies		
18 TOTAL WPSC	23,849,446	\$ 1,877,470.76	0.078722	259,904,544	\$ 20,830,802.24	0.080148		
18B Estimated WPSC True Up		\$ 24,298.00			\$ 24,298.00			
18F Final WPSC After True Up		\$ 1,901,768.76	0.079741		\$ 20,855,100.24			
18B Total NEG Purchases	937	\$ 105.33	0.112412	19,627	\$ 2,213.35	0.112771		
19 Total kWh Purchase & Cost	23,850,383	\$ 1,901,874.09	0.079742	259,924,171	\$ 20,857,313.59	0.080244		
20 Less: Line Loss	3,401,862		0.142633433	21,205,696	\$ -	0.081584		
21 kWh Available for Use	20,448,521	\$ 1,901,874.09	0.09300790	238,718,475	\$ 20,857,313.59	0.087372		
22 PSCR SALES & POWER COSTS	20,448,521	\$ 1,901,874.09	0.093008	238,718,475	\$ 20,857,313.58	0.087372		
PSCR OVER/(UNDER) RECOVERY	BASE	FACTOR	TOTAL	BASE	FACTOR	TOTAL		
A. PSCR REVENUE								
23 1. Mills/kWh	87.8500	(0.762593)	87.0874	87.850000	(0.7626)	87.087407		
24 2. PSCR Sales	20,448,521	20,448,521	20,448,521	238,718,475	238,718,475	238,718,475		
25 3. PSCR Revenue [(1*2)/1000]	\$ 1,796,402.57	\$ (15,593.90)	\$ 1,780,808.67	20,971,418	\$ (182,045.06)	\$ 20,789,372.97		
26 C. PSCR COST			\$ 1,901,874.09			\$ 20,857,313.58		
27 D. OVER/(UNDER) RECOVERY			\$ (121,065.42)			\$ (67,940.62)		
Current Year to Date			\$ (67,940.62)			\$ (67,940.62)		
Surcharge Distribution:	kWh	Recovery	FACTOR	kWh	Recovery	Surcharge Remaining; Target Recovery	Est pscr kWh;	Adjustment
Prior Year Monthly - 2015	17,700,926	\$ (9,689.61)	(0.547407)	207,670,433	\$ (113,680.23)	\$ (115.16) \$ (113,795.39)	208,203,903	
Prior Year Seasonal - 2015	2,747,595	\$ (1,504.05)	(0.547407)	31,048,042	(16,995.91)	(452.93)	17,448.84	31,552,349
Total		\$ (11,193.66)	(0.547407)	238,718,475	(130,676.14)	(568.09)	(131,244)	239,756,252
Combined PSCR	20,448,521	\$ (26,787.56)	(1.31)	238,718,475	(312,721)	(1.31000)		

**PRESQUE ISLE ELECTRIC & GAS CO-OP
BOARD RESOLUTION
MARCH 28, 2017**

**RESOLUTION 2017-MR-02
2016 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, charges, accounting standards, billing practices, and terms and conditions of service are under authority of the board of directors and not the Michigan Public Service Commission (MPSC); 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 that margins are adequate and there is no need to adjust revenue for a TIER range of 1.60 to 2.20, and PIE&G’s management has reviewed with the Board of Directors and established that the TIER calculation for the 2016 operating year indicates an adjusted TIER of 2.00.

NOW BE IT HEREBY RESOLVED that the PIE&G Board of Directors accepts management’s 2016 ELECTRIC TIER analysis that indicates an adjusted TIER of 2.00 and no adjustment in revenue is required.

CERTIFICATION

I, Sandra Borowicz, 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 28, 2017.

By: _____
Sandra Borowicz, Secretary

Dated: _____

TEST YEAR MARGINS AND INTEREST
12 MONTHS ENDED DECEMBER 31, 2016

	<u>Operating Margins</u>	<u>Total Margins</u>	<u>Interest</u>
December 31, 2016	\$ 841,346 ¹	\$ 2,766,860 ²	\$1,531,782 ³

¹ From December 2016 Form 7, Part 1A, line 20, *Patronage Capital and Operating Margins*.

² From December 2016 Form 7, Part 1A, line 28, *Patronage Capital*.

³ From December 2016 Form 7, Part 1A, line 15, *Interest on Long Term Debt*.

ADJUSTED TOTAL MARGINS

<u>Step One:</u>	Unadjusted Total Margins	\$ 2,766,860 ⁴
<u>Step Two:</u>	Add Back Net Loss From Equity Investments	\$ 276,781 ⁵
	Less G&T Capital Credits Allocated/Not Paid	\$ (1,908,599) ⁶
	Less Other Capital Credits Allocated/Not Paid	\$ (64,205) ⁷

(continued on next page)

⁴ From Exhibit A-2.

⁵ From December 2016 Form 7, page 1, column (b), line 23, "Income (Loss) from Equity Investments" includes a \$276,781 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 \$276,781.

⁶ From December 2016 Form 7, page 1, column (b), line 25a, "Generation and Transmission Capital Credits" + Line 25b, "G&T Capital Credits – PSDFC".

⁷ From December 2016 Form 7, page 1, column (b), line 26, "Other Capital Credits and Patronage Dividends", i.e. \$188,927 less \$124,722. The \$124,722 is comprised of the following declared and paid other capital credits or patronage dividends.

NRUCFC	\$ 65,572
COBANK	\$ 159
NISC	\$ 4,401
CRC	\$ 388
RESCO	\$ <u>54,202</u>
Total	\$ <u><u>124,722</u></u>

ADJUSTED TOTAL MARGINS
(continued from prior page)

<u>Step Three:</u> Add: Issued Capital Credits/Past Years' Allocations	\$1,700,424
Less General Capital Credit Retired to Members	\$(529,282)
<u>Step Four:</u> Less Member Remaining Capital Credits Retired	\$(707,969)
Adjusted Total Margins	\$ 1,534,010

CALCULATION OF REQUIRED TIER REVISION

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

$$\text{Interest} = \$1,531,782^8$$

$$1.8 \text{ TIER} = \frac{\text{Necessary Margin} + \$1,531,782 \text{ Interest}}{\$1,531,782 \text{ Interest}}$$

$$\text{Necessary Margins} = \$1,225,426$$

Target TIER:

$$1.8 \text{ TIER} = \frac{\$1,225,426 \text{ Necessary Margin} + \$1,531,782 \text{ Interest}}{\$1,531,782 \text{ Interest}}$$

Actual Adjusted Total TIER:

$$\text{TIER} = \frac{\$1,534,010^9 + \$1,531,782 \text{ Interest}}{\$1,531,782 \text{ Interest}} = 2.00 \text{ TIER}$$

Based on Adjusted Total TIER of 2.00, no increase is required.

⁸ From Exhibit A-2.

⁹ From Exhibit A-3.

RECONCILIATION OF OPERATING AND TOTAL MARGINSLine No.

1	Operating Margins		\$ 841,346 ¹⁰
2	Other Income		
3	a. Non Operating Margins – Interest	\$ 51,180 ¹¹	
	b. Income from Equity Investments	\$ (223,192) ¹²	
	c. Non Operating Margins – Other	\$ 0 ¹³	
	d. G&T Capital Credits	\$ 1,908,599 ¹⁴	
	Other Capital Credits and Patronage Dividends	\$ <u>188,927</u> ¹⁵	
3.	Total Additions to Operating Margins		\$ 1,925,514
4	Total Margins		\$ 2,766,860

¹⁰ From Exhibit A-2.

¹¹ From December 2016 Form 7, Part 1A, line 21, “*Non Operating Margins – Interest*”.

¹² From December 2016 Form 7, Part 1A, line 23, “*Income(Loss) from Equity Investments*”.

¹³ From December 2016 Form 7, Part 1A, line 24, “*Non Operating Margins – Other*”.

¹⁴ From December 2016 Form 7, Part 1A, line 25b, “*G&T Capital Credits - PSDFC*”.

¹⁵ From December 2016 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	\$ 0.00
2	2016 Revenue from Electric Sales	\$ 34,903,498 ¹⁶
3	Required % Increase	0.00%
4	2016 kWh Sales	238,738,102 ¹⁷
5	Average Mills Per kWh Increase	0.00 mills per kWh

¹⁶ From December 2016 Form 7, Page 5, Electric Operations Plant Ratios, Sales & Revenue Report, Year to Date Total Sales of Electric Energy, dollars.

¹⁷ From December 2016 Form 7, Page 5, 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, 2016

RUS Form 7 Line Number	ITEM	YEAR TO DATE			THIS MONTH
		2015	2016	BUDGET	
1.	Operating Revenue - Electric	35,356,277	35,822,664	35,838,227	3,454,799
1.	Total Revenue	35,356,277	35,822,664	35,838,227	3,454,799
3.	Cost of Purchased Energy - Electric	20,812,250	21,112,750	21,052,128	2,159,309
3.	Total Cost of Energy Sold	20,812,250	21,112,750	21,052,128	2,159,309
	Gross Revenues	14,544,027	14,709,914	14,786,099	1,295,490
5.	Distribution Expense - Operation	1,005,940	1,139,450	1,075,250	74,964
6.	Distribution Expense - Maintenance	3,864,325	3,673,258	3,834,367	424,232
7.	Consumer Accounts Expense	1,430,735	1,474,830	1,651,970	107,204
8.	Customer Service and Informational Expens	487,613	642,002	654,393	95,213
10.	Administrative and General Expense	1,416,101	1,493,505	1,516,215	116,286
	Total Operation & Maintenance Expense	8,204,715	8,423,046	8,732,195	817,899
12.	Depreciation & Amortization Expense	2,912,148	2,978,343	3,133,624	249,589
13.	Tax Expense - Property & Gross Receipts	828,727	859,703	788,030	72,121
14.	Tax Expense - Other	1,733	1,678	2,582	335
15.	Interest on Long-Term Debt	1,492,949	1,531,782	1,866,750	134,152
17.	Interest Expense - Other	53,270	73,843	50,132	3,256
18.	Other Deductions	1,469	172	0	(48)
	Total Cost of Operations	13,495,011	13,868,568	14,573,312	1,277,304
20.	Patronage Capital & Operating Margins	1,049,016	841,346	212,787	18,186
21.	Non-Operating Margins - Interest	51,679	51,180	53,314	590
23.	Income (Loss) from Equity Investments	(303,291)	(223,192)	(265,707)	(99,095)
24.	Non-Operating Margins - Other	0	0	0	0
25.a	Generation and Transmission Capital Credit	1,752,797	1,908,599	1,300,000	1,908,599
25.b	G & T Capital Credits - PSDFC	0	0	0	0
26.	Other Capital Credits and Patronage Divider	202,377	188,927	280,702	18,852
27.	Extraordinary Items See attached sheet	0	0	0	0
28.	Patronage Capital	2,752,579	2,766,860	1,581,096	1,847,132

Net T.I.E.R. 2.78 2.72

Operating T.I.E.R. 1.68 1.52

PART 2A - DATA ON ELECTRICAL DISTRIBUTION PLANT

ITEM	YEAR TO DATE	
	2015	2016
1. New Services Connected	180	187
2. Services Retired	176	95
3. Total Services in Place	35,526	35,616
4. Idle Services (Excl Seasonal)	2,366	2,311
5. Miles Distribution - Overhead	3,840	3,837
6. Miles Distribution - Underground	1,025	1,040
7. Total Miles Energized (5 + 6)	4,865	4,877

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, 2016

RUS Form 7 Line Number	ASSETS AND OTHER DEBITS	RUS Form 7 Line Number	LIABILITIES AND OTHER CREDITS
1a.	Utility Plant in Service - Electric 103,736,987	30a.	Memberships - Electric 245,625
1b.	Utility Plant in Service - Gas 33,060,890	30b.	Memberships - Gas 22,920
1.	Utility Plant in Service - Combined 136,797,877	30.	Memberships - Combined 268,545
2a.	Construction Work in Progress - Electric 155,556	31a.	Patronage Capital - Electric 40,954,635
2b.	Construction Work in Progress - Gas 16,456	31b.	Patronage Capital - Gas 5,399,602
2.	Construction Work in Progress - Combined 172,012	31.	Patronage Capital - Combined 46,354,237
3a.	Total Utility Plant (1+ 2) - Electric 103,892,544	32a.	Operating Margins - Prior Years - Electric (1,319,079)
3b.	Total Utility Plant (1 + 2) - Gas 33,077,346	32b.	Operating Margins - Prior Years - Gas 0
3.	Total Utility Plant - Combined 136,969,890	32.	Operating Margins - Prior Years - Combined (1,319,079)
4a.	Accumulated Provision for Depreciation - Electric 51,960,194	33a.	Operating Margins - Current Year - Electric 2,938,872
4b.	Accumulated Provision for Depreciation - Gas 8,787,227	33b.	Operating Margins - Current Year - Gas 536,056
4.	Accum. Provision for Depreciation - Combined 60,747,421	33.	Operating Margins - Current Year - Combined 3,474,929
5a.	Net Utility Plant (3 - 4) - Electric 51,932,350	34a.	Non Operating Margins - Electric (172,012)
5b.	Net Utility Plant (3 - 4) - Gas 24,290,119	34b.	Non Operating Margins - Gas (9,394)
5.	Net Utility Plant - Combined 76,222,469	34.	Non Operating Margins - Combined (181,406)
7.	Investments in Subsidiary Companies 0	35a.	Other Margins and Equities - Electric 2,546,726
8.a	Invest. in Assoc. Org- Patronage Capital - WPC 20,649,115	35b.	Other Margins and Equities - Gas 7,072
8.b	Invest. in Assoc. Org- Patronage Capital - Other 2,537,184	35.	Other Margins and Equities - Combined 2,553,797
9.	Invest. in Assoc. Org. - Other - General Funds 4,700	36a.	Total Margins and Equities (30 thru 35) - Electric 45,194,767
10.	Invest. in Assoc. Org. - Other - Nongeneral Funds 1,542,010	36b.	Total Margins and Equities (30 thru 35) - Gas 5,956,256
11.	Invest. in Economic Development Projects 0	36.	Total Margins and Equities (30 thru 35) - Combined 51,151,022
12.	Other Investments 0	37.	Long Term Debt - RUS (Net)
13.	Restricted Funds 0		(Payments-Unapplied \$ -0-) 0
14.	Total Other Property and Investments (6 thru 13) 24,733,009	38.	Long Term Debt - RUS - Econ. Dev. (Net) 0
15.	Cash - General Funds 1,773,141	39.	Long Term Debt - Other - RUS Guaranteed 0
16.	Cash - Construction Funds 0	40.	Long Term Debt - Other (Net) 50,609,285
17.	Special Deposits 0	41.	Total Long Term Debt (37 thru 40) 50,609,285
18.	Temporary Investments 1,721,476	42.	Obligations Under Capital Leases 0
19.	Notes Receivable - Net 0	43.	Deferred Compensation 0
20.	Accounts Receivable - Net Sales of Energy 4,345,762	44.	Total Other Non Current Liabilities (42+43) 0
21.	Accounts Receivable - Net Other 299,695	45.	Line of Credit Balance Due 0
22.	Materials and Supplies - Electric and Other 1,508,895	46.	Accounts Payable 2,712,375
23.	Prepayments 397,673	47.	Consumers Deposits 533,947
24.	Other Current and Accrued Assets 0	48.	Other Current and Accrued Liabilities 5,889,679
25.	Total Current and Accrued Assets (15 thru 24) 10,046,644	49.	Total Current and Accrued Liabilities (45 thru 48) 9,136,000
26.	Regulatory Assets 0	50.	Deferred Credits 326,895
27.	Other Deferred Debits 221,082	51.	Accumulated Deferred Income Taxes 0
28.	Accumulated Deferred Income Taxes 0	52.	Total Liabilities and Other Credits
29.	Total Assets and Other Debits (5 + 14 + 25 thru 28) 111,223,203		(36+41+44+49 thru 51) 111,223,203
			<i>ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION</i>
		53.	Balance Beginning of the Year - Electric 20,572,962
		54.	Balance Beginning of the Year - Gas 4,334,626
		55.	Balance Beginning of the Year - Gas AER 1,054,511
			Amount Received This Year (Net) - Electric 499,598
			Amount Received This Year (Net) - Gas 126,668
			Amount Received This Year (Net) - Gas AER
			Total Contributions in Aid of Construction - Electric 21,072,560
			Total Contributions in Aid of Construction - Gas 4,461,294
			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, 2016

BALANCE SHEET RATIOS

Current Assets to Current Liabilities	- Combined	109.97 %
Margins & Equities as % of Assets	- Combined	45.99 %
Long Term Debt as % of Net Utility Plant	- Combined	66.40 %
Long Term Debt as % of Plant	- Combined	36.95 %
Modified Debt Service Coverage Ratio	- Combined	2.68

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	17,459	12,071,599	1,664,806	992
Sales - Seasonal	13,484	2,747,595	660,241	12,593
Sales - General Service - Oil	473	469,779	59,028	37
Sales - Irrigation	26	10,480	1,892	15
Sales - General Service	1,443	2,385,484	288,550	179
Sales - Large Power - Oil	9	138,535	14,562	
Sales - Large Power	38	2,244,899	221,467	2
Sales - Public Street & Highway Lighting	39	31,443	5,835	
Sales - Public Buildings	334	348,707	43,524	35
Consumer Sales - PSCR			386,611	
Total Sales of Electric Energy (1 thru 11)	33,305	20,448,521	3,346,516	13,853
Other Electric Revenue			108,283	
Total (12 + 13)			3,454,799	
Last Year kWh Sales	33,160	19,804,208		

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	17,392	132,874,823	18,657,500
Sales - Seasonal	13,481	31,048,042	7,543,668
Sales - General Service - Oil	474	4,753,899	613,295
Sales - Irrigation	26	333,659	44,150
Sales - General Service	1,431	31,892,105	3,750,359
Sales - Large Power - Oil	9	1,513,299	159,795
Sales - Large Power	38	31,386,389	3,048,400
Sales - Public Street & Highway Lighting	39	380,390	70,318
Sales - Public Buildings	334	4,535,869	559,858
Consumer Sales - PSCR			456,154
Total Sales of Electric Energy (1 thru 11)	33,224	238,718,475	34,903,498
Other Electric Revenue			919,166
Total (12 + 13)			35,822,664
Last Year kWh Sales		239,756,252	

KWH AND KWH STATISTICS

ITEM	THIS MONTH	YEAR-TO-DATE
1. kWh Purchased	23,849,446	259,904,564
2. Interchange kWh-Net	937	19,627
3. Total kWh (1 + 2)	23,850,383	259,924,191
4. Total kWh-Sold	20,448,521	238,718,475
5. Office Use - **For Information Purposes Only**	24,190	226,955
6. Total Unaccounted for (3 - 4)	3,402,799	21,205,716
7. Percent System Loss (6/3)x100	14.27	8.16
8. Maximum Demand (kw)	42,487	50,908
9. Month When Maximum Demand Occured		8

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, 2016

	THIS YEAR	LAST YEAR
1. KWHRs Sold Per Consumer:		
a. For the Month	614	597
b. Year to Date	599	604
2. Average Monthly Bill	100.48	87.89
Average Residential Bill	95.36	92.69
3. Average Bill:		
a. Year To Date	87.55	87.15
b. YTD Residential	89.40	91.29
4. Cost Per KWHR Purchased		
a. This Month Mills	90.54	80.57
b. Year to Date Mills	81.23	80.52
5. Revenue Per KWHR Sold:		
a. This Month Mills	163.66	147.16
b. Year to Date Mills	146.21	144.30
6. Power Cost Adjustment		
a. This Month	-0.001310	-0.000310
7. Number of New Members - Electric	77	70
Number of Transferred Members Added - Electric	1230	1184
7. Number of New Members - Gas	40	124
Number of Transferred Members Added - Gas	161	133
8. Security Lights Billed	2040	2027
9. Regular Payroll - Hours	12,753.00	12,815.00
Overtime Payroll - Hours	1,662.75	4,153.75
Total Payroll	14,415.75	16,968.75
10. Number of Employees		
Full Time	70	67
Temporary	5	6
11. Principal Paid To CFC-YTD	1,500,367.85	2,272,647.28
Interest Paid To CFC-YTD	2,348,025.05	2,502,207.94
12. Interest Paid on Line of Credit - YTD	89,077.69	66,127.11

TIER CALCULATION			
CO-OP: Presque Isle Electric & Gas Co-op			
Case:			
Year: 2016			
FORM			
7 LINE	ITEM	2016	
		All Costs	
		\$	
	Operating Revenue		
	Sales of Electricity	35,822,664	
	Other	-	
1	Operating Revenue	35,822,664	
	Operating Expenses		
3	Cost of Purchased Energy	21,112,750	
4	Transmission Expense		
5	Distribution Expense - Operation	1,139,450	
6	Distribution Expense - Maintenance	3,673,258	
7	Consumer Accounts Expense	1,474,830	
8	Customer Service & Info. Expense	642,002	
9	Sales Expense	-	
10	Administrative & General Expense	1,493,505	
11	Total O & M Expense	29,535,795	
12	Depreciation & Amortization Exp.	2,978,343	
13	Tax Exp. - Property & Gross Recpts.	859,703	
14	Tax Expense - Other	1,678	
15	Interest on Long-Term Debt (mpsc)	1,531,782	
16	Interest Charged to Const. - Cr.		
17	Interest Expense - Other	73,843	
18	Other Deductions	172	
19	Total Cost of Operations	34,981,318	
20	Ptrng Cap. & OPERATING Margins	841,346	
21	Non-Operating Margins - Interest	51,180	
22	AFUDC		
nt lsted	Loss from Property Retirements		
23	Inc. (Loss) from Equity Investments	(223,192)	
24	Non-Operating Margins - Other	-	
25.a	Gen. & Trans. Capital Crs.	1,908,599	
25.b	G & T Capital Crs - PSDFC	-	
26	Other Capital Crs. & Patronage Div's.	188,927	
27	Extraordinary Items	-	
28	Ptrng Capital or Margins (20-27)	2,766,860	
Part II: Adjusted Margins & TIER AS FILED			
	Actual Total Margin (Ln 28)	2,766,860	
Step II	Back Out:		
	Gain/Loss from Equity Investments	276,781	
	G&T Credits, Allocated/Not Paid	(1,908,599)	
	Other Cap Crs, Allocated/Nt Pd	(64,205)	
	Weather Normalization Adjustment		
	Adjustment for Non-Operating Loss		
	Total Mrgns Less Cap. Crs. Allocation	1,070,837	
Step III	Add Back:		
	Estimated Storm Restoration Costs		
	Cap Crs Pd for Prior Years	1,700,424	
	Less offset of Cap Crs Retired/Members	(1,237,251)	
	Preliminary Adjusted Total Margins	1,534,010	
Step IV	Back Out:		
	Member Remaining Cap Crs. Retired		
	Adjust for difference in LT Debt Interest		
	Adjust for Add Back of C.C. Retired/Members		
	Adjusted Total Margin	1,534,010	
Resulting TIER:			
	Adjusted Total Margin	1,534,010	
	+ Interest, L/T Debt	1,531,782	
	÷ Interest, L/T Debt	1,531,782	
	= TIER	2.00	
	[Quiet zone = 1.6 - 2.2]		
Part III N/A - Increase in Rates resulting from the 2016 PSCR/TIER Reconciliation			

**PRESQUE ISLE ELECTRIC & GAS CO-OP
BOARD RESOLUTION
MARCH 28, 2017**

**RESOLUTION 2017-MR-03
ENERGY OPTIMIZATION SURCHARGE - OUTDOOR LIGHTING**

WHEREAS, PIE&G transitioned to member-regulation with an effective date of September 23, 2012 thus providing that its electric rates, charges, accounting standards, billing practices, and terms and conditions of service are under authority of the board of directors and not the Michigan Public Service Commission (MPSC); and

WHEREAS, PIE&G has received a cost of service study analysis of the prospective Energy Optimization (EO) Surcharge for Outdoor Lighting (OD); and

WHEREAS, PIE&G's staff has reviewed the analysis with the Board of Directors; and

WHEREAS, the Cooperative wishes to implement an EO surcharge on its Outdoor Lighting program to take advantage of the EO Program incentives for the benefit of the Cooperative and it's individual members; and

WHEREAS, results of that analysis indicate an EO surcharge of \$0.00312/kWh for Outdoor Lighting.

NOW BE IT HEREBY RESOLVED that the PIE&G Board of Directors accepts the analysis as provided by the cooperative staff as a reasonable basis for establishing the new Energy Optimization Surcharge for Outdoor Lighting rates for all bills rendered on or after June 1, 2017 and directs staff to amend the appropriate tariffs in its Electric Rate Book.

CERTIFICATION

I, Sandra Borowicz, 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 28, 2017.

By: _____
Sandra Borowicz, Secretary

Dated: _____

ENERGY OPTIMIZATION PROGRAM CLAUSE

This clause permits, pursuant to Section 89 of 2008 PA 295, the adjustment of distribution rates, via the application of an Energy Optimization Surcharge, to allow recovery of the energy optimization program costs incurred by the Cooperative in compliance with Section 89 of 2008 PA 295.

An energy optimization cost reconciliation shall be conducted annually.

The approved Energy Optimization Surcharges are shown below.

ENERGY OPTIMIZATION SURCHARGES

<u>Sheet No.</u>	<u>Rate Schedule</u>	2016-2019 <u>\$/kWh</u>
D-5.00	Schedule A – Residential Service	\$0.00229
D-6.00	Schedule S – Seasonal Residential Service	\$0.00229
D-15.00	Schedule OD – Outdoor Lighting Service	\$0.00312

<u>Sheet No.</u>	<u>Rate Schedule</u>	2016-2019 <u>\$/meter/month</u>
D-10.00	Schedule GS – General Services	\$3.10
D-11.00	Schedule LG – Large General Service	\$74.14
D-12.00	Schedule LPTOD – Optional Large Power Time-of-Day Service	\$74.14
D-13.00	Schedule PSDS – Primary Service	\$400.99

Issued **March 28, 2017**

By: Brian Burns
President and CEO
Onaway, Michigan

Effective for service rendered on and
June 1, 2017

Issued under the authority of the **Board
of Directors** dated 3/28/2017

OUTDOOR LIGHTING SERVICE
SCHEDULE OL

Availability

Available to existing members of the Cooperative for continuous, year-round service in all territory served by the Cooperative where 120 volt service exists and in accordance with the Cooperative's Rules and Regulations. Where 120 volt service does not exist, additional fees will apply.

As of October 2016, only LED (light emitting diode) lighting technology options will be available for new installations; existing installations of non-LED technologies (mercury vapor, high pressure sodium, etc.) will be replaced with equivalent LED lighting technology at the discretion of the Co-operative at no charge to the Member and at the appropriate tariffed rate.

Nature of Service

Dusk to dawn service controlled by photo-sensitive devices which provide service every night and all night.

(Continued on Sheet No. D-15.01)

Issued **March 28, 2017**
By: Brian Burns
President and CEO
Onaway, Michigan

**Effective for bills rendered on and
after June 1, 2017**

Issued under authority of the Board of
Directors dated **March 28, 2017**

**OUTDOOR LIGHTING SERVICE
SCHEDULE OL (Contd)
(Continued from Sheet No. D-15.00)**

Rates

<u>Nominal Rating</u>	<u>Monthly</u>	<u>Annual</u>
40W LED (alternative to 175W MV; 100 W HPS)	\$ 6.80	\$ 81.60
70W LED (alternative to 400W MV; 250W HPS)	\$ 7.70	\$ 92.40
<u>No Longer Available for New Installations</u>		
175 Watts MV	\$11.40	\$136.80
400 Watts MV	\$19.70	\$236.40
100 Watts HPS	\$ 9.00	\$108.00
250 Watts HPS	\$14.80	\$177.60

Energy Optimization Surcharge:

This service is subject to the Energy Optimization Surcharge shown on Sheet No. D-1.03.

Tax Adjustments

- A. Bills shall be increased within the limits of political subdivisions which levy special taxes, license fees or rentals against the Cooperative's property, or its operations, or the production and/or sale of electric energy, to offset such special charges and thereby prevent other Member-Consumers from being compelled to share such local increases.**
- B. Bills shall be increased to offset any new or increased specific tax or excise imposed by any governmental authority which increases the Cooperative's cost of providing electric service.**

Type of Service

The Cooperative will supply the energy and will own, operate and maintain the lighting fixtures. Burned out lamps must be reported by the Member-Consumer, and the Cooperative will undertake to replace the lamps as soon as practical during regular working hours. Broken lamps or damage to fixtures by accident or vandalism will be repaired at the Member-Consumer's expense. The Cooperative shall replace or repair, at its cost, streetlight equipment that is out of service with the exception of those caused by accidents or vandalism.

The Cooperative reserves the right to make special contractual arrangements as to term or duration of contract, termination charges or annual charges, or other special consideration when the Member-Consumer requests service, equipment or facilities not normally provided for under this rate.

(Continued on Sheet No. D-15.02)

Issued **March 28, 2017**
By: Brian Burns
President and CEO
Onaway, Michigan

**Effective for bills rendered on and
after June 1, 2017**

Issued under authority of the Board of
Directors dated **March 28, 2017**

OUTDOOR LIGHTING SERVICE
SCHEDULE OL (Contd)
(Continued from Sheet No. D-15.01)

Member-Consumers requesting underground service facilities for security or street lights that are not to be installed on an existing pole or from an existing underground service will be charged a contribution in aid of construction based on the rules and regulations governing service laterals as set forth on Sheet No. C25.00.

Member-Consumers requesting overhead service facilities for security or street lights shall be charged the cost of labor, overhead and materials for additional poles and service facilities necessary.

All accounts will be billed on a monthly basis except billings of security lights for seasonal accounts which shall coincide with the billing of the seasonal account.

Power Supply Cost Recovery Clause and Factor

This rate schedule is subject to the Cooperative's Power Supply Cost Recovery Clause as set forth on Sheet Nos. D-1.00 and D-1.01. For purposes of this adjustment, the following monthly energy usage is assumed:

	<u>kWh</u>
40W LED (alternative to 175W MV; 100 W HPS)	14
70W LED (alternative to 400W MV; 250W HPS)	25
175 Watts Mercury Vapor	74
400 Watts Mercury Vapor	163
100 Watts High Pressure Sodium	45
250 Watts High Pressure Sodium	106

Terms of Payment

A one-time late payment charge of 5% of the unpaid balance, excluding sales tax, will be assessed on any bill not paid by the due date.

Issued **March 28, 2017**
By: Brian Burns
President and CEO
Onaway, Michigan

**Effective for bills rendered on and
after June 1, 2017**

Issued under authority of the Board of
Directors dated **March 28, 2017**

**PRESQUE ISLE ELECTRIC & GAS CO-OP
BOARD RESOLUTION
MARCH 28, 2017**

**RESOLUTION 2017-MR-04
RENEWABLE ENERGY TARIFFS**

WHEREAS, PIE&G transitioned to member-regulation with an effective date of September 23, 2012 thus providing that its electric rates, charges, accounting standards, billing practices, and terms and conditions of service are under authority of the board of directors and not the Michigan Public Service Commission (MPSC); and

WHEREAS, PIE&G wishes to expand its renewable energy program offerings to its membership and has collaborated with its power supplier Wolverine Power Cooperative (WPC) to do so; and

WHEREAS, PIE&G wishes to address concerns related to the All Requirements Contract (ARC) between PIE&G and WPC with certain revisions to its renewable energy tariffs; and

WHEREAS, PIE&G's staff has reviewed the revised and proposed renewable energy tariffs with the Board of Directors.

NOW BE IT HEREBY RESOLVED that the PIE&G Board of Directors accepts the proposed Renewable Energy Tariffs as provided by the cooperative staff as a reasonable basis for establishing additional options for its membership to participate in Renewable Energy programs at PIE&G effective June 1, 2017.

BE IT FURTHER RESOLVED, that the board directs staff to amend the appropriate tariffs in its Electric Rate Book.

CERTIFICATION

I, Sandra Borowicz, 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 28, 2017.

By: _____
Sandra Borowicz, Secretary

Dated: _____

**NET METERING PROGRAM
GENERATORS WITH A CAPACITY OF 20 KW AND LESS
SIGNED AGREEMENT ON FILE PRIOR TO JUNE 1, 2017**

Availability

In order to facilitate the generation and transmission Cooperative's ("G&T") standing offer for 10 MW of solar and wind energy and grandfather-in existing net metering Member-Consumers, this offer is available to Member-Consumers with a Net Metering Agreement on file with the Cooperative before June 1, 2017 who operate renewable electric generation, limited to solar and wind, facilities with a nameplate capacity of 20 kW or less and are interconnected with the Cooperative's system, to generate a portion or all of the Member-Consumer's own electricity. If a Member-Consumer has more than one electric generator, the generator's rating(s) shall be summed and the sum may not exceed 20 kW.

The Cooperative's Net Metering Program is available until May 31, 2017, on a limited basis until the G&T's standing offer expires by full 10 MW subscription.

Member-Consumers enrolled prior to June 1, 2017 shall be eligible to continue participation for a term of 20 years, measured from the earlier from the effective date of the Net Metering Agreement or the first month the Member-Consumer began net metering. A participating Member-Consumer may terminate participation in the Cooperative's Net Metering Program at any time and for any reason. This program and its resulting contract are neither assignable, nor transferable, to a subsequent owner.

Member-Consumer Eligibility

To be eligible to participate in the Net Metering Program, Member-Consumers must (1) generate a portion or all of their own retail electricity requirements using a solar or wind renewable electric generator, and (2) be Full Requirements Service Member-Consumers taking service under the Cooperative's applicable service tariff.

Member-Consumers wishing to participate in the Net Metering Program shall submit a completed Net Metering Application to the Cooperative for review. Upon approval of the Application, the Cooperative shall issue a Net Metering and Interconnection Agreement to be signed by the Member-Consumer, the Cooperative, and the G&T. A copy of the signed agreement will be kept on file at the Cooperative. A signed Net Metering and Interconnection Agreement is required prior to November 1, 2016 for the Member-Consumer's generator to remain connected to the Cooperative's facilities.

Member-Consumers must complete construction and meet commercial operation of the Member-Consumer Facility within 180 days of signing the Agreement.

(Continued on Sheet No. D-17.01)

Issued: **March 28, 2017**
By: Brian Burns
President and CEO
Onaway, Michigan

**Effective for bills rendered on and after
June 1, 2017**

**Issued under authority of the Board of
Directors dated March 28, 2017**

**NET METERING PROGRAM
GENERATORS WITH A CAPACITY OF 20 KW AND LESS
SIGNED AGREEMENT ON FILE PRIOR TO JUNE 1, 2017
(Continued from Sheet No. D-17.00)**

The interconnection device used to connect the Member-Consumer's renewable generator with the Cooperative's facilities shall comply with the requirements of IEEE standard 519 and 1547, and Underwriters Laboratories standard UL-1741 Scope 1.1a for utility-interactive (grid-connected) power systems. The Cooperative may require reasonable and adequate insurance coverage by the Member-Consumer and the Member-Consumer shall provide proof of liability coverage as may be required by the Cooperative.

The generation equipment must be located on the Member-Consumer's premises, serving only the Member-Consumer's premises, and must be intended primarily to offset a portion or all of the Member-Consumer's requirements for electricity. At the Member-Consumer's option, the generation capacity shall be determined by one of the following methods:

- a) Aggregate nameplate capacity of the generator(s)
- b) Aggregate projected annual kWh output of the generator(s)

The Member-Consumer is required to provide the Cooperative with the capacity rating in kW of the generating unit(s) and a projection of the annual kWh output of the generating unit(s) when completing the Cooperative's Net Metering Application. The Member-Consumer shall determine its annual electricity needs using one of the following methods:

- a) The Member-Consumer's annual energy usage, measured in kWh, during the previous 12 month period:
- b) Where metered demand data is available, the maximum integrated hourly demand measured in kW during the previous 12 month period: or
- c) In cases where no data, incomplete data, or incorrect data for the Member-Consumer's past annual energy usage is available, or where the Member-Consumer is making changes on-site that will affect their future total annual electric usage, the Cooperative and the Member-Consumer shall mutually agree on a method to determine the Member-Consumer's future annual energy usage.

(Continued on Sheet No. D-17.02)

Issued: **March 28, 2017**
By: Brian Burns
President and CEO
Onaway, Michigan

**Effective for bills rendered on and after
June 1, 2017**

**Issued under authority of the Board of
Directors dated March 28, 2017**

**NET METERING PROGRAM
GENERATORS WITH A CAPACITY OF 20 KW AND LESS
SIGNED AGREEMENT ON FILE PRIOR TO JUNE 1, 2017
(Continued from Sheet No. D-17.01)**

Metering

The Member-Consumer's usage and excess generation shall be determined using a single meter with separate registers measuring power flow in each direction. If there is a significant initial incremental cost to provide a meter measuring power flow in each direction above the cost for meters provided for similarly situated non-generating Member-Consumers, the difference in cost shall be paid by the Member-Consumer. Any service upgrades, protective or power quality equipment/devices necessary to accommodate the output of the generating unit(s), as determined by the Cooperative, shall be at the Member-Consumer's expense.

Monthly Charges

“Excess Generation” means energy and associated renewable energy attributes, including, but not limited to Renewable Energy Credits, generated by the Member-Consumer's renewable energy generator and not consumed at the Member-Consumer's location (and delivered to the Cooperative).

The Member-Consumer shall pay the full retail rate in accordance with the Cooperative's standard service tariff applicable to the Member-Consumer for all energy delivered to the Member-Consumer by the Cooperative. The Member-Consumer shall be credited the full retail rate in accordance with the Cooperative's standard service tariff applicable to the Member-Consumer for all Excess Generation. Energy produced by the Member-Consumer's renewable energy generator and consumed at the Member-Consumer's location without flowing onto the Cooperative's distribution system is not billed by the Cooperative, compensated by the Cooperative, or displayed on the billing statement.

The credit for any Excess Generation during the billing period shall be applied to the bill for that period. Any credit that is not used up during the current billing period shall be carried forward for use in subsequent billing periods. If a Member-Consumer terminates service with the Cooperative while having a net metering credit amount on their account, the G&T shall pay, through its agent, the Cooperative, the remaining credit amount to the Member-Consumer following a final reading by the Cooperative of the Member-Consumer's meter.

**DISTRIBUTED RENEWABLE ENERGY PROGRAM - (DRE)
GENERATORS WITH A CAPACITY OF 20 KW AND LESS**

Availability

In order to facilitate the generation and transmission Cooperative's ("G&T") standing offer for 10 MW of solar and wind energy, this offer is available to Member-Consumers with a Distributed Renewable Energy Agreement on file with the Cooperative on or after June 1, 2017 who operate solar or wind renewable electric generation facilities with a nameplate capacity of 20 kW or less and are interconnected with the Cooperative's system, to generate a portion or all of the Member-Consumer's own electricity. If a Member-Consumer has more than one electric generator, the generator's rating(s) shall be summed and the sum may not exceed 20 kW.

The Cooperative's Distributed Renewable Energy Program is available on a first come, first serve, limited basis until the G&T's standing offer expires December 31, 2019 or upon full 10 MW subscription.

Upon enrolling in the Distributed Renewable Energy Program, Member-Consumers shall be eligible to continue participation for a term of ten years. A participating Member-Consumer may terminate participation in the Cooperative's Distributed Renewable Energy Program at any time and for any reason.

Member-Consumer Eligibility

To be eligible to participate in the Distributed Renewable Energy Program, Member-Consumers must (1) generate a portion or all of their own retail electricity requirements using a solar or wind renewable electric generator, and (2) be Full Requirements Service Member-Consumers taking service under the Cooperative's applicable service tariff. The availability charge of the applicable service tariff shall be paid in full by the Member-Consumer for each billing period - distributed renewable energy credits cannot be applied to the availability charge.

Member-Consumers wishing to participate in the Distributed Renewable Energy program shall obtain a Distributed Renewable Energy Application from the Cooperative and submit the completed application, including the \$100.00 application fee, for review. Upon approval of the Distributed Renewable Energy Application, the Cooperative shall issue a Distributed Renewable Energy and Interconnection Agreement to be signed by the Member-Consumer, the Cooperative, and the G&T. A copy of the signed agreement will be kept on file at the Cooperative. A signed Distributed Renewable Energy and Interconnection Agreement ("Agreement") is required prior to interconnection of the Member-Consumer's generator to the Cooperative's facilities.

Member-Consumers must complete construction and meet commercial operation of the Member-Consumer Facility within 180 days of signing the Agreement.

(Continued on Sheet No. D-21.01)

**DISTRIBUTED RENEWABLE ENERGY PROGRAM - (DRE)
GENERATORS WITH A CAPACITY OF 20 KW AND LESS
(CONTINUED FROM SHEET D-21.00)**

Consumer's requirements for electricity.

At the Member-Consumer's option, the generation capacity shall be determined by one of the following methods:

- a) Aggregate nameplate capacity of the generator(s), or
- b) Aggregate projected annual kWh output of the generator(s)

The Member-Consumer is required to provide the Cooperative with the capacity rating in kW of the generating unit(s) and a projection of the annual kWh output of the generating unit(s) when completing the Cooperative's Distributed Renewable Energy Application. The Member-Consumer shall determine its annual electricity needs using one of the following methods:

- a) The Member-Consumer's annual energy usage, measured in kWh, during the previous 12 month period;
- b) Where metered demand data is available, the maximum integrated hourly demand measured in kW during the previous 12 month period; or
- c) In cases where no data, incomplete data, or incorrect data for the Member-Consumer's past annual energy usage is available, or where the Member-Consumer is making changes on-site that will affect their future total annual electric usage, the Cooperative and the Member-Consumer shall mutually agree on a method to determine the Member-Consumer's future annual energy usage.

Metering

The Member-Consumer's usage and excess generation shall be determined using a single meter with separate registers measuring power flow in each direction. If there is a significant initial incremental cost to provide a meter measuring power flow in each direction above the cost for meters provided for similarly situated non-generating Member-Consumer's, the difference in cost shall be paid by the Member-Consumer. Any service upgrades, protective or power quality equipment/devices necessary to accommodate the output of the generating unit(s), as determined by the Cooperative, shall be at the Member-Consumer's expense.

Monthly Charges and Credits

“Excess Generation” means energy and associated renewable energy attributes, including, but not limited to Renewable Energy Credits, generated by the Member-Consumer's renewable energy generator and not consumed at the Member-Consumer's location (and delivered to the Cooperative).

(Continued on Sheet No. D-21.02)

**DISTRIBUTED RENEWABLE ENERGY PROGRAM - (DRE)
GENERATORS WITH A CAPACITY OF 20 KW AND LESS
(CONTINUED FROM SHEET D-21.01)**

The Member-Consumer shall pay the full retail rate in accordance with the Cooperative's standard service tariff applicable to the Member-Consumer for energy delivered to the Member-Consumer by the Cooperative. The Member-Consumer shall be credited 5.6 cents per kwh, for Excess Generation. Energy produced by the Member-Consumer's solar or wind renewable energy generator and consumed at the Member-Consumer's location without flowing onto the Cooperative's distribution system is not billed by the Cooperative, compensated by the Cooperative, or displayed on the billing statement.

The credit for any Excess Generation during the billing period shall only be applied to the energy charge of the standard service tariff applicable to the Member-Consumer and will be applied to the bill for that period. Any credit that is not used up during the current billing period shall be carried forward for use in subsequent billing periods. If a Member-Consumer terminates service with the Cooperative while having a distributed renewable energy credit amount on their account, the G&T shall pay, through its agent, the Cooperative, the remaining credit amount to the Member-Consumer following a final reading by the Cooperative of the Member-Consumer's meter.

BUY ALL/SELL ALL TARIFF

Availability

In order to provide for the safety of Member-Consumers, Cooperative personnel, and others, and to ensure reliable electric service consistent with the generation and transmission Cooperative's ("G&T") standing offer for 10 MW of solar and wind renewable energy, the following requirements are established for connection and/or operation of Member-Consumer generation facilities in parallel with the Cooperative's distribution system.

The Cooperative's Buy-All/Sell-All Program is available on a first come, first serve, limited basis until the G&T's standing offer expires December 31, 2019 or upon full 10 MW subscription.

These requirements govern all Member-Consumer-owned generation facilities, which generate all of their electricity using a solar or wind renewable energy generator ("Member-Consumer Facility"), with a nameplate of 1 MW or less.

Member-Consumers wishing to participate in the Buy-All/Sell-All program shall submit a completed Buy-All/Sell-All Application and the \$100 application fee to the Cooperative for review. Upon approval of the Buy-All/Sell-All Application, the Cooperative shall issue a Buy-All/Sell-All Interconnection and Purchase Agreement ("Agreement") between the Member-Consumer, the Cooperative, and the G&T. Member-Consumers must complete construction and meet commercial operation of the Member-Consumer Facility within 180 days of signing the Buy-All/Sell-All Interconnection and Purchase Agreement.

The nameplate of the renewable energy generator size is limited to 1 MW per Member-Consumer. The Member-Consumer's entire renewable energy generator must fit within the limit and must be located on the Member-Consumer's premises. If a Member-Consumer has more than one renewable energy generator, the generators' ratings must be summed and the sum may not exceed 1 MW.

Upon enrolling in the Buy-All/Sell-All program, the term of the Agreement is 20 years. A participating Member-Consumer may terminate participation in the Buy-All/Sell-All program at any time and for any reason.

If the Member-Consumer does not meet (or, for the term of the Agreement, continue to meet) all of the requirements of the Agreement, as well as the requirements listed below, the Cooperative may require termination of parallel operation and the Member-Consumer shall be liable for any damages or injury resulting from unauthorized or improper connection and/or operation of the Member-Consumer's Facility.

(Continued on Sheet No. D-22.01)

**BUY ALL/SELL ALL TARIFF
(Continued from Sheet D-22.00)**

Safety and Reliability Requirements

The Member-Consumer shall submit for the Cooperative's review detailed electric diagrams, equipment nameplate data, including the interface device and control system of the Member-Consumer's power source and a site plan.

The Member-Consumer's control and protection system and site plan must be acceptable to the Cooperative and in accordance with these safety and reliability standards. This system shall provide for immediate automatic shutdown or separation of the Facility and the Cooperative system in the event of momentary or extended loss of power from the Cooperative, including loss of one or more phases if the Member-Consumer is generating three phase power. The shutdown or separation must continue until normal utility service is restored. The shutdown or separation shall occur when frequency, voltage, and/or current deviate from normal utility standards. The Member-Consumer shall be liable if the Member-Consumer's protection system fails to function.

A disconnecting device suitable for use as a protective tag location may be required so as to be accessible and in reasonably close proximity to the billing meter.

The completed installation must meet all local, state and national codes and regulations and is subject to inspection by proper enforcement authorities before commencement of parallel operation. In addition, the Cooperative may, at its discretion, inspect or test the facility at any time.

The Member-Consumer shall advise the Cooperative prior to making any revisions to the Facility, the control system, or the interface between the two power systems after the installation. Any such revision must be acceptable to the Cooperative.

Should the parallel operation of the Facility cause interference or adversely affect voltage, frequency, harmonic content or power factor in the Cooperative's system or other Member-Consumers' service, the Cooperative may require disconnection of parallel operation until the condition has been corrected.

Metering

Separate metering shall be installed to determine generation output. The Member-Consumer Facility must deliver, to the Cooperative's system, all energy generated. The Member-Consumer shall pay the incremental cost of all such metering above the cost for meters provided for similarly situated non-generating Member-Consumers. Any service upgrades or protective equipment/devices necessary to accommodate the output of the generating unit(s), as determined by the Cooperative, shall be at the Member-Consumer's expense.

(Continued on Sheet No. D-22.02)

**BUY ALL/SELL ALL TARIFF
(Continued from Sheet D-22.01)**

Reimbursement of Costs

The Member-Consumer shall pay for all costs associated with any addition to (or alteration of) the Cooperative's equipment required for metering and for the safe and reliable operation of the Facility in parallel with the Cooperative's system, as noted above, as well as an interconnection study, at the request of the Cooperative. The Member-Consumer shall also pay for costs of changes required due to safety or adverse effects on other Member-Consumers and/or on the Cooperative caused by the connection and/or operation of the Member-Consumer's renewable energy generator.

The Cooperative may require reasonable and adequate insurance coverage by the interconnecting Member-Consumer and the Member-Consumer shall provide proof of liability coverage as may be required by the Cooperative.

Monthly Charges and Credits

The Member-Consumer shall pay the full retail rate in accordance with the Cooperative's standard service tariff applicable to the Member-Consumer for all energy delivered to the Member-Consumer by the Cooperative, including energy necessary to operate the Member-Consumer's renewable energy generator.

The Cooperative, as agent for the G&T, shall pay the Member-Consumer 10 cents per kWh for all energy delivered to the Cooperative by the Member-Consumer as a credit on the Member-Consumer's monthly bill. The credit will be applied to the energy charge of the standard service tariff applicable to the Member-Consumer and will be applied to the bill for that period. Any credit that is not used up during the current billing period shall be carried forward for use in subsequent billing periods.

If a credit accumulates to an amount greater than \$100, the Cooperative may pay the balance to the Member-Consumer as an agent for the G&T.

If a Member-Consumer terminates service with the Cooperative while having a remaining credit amount on their account, the G&T shall pay, through its agent, the Cooperative, the remaining credit amount to the Member-Consumer following a final reading by the Cooperative of the Member-Consumer's meter.

COMMUNITY SOLAR PROGRAM

Program and Availability

The Cooperative's generation and transmission Cooperative ("G&T") has created a standing offer for 10 MW of renewable energy, produced by solar and wind energy generators. As part of that standing offer, the G&T has developed a Community Solar Program for the Cooperative and its Member-Consumers, available from the SpartanSolar-Wolverine array on M-55 in Cadillac, Michigan ("Facility").

The Community Solar Program permits voluntary participation by Member-Consumers who may benefit from available solar resources without the cost of permanent installation, impact on property, or hassle of maintenance.

Member-Consumers wishing to participate in the Community Solar Program must submit a completed Community Solar Subscription and Credit Form to the Cooperative to commit to the desired subscription level. Upon acceptance and determination of the applicable subscription cost, the Cooperative shall issue a Community Solar Subscription and Credit Agreement between the Member-Consumer, the Cooperative, and the G&T. Acceptance into the Program is on a limited basis until the earlier of: (1) the full output of the Facility has been subscribed or (2) December 31, 2019.

Upon enrolling in the Community Solar Program, the subscription is effective for a term of 15 years. A participating Member-Consumer may terminate participation in the Community Solar Program at any time and for any reason, subject to refund provisions as outlined below. If participation is terminated, a Member-Consumer must wait 12 months before re-enrolling.

Payments

Member-Consumers have the following subscription options under the Community Solar Program, priced on a per "panel" (while the Member-Consumer will not have ownership in a solar panel, each subscription is based on the output of one solar panel) basis, as follows:

1. A single upfront subscription payment of \$600, or
2. \$10 monthly subscription payments for 5 years.

Each solar panel is rated at approximately 335 watts.

While the single upfront payment is due upon acceptance by the Cooperative, monthly subscription payment amounts will appear on the Member-Consumer's bill each month, for 60 months. The subscription payment covers the cost of solar energy, which includes cost of construction, operation and maintenance costs, financing costs, insurance, required interconnection and electric system modification costs, program management costs, and the value of all intrinsic renewable attributes, including, but not limited to, Renewable Energy Credits, associated with the solar energy output.

(Continued on Sheet D-23.01)

COMMUNITY SOLAR PROGRAM
(Continued from Sheet D-23.00)

Refund

If a Member-Consumer dies, terminates service with the Cooperative, has received Solar Output Energy Credits for 15 years, or requests to terminate the Community Solar Subscription and Credit Agreement, the Member-Consumer will receive a refund of their remaining solar energy subscription, which is calculated by determining the Member-Consumer's amount paid for Subscribed Solar Energy and reducing it by the amount of Solar Energy Output Credits paid to the Member-Consumer as of the date of termination.

If a Member-Consumer fails to pay three monthly subscription payments, the Cooperative may terminate the Member-Consumer's Community Solar Subscription and Credit Agreement at the Cooperative's sole discretion. Upon termination, the Member-Consumer is eligible for refund as calculated above, minus a \$50 default fee.

Service and Credit

The Member-Consumer shall pay the full retail rate in accordance with the Cooperative's standard service tariff applicable to the Member-Consumer for all energy delivered to the Member-Consumer by the Cooperative.

In the first month where Facility output data is available and after the upfront subscription or first monthly subscription has been paid, the Cooperative shall pay the Member-Consumer \$.10/kWh every month as a bill credit, known as the Solar Energy Output Credit, equal to the Member-Consumer's pro rata share of the Facility's output (measured in kilowatt hours at the array), from the most recent month available.

This pro rata share will reflect the Member-Consumer's percentage subscription in the array when applied to the output of the entire array. The Member-Consumer is entitled to Solar Energy Output Credits for 15 years from the effective date of the Community Solar Subscription and Credit Agreement.

If the monthly Solar Energy Output Credit exceeds the energy charge of the standard service tariff applicable to the Member-Consumer, the excess credit will be rolled over and applied to the next month's applicable energy charge.

Although the value of the Solar Energy Output Credit may increase over the life of the Community Solar Program, there should be no expectation (and there is no guarantee) that the value of the credit will be greater than the subscription payment. Participants should not enroll in this program with any expectation of profit or financial gain.