

Presque Isle Electric & Gas Co-op
BOARD OF DIRECTORS MEETING
March 26, 2013

A special meeting of the Board of Directors of Presque Isle Electric & Gas Co-op was held on March 26, 2013 at PIE&G headquarters in Onaway, Michigan. Chairman Brown called the meeting to order at 1:00 P.M.

Roll call was taken with Directors Barr, Berg, Brown, Knopf, Krajniak, Peterson, Smith, Wegmeyer, and Wozniak present. Also attending the meeting were Chief Executive Officer Burns, Attorney Werth, Chief Financial Officer Sobeck, Manager of Information Systems Kieliszewski, Manager of Operations Szymoniak, and Administrative Secretary Krzywiecki.

Electric Cooperative Member Regulation Act: CEO Burns indicated that P.A. 167 of 2008 went into effect on September 23, 2012 and allows the cooperative to establish rates. The proper notice to PIE&G members was published in the March/April issue of *Country Lines* magazine.

GUESTS

Mr. Cliff Tollini of Onaway was in attendance to observe the process.

NEW BUSINESS

CFO Sobeck described the four issues for consideration by the board:

1. To reconcile the 2012 Power Supply Cost Recovery (PSCR) Factor Collection (Resolution 2013-MR1);
2. To accept the 2012 Electric Times Interest Earned Ratio (TIER) Analysis and Revenue Increase (Resolution 2013-MR2);
3. To implement Electric Revenue Increase to specific rate classes(Resolution 2013-MR3); and
4. To establish Electric Rate Design (Resolution 2013-MR4).

In 2012 there was an under-collection of \$95,903.74. This amount has been included in the 2013 PSCR Factor and is currently being recovered. Management recommends approval of Resolution 2013-MR1(copy attached). ***A motion by Barr, seconded by Knopf, to accept management's 2012 Electric PSCR Factor Collection analysis, which indicates an under-collection of \$95,903.74 and directs management to continue recovering this amount from the membership through the use of the 2013 PSCR Factor. A roll call vote was taken with all directors voting in the affirmative. Motion carried.***

The 2012 TIER Analysis and Revenue Increase depicted an unadjusted TIER of 0.82. The board acted earlier to remove the costs associated with Draco (December 2012

storm) as an anomaly; thus, bringing the adjusted TIER to 1.32. Management recommends approval of Resolution 2013-MR2 (copy attached) which indicates a rate increase of \$865,430. ***A motion by Knopf, seconded by Krajniak, to accept management's 2012 Electric TIER Analysis, which indicates a revenue increase of \$865,430 is required to achieve a target TIER of 1.80. A roll call vote was taken with all directors voting in the affirmative. Motion carried.***

The updated Cost of Service (COS) study indicates subsidies still exist between the commercial rate classes and residential monthly, seasonal and outdoor lighting classes. Historical data from 2005 to 2013 reflects the inconsistency between classes. Action to increase the three designated rate classes will bring the rates in all classes of service closer to the cost to serve. Management recommends the approval of Resolution 2013-MR3 (copy attached). ***A motion by Berg, seconded by Peterson, to implement electric rate increases to the residential monthly, seasonal, and outdoor lighting rate classes in the following manner effective with bills rendered on or after June 1, 2013: residential monthly (\$460,904), residential seasonal (\$397,140), and outdoor lighting (\$7,386). A roll call vote was taken with all directors voting in the affirmative. Motion carried.***

The final resolution will determine how the rate increase will be assigned, either to the monthly charge or distribution charge for monthly residential and seasonal rate classes and the rate for outdoor lighting categories. Two proposed resolutions were presented (copies attached).

A motion by Barr, seconded by Brown, to implement electric distribution rate increases to the residential monthly, seasonal, and outdoor lighting rate classes in the following manner effective with bills rendered on or after June 1, 2013:

<i>Residential Monthly</i>	<i>monthly charge</i>	<i>\$17.00 per month</i>
	<i>distribution charge</i>	<i>\$0.02928 per kWh</i>
<i>Residential Seasonal</i>	<i>monthly charge</i>	<i>\$18.75 per month</i>
	<i>distribution charge</i>	<i>\$0.07511 per kWh</i>
<i>Outdoor Lighting</i>	<i>175W MV</i>	<i>\$12.00 per month</i>
	<i>400W MV</i>	<i>\$21.74 per month</i>
	<i>100W HPS</i>	<i>\$ 8.55 per month</i>
	<i>250W HPS</i>	<i>\$14.68 per month</i>

A roll call vote was taken with Directors Barr, Brown, and Krajniak voting in the affirmative and Directors Berg, Knopf, Peterson, Smith, Wegmeyer, and Wozniak voting in the negative. Motion failed.

A motion by Smith, seconded by Knopf, to implement electric distribution rate increases to the residential monthly, seasonal, and outdoor lighting rate classes in the following manner effective with bills rendered on or after June 1, 2013:

Residential Monthly	monthly charge	\$18.00 per month
	distribution charge	\$0.02772 per kWh
Residential Seasonal	monthly charge	\$19.00 per month
	distribution charge	\$0.07335 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

A roll call vote was taken with Directors Knopf, Krajniak, Peterson, Smith, and Wozniak voting in the affirmative and Directors Barr, Berg, Brown, and Wegmeyer voting in the negative. Motion carried (Resolution 2013-MR4 attached).

ADJOURNMENT

There being no further business to come before the board, **a motion by Berg, seconded by Barr, to adjourn the meeting. Motion carried.**

Chairman Brown adjourned the meeting at 1:30 P.M.

John F. Brown, Chairman

David W. Smith, Secretary

/sk