

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
ALPENA POWER COMPANY for authority to)	
implement a power supply cost recovery plan for)	Case No. U-11793
the 12-month period ending December 31, 1999.)	
_____)	

At the December 7, 1998 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. John G. Strand, Chairman
Hon. David A. Svanda, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On September 30, 1998, Alpena Power Company (Alpena) filed an application for authority to implement a power supply cost recovery (PSCR) plan for the 12-month period ending December 31, 1999. Alpena also requested approval of its agreement to purchase an additional 5 megawatts of firm power for 5 months each year for the years 1999 to 2003. Alpena also filed prepared testimony and exhibits in support of its application.

Pursuant to due notice, a prehearing conference was held on November 2, 1998 before Administrative Law Judge Daniel E. Nickerson, Jr. (ALJ). Alpena and the Commission Staff participated in the proceeding. Subsequently, the parties submitted a settlement agreement.

In the settlement agreement, attached as Exhibit A, the parties agree that Alpena should be authorized to implement a PSCR factor of up to negative 5.10 mills per kilowatt-hour to be applied

in 1999 to all of its customers' bills, except those rendered to Lafarge Corporation.¹ They also agreed that the Commission should approve Alpena's purchase of additional firm capacity.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; MSA 22.151 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; MSA 22.1 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; MSA 22.13(1) et seq.; 1982 PA 304, as amended, MCL 460.6h et seq.; MSA 22.13(6h) et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; MSA 3.560(101) et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACCS, R 460.17101 et seq.

b. The settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. Alpena Power Company is authorized to implement a power supply cost recovery factor of up to negative 5.10 mills per kilowatt-hour for each of the 12 billing months ending December 31, 1999.

C. Alpena Power Company's purchase of 5 megawatts of firm power from CMS Marketing, Services and Trading Company for the period of May 16 through October 15 for each of the years 1999 through 2003 is approved. The associated capacity charges are approved for purposes of MCL 460.6j(13)(b); MSA 22.13(6j)(13)(b).

¹The Commission's January 26, 1996 order in Case No. U-10968 recognized that Alpena's special contract with Lafarge necessitated removal of the expenses and revenues associated with service to Lafarge from the PSCR process.

D. Alpena Power Company shall, within 30 days of the date of this order, file with the Commission revised tariff sheets as appropriate and in conformity with the attachment to the settlement agreement.

E. Should Alpena Power Company desire to apply a lesser power supply cost recovery factor than authorized by this order, it shall notify the Commission 10 days prior to the use of the lesser factor and shall file a tariff sheet during that billing month showing the lesser factor applied.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26; MSA 22.45.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ John G. Strand

Chairman

(S E A L)

/s/ David A. Svanda

Commissioner

By its action of December 7, 1998.

/s/ Dorothy Wideman

Its Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

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By its action of December 7, 1998.

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Suggested Minute:

“Adopt and issue order dated December 7, 1998 approving the settlement agreement, authorizing Alpena Power Company to implement a power supply cost recovery plan for the 12 months ending December 31, 1999, and approving the company’s purchase of an additional 5 megawatts of firm power, as set forth in the order.”