



# SPECIAL BOARD MEETING

## OCTOBER 24, 2023

### Vision

**Our members and Northeast Michigan will regard us as a trusted energy and community partner.**

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### Mission

**To provide energy and other services to sustain and improve the quality of life for our members through the use of a cooperative business structure.**

# BOARD OF DIRECTORS MEMBER REGULATION

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## Agenda

- Call to Order – Chairman Brown
- Roll Call
- PA 167 of 2008 – CFO Stempky
- Review Items – CFO Stempky
  - 2024 Power Supply Cost Recovery (PSCR) Factor
  - 2024 Electric Revenue Increase
  - Implement Revenue Increase to Specific Rate Classes
  - Electric Rate Design



# BOARD OF DIRECTORS MEMBER REGULATION

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- Introduction of Guests & Member Comment
- Action Items – CFO Stempky
  - Acceptance of 2024 Power Supply Cost Recovery (PSCR) Factor
  - Acceptance of 2024 Electric Revenue Increase
  - Approve Revenue Increase to Specific Rate Classes
  - Approve Recommended Rate Design for each Rate Class
- Adjournment

# BOARD OF DIRECTORS MEMBER REGULATION

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- PIE&G became Member Regulated September 23, 2012. (Public Act 167 of 2008)
- Allows electric cooperatives to establish rates, charges, accounting standards, billing practices, and terms and conditions of service.
- Introduction of Guests

# BOARD OF DIRECTORS MEMBER REGULATION

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- Four Issues for Board Consideration
  - Acceptance of 2024 PSCR Factor
  - Acceptance of 2024 Electric Revenue Increase
  - Implement Revenue Increase to Specific Rate Classes
  - Electric Rate Design

# Member Regulation 2024 PSCR Factor

Current Factor \$0.01169

Proposed Factor \$0.00359

Decrease (\$0.00810)

OUR MEMBERS WILL REGARD US AS A TRUSTED ENERGY PARTNER.

# Member Regulation

## 2024 PSCR Factor

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- Based on the average residential consumption of 664 kWh, this would result in an estimated decrease of (\$5.59) per month, or (\$67.08) per year.
- Based on the average seasonal consumption (Schedule S) of 173 kWh, this would result in an estimated decrease of (\$1.46) per month, or (\$17.52) per year.



# Member Regulation 2024 PSCR Factor

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## Resolution 2023-MR-06

- Accept management's proposed maximum 2024 PSCR Factor of \$0.00359, to be implemented on February 1, 2024.



# Member Regulation Electric Rate Review Analysis



1.20 MDSC Projected for 2023

1.35 average MDSC needed to comply with mortgage covenants

1.50 MDSC needed in 2024 to meet average of 1.35

\$2,800,000 or 5.89% revenue increase to achieve 1.50 MDSC in 2024

10.74 mills per kWh sold

# Member Regulation

## Electric Rate Review Analysis

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➤ 2024 Electric Rate Increase	\$2,800,000
➤ 2023 Projected Electric Revenue	\$47,545,996
➤ Required % Increase	5.89%
➤ 2023 Projected kWh Sales	260,682,332
➤ Avg. Rate Increase per kWh	\$0.01074

# Member Regulation Electric Rate Review Analysis

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## Resolution 2023-MR-07

- Accept management's 2024 Electric Rate Review Analysis which indicates a revenue increase of \$2,800,000 is required to achieve a Target MDSC of 1.35.

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

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## Who should increase apply to?

- The Cost of Service Study indicates increases to all rate classes.

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

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Rate Class	COSS Revenue Adjustments	%
Residential Monthly	\$1,560,340	5.58%
Residential Seasonal	\$ 839,666	9.44%
General Service	\$ 268,797	4.21%
Large General Service	\$ 20,646	2.71%
LPTOD	\$ 39,650	2.31%
Primary Service	\$ 29,344	1.86%
Outdoor Lighting	\$ 41,557	17.05%
Total	\$2,800,000	5.89%

# Member Regulation Electric Rate Review – Revenue Increase

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## **Resolution 2023-MR-08**

- Accept management's recommendation to implement the revenue increase to the Residential Monthly, Seasonal, General Service, Large General Service, Large Power Time of Day, Primary Service, and Outdoor Lighting Rate Classes, per the schedule on the preceding page.
- Increase to be effective with bills rendered on or after February 1, 2024.

# Member Regulation Electric Rate Review Rate Design

Propose Adjusting the Rate Classes in the following manner:

Rate Class	Availability Charge	\$ Increase	kWh Charge	\$ Increase
Residential Monthly	\$24.00	\$0	\$0.05601	\$0.00989
Residential Seasonal	\$25.00	\$0	\$0.14284	\$0.03474
General Service 1PH	\$24.00	\$0	\$0.04094	\$0.00612
General Service 3PH	\$42.00	\$0	\$0.04094	\$0.00612
Large General Service	\$50.00	\$0	\$0.02846	\$0.00360
Large Power Time of Day	\$60.00	\$0	\$0.08075	\$0.00284
Primary Service	\$0	\$0	\$0.01647	\$0.00203

OUR MEMBERS WILL REGARD US AS A TRUSTED ENERGY PARTNER.



# Member Regulation Electric Rate Review Rate Design

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- Outdoor Lighting

## Proposed Rate

40 W LED T5

\$ 8.91

70 W LED T3/5

\$ 11.40

# Member Regulation Electric Rate Review Rate Design

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- Based on the average residential consumption of 664 kWh, this would result in an estimated increase of \$6.83 per month, or \$81.96 per year.
- Based on the average seasonal consumption (Schedule S) of 173 kWh, this would result in an estimated increase of \$6.25 per month, or \$75.00 per year.

# Member Regulation Electric Rate Review Rate Design

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## Resolution 2023-MR-09

- Accept management's recommendation to implement electric distribution rate increases to the Residential Monthly, Seasonal, General Service, Large General Service, Large Power Time of Day, Primary Service, and Outdoor Lighting Rate Classes, per the schedule outlined on the preceding pages.
- Increase to be effective with bills rendered on or after February 1, 2024.

# Member Regulation Electric Revenue Increase ALTERNATE PROPOSAL

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- Average the Residential and Seasonal Rate increases so that the per kWh increase is the same for both rates.

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# Member Regulation Electric Rate Review Increase per Cost of Service Study ALTERNATE PROPOSAL

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Rate Class	Revenue Adjustments	%
Residential Monthly	\$2,081,283	7.44%
Residential Seasonal	\$ 318,723	3.58%
General Service	\$ 268,797	4.21%
Large General Service	\$ 20,646	2.71%
LPTOD	\$ 39,650	2.31%
Primary Service	\$ 29,344	1.86%
Outdoor Lighting	\$ 41,557	17.05%
Total	\$2,800,000	5.89%

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# Member Regulation Electric Revenue Increase ALTERNATE PROPOSAL

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## Resolution 2023-MR-08

- Accept management's recommendation to implement the revenue increase to the Residential Monthly, Seasonal, General Service, Large General Service, Large Power Time of Day, Primary Service, and Outdoor Lighting Rate Classes, per the schedule on the preceding page.
- Increase to be effective with bills rendered on or after February 1, 2024.

# Member Regulation Electric Rate Review

## Rate Design

### ALTERNATE PROPOSAL

Propose Adjusting the Rate Classes in the following manner:

Rate Class	Availability Charge	\$ Increase	kWh Charge	\$ Increase
Residential Monthly	\$24.00	\$0	\$0.05931	\$0.01319
Residential Seasonal	\$25.00	\$0	\$0.12129	\$0.01319
General Service 1PH	\$24.00	\$0	\$0.04094	\$0.00612
General Service 3PH	\$42.00	\$0	\$0.04094	\$0.00612
Large General Service	\$50.00	\$0	\$0.02846	\$0.00360
Large Power Time of Day	\$60.00	\$0	\$0.08075	\$0.00284
Primary Service	\$0	\$0	\$0.01647	\$0.00203

OUR MEMBERS WILL REGARD US AS A TRUSTED ENERGY PARTNER.



# Member Regulation Electric Rate Review

## Rate Design

### ALTERNATE PROPOSAL

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- Outdoor Lighting

#### Proposed Rate

40 W LED T5

\$ 8.91

70 W LED T3/5

\$ 11.40

# Member Regulation Electric Rate Review

## Rate Design

### ALTERNATE PROPOSAL

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- Based on the average residential consumption of 664 kWh, this would result in an estimated increase of \$9.11 per month, or \$109.32 per year.
- Based on the average seasonal consumption (Schedule S) of 173 kWh, this would result in an estimated increase of \$2.37 per month, or \$28.44 per year.

OUR MEMBERS WILL REGARD US AS A TRUSTED ENERGY PARTNER.

# Member Regulation Electric Rate Review

## Rate Design

### ALTERNATE PROPOSAL

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#### Resolution 2023-MR-09

- Accept management's recommendation to implement electric distribution rate increases to the Residential Monthly, Seasonal, General Service, Large General Service, Large Power Time of Day, Primary Service, and Outdoor Lighting Rate Classes, per the schedule outlined on the preceding pages.
- Increase to be effective with bills rendered on or after February 1, 2024.

# Board of Directors Member Regulation

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## Member Comments

- PIE&G Tradition of Inviting Member Comments (in this case not required by PA167)...
- Welcome Member Comments

# Board of Directors Member Regulation

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## ACTION ITEMS:

- Approval of Resolutions

**PRESQUE ISLE ELECTRIC & GAS CO-OP  
BOARD RESOLUTION  
OCTOBER 24, 2023**

**RESOLUTION 2023-MR-06  
2024 PSCR FACTOR**

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

**WHEREAS**, PIE&G in conjunction with Wolverine Power Supply Cooperative (WPSC), it's 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 91.44 mills/kWh or \$0.09144/kWh which, when combined with PIE&G's current PSCR basing point of 87.85 mills/kWh provides for a 2024 PSCR Factor of **3.59** mills/kWh.

**NOW BE IT HEREBY RESOLVED** that the PIE&G Board of Directors accepts the analysis as provided by the cooperative staff as a reasonable basis for establishing the maximum 2024 PSCR Factor of **3.59** mills/kWh or **\$0.00359**/kWh effective with all bills rendered on or after February 1, 2024, and directs staff to amend the appropriate tariffs in its Electric Rate Book.

**BE IT FURTHER RESOLVED** that the cooperative staff may apply a lesser PSCR Factor than approved in this resolution because of an over-collection of power supply costs from the membership, in which case they shall notify the Board of Directors of their intent to do so.

**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 October 24, 2023.

By: \_\_\_\_\_  
Sandra Borowicz, Secretary

Dated: \_\_\_\_\_

**PRESQUE ISLE ELECTRIC & GAS CO-OP  
BOARD RESOLUTION  
OCTOBER 24, 2023**

**RESOLUTION 2023-MR-07  
2023 ELECTRIC OPERATIONS RATE REVIEW 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 has also established Board Policy No. 204 – Financial Policy, which requires the Cooperative to maintain a Modified Debt Service Coverage (MDSC) Ratio of an average of 1.35 in two of the most recent three years as required by the cooperative’s lender, the National Rural Utilities Cooperative Finance Corporation (NRUCFC); 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 2023 operating year indicates a projected adjusted TIER of 1.90; and

**WHEREAS**, PIE&G has established that the projected MDSC ratio for 2024 and future years is expected to be less than the required 1.35; and

**WHEREAS**, an adjusted TIER of 1.90 falls inside the “Quiet Zone”, however the projected MDSC ratio for 2024 and beyond falls below the requirements of Policy 204, Policy 307, and the lender requirements specified in the cooperative’s mortgage held by NRUCFC; and

**WHEREAS**, NRUCFC requires that utility rates provide a revenue stream that assures compliance with its mortgage covenants; and

**WHEREAS**, an increase in electric rates of \$2,800,000 is required to achieve the desired MDSC ratio for the year 2024 and beyond;

**NOW BE IT HEREBY RESOLVED** that the PIE&G Board of Directors accepts management’s 2023 Projected ELECTRIC TIER analysis and MDSC Ratio review, which indicates a revenue increase of \$2,800,000 is required to achieve a Target MDSC of 1.35.



**PRESQUE ISLE ELECTRIC & GAS CO-OP  
BOARD RESOLUTION  
OCTOBER 24, 2023**

**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 October 24, 2023.

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Dated: \_\_\_\_\_

**PRESQUE ISLE ELECTRIC & GAS CO-OP  
BOARD RESOLUTION  
OCTOBER 24, 2023**

**RESOLUTION 2023-MR-08  
2024 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 2023 Electric Rate Analysis provides for an increase of \$2,800,000 to achieve a Target MDSC of 1.35 in 2024; 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, large power time of day, primary service, and outdoor lighting rate classes in the following manner effective with bills rendered on or after February 1, 2024:

Residential Monthly Total Increase	\$1,560,340
Residential Seasonal Total Increase	\$ 839,666
General Service	\$ 268,797
Large General Service	\$ 20,646
Large Power Time of Day	\$ 39,650
Primary Service	\$ 29,344
Outdoor Lighting Total Increase	\$ 41,557

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**PRESQUE ISLE ELECTRIC & GAS CO-OP  
BOARD RESOLUTION  
OCTOBER 24, 2023**

**RESOLUTION 2023-MR-09  
2024 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 2023 Electric Rate Analysis provides for an increase of \$2,800,000 to achieve a Target MDSC of 1.35 in 2024; and

**WHEREAS**, PIE&G has established that the increase of \$2,800,000 is to be implemented on the Residential Monthly, Seasonal, General Service, Large General Service, Large Power Time of Day, 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, large power time of day, primary service, and outdoor lighting rate classes in the following manner effective with bills rendered on or after February 1, 2024:

Residential Monthly	distribution charge	\$0.05601 per kWh
Residential Seasonal	distribution charge	\$0.14284 per kWh
General Service (1PH)	distribution charge	\$0.04094 per kWh
General Service (3PH)	distribution charge	\$0.04094 per kWh
Large General Service	distribution charge	\$0.02846 per kWh
Large Power Time of Day	kWh charge	\$0.08075 per kWh
Primary Service	distribution charge	\$0.01647 per kWh
Outdoor Lighting		
	40W LED T5	\$ 8.91 per month
	70W LED T3/T5	\$ 11.40 per month

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**PRESQUE ISLE ELECTRIC & GAS CO-OP  
BOARD RESOLUTION  
OCTOBER 24, 2023**

**RESOLUTION 2023-MR-08  
2024 ELECTRIC RATE REVENUE REQUIREMENTS**

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**WHEREAS**, PIE&G has established that the 2023 Electric Rate Analysis provides for an increase of \$2,800,000 to achieve a Target MDSC of 1.35 in 2024; 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, large power time of day, primary service, and outdoor lighting rate classes in the following manner effective with bills rendered on or after February 1, 2024:

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**PRESQUE ISLE ELECTRIC & GAS CO-OP**  
**BOARD RESOLUTION**  
**OCTOBER 24, 2023**

**RESOLUTION 2023-MR-09**  
**2024 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

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**WHEREAS**, PIE&G has established that the 2023 Electric Rate Analysis provides for an increase of \$2,800,000 to achieve a Target MDSC of 1.35 in 2024; and

**WHEREAS**, PIE&G has established that the increase of \$2,800,000 is to be implemented on the Residential Monthly, Seasonal, General Service, Large General Service, Large Power Time of Day, 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, large power time of day, primary service, and outdoor lighting rate classes in the following manner effective with bills rendered on or after February 1, 2024:

Residential Monthly	distribution charge	\$0.05931 per kWh
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General Service (3PH)	distribution charge	\$0.04094 per kWh
Large General Service	distribution charge	\$0.02846 per kWh
Large Power Time of Day	kWh charge	\$0.08075 per kWh
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By: \_\_\_\_\_  
Sandra Borowicz, Secretary

Dated: \_\_\_\_\_

ALTERNATE PROPOSAL



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BOARD OF  
DIRECTORS  
MEMBER  
REGULATION

Adjourn

Our members will regard us as a trusted energy partner.