

Presque Isle Electric & Gas Co-op
BOARD OF DIRECTORS MEETING
November 27, 2012

A special meeting of the Board of Directors of Presque Isle Electric & Gas Co-op was held on November 27, 2012 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, Barr, Berg, Brown, Knopf, Krajniak, Peterson, Smith, and Wozniak present. Director Wegmeyer was excused. Also attending were Chief Executive Officer Burns, Attorney Werth, Chief Financial Officer Sobeck, Information Systems Manager, Kieliszewski, Operations Manager Szymoniak, and Administrative Assistant Krzywiecki.

The Electric Cooperative Member Regulation Act: CEO Burns indicated this was the first board meeting to address rates issues as covered under PA 167 of 2008 – Member Regulation.

Member Comments: It was noted there were no guests and/or members in attendance.

ACTION ITEMS

CFO Sobeck referred to his report as mailed.

- 1. Reconcile 2011 Power Supply Cost Recovery (PSCR) Factor Collections:** CFO Sobeck stated that this action was filed with the Michigan Public Service Commission (MPSC) earlier in the year in its TIER/PSCR Reconciliation Case No. U-16437-R. When the cooperative transitioned to a member regulated cooperative, the MPSC had not yet issued an order on the proposal. The PSCR 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.

A motion by Barr, seconded by Wozniak, to accept 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. Motion carried. Refer to Resolution #2012-1MR (copy attached).

- 2. Revise the Allowance for the Cost of Power Supply (Basing Point) included in Electric Retail Base Energy Rates:** CFO Sobeck indicated the cooperative currently uses an overall base energy component of 58.34 mills per kWh or \$0.05834/Wh. This base has been in effect since 2006 and is no longer indicative

of long term base energy rates. 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 29.5 mills/kwh or \$0.02951/kWh. This request was submitted to the MPSC in its TIER/PSCR Reconciliation Case earlier in 2012, and no order was issued before the transition to a member regulated cooperative. Management recommends approval of the revised Basing Point of 87.85 mills/kWh or \$0.08785/kWh. If approved, revised tariff sheets will be issued.

A motion by Knopf, seconded by Krajniak, to approve resetting the PSCR Basing Point to 87.85 mills/kWh effective with bills rendered on or after February 1, 2013. Motion carried. Refer to Resolution #2012-2MR (copy attached).

- 3. Establish the 2013 Power Supply Cost Recovery Factor:** CFO Sobeck indicated that with the previous action, the PSCR Basing Point has been set at 87.85 mills/kWh. The recommendation of management is to increase the PSCR to a maximum of 3.19 mills/kWh or \$0.00319/kWh, which represents a 2.4% increase for a member using 1000 kWh's per month. The 2012 over/under collection will be presented at a special board meeting in February 2013.

A motion by Knopf, seconded by Barr, to accept the analysis as provided by the Cooperative staff and established the 2013 PSCR Factor of 3.19 mills/kWh or \$0.00319/kWh effective with all bills rendered on or after February 1, 2013; and if the Cooperative staff desires to apply a lesser PSCR than approved in this resolution, they shall notify the Board of Directors of their intent to do so. Motion carried. Refer to Resolution #2012-3MR (copy attached).

- 4. Revise the Terms of Service under the Seasonal Residential Tariff:** 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. At a previous board meeting, there was discussion to change the Seasonal Residential Tariff to eliminate some of the administrative burden.

A motion by Barr, seconded by Peterson, to amend the Seasonal Residential Service Tariff (Schedule S) to require members whose consumption does not attain 7200 kWh for two consecutive years and are being billed at the Residential Service Tariff (Schedule A) rate to be returned to the Seasonal Residential Service Tariff (Schedule S) effective with bills rendered on or after February 1, 2013. Motion carried. Refer to Resolution #2012-4MR (copy attached).

It was noted that revised tariff sheets will be prepared within thirty (30) days.

There being no further business to come before the board, Chairman Brown adjourned the meeting at 9:37 P.M.

John F. Brown, Chairman

David W. Smith, Secretary

APPROVED