

Presque Isle Electric & Gas Co-op
SPECIAL BOARD MEETING
May 28, 2019

A special meeting of the Board of Directors of Presque Isle Electric & Gas Co-op was held on May 28, 2019 at PIE&G headquarters in Onaway, Michigan. Chairman Brown called the meeting to order at 9:00 a.m.

Roll call was taken with Directors Arbour, Berg, Borowicz, Brown, Knopf, Krajniak, Lucas, Peterson and Wozniak present. A quorum was present. Also attending were Chief Executive Officer Sobeck, Chief Financial Officer Stempky, Attorney Ekdahl, Information Systems Manager Kieliszewski, Director of Administration & Controller Cryderman, IT SEC/CSS Specialist Hartung and Executive Assistant DeMaestri.

Public Act 167 of 2008: The Electric Cooperative Member Regulation Act: CEO Sobeck provided a summary of PA 167 and highlighted the process and rationale for becoming a member regulated cooperative.

REVIEW ITEMS

CFO Sobeck indicated there was three (3) items for the board's consideration and discussed the following;

- 1. Accept 2018 Electric Operations TIER Analysis:** The TIER analysis for the 2018 electric operating year indicated an adjusted TIER of 1.40, which falls outside the "Quiet Zone" known as the TIER range of 1.60 to 2.20. A revenue increase of \$617,401 is required to achieve a 1.8 Target TIER. Discussion ensued.
- 2. Implement Revenue Increase to Specific Rate Classes:** The increase in revenue based upon the 2018 TIER analysis, required a review of the Cost of Service Study exhibits which indicated there continues to be subsidies between rate classes. PIE&G Board Policy No. 307 provides that the cooperative will design energy rates in a manner that allocates costs across rate classes in an equitable manner and minimizes subsidies between rate classes. Discussion ensued.
- 3. Electric Rate Design:** The Cost of Service Study indicated there continues to be a need to increase the revenue and rates of the Monthly, Seasonal, General Service, Large General Service, Primary Service and Outdoor Lighting rate classes. Discussion ensued.

GUESTS & MEMBER COMMENT

CEO Sobeck introduced the two union employee guests, Randy Kreft a Journeyman Lineman and Julie McAtee an office clerk. CEO Sobeck welcomed PIE&G member, Lois

Darga, and inquired if Ms. Darga would like to address the board. Ms. Darga indicated she is a professor at Alpena Community College and is planning to teach a course on utility business and was attending the meeting to gain a little more knowledge of local utility principles and practices.

ACTION ITEMS

1. **Accept 2018 Electric Operations TIER Analysis:** *A motion was made by Krajniak, seconded by Knopf, to accept management's 2018 ELECTRIC TIER analysis, which indicates a revenue increase of \$617,401 is required to achieve a Target TIER of 1.8. A roll call vote was taken with all directors voting in the affirmative. Motion carried by a 9-0 vote. (Refer to Board Resolution 2019-MR-02 attached.)*

2. **Implement Revenue Increase to Specific Rate Classes:** *A motion was made by Borowicz, seconded by Wozniak, to direct management to implement electric rate increases to the residential monthly, seasonal, general service, large general service, primary service and outdoor lighting rate classes in the following manner effective with bills rendered on or after September 1, 2019:*
 - Residential Monthly Total Increase \$ 444,413*
 - Residential Seasonal Total Increase \$ 109,889*
 - General Service \$ 30,906*
 - Large General Service \$ 4,225*
 - Primary Service \$ 14,539*
 - Outdoor Lighting Total Increase \$ 13,429**A roll call vote was taken with all directors voting in the affirmative. Motion carried by a 9-0 vote. (Refer to Board Resolution 2019-MR-03 attached.)*

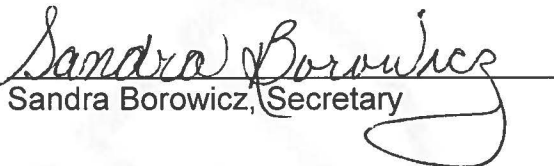
3. **Electric Rate Design:** *A motion was made by Krajniak, seconded by Knopf, to direct management to implement electric distribution rate increases to the residential monthly, seasonal, general service, large general service, primary service and outdoor lighting rate classes in the following manner effective with bills rendered on or after September 1, 2019:*
 - Residential Monthly distribution charge \$0.03067 per kWh*
 - Residential Seasonal distribution charge \$0.07815 per kWh*
 - General Service distribution charge \$0.02535 per kWh*
 - Large General Service distribution charge \$0.01548 per kWh*
 - Primary Service distribution charge \$0.00646 per kWh*
 - Outdoor Lighting*
 - 175W MV \$ 12.00 per month*
 - 400W MV \$ 21.74 per month*
 - 100W HPS \$ 8.55 per month*
 - 250W HPS \$ 14.68 per month*
 - 40W LED T5 \$ 7.05 per month*

A roll call vote was taken with all directors voting in the affirmative. Motion carried by a 9-0 vote. (Refer to Board Resolution 2019-MR-04 attached.)

ADJOURNMENT

There being no further business to come before the board ***a motion was made by Wozniak, seconded by Lucas, to adjourn. Ayes – all, motion carried.*** Chairman Brown adjourned the meeting at 9:15 a.m.


John F. Brown, Chairman


Sandra Borowicz, Secretary

/ddm

PRESQUE ISLE ELECTRIC & GAS CO-OP
BOARD RESOLUTION
May 28, 2019

RESOLUTION 2019-MR02
2018 ELECTRIC OPERATIONS TIMES INTEREST EARNED RATIO
(TIER) ANALYSIS

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

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

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

WHEREAS, the TIER rate setting mechanism provides for a TIER range of 1.6 to 2.2 with a Target TIER of 1.8 and PIE&G has established that the TIER calculation for the 2018 operating year indicates an adjusted TIER of 1.40; and

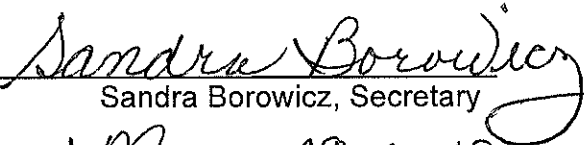
WHEREAS, an adjusted TIER of 1.40 falls outside the "Quiet Zone"; and

WHEREAS, a revenue increase of \$617,401 is required to achieve a 1.8 Target TIER;

NOW BE IT HEREBY RESOLVED that the PIE&G Board of Directors accepts management's 2018 ELECTRIC TIER analysis, which indicates a revenue increase of \$617,401 is required to achieve a Target TIER of 1.8.

CERTIFICATION

I, Sandra Borowicz, Secretary of the Board of Directors of Presque Isle Electric & Gas Co-op, do hereby certify that the above is a true and correct copy of a resolution adopted at a special meeting of the Board of Directors of Presque Isle Electric & Gas Co-op held on May 28, 2019.

By: 
Sandra Borowicz, Secretary

Dated: May 28, 2019

PRESQUE ISLE ELECTRIC & GAS CO-OP
BOARD RESOLUTION
May 28, 2019

RESOLUTION 2019-MR03
2019 ELECTRIC RATE REVENUE REQUIREMENTS

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

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

WHEREAS, PIE&G has established that the 2018 TIER Analysis provides for an increase of \$617,401 to achieve a Target TIER of 1.8; and

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

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

NOW BE IT HEREBY RESOLVED that the PIE&G Board of Directors directs management to implement electric rate increases to the residential monthly, seasonal, general service, large general service, primary service and outdoor lighting rate classes in the following manner effective with bills rendered on or after September 1, 2019:

Residential Monthly Total Increase	\$ 444,413
Residential Seasonal Total Increase	\$ 109,889
General Service	\$ 30,906
Large General Service	\$ 4,225
Primary Service	\$ 14,539
Outdoor Lighting Total Increase	\$ 13,429

CERTIFICATION

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By: *Sandra Borowicz*
Sandra Borowicz, Secretary

Dated: *May 28, 2019*

PRESQUE ISLE ELECTRIC & GAS CO-OP
BOARD RESOLUTION
May 28, 2019

RESOLUTION 2019-MR04
2019 ELECTRIC RATE DESIGN

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

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

WHEREAS, PIE&G has established that the 2012 TIER Analysis provides for an increase of \$617,401 to achieve a Target TIER of 1.8; and

WHEREAS, PIE&G has established that the increase of \$617,401 is to be implemented on the Residential Monthly, Seasonal, General Service, Large General Service, Primary Service and Outdoor Lighting rate classes; and

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

NOW BE IT HEREBY RESOLVED that the PIE&G Board of Directors directs management to implement electric distribution rate increases to the residential monthly, seasonal, general service, large general service, primary service and outdoor lighting rate classes in the following manner effective with bills rendered on or after September 1, 2019:

Residential Monthly	distribution charge	\$0.03067 per kWh
Residential Seasonal	distribution charge	\$0.07815 per kWh
General Service	distribution charge	\$0.02535 per kWh
Large General Service	distribution charge	\$0.01548 per kWh
Primary Service	distribution charge	\$0.00646 per kWh
Outdoor Lighting	175W MV	\$ 12.00 per month
	400W MV	\$ 21.74 per month
	100W HPS	\$ 8.55 per month
	250W HPS	\$ 14.68 per month
	40W LED T5	\$ 7.05 per month
	70W LED T3/T5	\$ 8.13 per month

CERTIFICATION

I, Sandra Borowicz, Secretary of the Board of Directors of Presque Isle Electric & Gas Co-op, do hereby certify that the above is a true and correct copy of a resolution adopted at a special meeting of the Board of Directors of Presque Isle Electric & Gas Co-op held on May 28, 2019.

By: Sandra Borowicz
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