

Presque Isle Electric & Gas Co-op
Proposed Rate, Tariff and Billing Rules Changes
Open Member Meeting: November 27, 2012

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Proposed Changes At A Glance

1. Reconcile 2011 Power Supply Cost Recovery Factor Collections	3. Establish 2013 Power Supply Cost Recovery Factor (PSCR)	5. Consider Revisions to the Cooperative's Billing Rules
2. Consider Revisions to the allowance for cost of power supply included in base energy rates.	4. Consider revisions to the terms and conditions of service for Seasonal Residential Members	

1. Reconcile 2011 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 thru 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, 2011 indicates that there was an over-collection of \$192,016.39. This amount has been rolled into the 2012 PSCR factor and is currently being refunded to the membership throughout the 2012 calendar year. 	<ul style="list-style-type: none"> o Accept the reconciliation of the 2011 PSCR Factor Overcollection of \$192,016.39. o PIE&G had submitted this issue to the MPSC for consideration in its TIER/ PSCR Reconciliation Case. No. U-16437-R. o PIE&G transitioned to a Member Regulated Cooperative on September 23, 2012, prior to the issuance of an MPSC order on the proposal. 	<ul style="list-style-type: none"> o Approval of the Proposed Power Supply Cost Recovery Reconciliation net Over-recovery of \$192,016.39. o The over-collection of \$192,016.39 will continue to be refunded for the remainder of the 2012 calendar year.

2. Revise the Allowance for the Cost of Power Supply Included in Retail Base Rates (PSCR Basing Point)

Existing Situation	Proposed Change	Management Recommends
<ul style="list-style-type: none"> o The cooperative currently uses an overall base energy component of 58.34 mills per kWh or \$0.05834/kWh. This base has been in effect since 2006 and is no longer indicative of long term base energy rates. 	<ul style="list-style-type: none"> o Management together with Power Systems Engineering reviewed the Allowance for the Cost of Power Supply included in Retail Base Rates and suggested an increase to the PSCR Basing Point of 29.51 mills/kWh or \$0.02951/kWh. o The cooperative had submitted this issue to the MPSC for consideration in its TIER/ PSCR Reconciliation Case. No. U-16437-R. o The cooperative transitioned to a Member Regulated Cooperative on September 23, 2012, prior to the issuance of an MPSC order on the proposal. 	<ul style="list-style-type: none"> o Management recommends approval of the revised Basing Point of 87.85 mills/kWh or \$0.08785/kWh. o Tariff sheets indicating the impact of this revision on each rate class have been provided with this summary.

Presque Isle Electric & Gas Co-op
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3. Establish the 2013 Power Supply Cost Recovery Factor (PSCR)

Existing Situation	Proposed Change				Management Recommends
<ul style="list-style-type: none">o Power supply costs from Wolverine Power Cooperative (WPC) are passed through at cost to members of PIE&G through the PSCR mechanism.o PIE&G, working with WPC, establishes a factor to collect or refund power supply costs that are above or below the base energy rates based upon cost and sales forecasts.o The collection of funds through the PSCR Factor is reconciled annually with the actual energy costs billed to PIE&G by WPC and the difference is either refunded or charged to the membership.o The 2012 PSCR Factor was established at 29.51 mills/kWh or \$0.02951/kWh.o The overall estimated energy rate billed to the members of PIE&G is the sum of the PSCR Basing Point and the current year's PSCR Factor. That rate for 2012 is 58.34 mills/kWh plus 29.51 mills/kWh or 87.85 mills/kWh.o Prior action of the Board has set the PSCR Basing Point to 87.85 mills/kWh.	<ul style="list-style-type: none">o This approval will establish the maximum PSCR Factor for 2013.o Should actual power supply costs be lower than forecasted, then the cooperative may charge less than the established rate.o The established rate shall be 3.19 mills/kWh or \$0.00319/kWh. This represents an increase of \$3.19 per month or 2.4% for a member using 1000 kWh's per month.				<ul style="list-style-type: none">o Establish the 2013 PSCR Factor of \$0.00319 per kWh effective with bills rendered on or after February 1, 2013.o Management will bring forward the 2012 over/under collection at the February 2013 Special Board Meeting.
		Basing Point	PSCR Factor	Total Energy Rate	
	2012	\$0.05834	\$ 0.02951	\$ 0.08785	
	2013	\$0.08785	\$ 0.00319	\$ 0.09104	
		Difference		\$ 0.00319	
	<ul style="list-style-type: none">o The proposed change includes an estimated under-collection of 2012 power supply costs of \$750,000. Should actual under-collections for 2012 be lower than forecasted, the cooperative may charge less than the established rate.				

4. Revise the Terms of Service under the Seasonal Residential Tariff

Existing Situation	Proposed Change	Management Recommends
<ul style="list-style-type: none"> The cooperative allows any member currently taking service on the Seasonal Residential Tariff to migrate to the Monthly Residential Tariff if their consumption in the prior year was greater than 7,200 kWh. Seasonal Residential members currently on the Monthly Residential rate must continue to use 7,200 kWh in subsequent years in order to continue on the Monthly Residential Rate. 	<ul style="list-style-type: none"> The proposed change would allow Seasonal Residential members to continue on the Monthly Residential Rate if their consumption is above 7,200 kWh in two of the last three years. 	<ul style="list-style-type: none"> Management recommends approval of the proposed change to the Seasonal Residential Tariff.

5. Consider Revisions to the Cooperative's Billing Rules

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

**PRESQUE ISLE ELECTRIC & GAS CO-OP
SPECIAL BOARD MEETING
9 A.M. November 27, 2012**

AGENDA

Call to Order – Chairman Brown

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

Member Comment – CEO Burns

Action Items:

1. Reconcile 2011 Power Supply Cost Recovery (PSCR) Factor Collections
2. Revise the Allowance for the Cost of Power Supply (Basing Point) included in Electric Retail Base Energy Rates
3. Establish the 2013 Power Supply Cost Recovery Factor
4. Revise the Terms of Service under the Seasonal Residential Tariff

Adjournment

**PRESQUE ISLE ELECTRIC & GAS CO-OP
BOARD RESOLUTION
November 27, 2012**

2011 PSCR FACTOR RECONCILIATION

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

WHEREAS, the MPSC had not acted upon PIE&G's request to reconcile its 2011 PSCR Factor Collections prior to its transition to Member Regulation; and

WHEREAS, PIE&G filed a proceeding at the Michigan Public Service Commission (MPSC) to reconcile its 2011 PSCR Factor Collections; and

WHEREAS, PIE&G staff has reviewed the exhibits as provided in the 2011 PSCR Factor Reconciliation request at the MPSC with the Board of Directors; and

WHEREAS, the 2011 PSCR Factor Reconciliation indicates that PIE&G has experienced an over-collection of power supply costs of \$192,016.39 for the 12 month period ending December 31, 2011; and

WHEREAS, PIE&G has incorporated the over-collection of \$192,016.39 into its 2012 PSCR Factor calculation as a refund to the membership

NOW BE IT HEREBY RESOLVED that the PIE&G Board of Directors accepts management's 2011 ELECTRIC PSCR Factor Collection analysis, which indicates an over-collection of \$192,016.39 and directs management to continue refunding this amount to the membership through the use of the 2012 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 November 27, 2012.

By: _____
David Smith, Secretary

Dated: _____

**PRESQUE ISLE ELECTRIC & GAS CO-OP
BOARD RESOLUTION
November 27, 2012**

PSCR Basing Point

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

WHEREAS, PIE&G filed a proceeding at the Michigan Public Service Commission (MPSC) to reconcile its 2011 PSCR Factor Collections; and

WHEREAS, PIE&G's filing contained a request to reset it's PSCR Basing Point for Retail Electric Energy charges from 58.34 mills/kWh to 87.85 mills/kWh; and

WHEREAS, the MPSC had not acted upon PIE&G's request to reset its PSCR Basing Point for Retail Electric Energy charges prior to its transition to Member Regulation; and

WHEREAS, PIE&G staff has reviewed the exhibits as provided in the 2011 PSCR Factor Reconciliation request at the MPSC with the Board of Directors

NOW BE IT HEREBY RESOLVED that the PIE&G Board of Directors approves management's request to reset the PSCR Basing Point to 87.85 mills/kWh effective for bills rendered on or after February 1, 2013.

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 November 27, 2012.

By: _____
David Smith, Secretary

Dated: _____

**PRESQUE ISLE ELECTRIC & GAS CO-OP
BOARD RESOLUTION
November 27, 2012**

2013 PSCR FACTOR

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

WHEREAS, PIE&G in conjunction with Wolverine Power Supply Cooperative (WPSC), its wholesale electric energy supplier, has conducted an analysis of projected energy costs and sales volumes; and

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

WHEREAS, results of that analysis indicate an overall energy cost of 91.04 mills/kWh or \$0.09104/kWh which, when combined with PIE&G's current PSCR basing point of 87.85 mills/kWh provides for a 2013 PSCR Factor of 3.19 mills/kWh

NOW BE IT HEREBY RESOLVED that the PIE&G Board of Directors accepts the analysis as provided by the cooperative staff and establishes the 2013 PSCR Factor of 3.19 mills/kWh or \$0.00319/kWh effective with all bills rendered on or after February 1, 2013. If the cooperative staff desires to apply a lesser power supply cost recovery factor than approved in this resolution, they shall notify the Board of Directors of their intent to do so.

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 November 27, 2012.

By: _____
David Smith, Secretary

Dated: _____

**PRESQUE ISLE ELECTRIC & GAS CO-OP
BOARD RESOLUTION
November 27, 2012**

2013 Seasonal Tariff Resolution

WHEREAS, PIE&G filed a proceeding at the Michigan Public Service Commission (MPSC) to reconcile its 2011 PSCR Factor Collections and to submit its 2011 Times Interest Earned Ratio analysis for review; and

WHEREAS, PIE&G's filing contained a request to make changes to its Seasonal Residential Tariff allowing those members whose consumption has exceeded 7,200 kWh in two of the past three years to be billed at the monthly residential rate; and

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

WHEREAS, the MPSC had not acted upon PIE&G's request to make changes to its Seasonal Residential Tariff prior to its transition to Member Regulation; and

WHEREAS, PIE&G staff has reviewed the requested change with the Board of Directors

NOW BE IT HEREBY RESOLVED that the PIE&G Board of Directors approves management's request to amend the Seasonal Residential Tariff to allow members whose consumption exceeds 7,200 kWh in two of the past three years to be billed at the Monthly Residential Rate effective with bills rendered on or after February 1, 2013.

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 November 27, 2012.

By: _____
David Smith, Secretary

Dated: _____

MICHIGAN ADMINISTRATIVE HEARING SYSTEM
INTEROFFICE COMMUNICATION
TO THE MICHIGAN PUBLIC SERVICE COMMISSION

TO: The Commission

FROM: Theresa A. Sheets
Administrative Law Judge

DATE: October 3, 2012

COMPANY NAME: Presque Isle Electric & Gas Co-Op

CASE NO. U-16430-R

APPEARANCES: Albert Ernst and Shaun M. Johnson, Attorneys for Presque Isle

Amit T. Singh, Assistant Attorney General on behalf of the MPSC
Staff

The above-referenced matter is hereby transmitted to the Commission for its consideration.

Presque Isle completed its transition to member regulation on September 23, 2012. Per Commission Order Dated August 28, 2012, in Case No. U-17016, the Commission directed Presque Isle to seek dismissal of any currently pending case over which the Commission will no longer have jurisdiction due to Presque Isle's transition to member-regulation. At the prehearing in this matter, in compliance with the directives set forth in the Commission's August 28, 2012, Order in U-17016, Staff and Presque Isle entered into a Stipulation to Dismiss this matter, which was filed on the e-docket on October 2, 2012.



Dykema Gossett PLLC
 Capitol View
 201 Townsend Street, Suite 900
 Lansing, MI 48933

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Bret A. Totoraitis

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April 30, 2012

Mary Jo Kunkle
 Executive Secretary
 Michigan Public Service Commission
 PO Box 30221
 Lansing, MI 48909-7721

Re: Case No. U-16430-R (Paperless)
 Presque Isle Electric & Gas 2011 PSCR Recon and TIER Filings

Dear Ms. Kunkle:

Attached please find Application, Direct Testimony and Exhibits of Thomas J. Sobeck on behalf of Presque Isle Electric & Gas Co-op in the above-referenced matter. Also enclosed is draft Notice of Hearing.

If you have any questions, please contact me.

Sincerely,

DYKEMA GOSSETT PLLC

Bret A. Totoraitis

BAT:jmb

cc: Brian Burns
 Tom Sobeck

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**STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION
NOTICE OF HEARING
FOR THE CUSTOMERS OF
PRESQUE ISLE ELECTRIC & GAS CO-OP
CASE NO. U-16430-R**

- Presque Isle Electric & Gas Co-Op proposes to reconcile its 2011 power supply cost recovery (PSCR) costs and revenues, if the Michigan Public Service Commission approves its request.
- The information below describes how a person may participate in this case.
- You may call or write Presque Isle Electric & Gas Co-Op, 19831 M-68 Highway, P.O. Box 308, Onaway, Michigan 49765, (800) 423-6634 for a free copy of its application. Any person may review the application at the offices of Presque Isle Electric & Gas Co-op.
- The first public hearing in this matter will be held:

DATE/TIME: October 2, 2012, at 9:00 a.m.
This hearing will be a prehearing conference to set future hearing dates and decide other procedural matters.

BEFORE: Administrative Law Judge Theresa A. Sheets

LOCATION: Michigan Public Service Commission
6545 Mercantile Way, Suite 7
Lansing, Michigan

PARTICIPATION: Any interested person may attend and participate. The hearing site is accessible, including handicapped parking. Persons needing any accommodation to participate should contact the Commission's Executive Secretary at (517) 241-6160 in advance to request mobility, visual, hearing or other assistance.

The Mercantile Way building sustained flood damage and remains closed until further notice. Please consult the Michigan Public Service Commission website at: www.michigan.gov/mpsc for updates on hearing locations or call 517.241.6060

The Michigan Public Service Commission (Commission) will hold a public hearing to consider the April __, 2012, application of Presque Isle Electric & Gas Co-Op (Presque Isle) to reconcile its 2011 PSCR plan. Presque Isle experienced a total net overcollection of \$192,017, including a remaining overcollection from prior years, for the 12-month period ended December 31, 2011.

Presque Isle proposes to apply less than authorized PSQR factors during relevant months in 2012, and to roll-in any remaining balance into its 2013 PSQR plan. Presque Isle is not seeking an increase in revenues through its Times Interest Earned Ratemaking Mechanism.

All documents filed in this case shall be submitted electronically through the Commission's E-Dockets website at: michigan.gov/mpscedockets. Requirements and instructions for filing can be found in the User Manual on the E-Dockets help page. Documents may also be submitted, in Word or PDF format, as an attachment to an email sent to: mpscedockets@michigan.gov. If you require assistance prior to e-filing, contact Commission staff at (517) 241-6180 or by email at: mpscedockets@michigan.gov.

Any person wishing to intervene and become a party to the case shall electronically file a petition to intervene with this Commission by September 25, 2012. (Interested persons may elect to file using the traditional paper format.) The proof of service shall indicate service upon Presque Isle's attorney, Bret A. Totoraitis, at Dykema Gossett PLLC, Capitol View, 201 Townsend Street, Suite 900, Lansing, Michigan 48933.

Any person wishing to make a statement of position without becoming a party to the case, may participate by filing an appearance. To file an appearance, the individual must attend the hearing and advise the presiding administrative law judge of his or her wish to make a statement of position. All information submitted to the Commission in this matter will become public information: available on the Michigan Public Service Commission's website, and subject to disclosure.

Requests for adjournment must be made pursuant to the Commission's Rules of Practice and Procedure R 460.17315 and R 460.17335. Requests for further information on adjournment should be directed to (517) 241-6060.

A copy of the Presque Isle's request may be reviewed on the Commission's website at: michigan.gov/mpscedockets, and at the office of Presque Isle Electric & Gas Co-Op, 19831 M-68 Highway, Onaway, MI. For more information on how to participate in a case, you may contact the Commission at the above address or by telephone at (517) 241-6180.

Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; 1919 PA 419, as amended, MCL 460.54 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1982 PA 304, as amended, MCL 460.6h et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.17101 et seq.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
Presque Isle Electric & Gas Co-Op)
(i) for a power supply cost recovery)
reconciliation proceeding and)
(ii) for a TIER Ratemaking mechanism)
review -- both for the twelve-month)
period ended December 31, 2011.)

Case No. U-16430-R

APPLICATION

Presque Isle Electric & Gas Co-Op (Presque Isle), respectfully submits this application for a power supply cost recovery (PSCR) reconciliation proceeding and for a Times Interest Earned Ratio (TIER) ratemaking mechanism review, both for the twelve month period ended December 31, 2011.

General Matters

1. Presque Isle is a consumer owned Michigan non-profit corporation, with principal offices located in Onaway, Michigan, engaged in the distribution and sale of electric energy to approximately 33,121 member-customers in the counties of Alcona, Cheboygan, Presque Isle, Alpena, Oscoda, Montmorency, Otsego, Emmet, and Mackinac. In addition, for more than a decade, Presque Isle has been engaged in the distribution and sale of natural gas to approximately 8,589 natural gas members in 36 separate municipalities.

2. With respect to its electric operations, Presque Isle has been under the regulatory jurisdiction of the Michigan Public Service Commission (Commission) since

December 22, 1965. Presque Isle's existing rates were duly authorized by Commission Order in Case No. U-16042-R, dated October 20, 2011. In its Order dated August 2, 1983 in Case No. U-7521, the Commission approved Presque Isle's PSCR clause. The Commission has since annually approved Presque Isle's PSCR plan, most recently in Case No. U-16893 (2012 PSCR plan), by order dated January 26, 2012.

3. In Case No. U-8670, dated August 18, 1987, the Commission authorized Presque Isle to implement TIER Ratemaking wherein rates are annually reviewed and adjusted, if necessary. In Case No. U-10386, dated September 29, 1993, the Commission authorized Presque Isle to suspend its TIER Ratemaking mechanism and to freeze base rates through at least December 31, 1996. In its June 15, 2006 Order in Case No. U-14637, the Commission authorized Presque Isle to re-implement TIER Ratemaking.

4. Consistent with past years' filings, Presque Isle is combining its 2011 PSCR reconciliation and TIER filings. The Commission has approved the joint filing approach. See e.g. November 9, 2006 Order approving Case No. U-14270-R-TIER (approving joint filing for Cherryland Electric Cooperative and HomeWorks.)

TIER Ratemaking Matters

5. Under TIER Ratemaking, if the calculated TIER is between 1.6 and 2.2, there need be no adjustment in rates. If the calculated TIER is greater than 2.2, Presque Isle must submit a calculation of revenue reductions or capital credit refunds necessary to return Target TIER to 1.8. If the calculated TIER is below 1.6, Presque Isle must determine what revenue increase is necessary to bring Target TIER back to 1.8.

6. Presque Isle advises that its adjusted TIER for the twelve-month period ended December 31, 2011 is 1.68 (Exhibits A-4), which indicates no revenue adjustment is required. However, Presque Isle requests minor revisions to its seasonal customer tariffs to make it easier for seasonal customers to become eligible to elect service under its residential service tariff and to clarify and codify Presque Isle's policy on annual billing for seasonal customers. These minor tariff revisions do not involve any change in rates.

PSCR Reconciliation Matters

7. In its Order in Case No. U-16430, dated January 20, 2011, the Commission approved Presque Isle's PSCR plan for the 12-month period ending December 31, 2011.

8. In accordance with 1982 PA 304, §6j, MCL 460.6j and the Commission's June 15, 2006 Order in U-14637, Presque Isle must file its application and supporting testimony on or before April 30, 2012 addressing the reconciliation of power supply costs and revenues for the 12-month period ended December 31, 2011.

9. According to its records, for the 12-month period ended December 31, 2011, Presque Isle experienced an overcollection (power supply revenues exceeded power supply costs) in the amount of \$193,144, with a remaining undercollection from prior years of \$1,127 – for a total net overcollection of \$192,017.

10. In Case No. U-16893, Presque Isle's 2012 PSCR plan docket, the settlement agreement approved by the Commission on January 26, 2012 included a projected 2011 undercollection balance of \$300,000. The \$300,000 undercollection balance included in Presque Isle's approved 2012 PSCR plan obviously differs from the

2011 year end \$192,017 overcollection referenced in paragraph 9 above. In response, Presque Isle will apply less than authorized PSCR factors during relevant months in 2012 -- and any remaining balance can be rolled into Presque Isle's 2013 PSCR plan, to be filed by September 30, 2012.

11. Jurisdiction in this matter is pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; 1919 PA 419, as amended, MCL 460.61 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1982 PA 304, MCL 460.6j et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, 1979 Administrative Code, R 460.17101 et seq.

RELIEF REQUESTED

Presque Isle respectfully requests that the Commission:

- A. Accept this petition relative to its TIER Ratemaking Mechanism for the twelve month period ended December 31, 2011
- B. Approve Presque Isle's proposed tariff changes as set forth in the tariff sheets attached as Exhibit A-7 to the prefiled testimony of Mr. Thomas Sobeck;
- B. Commence a power supply cost reconciliation proceeding and find that Presque Isle experienced a net power supply cost recovery overcollection as set forth in paragraphs 9 and 10 above; and
- C. Grant such other and further relief as may be lawful and proper.

Respectfully submitted,

DYKEMA GOSSETT PLLC

Attorneys for

PRESQUE ISLE ELECTRIC & GAS CO-OP

Dated: April 30, 2012

By _____

Albert Ernst (P24059)

Shaun Johnson (P69036)

Bret Totoraitis (P72654)

Capitol View

201 Townsend Street, Suite 900

Lansing, MI 48933

(517) 374-9100

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
 Presque Isle Electric & Gas Co-Op)
 (i) for a power supply cost recovery)
 reconciliation proceeding and)
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 review -- both for the twelve-month)
 period ended December 31, 2011.)
 _____)

Case No. U-16430-R

DIRECT TESTIMONY AND EXHIBITS OF

THOMAS J. SOBECK

ON BEHALF OF

PRESQUE ISLE ELECTRIC & GAS CO-OP

April 30, 2012

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
 Presque Isle Electric & Gas Co-Op)
 (i) for a power supply cost recovery)
 reconciliation proceeding and)
 (ii) for a TIER Ratemaking mechanism)
 review -- both for the twelve-month)
 period ended December 31, 2011.)

Case No. U-16430-R

DIRECT TESTIMONY OF THOMAS J. SOBECK

Q₁ PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A₁ My name is Thomas J. Sobek. My business address is 19831 M 68 Highway,
 P.O. Box 308, Onaway, Michigan 49765.

Q₂ BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A₂ I am employed by Presque Isle Electric & Gas Co-op (Presque Isle) as Chief
 Financial Officer (CFO).

Q₃ PLEASE SUMMARIZE YOUR QUALIFICATIONS.

A₃ In 1990, I graduated from Northern Michigan University with a Bachelor of
 Science Degree in Business Administration with a major in Accounting. In
 September 1993, I joined Presque Isle and progressed through positions of
 increasing responsibility as Accountant, Director – Supply Chain Management
 and CFO. As CFO, I am responsible for financial plans, policies and accounting
 practices, as well as the planning, procurement and investment of funds. I also
 direct treasury, budgeting, audit, and accounting activities. I am a member of the
 Institute of Management Accountants. I have also been an Adjunct Faculty

member teaching Cost/Management Accounting at North Central Michigan College in Petoskey, Michigan since 1993. In my position, I am familiar with Presque Isle's power supply cost recovery status and financial condition.

Q₄ PLEASE DESCRIBE PRESQUE ISLE.

A₄ With respect to its electric operations, Presque Isle is a Michigan non-profit corporation, with principal offices located in Onaway, Michigan, engaged in the distribution and sale of electric energy to approximately 33,121 member-customers in the counties of Alcona, Cheboygan, Presque Isle, Alpena, Oscoda, Montmorency, Otsego, Emmet, and Mackinac. In addition, for more than a decade, Presque Isle has been engaged in the distribution and sale of natural gas to approximately 8,589 natural gas members in 36 separate municipalities.

Q₅ PLEASE SUMMARIZE THE STATUS OF PRESQUE ISLE'S PRESENTLY EFFECTIVE RATE SCHEDULES.

A₅ Presque Isle's existing rates were duly authorized by Commission Order in Case No. U-16042-R, dated October 20, 2011. In its Order dated August 2, 1983 in Case No. U-7521, the Commission approved Presque Isle's PSCR clause. The Commission has since annually approved Presque Isle's PSCR plan, most recently in Case No. U-16893 (2012 PSCR plan), by order dated January 26, 2012.

Q₆ WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A₆ My testimony is intended to address Presque Isle's PSCR reconciliation proceeding and its TIER ratemaking mechanism review, both for the twelve-month period ended December 31, 2011.

TIER Ratemaking Matter

Q₇ PLEASE PROVIDE BACKGROUND ON PRESQUE ISLE AND TIER RATEMAKING.

A₇ In Case No. U-8670, dated August 18, 1987, the Commission authorized Presque Isle to implement Times Interest Earned Ratio (TIER) Ratemaking wherein rates were annually reviewed and adjusted, if necessary. In Case No. U-10386, dated September 29, 1993, the Commission authorized Presque Isle to suspend its TIER Ratemaking mechanism and to freeze base rates through at least December 31, 1996. In its June 15, 2006 Order in Case No. U-14637, the Commission authorized Presque Isle to re-implement TIER Ratemaking. The following methodology was approved by the Commission in U-14637:

1. Within 120 days of the end of each calendar year, *i.e.*, by April 30, Presque Isle shall submit a calculation of its *Adjusted TIER* for the calendar year just ended.

2. For purposes of each TIER Ratemaking filing, Presque Isle's *Adjusted TIER* shall be based on its Statement of Operations, as set forth on its *December Financial and Statistical Report* (Form 7), calculated as follows:

a. Identify the applicable calendar year's *Patronage Capital or Margins* as set forth on the Form 7 Part 1A, column (b), line 28 of Form 7, Part, A, column (b). This number is referred to as *Total Margins*.

b. Subtract from *Total Margins* (line 28) Income (Loss) from Equity Investments (line 23 of Form 7, Part 1A, column (b)), *Generation and Transmission Capital Credits* allocated (*i.e.*, declared but not paid) to

Presque Isle in the calendar year under consideration (included in the amount on line 25), and *Other Capital Credits and Patronage Dividends* allocated (*i.e.*, declared but not paid) to Presque Isle in the calendar year under consideration (included in the amount on line 26 line 23 of Form 7, Part 1A, column (b)). Thus, capital credits and patronage dividends that have been both declared and paid to Presque Isle in the calendar year under consideration shall not be subtracted from *Total Margins*. The remainder, after subtracting the items specified above from *Total Margins*, is referred to as *Total Margins less Capital Credits Allocations*.

c. Increase *Total Margins less Capital Credits Allocations* by capital credits/patronage dividends that had been allocated to Presque Isle in prior years, but not issued (*i.e.*, paid) to Presque Isle until the calendar year under consideration. These payments to Presque Isle may be offset by capital credit refunds made by Presque Isle to its members in the current year in the form of general capital credit retirements. Any capital credit refunds made by Presque Isle that are used in this offset may not also be used in any other adjustments to *Total Margins* or TIER. Furthermore, the remainder of these payments to Presque Isle, after the offset, cannot be less than zero. This remainder is then added to *Total Margins less Capital Credits Allocations*. The resulting total is referred to as *Preliminary Adjusted Total Margins*.

d. When there is a TIER rate increase applied to a partial year that is the TIER year in question, Presque Isle may reduce Preliminary

Adjusted Total Margins by the dollar amount of capital credit/patronage dividends refunds/retirements made to its general membership in the calendar year under consideration. Such reduction may be used to result in an Adjusted TIER within the TIER quiet zone but may not be used to result in an Adjusted TIER below the TIER floor. Increase by the annualized amount of the authorized partial year rate increase to arrive at the Adjusted Total Margins.

When no TIER rate increase is applied to a partial year, Presque Isle may reduce *Preliminary Adjusted Total Margins* by the dollar amount of capital credit/patronage dividends refunds/retirements made to its general membership in the calendar year under consideration. The resulting number is referred to as Adjusted Total Margins. Such reduction may be used to result in an Adjusted TIER within the TIER quiet zone but may not be used to result in an Adjusted TIER below the TIER floor.

e. Apply the *Adjusted Total Margins* to the TIER formula to determine the *Adjusted TIER*, i.e., the *Adjusted TIER* equals the result of the following:

$$\frac{\text{Adjusted Total Margins} + \text{Interest (line 15)}}{\text{Interest (line 15)}}$$

3. If the *Adjusted TIER* is between 1.6 (*TIER Floor*) and 2.2 (*TIER Ceiling*), i.e., within the *TIER Quiet Zone*, there need be no adjustment in rates.

4. If the *Adjusted TIER* is greater than the 2.2 *TIER Ceiling*, a calculation of necessary revenue reductions or capital credit refunds necessary to bring TIER back to a 1.8 Target TIER would be provided.

1 5. If the adjusted TIER is below the 1.6 *TIER Floor*, then a hearing is
2 required to determine what revenue increase is necessary to return to the 1.8
3 Target TIER.

4 6. A TIER Ratemaking increase shall not exceed 10%. In the event a
5 greater increase is requested, a standard rate case filing should be required and
6 a class cost of service study shall be submitted which includes all Presque Isle
7 customers, both tariffed and non-tariffed (e.g., special contract customers).

8 7. The Notice of Hearing shall be expanded so that parties are not
9 limited to mathematical calculations of the revenue revision necessary to return
10 TIER to the TIER Quiet Zone, but may address “the total cost of service and all
11 other lawful elements properly to be considered in determining just and
12 reasonable rates.”

13 8. If Presque Isle’s calculations indicate that no revenue revisions are
14 required, and such determination is not in dispute, no hearing needs to be
15 conducted or Commission order issued.

Q₈ PLEASE SUMMARIZE THE EXHIBITS IN THIS TIER RATEMAKING PHASE.

A₈ Attached hereto and made a part of this testimony are the following exhibits:

Exhibit A-1 Entitled "*Form 7 For December 2011*";

Exhibit A-2 Entitled "*Test Year Margins and Interest - 12 Months Ended December 31, 2011*";

Exhibit A-3 Entitled "*Adjusted Total Margins – Per U-14637 Settlement Agreement*";

Exhibit A-4 Entitled "*Calculation of Required TIER Revision*";

Exhibit A-5 Entitled "*Reconciliation of Operating and Total Margins*";

Exhibit A-6 Entitled "*Explanation of 2011 Annualization of Rate Order*";

Exhibit A-7 Entitled "*Proposed Revised Tariffs Sheets*";

Exhibit A-8 Entitled "*2011 Actual Sales Data and Revenue by Rate Schedule*".

These exhibits were either prepared by me or under my direct supervision.

Q₉ PLEASE SUMMARIZE THE RESULTS OF YOUR TIER RATEMAKING ANALYSIS.

A₉ By this filing, Presque Isle advises the Commission that its adjusted TIER for the twelve-month period ended December 31, 2011 is 1.68 (Exhibits A-4), which indicates no revenue adjustment is required. However, the following revenue-neutral changes have been incorporated in the tariffs sheets attached as Exhibit A-7:

Presque Isle is proposing an adjustment to the Seasonal Rate Tariff that would allow those Member-Consumers who consume more than 7,200 kWh during 2 of the 3 prior billing years to choose to take service under the Cooperative's Residential Service, Schedule A. Presque Isle is also proposing to modify its Seasonal Rate Tariff to clarify and codify Presque Isle's policy on

1 annual billing for seasonal customers. These minor tariff revisions do not involve
2 any change in rates.

3 **PSCR Reconciliation Matter**

4 **Q₁₀ WHAT IS THE PURPOSE OF YOUR RECONCILIATION TESTIMONY?**

5 **A₁₀** 1982 PA 304 (PSCR Act) permits the recovery of fuel and purchased power
6 costs through implementation of a PSCR mechanism by which the regulated
7 utility annually provides the Commission with details of anticipated power supply
8 purchases/costs for a projected 12-month period.

9 The PSCR Act provides that within three months of the end of the PSCR
10 period, a reconciliation proceeding must be commenced to reconcile PSCR costs
11 and revenues. The Commission's June 15, 2006 Order in Case No. U-14637
12 approved Presque Isle's agreement with Commission Staff that Presque Isle
13 would file its combined TIER and reconciliation case no later than April 30th of
14 each year.

15 **Q₁₁ PLEASE SUMMARIZE HOW YOU ARE APPROACHING YOUR BASIC**
16 **PRESENTATION IN THIS PROCEEDING.**

17 **A₁₁** My basic presentation will cover the following items:

- 18 • Reconciliation summary reports showing overrecovery/underrecovery of
19 power supply costs;
- 20 • A discussion of the reasonableness and prudence of actions taken
21 *vis-a-vis* power supply costs; and
- 22 • Procedures to apportion the required power supply cost reconciliation
23 refunds/collections among members.

1 **Q₁₂ PLEASE SUMMARIZE THE EXHIBIT IN THIS RECONCILIATION PHASE.**

2 A₁₂ I am sponsoring Exhibit A-9, entitled "*Reconciliation Summary Report*."

3 **Q₁₃ PLEASE EXPLAIN EXHIBIT A-9, ENTITLED "RECONCILIATION SUMMARY**
4 **REPORT".**

5 A₁₃ Exhibit A-9, entitled "Reconciliation Summary Report," provides excerpts from
6 Presque Isle's December 2011 PSCR Report comparing power supply cost
7 recovery (revenues) with power supply costs (expense) for the 12-month period
8 ended December 31, 2011.

9 **Q₁₄ PLEASE SUMMARIZE PRESQUE ISLE'S PSCR OVERCOLLECTION OR**
10 **UNDERCOLLECTION STATUS FOR THE 12-MONTHS ENDED DECEMBER**
11 **31, 2011.**

12 A₁₄ According to its records, for the 12-month period ended December 31, 2011,
13 Presque Isle experienced an overcollection (power supply revenues exceeded
14 power supply costs) in the amount of \$193,144, with a remaining undercollection
15 from prior years of \$1,127 – for a total net overcollection of \$192,017.

16 **Q₁₅ HOW DOES PRESQUE ISLE PROPOSE TO REFUND THE**
17 **OVERCOLLECTION?**

18 A₁₅ In Case No. U-16893 Presque Isle's 2012 PSCR plan docket, the settlement
19 agreement approved by the Commission on January 26, 2012 included a
20 projected 2011 undercollection balance of \$300,000. The \$300,000
21 undercollection balance included in Presque Isle's approved 2012 PSCR plan
22 obviously differs from the 2011 year end \$192,016 overcollection. In response,
23 Presque Isle will apply less than authorized PSCR factors during relevant months

in 2012 -- and any remaining balance can be rolled into Presque Isle's 2013 PSCR plan, to be filed by September 30, 2012.

Q₁₆ PLEASE COMPARE THE 2011 PSCR PLAN FORECAST AND THE 2011 ACTUAL.

A₁₆ Summarized below are differences between 2011 PSCR Plan and actual kWh purchases, cost and resulting mills per kWh purchased:

	<u>2011 Plan</u>	<u>2011 Actual</u>
MWh	226,481.6	257,345.7
Cost	\$18,191,365	\$19,149,008
Mills/kWh	80.32	74.41

Q₁₇ PLEASE EXPLAIN THE DIFFERENCE BETWEEN THE 2011 PROJECTIONS AND ACTUALS?

A₁₇ During 2011, power costs decreased 5.91 mills per kWh from the projected average cost per kWh, due to higher sales and slightly lower costs.

Q₁₈ WERE THERE ANY ACTIONS THAT WERE TAKEN IN THE PAST FOR THE PURPOSE OF REDUCING POWER SUPPLY COSTS THAT WERE TERMINATED IN 2011?

A₁₈ No. Presque Isle continues to add customers and equipment to support the load management system. Through direct control on end-use loads such as water heaters, electric heating, and irrigation, this system enables Presque Isle to minimize capacity costs, increase overall economic efficiency, and reduce the ultimate cost of electricity to member-consumers.

Further, Presque Isle has an all-requirements agreement with Wolverine Power Supply Cooperative (Wolverine). Wolverine became a transmission-

owning member of the Midwest Independent Transmission System Operator, Inc. (MISO) effective January 1, 2006 when its transmission system was included in the Michigan Joint Zone (MJZ). As a member of the MJZ, Wolverine receives its pro-rata share of the total transmission revenue generated by the zonal rate. Wolverine's share of the MJZ revenue is allocated to each of its transmission member-cooperatives as a credit to owned transmission costs on a pro-rata basis in relation to each member-cooperative's coincident demand. This credit has contributed to lower power costs. Additionally, Wolverine's power supply group is constantly monitoring its members' load requirements to determine the most cost efficient sources of available power supply to meet those requirements. Lastly, the power supply group also monitors fuel and energy prices on an hourly basis to not only review the cost of energy, but also to monitor transmission congestion and find opportunities to provide the lowest cost power to Wolverine's members. In addition, during 2010, Wolverine shored up its long-term base load and capacity shortfalls by acquiring the 340 MW Sumpter Generating Station and 150 MW of base load capacity in the Ohio Valley Electric Corporation (with rights to power and energy generated by the Ohio Valley Electric Corporation's Clifty Creek and Kyger Creek stations).

Also, during 2011, Midwest Energy Cooperative became a member of Wolverine. We are advised that this should lead to reduced power supply costs in the future, in that fixed costs will be spread over a greater number of kWh sales.

1 **Q₁₉ PLEASE ADDRESS THE REASONABLENESS AND PRUDENCE OF**
2 **ACTIONS TAKEN VIS A VIS POWER SUPPLY COSTS.**

3 A₁₉ I believe that power supply costs are reasonable and prudent. Presque Isle
4 works closely with Wolverine in keeping power supply costs as low as possible.
5 This includes constant discussions with Wolverine personnel reviewing what
6 portion of resources should be devoted to purchases versus generation,
7 appropriate FERC rate setting, equity planning, *etc.*

8 **Q₂₀ PLEASE ADDRESS THE PROPOSED CHANGE IN PRESQUE ISLE'S PSCR**
9 **BASING POINT.**

10 A₂₀ In this docket, Presque Isle proposes to zero out its PSCR factor. As explained
11 below, this should not impact any consumers' monthly bill but should alleviate
12 communications issues associated with our current PSCR factor.

13 Per the Commission's January 26, 2012 order in Case No. U-16893,
14 Presque Isle's 2012 PSCR factor is 29.51 mills per kWh with a 58.34 mills per
15 kWh PSCR basing point. In this docket, Presque Isle requests that it be
16 authorized to increase its PSCR basing point to 87.85 mills per kWh (currently
17 authorized 29.51 mills per kWh factor plus currently authorized 58.34 mills per
18 kWh PSCR basing point) and, correspondingly zero out its authorized PSCR factor
19 for the remainder of 2012.

20 To assure that the change is revenue neutral, the attached tariff sheets
21 have energy charges increased by the zeroed out 29.51 mills per kWh PSCR
22 factor. For the Outdoor Lighting Class, we used the kWh consumption

1 assumptions set forth on Sheet No. D-15.02. The revised rates are shown on
2 Exhibit A-7.

3 **Q₂₁ DOES THIS CONCLUDE YOUR TESTIMONY?**

4 **A₂₁ Yes, it does.**

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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 2011

RUS Form 7 Line Number	ITEM	YEAR TO DATE			THIS MONTH
		2010	2011	BUDGET	
1.	Operating Revenue - Electric	30,196,595	32,104,834	30,456,666	2,954,279
1.					
	Total Revenue	30,196,595	32,104,834	30,456,666	2,954,279
3.	Cost of Purchased Energy - Electric	18,077,090	19,150,713	18,191,001	1,835,480
3.					
	Total Cost of Energy Sold	18,077,090	19,150,713	18,191,001	1,835,480
	Gross Revenues	12,119,505	12,954,121	12,265,664	1,118,799
5.	Distribution Expense - Operation	703,050	757,074	1,063,962	56,043
6.	Distribution Expense - Maintenance	3,191,588	3,315,468	2,656,664	278,812
7.	Consumer Accounts Expense	1,341,726	1,287,986	1,372,671	108,381
8.	Customer Service and Informational Expens	414,937	444,154	305,666	40,748
10.	Administrative and General Expense	1,300,932	1,320,749	1,211,724	64,995
	Total Operation & Maintenance Expense	6,952,233	7,125,431	6,610,686	548,980
12.	Depreciation & Amortization Expense	2,525,139	2,630,692	2,685,096	221,947
13.	Tax Expense - Property & Gross Receipts	719,990	745,138	744,917	62,821
14.	Tax Expense - Other	60,084	60,674	26,010	6,488
15.	Interest on Long-Term Debt	1,868,046	1,833,206	1,883,418	176,665
17.	Interest Expense - Other	147,722	167,235	109,457	13,042
18.	Other Deductions	507	0	748	0
	Total Cost of Operations	12,273,721	12,562,377	12,060,332	1,029,945
20.	Patronage Capital & Operating Margins	(154,216)	391,744	205,332	88,855
21.	Non-Operating Margins - Interest	56,403	56,810	55,500	17
23.	Income (Loss) from Equity Investments	(171,784)	(147,644)	(29,570)	6,137
24.	Non-Operating Margins - Other	0	0	0	0
25.a	Generation and Transmission Capital Credit	0	478,950	0	478,950
25.b	G & T Capital Credits - PSDFC	0	627,591	1,181,622	0
26.	Other Capital Credits and Patronage Dividend	289,555	280,647	289,888	15,112
27.	Extraordinary Items See attached sheet	0	0	0	0
28.	Patronage Capital	19,958	1,688,099	1,702,772	589,071

Net T.I.E.R. 1.01 1.84

Operating T.I.E.R. 0.92 1.20

PART 2A - DATA ON ELECTRICAL DISTRIBUTION PLANT

ITEM	YEAR TO DATE	
	2010	2011
1. New Services Connected	175	152
2. Services Retired	63	72
3. Total Services in Place	35,574	35,528
4. Idle Services (Excl Seasonal)	2,203	2,407
5. Miles Distribution - Overhead	3,857	3,858
6. Miles Distribution - Underground	955	968
7. Total Miles Energized (5 + 6)	4,812	4,827

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PART 3 - COMBINED BALANCE SHEET AS OF DECEMBER 31, 2011

RUS Form 7 Line Number	ASSETS AND OTHER DEBITS	RUS Form 7 Line Number	LIABILITIES AND OTHER CREDITS
1a.	Utility Plant in Service - Electric 90,515,707	30a.	Memberships - Electric 215,275
1b.	Utility Plant in Service - Gas 30,167,160	30b.	Memberships - Gas 18,320
1.	Utility Plant in Service - Combined 120,682,867	30.	Memberships - Combined 233,595
2a.	Construction Work in Progress - Electric 838,029	31a.	Patronage Capital - Electric 35,960,450
2b.	Construction Work in Progress - Gas 14,882	31b.	Patronage Capital - Gas 899,260
2.	Construction Work in Progress - Combined 852,911	31.	Patronage Capital - Combined 36,859,709
3a.	Total Utility Plant (1 + 2) - Electric 91,353,737	32a.	Operating Margins - Prior Years - Electric (2,359,330)
3b.	Total Utility Plant (1 + 2) - Gas 30,182,042	32b.	Operating Margins - Prior Years - Gas 0
3.	Total Utility Plant - Combined 121,535,778	32.	Operating Margins - Prior Years - Combined (2,359,330)
4a.	Accumulated Provision for Depreciation - Electric 40,127,435	33a.	Operating Margins - Current Year - Electric 391,745
4b.	Accumulated Provision for Depreciation - Gas 5,826,583	33b.	Operating Margins - Current Year - Gas 427,812
4.	Accum. Provision for Depreciation - Combined 45,954,018	33.	Operating Margins - Current Year - Combined 819,557
5a.	Net Utility Plant (3 - 4) - Electric 51,226,301	34a.	Non Operating Margins - Electric 1,296,355
5b.	Net Utility Plant (3 - 4) - Gas 24,355,459	34b.	Non Operating Margins - Gas (37,713)
5.	Net Utility Plant - Combined 75,581,760	34.	Non Operating Margins - Combined 1,258,642
7.	Investments in Subsidiary Companies 0	35a.	Other Margins and Equities - Electric 1,059,798
8.a	Invest. in Assoc. Org. - Patronage Capital - WPC 9,302,060	35b.	Other Margins and Equities - Gas (1,953)
8.b	Invest. in Assoc. Org. - Patronage Capital - WPC - PSDFC 7,980,339	35.	Other Margins and Equities - Combined 1,057,845
8.c	Invest. in Assoc. Org. - Patronage Capital - Other 1,787,820	36a.	Total Margins and Equities (30 thru 35) - Electric 36,564,292
9.	Invest. in Assoc. Org. - Other - General Funds 47,936	36b.	Total Margins and Equities (30 thru 35) - Gas 1,305,726
10.	Invest. in Assoc. Org. - Other - Nongeneral Funds 1,767,552	36.	Total Margins and Equities (30 thru 35) - Combined 37,870,018
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) 20,885,708	39.	Long Term Debt - Other - RUS Guaranteed 0
15.	Cash - General Funds 1,816,716	40.	Long Term Debt - Other (Net) 50,559,819
16.	Cash - Construction Funds 0	41.	Total Long Term Debt (37 thru 40) 50,559,819
17.	Special Deposits 0	42.	Obligations Under Capital Leases 0
18.	Temporary Investments 13,338	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 4,331,657	45.	Line of Credit Balance Due 6,200,310
21.	Accounts Receivable - Net Other 393,487	46.	Accounts Payable 2,803,052
22.	Materials and Supplies - Electric and Other 1,285,871	47.	Consumers Deposits 339,378
23.	Prepayments 292,889	48.	Other Current and Accrued Liabilities 6,567,808
24.	Other Current and Accrued Assets 0	49.	Total Current and Accrued Liabilities (45 thru 48) 15,910,547
25.	Total Current and Accrued Assets (15 thru 24) 8,133,958	50.	Deferred Credits 416,554
26.	Regulatory Assets 0	51.	Accumulated Deferred Income Taxes 0
27.	Other Deferred Debits 155,512	52.	Total Liabilities and Other Credits
28.	Accumulated Deferred Income Taxes 0		(36+41+44+49 thru 51) 104,756,938
29.	Total Assets and Other Debits (5 + 14 + 25 thru 28) 104,756,938		ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION
		53.	Balance Beginning of the Year - Electric 18,990,740
		54.	Balance Beginning of the Year - Gas 3,447,234
		55.	Balance Beginning of the Year - Gas AER 1,054,511
			Amount Received This Year (Net) - Electric 288,510
			Amount Received This Year (Net) - Gas 110,201
			Amount Received This Year (Net) - Gas AER 0
			Total Contributions in Aid of Construction - Electric 19,279,250
			Total Contributions in Aid of Construction - Gas 3,557,435
			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

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ELECTRIC OPERATIONS PLANT RATIOS, SALES & REVENUE REPORT FOR THE MONTH ENDING DECEMBER 31, 2011

BALANCE SHEET RATIOS

Current Assets to Current Liabilities	- Combined	50.28 %
Margins & Equities as % of Assets	- Combined	35.89 %
Long Term Debt as % of Net Utility Plant	- Combined	66.89 %
Long Term Debt as % of Plant	- Combined	41.60 %
Modified Debt Service Coverage Ratio	- Combined	1.65

CONSUMER SALES AND REVENUE DATA - MONTHLY

CLASS OF SERVICE	Number Receiving Service A.	kWh Sold B.	Amount C.	Number of Minimum Bills D.
Sales - Residential	17,449	12,146,675	1,559,471	1,222
Sales - Seasonal	13,376	2,861,887	560,740	12,553
Sales - General Service - Oil	487	471,432	57,995	47
Sales - Irrigation	26	6,514	2,176	18
Sales - General Service	1,365	2,291,989	265,784	187
Sales - Large Power - Oil	9	124,260	12,324	
Sales - Large Power	39	2,127,019	196,372	1
Sales - Public Street & Highway Lighting	38	33,181	5,651	
Sales - Public Buildings	332	394,794	45,963	42
Consumer Sales - PSCR			192,743	
Total Sales of Electric Energy (1 thru 11)	33,121	20,457,751	2,899,218	14,070
Other Electric Revenue			55,061	
Total (12 + 13)			2,954,279	
Last Year kWh Sales	33,371	20,460,285		

CONSUMER SALES AND REVENUE DATA - YEAR TO DATE

CLASS OF SERVICE	Average Number Receiving Service B.	kWh Sold Cumulative C.	Amount Cumulative D.
Sales - Residential	17,442	136,939,480	17,304,413
Sales - Seasonal	13,444	32,016,743	6,774,056
Sales - General Service - Oil	489	5,394,636	652,284
Sales - Irrigation	26	219,532	31,408
Sales - General Service	1,361	30,009,529	3,349,165
Sales - Large Power - Oil	9	1,218,638	125,065
Sales - Large Power	39	28,301,630	2,623,105
Sales - Public Street & Highway Lighting	38	396,528	66,825
Sales - Public Buildings	332	4,803,011	558,068
Consumer Sales - PSCR			(71,183)
Total Sales of Electric Energy (1 thru 11)	33,180	239,299,727	31,413,206
Other Electric Revenue			691,628
Total (12 + 13)			32,104,834
Last Year kWh Sales		237,087,601	

KWH AND KWH STATISTICS

ITEM	THIS MONTH	YEAR-TO-DATE
1. kWh Purchased	23,346,600	257,341,200
2. Interchange kWh-Net	237	4,521
3. Total kWh (1 + 2)	23,346,837	257,345,721
4. Total kWh-Sold	20,457,751	239,299,727
5. Office Use - **For Information Purposes Only**	24,652	248,745
6. Total Unaccounted for (3 - 4)	2,889,086	18,041,473
7. Percent System Loss (6/3)x100	12.37	7.01
8. Maximum Demand (kw)	43,049	43,950
9. Month When Maximum Demand Occurred		7

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STATISTICAL INFORMATION FOR THE MONTH ENDING DECEMBER 31, 2011

	THIS YEAR	LAST YEAR
1. KWHRS Sold Per Consumer:		
a. For the Month	618	613
b. Year to Date	<u>601</u>	<u>592</u>
2. Average Monthly Bill	87.53	79.19
Average Residential Bill	<u>89.37</u>	<u>86.87</u>
3. Average Bill:		
a. Year To Date	78.90	73.74
b. YTD Residential	<u>82.68</u>	<u>76.77</u>
4. Cost Per KWHR Purchased		
a. This Month Mills	78.62	67.60
b. Year to Date Mills	<u>74.42</u>	<u>71.47</u>
5. Revenue Per KWHR Sold:		
a. This Month Mills	141.72	129.16
b. Year to Date Mills	<u>131.27</u>	<u>124.65</u>
6. Power Cost Adjustment		
a. This Month	<u>0.021980</u>	<u>0.187500</u>
7. Number of New Members - Electric	162	291
Number of Transferred Members Added - Electric	942	774
7. Number of New Members - Gas	39	26
Number of Transferred Members Added - Gas	<u>89</u>	<u>74</u>
8. Security Lights Billed	<u>2052</u>	<u>2034</u>
9. Regular Payroll - Hours	11,839.25	12,549.00
Overtime Payroll - Hours	943.00	848.50
Total Payroll	<u>12,782.25</u>	<u>13,397.50</u>
10. Number of Employees		
Full Time	65	65
Temporary	<u>6</u>	<u>5</u>
11. Principal Paid To CFC-YTD	1,762,135.05	1,675,879.97
Interest Paid To CFC-YTD	<u>3,080,753.83</u>	<u>3,109,431.47</u>
12. Interest Paid on Line of Credit - YTD	<u>195,556.48</u>	<u>165,158.12</u>

Presque Isle Electric & Gas Co-op

Case No. U-16430-R
Exhibit A-2
Page 1 of 1**TEST YEAR MARGINS AND INTEREST****12 MONTHS ENDED DECEMBER 31, 2011**

	<u>Operating Margins</u>	<u>Total Margins</u>	<u>Interest</u>
December 31, 2011	\$ 391,744 ¹	\$ 1,688,099 ²	\$1,833,206 ³

¹ From December 2011 Form 7, Part 1A, line 20, *Patronage Capital and Operating Margins*.

² From December 2011 Form 7, Part 1A, line 28, *Patronage Capital*.

³ From December 2011 Form 7, Part 1A, line 15, *Interest on Long Term Debt -- 2011 Electric Rate Documents*.

Presque Isle Electric & Gas Co-op

Case No. U-16430-R

Exhibit A-3

Page 1 of 2

**ADJUSTED TOTAL MARGINS
PER U-14637 SETTLEMENT AGREEMENT**

¶J of the settlement agreement adopted by the Commission's June 15, 2007 order in Case No. U-14637 set forth a specific procedure for determining Adjusted Total Margins for TIER Ratemaking Purposes:

Step One: Unadjusted Total Margins (¶Jii(a)) \$ 1,688,099⁴

Step Two: Add Back Net Loss From Equity Investments (¶Jii(b)) \$ 164,690⁵

Less G&T Capital Credits Allocated/Not Paid (¶Jii(b)) \$ (1,106,541)⁶

Less Other Capital Credits Allocated/Not Paid (¶Jii(b)) \$ (110,563)⁷

(continued on next page)

⁴ From Exhibit A-2.

⁵ From December 2011 Form 7, page 1, column (b), line 23, "Income (Loss) from Equity Investments" includes a \$164,690 loss on disposition of utility plant. Per page 8, footnote 3 of the settlement agreement in Case U-14637, 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 \$164,690.

⁶ From December 2011 Form 7, page 1, column (b), line 25a, "Generation and Transmission Capital Credits" + Line 25b, "G&T Capital Credits – PSDFC".

⁷ From December 2011 Form 7, page 1, column (b), line 26, "Other Capital Credits and Patronage Dividends", i.e. \$280,647 less \$170,084. The \$170,084 is comprised of the following declared and paid other capital credits or patronage dividends.

NRUCFC	\$ 95,704
COBANK	\$ 23,345
NISC	\$ 1,634
RESCO	\$ <u>49,401</u>
Total	\$ <u><u>170,084</u></u>

Presque Isle Electric & Gas Co-op

Case No. U-16430-R
Exhibit A-3
Page 2 of 2

**ADJUSTED TOTAL MARGINS
PER U-14637 SETTLEMENT AGREEMENT
(continued from prior page)**

<u>Step Three:</u> Issued Capital Credits/Past Years' Allocations (¶Jii(c))	\$ 694,275
Less General Capital Credit Retired to Members (¶Jii(c))	(\$ 856,721)
<u>Step Four:</u> Less Member Remaining Capital Credits Retired (¶Jii(d))	\$ 0
Annualization of Rate Order Issued During Test Year	\$ <u>606,075</u> ⁸
Adjusted Total Margins	<u>\$1,079,314</u>

⁸ A 3.03% rate increase was approved and placed in effect with the November, 2011 billing cycle. See Exhibit A-6 entitled "*Explanation of 2011 Annualization of Rate Order*" for calculation.

Presque Isle Electric & Gas Co-op

Case No. U-16430-R
Exhibit A-4
Page 1 of 1**CALCULATION OF REQUIRED TIER REVISION**

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

$$\text{Interest} = \$1,833,206^9$$

$$1.8 \text{ TIER} = \frac{\text{Necessary Margin} + \$1,833,206 \text{ Interest}}{\$1,833,206 \text{ Interest}}$$

$$\text{Necessary Margins} = \$1,466,565$$

Target TIER:

$$1.8 \text{ TIER} = \frac{\$1,466,565 \text{ Necessary Margin} + \$1,833,206 \text{ Interest}}{\$1,833,206 \text{ Interest}}$$

Actual Adjusted Total TIER:

$$\text{TIER} = \frac{\$1,079,314^{10} + \$1,833,206 \text{ Interest}}{\$1,833,206 \text{ Interest}} = \underline{1.59} \text{ TIER}$$

Based on Adjusted Total TIER of 1.59, an increase of \$387,251 is required to return to a 1.8 TIER; however, page 9, paragraph d of the Settlement Agreement in Case No. U-14637 indicates that capital credit/patronage dividend refunds/retirements cannot be used to result in an Adjusted TIER below the TIER floor. Thus, the Adjusted TIER prior to the reduction for capital credit retirements to PIE&G's members is 1.68 and no increase is required

⁹ From Exhibit A-2.

¹⁰ From Exhibit A-3.

Presque Isle Electric & Gas Co-op

Case No. U-16430-R
Exhibit A-5
Page 1 of 1**RECONCILIATION OF OPERATING AND TOTAL MARGINS**Line No.

1	Operating Margins		\$ 391,744 ¹¹
2	Other Income		
3	a. Non Operating Margins – Interest	\$ 56,810 ¹²	
	b. Income from Equity Investments	\$ (147,643) ¹³	
	c. Non Operating Margins – Other	\$ 0 ¹⁴	
	d. G&T Capital Credits	\$ 1,106,541 ¹⁵	
	Other Capital Credits and Patronage Dividends	\$ <u>280,647</u> ¹⁶	
3.	Total Additions to Operating Margins		\$ <u>1,296,355</u>
4	Total Margins		\$ <u>1,688,099</u>

¹¹ From Exhibit A-2.

¹² From December 2011 Form 7, Part 1A, line 21, “*Non Operating Margins – Interest*”.

¹³ From December 2011 Form 7, Part 1A, line 23, “*Income(Loss) from Equity Investments*”.

¹⁴ From December 2011 Form 7, Part 1A, line 24, “*Non Operating Margins – Other*”.

¹⁵ From December 2011 Form 7, Part 1A, line 25b, “*G&T Capital Credits - PSDFC*”.

¹⁶ From December 2011 Form 7, Part 1A, line 26, “*Other Capital Credits and Patronage Dividends*”.

Explanation of 2011 Annualization of Rate Order issued during test year.

The rate adjustment associated with last year's TIER filing (U-16042-R) was 3.03%. It applied only to the Monthly Residential, Seasonal Residential and Outdoor Lighting rate classes and was effective with the November billing cycle. This means that the January through October revenue needs to be restated.

That revenue was:	Monthly	\$ 14,293,763
	Seasonal	5,653,187
	<u>Lighting</u>	<u>55,541</u>
	Total	\$ 20,002,491
	Apply 3.03%	\$606,075 the number used on Exhibit

A-3, page 2 of 2.

M.P.S.C. No. 3 - Electric.
Presque Isle Electric & Gas Co-op

Cancels

Revised Sheet No. D-1.01
Revised Sheet No. D-1.01POWER SUPPLY COST RECOVERY CLAUSE
(Continued from Sheet No. D-1.00)

by the Commission under Cooperative's most recent power supply cost recovery plan, among other things. Cooperative shall be required to refund to Member-Consumers, or to credit to Member-Consumers' bills any net amount determined to have been recovered which is in excess of the amounts actually expensed by Cooperative for power supply. Cooperative shall recover from Member-Consumers any net amount by which the amount determined to have been recovered over the period covered was less than the amount determined to have been actually expensed by Cooperative for power supply.

For the _____ (__) months ending _____ 2012, the Power Supply Cost Recovery Factor is \$0.02951 per kWh. The allowance for cost of power supply included in base rates is \$0.05834 per kWh.

For the _____ (__) months ending December 2012, the Power Supply Cost Recovery Factor is \$0.00000 per kWh. The allowance for cost of power supply included in base rates is \$0.08785 per kWh.

Should the Cooperative apply lesser factors than those above, or if the factors are later revised pursuant to Commission Order or 1982 PA 304, the Cooperative will notify the Commission and file a revision of the above factor.

The following factors are applied pursuant to 1982 PA 304 in the 12 billing months ending December 2012:

<u>Year</u>	<u>Month</u>	Maximum Authorized 2012 PSCR <u>Factor</u> (per kWh)	Actual Factor <u>Billed</u> (per kWh)
2012	January	\$0.02951	\$0.02198
2012	February	\$0.02951	\$0.02951
2012	March	\$0.02951	\$0.02951
2012	April	\$0.02951	\$0.02951
2012	May	\$0.00000	
2012	June	\$0.00000	
2012	July	\$0.00000	
2012	August	\$0.00000	
2012	September	\$0.00000	
2012	October	\$0.00000	
2012	November	\$0.00000	
2012	December	\$0.00000	

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By: Brian Burns
President and CEO
Onaway, Michigan

Effective for service rendered on and after

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Case No. U-16430-R

M.P.S.C. No. 3 - Electric.
Presque Isle Electric & Gas Co-op**Fifth** Revised Sheet No. D-5.00
Cancels **Fourth** Revised Sheet No. D-5.00**RESIDENTIAL SERVICE
SCHEDULE A**Availability

Available to any Member-Consumer desiring service for domestic and farm uses, which includes only those purposes which are usual in an individual permanent residence, or separately metered apartments, and in the usual other buildings normally served through the residential meter.

This rate is also available to any Member-Consumer of the Cooperative for residential service to dwellings that are occupied seasonally, where consumption for **two of the last three** billing years exceeded 7,200 kWh.

Nature of the Service

Single-phase, 60 cycles, at available secondary voltages.

Billing RateDistribution Service:

Monthly Availability Charge: \$16.00 per Member-Consumer per month, plus

Or Annual Availability Charge: \$192.00

Distribution Variable Charge: \$0.02752 per kWh for all kWh, plus

Energy Optimization Surcharge:

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

Power Supply Service

Energy Charge: **\$0.08601** per kWh for all kWh

(Continued on Sheet No. D-5.01)

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President and CEO
Onaway, Michigan

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M.P.S.C. No. 3 - Electric.
Presque Isle Electric & Gas Co-op**Fifth** Revised Sheet No. D-6.00
Cancels **Fourth** Revised Sheet No. D-6.00**SEASONAL RESIDENTIAL SERVICE
SCHEDULE S**Availability

Available to any Member-Consumer who desires service for domestic use on premises that serve as a secondary dwelling for those services that are usual in a dwelling of this nature.

This rate is not available for resale purposes, or for any non-residential use. Any Member-Customer who receives service under this rate, consuming more than 7,200 kWh during **two of the last three** billing years may choose to take service under the Cooperative's Residential Service, Schedule A.

Nature of the Service

Single-phase, 60 cycles, at available secondary voltages.

Billing RateDistribution Service:

Annual Availability Charge: \$204.00 plus,

Distribution Variable Charge: \$0.06901 per kWh for all kWh, plus

Energy Optimization Surcharge:

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

Power Supply Service

Energy Charge: **\$0.08601** per kWh for all kWh

Tax Adjustments

1. 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.
2. 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.

(Continued on Sheet No. D-6.01)

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President and CEO
Onaway, Michigan

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M.P.S.C. No. 3 - Electric.
Presque Isle Electric & Gas Co-op

First Revised Sheet No. D-6.01
Cancels Original Sheet No. D-6.01

SEASONAL RESIDENTIAL SERVICE
SCHEDULE S (Contd)
(Continued from Sheet No. D-6.00)

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.

Minimum Charge

For seasonal Member-Consumers billed annually, the annual minimum charge shall be the annual availability charge payable in advance.

Terms of Payment

This rate schedule is subject to the Cooperative's Allowable Charges as set forth in R 460.122.

Rules and Regulations

Service is governed by the Cooperative's Standard Rules and Regulations.

Bills Rendered Annually

Bills for service provided to seasonal Member-Consumers will be rendered annually. Annual bills will be calculated using the Schedule S rate applied to the Member-Consumer's annual energy consumption along with the Annual Availability Charge, which shall be prepaid. The Cooperative may render more than one bill annually if necessary due to service transfers, disconnections, or other circumstances, in the Cooperative's discretion, that require more than one billing during the billing year.

Meter Reading

Meter readings will be taken by the Cooperative at least once annually for seasonal Member-Consumers. The Cooperative retains the right, at its own election, to take meter readings more frequently. Member-Consumers may request that the Cooperative take a reasonable number of additional meter readings (as determined by the Cooperative) between annual readings subject to the applicable Meter Reading Charge set forth in Sheet No. C-9.00.

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M.P.S.C. No. 3 - Electric.
Presque Isle Electric & Gas Co-op

First Revised Sheet No. D-8.01
Cancels Original Sheet No. D-8.01

CONTROLLED HEATING SERVICE
SCHEDULE CH (Contd)
(Continued from Sheet No. D-8.00)

Monthly Rate

Energy Charge: **\$0.07701** per kWh

Terms of Payment

This rate schedule is subject to the terms of payment as set forth on the concurrent rate schedule that qualifies the Member-Consumer for service.

Michigan State Sales Tax

Michigan State Sales Tax shall be added on all bills, including minimums, where applicable.

Tax Adjustments

1. 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 taxes.
2. 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 energy.

Power Supply Cost Recovery

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.

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M.P.S.C. No. 3 - Electric.
Presque Isle Electric & Gas Co-op**Second** Revised Sheet No. D-10.00
Cancels **First Revised** Sheet No. D-10.00**GENERAL SERVICES
SCHEDULE GS**Availability

Available to any Member-Consumer when maximum demand is less than 50 kW. The maximum demand shall be based on the Member-Consumer's average kW load during the 15 minute period of maximum use during the billing month. This rate shall be applicable for no less than twelve (12) consecutive months.

Nature of Service

Single-phase or three-phase, 60 hertz, alternating current, at available secondary voltages. The nature and level of the voltage shall be determined in each case by Presque Isle Electric & Gas Co-op.

Billing RateDistribution Service:

Service Charge:

Single Phase: \$16.00 Or

Three Phase: \$35.00 Per Member-Consumer per month, plus

Distribution Variable Charge: \$0.02535 per kWh for all kWh, plus

Energy Optimization Surcharge:

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

Power Supply Service:Energy Charge: **\$0.08321** per kWh for all kWh

Energy Charge Credits: (\$0.00300) per kWh for all kWh

Credit For Controlled Oil-Related Loads:

An Energy Charge Credit of 0.30¢/kWh shall be applied with respect to qualifying oil-related accounts. This credit shall be applied during any month in which the Member-Consumer's oil-related usage exceeds 500 kWh.

(Continued on Sheet No. D-10.01)

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Onaway, Michigan

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M.P.S.C. No. 3 - Electric.
Presque Isle Electric & Gas Co-op**Third** Revised Sheet No. D-11.01
Cancels **Second** Revised Sheet No. D-11.01**LARGE GENERAL SERVICE
SCHEDULE LG (Contd)
(Continued from Sheet No. D-11.00)**Billing RateDistribution Service:

Service Charge: \$50.00 per Member-Consumer per month, plus

Distribution Demand Charge: \$1.98 per kW for all kW, plus

Distribution Variable Charge: \$0.0147 per kWh for all kWh, plus

Energy Optimization Surcharge:

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

Power Supply Service (not applicable to Retail Access Service)

Demand Charge: \$7.02 per kW for all kW, plus

Energy Charge: **\$0.06481** per kWh for all kWh

For qualifying controlled oil-related large power loads, a billing demand credit shall be calculated according to the following formula:

$$\text{Presque Isle Demand Charge} \times \text{MC Monthly Load Factor} = \text{BD Credit}$$

Where MC = Member-Consumer

BD = Billing Demand

For the above formula, the monthly load factor shall be equal to that month's energy (in kWh) divided by the product of that month's demand (in kW) multiplied by 730 (hours per month) for the oil-related load.

The above referenced billing demand credit shall be applied only during months in which the oil-related load is interrupted by Wolverine's load management system.

(Continued on Sheet No. D-11.02)

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Onaway, Michigan

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Case No. U-16430-R

M.P.S.C. No. 3 - Electric.
Presque Isle Electric & Gas Co-op**Second** Revised Sheet No. D-12.00
Cancels **First Revised** Sheet No. D-12.00**OPTIONAL LARGE POWER TIME-OF-DAY SERVICE
SCHEDULE LPTOD**Availability

This rate is available to all Member-Consumers for all uses at secondary voltage, when billing demand is 50 kW or more, subject to the rules and regulations of the Cooperative. The Member-Consumer must contract to receive service under the rate for a minimum of twelve months.

Nature of Service

Alternating current, 60 hertz, three phase at available secondary voltages. The nature and level of the service voltage shall be determined in each case by the Cooperative.

Billing Rate

Availability Charge: \$60.00 per Member-Consumer per month, plus

Peak Period Demand Charge: \$6.00 per kW, plus

Maximum Demand Charge: \$6.55 per kW, plus

Energy Charge: **\$0.06951** per kWh for all kWh

Energy Optimization Surcharge:

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

Power Supply Cost Recovery

The 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.

Tax Adjustments

1. 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 taxes.
2. 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 energy.

(Continued on Sheet No. D-12.01)

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Onaway, Michigan

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Case No. U-16430-R

M.P.S.C. No. 3 - Electric.
Presque Isle Electric & Gas Co-op**Third** Revised Sheet No. D-13.01
Cancels **Second** Revised Sheet No. D-13.01

**PRIMARY SERVICE
SCHEDULE PSDS (Contd)
(Continued from Sheet No. D-13.00)**

All rates assume service directly from a distribution substation. For Member-Consumers served from an existing three-phase primary line, add \$2.20 per kW; or for Member-Consumers served from a new three phase primary line, add \$3.20 per kW.

Billing RateDistribution Service:

Distribution Demand Charge: \$3.90 per kW for all kW, plus

Distribution Variable Charge: \$0.00540 per kWh for all kWh, plus

Energy Optimization Surcharge:

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

Power Supply Service (not applicable to Retail Access Service)

Demand Charge: \$7.16 per kW for all kW, plus

Energy Charge: **\$0.06091** per kWh for all kWh

Reactive Charge: \$0.25 per kVAR

Billing DemandDistribution Delivery Component

The billing demand shall be the average kilowatts (kW) load during the 15-minute period of maximum use during the billing month. Cooperative reserves the right to make special determination of the billing demand and/or minimum charge should circumstances require. The minimum monthly billing demand shall be the greater of the metered demand, the contract minimum demand, or 500 kW.

(Continued on Sheet No. D-13.02)

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Onaway, Michigan

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Case No. U-16430-R

M.P.S.C. No. 3 - Electric.
Presque Isle Electric & Gas Co-op**Fourth** Revised Sheet No. D-15.01
Cancels **Third** Revised Sheet No. D-15.01**OUTDOOR LIGHTING SERVICE**
SCHEDULE OD (Contd)
(Continued from Sheet No. D-15.00)Rates

Nominal Rating	Monthly	Annual
175 Watts MV*	\$11.65	\$139.80
400 Watts MV*	\$21.10	\$253.20
100 Watts HPS	\$ 8.30	\$ 99.60
250 Watts HPS	\$14.25	\$171.00
LED Alternative to 175 Watts MV	\$ 7.30**	\$ 87.30
LED Alternative to 100 Watts HPS	\$ 7.30**	\$ 87.30

*No longer available for new installations

**Plus an up-front installation charge of \$205 per fixture

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 possible 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.

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)

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President and CEO
Onaway, Michigan

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Case No. U-16430-R

PRESQUE ISLE ELECTRIC & GAS CO-OP
CASE NO. U-16430-R
2011 REVENUE CALCULATION

PSCR Base	Factor
Current base	\$0.05834
Proposed base	\$0.08785
Roll In	<u>\$0.02951</u>

2011 RESIDENTIAL SERVICE (A)			2011 With PSCR Roll-In	REVENUE	
UNITS	RATE	REVENUE			
SERVICE CHARGE	217,265	\$16.00	\$3,476,240	\$16.00	\$3,476,240
ENERGY CHARGE	141,706,409	\$0.08402	\$11,906,172	\$0.11353	\$16,087,929
PSCR (2011 Plan)	141,706,409	\$0.02198	<u>\$3,114,707</u>	-\$0.00753	<u>-\$1,067,049</u>
TOTAL			<u>\$18,497,119</u>		<u>\$18,497,119</u>
\$ INCREASE(DECREASE)					<u>\$0</u>
% INCREASE(DECREASE)					<u>0.00%</u>

includes RES A & RESSE A

2011 SEASONAL RESIDENTIAL SERVICE (S)			2011 With PSCR Roll-In	REVENUE	
UNITS	RATE	REVENUE			
SERVICE CHARGE	151,828	\$17.00	\$2,581,076	\$17.00	\$2,581,076
ENERGY CHARGE	23,261,342	\$0.12551	\$2,919,531	\$0.15502	\$3,605,973
PSCR	23,261,342	\$0.02198	<u>\$511,284</u>	-\$0.00753	<u>-\$175,158</u>
TOTAL			<u>\$6,011,891</u>		<u>\$6,011,891</u>
\$ INCREASE(DECREASE)					<u>\$0</u>
% INCREASE(DECREASE)					<u>0.00%</u>

includes RESSE S only

2011 GENERAL SERVICE (GS)			2011 With PSCR Roll-In	REVENUE	
UNITS	RATE	REVENUE			
SERVICE CHARGE - Single Phase	22,936	\$16.00	\$366,976	\$16.00	\$366,976
SERVICE CHARGE- Three Phase	3,503	\$35.00	\$122,605	\$35.00	\$122,605
ENERGY CHARGE	40,027,514	\$0.07905	\$3,164,175	\$0.10856	\$4,345,387
PSCR	40,027,514	\$0.02198	<u>\$879,805</u>	-\$0.00753	<u>-\$301,407</u>
TOTAL			<u>\$4,533,561</u>		<u>\$4,533,561</u>
\$ INCREASE(DECREASE)					<u>\$0</u>
% INCREASE(DECREASE)					<u>0.00%</u>

2011 LARGE GENERAL SERVICE (LG)			2011 With PSCR Roll-In	REVENUE	
UNITS	RATE	REVENUE			
SERVICE CHARGE	371	\$50.00	\$18,550	\$50.00	\$18,550
DEMAND CHARGE	15,894	\$9.00	\$143,046	\$9.00	\$143,046
ENERGY CHARGE	4,861,079	\$0.05000	\$243,054	\$0.07951	\$386,504
PSDFC	4,861,079	\$0.00000	\$0	\$0.00000	\$0
PSCR	4,861,079	\$0.02198	<u>\$106,847</u>	-\$0.00753	<u>-\$36,604</u>
TOTAL			<u>\$511,497</u>		<u>\$511,496</u>
\$ INCREASE(DECREASE)					<u>-\$1</u>
% INCREASE(DECREASE)					<u>0.00%</u>

2011 LARGE GENERAL SERVICE - (LPTOD)			2011 With PSCR Roll-In	REVENUE	
UNITS	RATE	REVENUE			
SERVICE CHARGE	154	\$60.00	\$9,240	\$60.00	\$9,240
DEMAND CHARGE ON-PEAK	31,030	\$6.00	\$186,180	\$6.00	\$186,180
DEMAND CHARGE MAX	41,066	\$6.55	\$268,982	\$6.55	\$268,982
ENERGY CHARGE	13,515,540	\$0.04000	\$540,622	\$0.06951	\$939,465
PSCR	13,515,540	\$0.02198	<u>\$297,072</u>	-\$0.00753	<u>-\$101,772</u>
TOTAL			<u>\$1,302,096</u>		<u>\$1,302,095</u>
\$ INCREASE(DECREASE)					<u>-\$1</u>
% INCREASE(DECREASE)					<u>0.00%</u>

\$14,650 Primary meter Discount

2011 WATER HEATER CREDITS (CWH)			2011 With PSCR Roll-In	REVENUE	
UNITS	RATE	REVENUE			
30 GAL - 3 HOURS	5,351	-\$4.50	-\$24,080	-\$4.50	-\$24,080
50 GAL - 4 HOURS	7,126	-\$6.00	-\$42,756	-\$6.00	-\$42,756
80 GAL - 8 HOURS	562	-\$7.50	<u>-\$4,215</u>	-\$7.50	<u>-\$4,215</u>
TOTAL			<u>-\$71,051</u>		<u>-\$71,051</u>
\$ INCREASE(DECREASE)					<u>\$0</u>
% INCREASE(DECREASE)					<u>0.00%</u>

2011 CONTROLLED HEATING (CH)			2011 With PSCR Roll-In	REVENUE	
UNITS	RATE	REVENUE			
ENERGY CHARGE SCHEDULE A	3,039,888	\$0.0475	\$144,395	\$0.07701	\$234,102
ENERGY CHARGE SCHEDULE GS	219,849	\$0.0475	\$10,443	\$0.07701	\$16,931

PSCR	3,259,737	\$0.02198	\$71,649	-\$0.00753	-\$24,546
TOTAL			<u>\$226,487</u>		<u>\$226,487</u>
\$ INCREASE(DECREASE)					<u>\$0</u>
% INCREASE(DECREASE)					0.00%

OUTDOOR PROTECTIVE LIGHTING SERVICE (OD)

175 W MV	821	\$9.65	\$95,072	\$11.65	\$114,776
400 W MV	11	\$17.16	\$2,265	\$21.10	\$2,785
100 W HPS	893	\$7.24	\$77,584	\$8.30	\$88,943
250 W HPS	216	\$11.74	\$30,430	\$14.25	\$36,936
PSCR	1,283,925	\$0.02198	\$28,221	-\$0.00753	-\$9,668
TOTAL			<u>\$233,572</u>		<u>\$233,772</u>
\$ INCREASE(DECREASE)					<u>\$200</u>
% INCREASE(DECREASE)					0.09%

kwh/light	kWh	
	Monthly	Annual
67	55,007	660,084
134	1,474	17,688
36	32,148	385,776
85	18,360	220,320
		1,283,868

* Rounded to nearest \$.05

PRIMARY SUPPLY RATE (PSDS)

DISTRIBUTION DEMAND	26,993	\$6.10	\$164,657	\$6.10	\$164,657
DISTRIBUTION VARIABLE	11,124,600	\$0.00540	\$60,073	\$0.00540	\$60,073
PSDF CHARGE	11,124,600	\$0.00000	\$0	\$0.00000	\$0
POWER SUPPLY DEMAND	17,214	\$7.16	\$123,252	\$7.16	\$123,252
POWER SUPPLY REACTIVE	14,366	\$0.25	\$3,592	\$0.25	\$3,592
POWER SUPPLY ENERGY	11,124,600	\$0.03140	\$349,312	\$0.06091	\$677,599
PSCR	11,124,600	\$0.02198	\$244,519	-\$0.00753	-\$83,768
TOTAL			<u>\$945,405</u>		<u>\$945,405</u>
\$ INCREASE(DECREASE)					<u>\$0</u>
% INCREASE(DECREASE)					0.00%

TOTAL	239,040,146		\$32,190,577		\$32,190,776
TOTAL \$ INCREASE(DECREASE)					\$199
TOTAL % INCREASE(DECREASE)					0.00%

kWh Summary

RESIDENTIAL SERVICE (A)	141,706,409
SEASONAL RESIDENTIAL SERVICE (S)	23,261,342
OUTDOOR PROTECTIVE LIGHTING SERVICE (OD)	1,283,925
kWh for Other Rates	<u>72,788,470</u>
	239,040,146

Form 7	<u>239,299,727</u>	
	<u>(259,581)</u>	NEG & Seasonal Estimates

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

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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 2011
=====	
3. IS THIS REPORT SUBMITTED AS AN ORIGINAL OR REVISION? IF THIS IS A REVISION, ATTACH AN EXPLANATION.	Original
=====	
4. DATE OF REPORT SUBMISSION:	January 26, 2012
=====	
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 21.980
=====	

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	20,457,514
b. Applied PSCR factor:	mills per kWh	22.4896643
c. PSCR factor revenues: (a * b)		\$ 460,082.62
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)		\$ 1,193,491.37
f. TOTAL POWER SUPPLY COST REVENUE: (c + e)		\$ 1,653,573.99
8. THE TOTAL COST OF POWER (from attached worksheets)) APPLICABLE TO SALES REPORTED ABOVE:		\$ 1,835,890.58
9. MONTHLY OVER(UNDER) COLLECTION : (7f-8)		\$ (182,316.59)
10. TOTAL OVER/(UNDER) COLLECTION THIS PSCR YEAR		\$ 193,143.57
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	2010 Roll In	Seasonal	Year to Date	Remaining
U-16042					
Auth.PSCR adj.(m/kWh)					
Auth.PSCR adj.(dollars)		\$ (12,049.04)	\$ (1,458.60)	\$ (16,317.78)	\$ 4,268.74
CASE NO.	PSCR YEAR	2010 Roll In	Monthly	Year to Date	Remaining
U-16042					
Auth.PSCR adj.(m/kWh)					
Auth.PSCR adj.(dollars)		\$ (108,783.99)	\$ (8,967.86)	\$ (105,642.42)	\$ (3,141.57)

NAME OF REPORTING UTILITY :		PRESQUE ISLE ELECTRIC COOPERATIVE			PRESQUE ISLE ELECTRIC COOPERATIVE				
2011		U-16430 December			U-16430 YEAR TO DATE				
		(ag)	(ah)	(ai)	(aj)	(ak)	(al)		
		*UNITS	\$	\$/Unit	*UNITS	\$	\$/Unit		
PURCHASED POWER FROM WOLVERINE									
1	Energy-A	21,970,800	\$ 1,193,322.03	0.054314	238,014,600	\$ 11,452,349.13	0.048116		
2	Energy-LPI	1,375,800	\$ 61,911.00	0.045000	19,326,600	\$ 869,391.96	0.044984		
3	Budget PSCR	23,346,600	\$47,627.06	0.002040	257,341,200	\$ 958,013.85	0.003723		
4	PSCR Adjustment	21,163,800	(\$19,470.70)	(0.000920)	258,156,000	(\$399,498.69)	(0.001548)		
5 Total Energy		23,346,600	\$ 1,283,389.40	0.054971	257,341,200	\$ 12,880,256.25	0.050051		
6	Demand-Rate A	41,169	\$ 387,400.29	9.410000	440,859	\$ 4,148,483.19	9.410000		
7	Demand-Rate C & I	1,880	\$ 21,184.35	11.268271	29,590	\$ 278,565.88	9.414190		
8	kVAR Schedule A	3,554	\$ 888.50	0.250000	41,538	\$ 10,384.50	0.250000		
9	kVAR Schedule C & I	1,962	\$ 490.50	0.250000	28,263	\$ 7,065.75	0.250000		
10	Power Supply Development	23,346,600	\$ -	0.000000	257,341,200	\$ 627,591.00	0.002439		
11	Michigan Joint Zone Credit	43,049	\$ (176,924.43)	(4.109838)	470,449	(\$1,989,929.08)	(4.229851)		
12	Load Management Credits		\$ (13,076.10)			(\$216,101.40)			
13	Substation Fixed Charge	18	\$ 37,544.04	\$ 2,085.78	252	\$ 459,702.00	1824.214286		
14	Substation Carrying Charge		\$ 62,541.57	Varies		\$ 580,938.59	Varies		
15	Shared Dist. Equip. Carrying Charge		\$ 3,272.06	Varies		\$ 30,480.02	Varies		
16	Redial Line Carrying Charge		\$ 26,175.33	Varies		\$ 314,103.96	Varies		
17	Transmission Charges		\$ 202,980.65			\$2,017,000.13			
18	TOTAL WPSC	23,346,600	\$ 1,835,866.16	0.078635	257,341,200	\$ 19,148,540.79	0.074409		
18 B	Total NEG Purchases	237	\$ 24.42	0.103037975	4,521	\$ 466.81	0.000000		
19	Total kWh Purchase & Cost	23,346,837	\$ 1,835,890.58	0.078636	257,345,721	\$ 19,149,007.60	0.074410		
20	Less: Line Loss	2,889,323		0.123756507	18,050,515	\$ -	0.070141		
21	kWh Available for Use	20,457,514	\$ 1,835,890.58	0.08974163	239,295,206	\$ 19,149,007.60	0.080023		
22	PSCR SALES & POWER COSTS	20,457,514	\$ 1,835,890.58	0.089742	239,295,206	\$ 19,149,007.60	0.080023		
PSCR OVER/(UNDER) RECOVERY		BASE	FACTOR	TOTAL	BASE	FACTOR	TOTAL		
A. PSCR REVENUE									
23	1. Mills/kWh	58.3400	22.489664	80.8297	58.340000	22.4897	80.829664		
24	2. PSCR Sales	20,457,514	20,457,514	20,457,514	239,295,206	239,295,206	239,295,206		
25	3. PSCR Revenue [(1*2)/1000]	\$ 1,193,491.37	\$ 460,082.62	\$ 1,653,573.99	13,960,482	\$ 5,381,668.85	\$ 19,342,151.17		
26	C. PSCR COST			\$ 1,835,890.58			\$ 19,149,007.60		
27	D. OVER/(UNDER) RECOVERY			\$ (182,316.59)			\$ 193,143.57		
Current Year to Date			\$ 193,143.57			\$ 193,143.56			
Surcharge Distribution:		kWh	Recovery	FACTOR	kWh	Recovery	Surcharge Remaining: Target Recovery	Est pscr kWh:	Adjustment
Prior Year Monthly - 2010 U-16042		17,595,627	\$ (8,967.86)	(0.509664)	207,278,463	\$ (105,642.42)	\$ (3,141.57)	\$ (108,783.99)	203,073,718
Prior Year Seasonal - 2010 U-16042		2,861,887	\$ (1,458.60)	(0.509664)	32,016,743	\$ 4,268.74	(12,049)		34,009,847
			\$ (10,426.46)	(0.509664)	239,295,206	(121,960.21)	1,127.18	(120,833)	237,083,565
Combined PSCR		20,457,514	\$ 449,656.16	21.98	239,295,206	5,259,709	21.98000		

Presque Isle Electric & Gas Co-op

2013 PSCR Plan Overview

Line No.

1	Projected Energy Purchases (kWh)	256,743,000
2	Less: Line Losses (7.53%)	19,332,748
3	Projected Energy Sales (kWh)	237,410,252
4	Projected Energy Costs	\$ 21,614,963.00
5	PSCR Rate - mills/kWh (Line 4/Line 3)	91.04
6	PSCR Base - mills/kWh	<u>87.85</u>
7	PSCR Factor - mills/kWh (Line 5 - Line 6)	3.19
8	PSCR Rate - \$/kWh	\$ 0.09104
9	PSCR Base - \$/kWh	0.08785
10	PSCR Factor - \$/kWh	\$ 0.00319

Presque Isle Electric & Gas Co-op
2013 PSCR Plan
Summary

	Existing Rates	Units	Amounts
<u>Units</u>			
Energy (General)	\$ 0.054314	kWh	236,683,898
Energy (C&I)	\$ 0.045000	kWh	20,059,102
Demand (General)	\$ 9.41	kW/mo.	434,460
Demand (C&I)	\$ 10.41	kW/mo.	29,330
Member's Coincident Peak	NA	kW/mo.	463,790
Trans. Members Coincident Peak	NA	kW	5,812,587
Energy (Total)	NA	kWh	256,743,000
General Energy, % Total Energy	NA	% and pts.	92.2%
General Demand, % Total Demand	NA	%	93.7%
Member's Share of Coin. Peak	NA	% and pts.	8.0%
Fuel Clause Adjustment, Budget	NA	\$/kWh	0.06141
Fuel Clause Adjustment, True Up	NA	\$/kWh	0.00000
kVAR (General)	\$ 0.25	VAR	41,560
kVAR (C&I)	\$ 0.25	VAR	29,950
Controlled Heating Energy	\$ 0.030000	kWh	2,953,900
Controlled Water Heating Units	\$ 4.50	no.	12,701
Network Transmission	18.31%	Invest. \$	NA
Michigan Joint Zone	NA	\$	27,000,000
Excluded Facilities (Radials)	17.11%	Invest. \$	1,841,766
Excluded Facilities (Lines)	17.11%	Invest. \$	6,287,536
Distribution Substation, %	10.16%	Invest. \$	7,778,510
Distribution Substation, \$/sub	\$ 2,085.78	# subs	18
Temporary Rate Reduction	NA	\$	(412,791)
<u>Dollar Amounts</u>			
Energy (General)		\$	12,855,249
Energy (C&I)		\$	902,660
Demand (General)		\$	4,088,269
Demand (C&I)		\$	305,325
Fuel Clause Adjustment, Budget		\$	1,285,451
Fuel Clause Adjustment, True Up		\$	0
kVAR (General)		\$	10,390
kVAR (C&I)		\$	7,488
Controlled Heating Credits		\$	(145,772)
Network Transmission		\$	2,459,139
Michigan Joint Zone		\$	(2,133,353)
Excluded Facilities (Total)		\$	402,084
Distribution Substation, %		\$	790,297
Distribution Substation, \$/sub		\$	450,528
Temporary Rate Reduction		\$	(412,791)
Total		\$	20,864,963
Non-Energy Components		\$	7,519,846

Contribution to Bundled Rate

Energy (General)	\$/MWh	50.07
Energy (C&I)	\$/MWh	3.52
Demand (General)	\$/MWh	15.92
Demand (C&I)	\$/MWh	1.19
Fuel Clause Adjustment, Budget	\$/MWh	5.01
Fuel Clause Adjustment, True Up	\$/MWh	0.00
kVAR (General)	\$/MWh	0.04
kVAR (C&I)	\$/MWh	0.03
Controlled Heating Credits	\$/MWh	(0.57)
Network Transmission	\$/MWh	9.58
Michigan Joint Zone	\$/MWh	(8.31)
Excluded Facilities (Total)	\$/MWh	1.57
Distribution Substation, %	\$/MWh	3.08
Distribution Substation, \$/sub	\$/MWh	1.75
Temporary Rate Reduction	\$/MWh	(1.61)
Total	\$/MWh	81.27

Inputs for Member's PSCR Factor

Member's Line Losses	%	7.53%
Member's Line Losses	kWh	19,332,748
Wholesale Purchases - Member's Losses	kWh	237,410,252
Member's Sales to its Members	kWh	237,410,252
PSCR Sales	kWh	237,410,252
Prior Year (Over)/Under Collection	\$	750,000
PSCR Cost	\$	21,614,963
Power Supply Rate Before HQ Use and (O)/U Coll.	\$/MWh	87.89
PSCR Rate	\$/MWh	91.04
PSCR Base	\$/MWh	87.85
PSCR Factor	\$/MWh	3.19
Member's PSCR Revenue	\$	21,613,829
Member's PSCR Cost	\$	21,614,963
Member's Over/(Under) Collection	\$	(1,134)

2013 PSQR Plan

Existing Rates		Units	PSCR Plan generated September 2012												
			January	February	March	April	May	June	July	August	September	October	November	December	Full Year
Units															
Energy (General)	\$ 0.054314	kWh	22,925,800	20,175,900	19,534,161	17,200,700	17,760,050	17,796,120	22,069,717	20,353,000	17,754,200	18,836,150	19,741,800	22,536,300	236,683,898
Energy (C&I)	\$ 0.045000	kWh	1,523,200	1,414,100	1,629,839	1,504,300	1,680,950	1,860,880	2,152,283	2,053,000	1,720,800	1,648,850	1,453,200	1,417,700	20,059,102
Demand (General)	\$ 9.41	kW/mo.	42,080	37,030	35,850	31,570	32,240	32,700	39,690	37,340	32,750	36,620	34,780	41,810	434,460
Demand (C&I)	\$ 10.41	kW/mo.	1,850	2,100	2,430	2,240	2,500	2,730	3,160	3,060	2,550	2,420	2,170	2,120	29,330
Member's Coincident Peak	NA	kW/mo.	43,930	39,130	38,280	33,810	34,740	35,430	42,850	40,400	35,300	37,200	38,790	43,930	463,790
Trans. Members Coincident Peak	NA	kW	488,444	443,114	418,240	388,776	459,066	551,782	634,301	568,754	484,016	410,418	461,156	504,521	5,812,587
Energy (Total)	NA	kWh	24,449,000	21,590,000	21,164,000	18,705,000	19,441,000	19,657,000	24,222,000	22,406,000	19,475,000	20,485,000	21,195,000	23,954,000	256,743,000
General Energy, % Total Energy	NA	% and pts.	93.8%	93.5%	92.3%	92.0%	91.4%	90.5%	91.1%	90.8%	91.2%	92.0%	93.1%	94.1%	92.2%
General Demand, % Total Demand	NA	%	95.8%	94.6%	93.7%	93.4%	92.8%	92.3%	92.6%	92.4%	92.8%	93.5%	94.4%	95.2%	93.7%
Member's Share of Coin. Peak	NA	% and pts.	9.0%	8.8%	9.2%	8.7%	7.6%	6.4%	6.8%	7.1%	7.3%	9.1%	8.4%	8.7%	8.0%
Fuel Clause Adjustment, Budget	NA	\$/kWh	0.00377	0.00408	0.00506	0.00590	0.00746	0.00604	0.00249	0.00300	0.00686	0.00637	0.00590	0.00448	0.06141
Fuel Clause Adjustment, True Up	NA	\$/kWh	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
kVAR (General)	\$ 0.25	VAR	4,020	3,540	3,430	3,020	3,080	3,130	3,800	3,580	3,130	3,330	3,500	4,000	41,560
kVAR (C&I)	\$ 0.25	VAR	2,280	2,140	2,430	2,240	2,540	2,780	3,180	3,050	2,610	2,460	2,150	2,090	29,950
Controlled Heating Energy	\$ 0.030000	kWh	383,460	519,130	470,030	365,840	339,930	236,260	102,770	56,750	49,530	52,330	126,570	251,300	2,953,900
Controlled Water Heating Units	\$ 4.50	no.	1,062	1,060	1,055	1,031	1,043	1,052	1,096	1,076	1,052	1,077	1,037	1,060	12,701
Network Transmission	18.31%	Invest. \$	149,623,380	149,623,380	149,623,380	149,623,380	149,623,380	149,623,380	183,503,662	183,503,662	183,503,662	183,503,662	183,503,662	183,503,662	NA
Michigan Joint Zone	NA	\$	1,620,100	1,750,600	1,682,100	1,583,700	1,885,500	2,441,800	3,522,600	3,068,800	2,644,600	2,023,800	2,116,800	2,659,600	27,000,000
Excluded Facilities (Radials)	17.11%	Invest. \$	1,841,766	1,841,766	1,841,766	1,841,766	1,841,766	1,841,766	1,841,766	1,841,766	1,841,766	1,841,766	1,841,766	1,841,766	1,841,766
Excluded Facilities (Lines)	17.11%	Invest. \$	6,287,536	6,287,536	6,287,536	6,287,536	6,287,536	6,287,536	6,287,536	6,287,536	6,287,536	6,287,536	6,287,536	6,287,536	6,287,536
Distribution Substation, %	10.16%	Invest. \$	7,778,510	7,778,510	7,778,510	7,778,510	7,778,510	7,778,510	7,778,510	7,778,510	7,778,510	7,778,510	7,778,510	7,778,510	7,778,510
Distribution Substation, \$/sub	\$ 2,085.78	# subs	18	18	18	18	18	18	18	18	18	18	18	18	18
Temporary Rate Reduction	NA	\$	(34,399)	(34,399)	(34,399)	(34,399)	(34,399)	(34,399)	(34,399)	(34,399)	(34,399)	(34,399)	(34,399)	(34,402)	(412,791)
Dollar Amounts															
Energy (General)	\$	\$	1,245,192	1,095,834	1,060,978	934,239	964,619	966,578	1,198,695	1,105,453	964,302	1,023,067	1,072,256	1,224,037	12,855,249
Energy (C&I)	\$	\$	68,544	63,635	73,343	67,694	75,643	83,740	96,853	92,385	77,436	74,198	65,394	63,797	902,660
Demand (General)	\$	\$	395,973	348,452	337,349	297,074	303,378	307,707	373,483	351,369	308,178	327,280	344,594	393,432	4,088,269
Demand (C&I)	\$	\$	19,259	21,861	25,296	23,318	26,025	28,419	32,896	31,855	26,546	25,192	22,590	22,069	305,325
Fuel Clause Adjustment, Budget	\$	\$	92,173	88,087	107,090	110,360	145,030	118,728	60,313	67,218	133,599	130,489	125,051	107,314	1,285,451
Fuel Clause Adjustment, True Up	\$	\$	0	0	0	0	0	0	0	0	0	0	0	0	0
kVAR (General)	\$	\$	1,005	885	858	755	770	783	950	895	783	833	875	1,000	10,390
kVAR (C&I)	\$	\$	570	535	608	560	635	695	795	763	653	615	538	523	7,488
Controlled Heating Credits	\$	\$	(16,283)	(20,344)	(18,848)	(15,615)	(14,891)	(11,822)	(8,015)	(6,545)	(6,220)	(6,416)	(8,464)	(12,309)	(145,772)
Network Transmission	\$	\$	205,330	201,605	208,955	198,542	172,767	146,592	189,151	198,888	204,205	253,786	235,518	243,800	2,459,139
Michigan Joint Zone	\$	\$	(145,710)	(154,590)	(153,957)	(137,727)	(142,686)	(156,788)	(237,968)	(217,984)	(192,875)	(178,054)	(231,579)	(231,579)	(2,133,353)
Excluded Facilities (Total)	\$	\$	34,323	34,177	34,466	34,057	33,045	32,017	32,317	32,629	34,386	33,801	34,067	34,067	402,084
Distribution Substation, %	\$	\$	65,858	65,858	65,858	65,858	65,858	65,858	65,858	65,858	65,858	65,858	65,858	65,858	790,297
Distribution Substation, \$/sub	\$	\$	37,544	37,544	37,544	37,544	37,544	37,544	37,544	37,544	37,544	37,544	37,544	37,544	450,528
Temporary Rate Reduction	\$	\$	(34,399)	(34,399)	(34,399)	(34,399)	(34,399)	(34,399)	(34,399)	(34,399)	(34,399)	(34,399)	(34,399)	(34,402)	(412,791)
Total	\$	\$	1,969,379	1,749,140	1,745,140	1,582,259	1,633,338	1,585,652	1,808,471	1,725,928	1,618,407	1,748,997	1,783,102	1,915,150	20,864,963
Non-Energy Components	\$	\$	690,042	624,071	645,218	614,726	627,475	569,733	547,322	562,489	611,068	686,132	679,851	661,719	7,519,846
Contribution to Bundled Rate															
Energy (General)	\$/MWh	\$	50.93	50.76	50.13	49.95	49.62	49.17	49.49	49.34	49.51	49.94	50.59	51.10	50.07
Energy (C&I)	\$/MWh	\$	2.80	2.95	3.47	3.62	3.89	4.26	4.00	4.12	3.98	3.62	3.09	2.66	3.52
Demand (General)	\$/MWh	\$	16.20	16.14	15.94	15.88	15.61	15.65	15.42	15.68	15.82	15.98	16.26	16.42	15.92
Demand (C&I)	\$/MWh	\$	0.79	1.01	1.20	1.25	1.34	1.45	1.36	1.42	1.36	1.23	1.07	0.92	1.19
Fuel Clause Adjustment, Budget	\$/MWh	\$	3.77	4.08	5.06	5.90	7.46	6.04	2.49	3.00	6.86	6.37	5.90	4.48	5.01
Fuel Clause Adjustment, True Up	\$/MWh	\$	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
kVAR (General)	\$/MWh	\$	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
kVAR (C&I)	\$/MWh	\$	0.02	0.02	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.03
Controlled Heating Credits	\$/MWh	\$	(0.67)	(0.94)	(0.89)	(0.83)	(0.77)	(0.60)	(0.33)	(0.29)	(0.32)	(0.31)	(0.40)	(0.51)	(0.57)
Network Transmission	\$/MWh	\$	8.40	9.34	9.87	10.61	8.89	7.46	7.81	8.88	10.49	12.39	11.11	10.18	9.58
Michigan Joint Zone	\$/MWh	\$	(5.96)	(7.16)	(7.27)	(7.36)	(7.34)	(7.98)	(9.82)	(9.73)	(9.90)	(8.95)	(8.40)	(9.67)	(8.31)
Excluded Facilities (Total)	\$/MWh	\$	1.40	1.58	1.63	1.82	1.70	1.63	1.33	1.46	1.68	1.68	1.59	1.42	1.57
Distribution Substation, %	\$/MWh	\$	2.69	3.05	3.11	3.52	3.39	3.35	2.72	2.94	3.38	3.21	3.11	2.75	3.08
Distribution Substation, \$/sub	\$/MWh	\$	1.54	1.74	1.77	2.01	1.93	1.91	1.55	1.68	1.93	1.83	1.77	1.57	1.75
Temporary Rate Reduction	\$/MWh	\$	(1.41)	(1.59)	(1.63)	(1.84)	(1.77)	(1.75)	(1.42)	(1.54)	(1.77)	(1.68)	(1.62)	(1.44)	(1.61)
Total	\$/MWh	\$	80.55	81.02	82.46	84.59	84.02	80.67	74.66	77.03	83.10	85.38	84.13	79.95	81.27

2013 PSCR Plan

	Existing Rates	Units	PSCR Plan generated September 2012												
			January	February	March	April	May	June	July	August	September	October	November	December	Full Year
Inputs for Member's PSCR Factor															
Member's Line Losses	%		7.53%	7.53%	7.53%	7.53%	7.53%	7.53%	7.53%	7.53%	7.53%	7.53%	7.53%	7.53%	7.53000%
Member's Line Losses	kWh		1,841,010	1,625,727	1,593,649	1,408,487	1,463,907	1,480,172	1,823,917	1,687,172	1,466,468	1,542,521	1,595,984	1,803,736	19,332,748
Wholesale Purchases - Member's Losses	kWh		22,607,990	19,964,273	19,570,351	17,296,514	17,977,093	18,176,828	22,398,083	20,718,828	18,008,533	18,942,480	19,599,017	22,150,264	237,410,252
Member's Sales to its Members	kWh		22,607,990	19,964,273	19,570,351	17,296,514	17,977,093	18,176,828	22,398,083	20,718,828	18,008,533	18,942,480	19,599,017	22,150,264	237,410,252
PSCR Sales	kWh		22,607,990	19,964,273	19,570,351	17,296,514	17,977,093	18,176,828	22,398,083	20,718,828	18,008,533	18,942,480	19,599,017	22,150,264	237,410,252
Prior Year (Over)/Under Collection	\$		62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	750,000
PSCR Cost	\$		2,031,879	1,811,640	1,807,640	1,644,759	1,695,838	1,648,152	1,870,971	1,788,428	1,680,907	1,811,497	1,845,602	1,977,650	21,614,963
Power Supply Rate Before HQ Use and (O)/U Coll \$/MWh	\$		87.11	\$ 87.61	\$ 89.17	\$ 91.48	\$ 90.86	\$ 87.23	\$ 80.74	\$ 83.30	\$ 89.87	\$ 92.33	\$ 90.98	\$ 86.46	\$ 87.89
PSCR Rate	\$/MWh		91.04	91.04	91.04	91.04	91.04	91.04	91.04	91.04	91.04	91.04	91.04	91.04	91.04
PSCR Base	\$/MWh		87.85	87.85	87.85	87.85	87.85	87.85	87.85	87.85	87.85	87.85	87.85	87.85	87.85
PSCR Factor	\$/MWh		3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19
Member's PSCR Revenue	\$		2,058,231	1,817,547	1,781,685	1,574,675	1,636,635	1,654,818	2,039,122	1,886,242	1,639,497	1,724,523	1,784,294	2,016,560	21,613,829
Member's PSCR Cost	\$		2,031,879	1,811,640	1,807,640	1,644,759	1,695,838	1,648,152	1,870,971	1,788,428	1,680,907	1,811,497	1,845,602	1,977,650	21,614,963
Member's Over/(Under) Collection	\$		26,352	5,907	(25,955)	(70,085)	(59,204)	6,666	168,151	97,814	(41,410)	(86,974)	(61,307)	38,910	(1,134)

**SECTION D RATE
SCHEDULES**

Power Supply Cooperative Clause

This clause permits the monthly adjustment of rates for power supply to allow recovery of the booked costs of purchased power incurred under reasonable and prudent policies and practices.

For purposes of this clause, the following definitions apply:

"Power supply cost recovery factor" means that element of the rates to be charged for electric service to reflect power supply costs incurred and made pursuant to a power supply cost recovery clause incorporated in the rates or rate schedule.

"Power supply cost recovery plan" means a determination by the Cooperative made annually describing the expected sources of electric power supply and changes over a future 12-month period specified by the Cooperative's Board of Directors and specifying for each of those 12 months a specified power supply cost recovery factor.

"Power supply costs" means those elements of the costs of purchased power as determined by the Cooperative's Board of Directors to be included in the calculation of the power supply cost recovery factor.

The Power Supply Cost Recovery factor shall consist of 0.01088 mills per kilowatthour for each full .01 mills per kWh, of power supply costs, less the allowance for cost of power supply included in base rates, rounded to the nearest .01 mills per kilowatthour. The power supply cost recovery factor to be applied to the Cooperative's retail Member-Consumers' monthly kilowatthour usage represents the power supply costs as established by the Cooperative's Board of Directors pursuant to a power supply and cost review hearing conducted by the Cooperative's Board of Directors. The power supply and cost review will be conducted not less than once a year for the purpose of evaluating the power supply cost recovery plan submitted by Cooperative to the Cooperative's Board of Directors and to authorize appropriate power supply cost recovery factors.

Not less than once a year and not later than 4 months after the end of the 12-month period covered by Cooperative's most recently authorized power supply cost recovery plan, a power supply cost reconciliation will be submitted by the Cooperative to the Cooperative's Board of Directors to reconcile the revenues recorded pursuant to the power supply cost recovery factor and the allowance for cost of power included in the base rates as established by the Cooperative's Board of Directors under Cooperative's most recent power supply cost recovery plan, among other things. Cooperative shall be required to refund to Member-Consumers, or to credit to Member-Consumers' bills any net amount determined to have been recovered which is in excess of the amounts actually expensed by Cooperative for power supply. Cooperative shall recover from Member-Consumers any net amount by which the amount determined to have been recovered over the period covered was less than the amount determined to have been actually expensed by Cooperative for power supply.

(Continued on Sheet No. D-1.01)

Issued **November 27, 2012**
By: Brian Burns
President and CEO
Onaway, Michigan

Effective for service rendered on and
February 1, 2013

Issued under the authority of the **Board
of Directors dated 11/27/12**

For the twelve (12) months ending December 2013, the Power Supply Cost Recovery Factor is \$0.00319 per kWh. The allowance for cost of power supply included in base rates is \$0.08785 per kWh.

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