



Special Board Meeting

October 1, 2013

Vision

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

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.

Our members will regard us as a trusted energy partner.



Board of Directors Member Regulation

Agenda

- Call to Order – Chairman Brown
- Roll Call
- PA167 of 2008 – CEO Burns
- Introduction of Guests & Member Comment
- Action Items – CFO Sobeck
 - Establish 2014 Power Supply Cost Recovery (PSCR) Factor
 - Electric Rate Book Amendments



Board of Directors Member Regulation

- 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.
- Member Notice: Sep/Oct 2013 *Country Lines*



Board of Directors Member Regulation

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

Our members will regard us as a trusted
energy partner.



Board of Directors Member Regulation

- 2 Issues for Board Consideration
 - Establish the 2014 PSCR Factor
 - Electric Rate Book Amendments



Board of Directors Member Regulation

- Establish the 2014 PSCR Factor
 - Joint analysis of projected energy costs and sales volumes conducted by PIE&G and Wolverine Power Cooperative
 - Analysis provided for a projected overall energy cost to PIE&G of 88.91 mills/kWh
 - Comparing the projected energy cost to PIE&G with its current PSCR basing point of 87.85 mills/kWh provides for a 2014 PSCR Factor of 1.06 mills/kWh.
 - This is a reduction of 2.13 mills/kWh when compared with the 2013 PSCR Factor of 3.19 mills/kWh and represents a reduction of approximately 2.39% per month for the average residential monthly account.



Board of Directors Member Regulation

- Recommend Approval of Resolution 2013-MR5:
 - **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 2014 PSCR Factor of 1.06 mills/kWh or \$0.00106/kWh effective with all bills rendered on or after February 1, 2014.
 - **BE IF 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, in which case they shall notify the Board of Directors of their intent to do so.



Board of Directors Member Regulation

- Electric Rate Book Amendment
 - Pages B-34.00 and B-67.00 of the current Electric Rate Book provide that any interest paid to members on balances due them as a result of billing errors be calculated at a rate of 7%
 - The Electric Rate Book currently provides that the interest rate paid on member security deposits be calculated using the interest rate paid on US Savings Bonds, Series EE in effect at the beginning of each calendar year
 - PIE&G staff recommends setting the interest rate paid on balances due to members as a result of billing errors be calculated using the interest rate paid on US Savings Bonds, Series EE in effect at the beginning of each calendar year



Board of Directors Member Regulation

- Recommend Approval of Resolution 2013-MR6:
 - **NOW BE IT HEREBY RESOLVED** that the PIE&G Board of Directors amends pages B-34.00 and B-67.00 of the Electric Rate Book to reflect the interest rate paid to members for billing errors be set at the rate paid on US Savings Bonds, Series EE at the beginning of each calendar year

Proposed Changes At A Glance

1. Establish 2014 Power Supply Cost Recovery Factor (PSCR)	2. Consider Revisions to the Cooperative's Billing Rules	
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1. Establish the 2014 Power Supply Cost Recovery Factor (PSCR)

<p>Existing Situation</p> <ul style="list-style-type: none"> o Power supply costs from Wolverine Power Cooperative (WPC) are passed through at cost to members of PIE&G through the PSCR mechanism. o PIE&G, working with WPC, establishes a factor to collect or refund power supply costs that are above or below the base energy rates based upon cost and sales forecasts. o The collection of funds through the PSCR Factor is reconciled annually with the actual energy costs billed to PIE&G by WPC and the difference is either refunded or charged to the membership. o The 2013 PSCR Factor was established at 3.19 mills/kWh or \$0.00319/kWh. o The overall estimated energy rate billed to the members of PIE&G is the sum of the PSCR Basing Point and the current year's PSCR Factor. That rate for 2013 was \$0.09104/kWh or 91.04 mills/kWh. o Prior action of the Board has set the PSCR Basing Point to 87.85 mills/kWh. 	<p>Proposed Change</p> <ul style="list-style-type: none"> o This approval will establish the maximum PSCR Factor for 2014. o Should actual power supply costs be lower than forecasted, then the cooperative may apply a lesser PSCR Factor. o The established maximum PSCR Factor shall be 1.06 mills/kWh or \$0.00106/kWh. This represents a decrease of \$1.36 per month or 2.39% for the average residential monthly account. <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%;">Basing Point</th> <th style="width: 15%;">PSCR Factor</th> <th style="width: 15%;">Total Energy Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2013</td> <td style="text-align: center;">\$ 0.08785</td> <td style="text-align: center;">\$ 0.00319</td> <td style="text-align: center;">\$ 0.09104</td> </tr> <tr> <td style="text-align: center;">2014</td> <td style="text-align: center;">\$ 0.08785</td> <td style="text-align: center;">\$ 0.00106</td> <td style="text-align: center;">\$ 0.08891</td> </tr> <tr> <td></td> <td style="text-align: center;">Difference</td> <td></td> <td style="text-align: center;">\$ (0.00213)</td> </tr> </tbody> </table> <ul style="list-style-type: none"> o The proposed change includes an estimated over-collection of 2013 power supply costs of \$150,000. Should actual over-collections for 2013 be higher than forecasted, the cooperative may charge less than the established rate. 		Basing Point	PSCR Factor	Total Energy Rate	2013	\$ 0.08785	\$ 0.00319	\$ 0.09104	2014	\$ 0.08785	\$ 0.00106	\$ 0.08891		Difference		\$ (0.00213)	<p>Management Recommends</p> <ul style="list-style-type: none"> o Establish the 2014 PSCR Factor of \$0.00106 per kWh effective with bills rendered on or after February 1, 2014. o Management will bring forward the 2013 over/under collection at the first Special Member Regulation Board Meeting of 2014.
	Basing Point	PSCR Factor	Total Energy Rate															
2013	\$ 0.08785	\$ 0.00319	\$ 0.09104															
2014	\$ 0.08785	\$ 0.00106	\$ 0.08891															
	Difference		\$ (0.00213)															

2. Consider Revisions to the Cooperative's Billing Rules

<p>Existing Situation</p> <ul style="list-style-type: none"> o The cooperative billing rules currently provide for an interest rate of 7% to be paid on overcharges to members as a result of any billing error that is the fault of the cooperative. 	<p>Proposed Change</p> <ul style="list-style-type: none"> o The proposed change would set the interest rate paid to members on overcharges at the United States Savings Bond, Series EE, interest rate as of the first business day of the calendar year. 	<p>Management Recommends</p> <ul style="list-style-type: none"> o The interest rate paid to members for overcharges be set at the interest rate paid on US Savings Bonds, Series EE as of the first business day of the calendar year.
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**PRESQUE ISLE ELECTRIC & GAS CO-OP
SPECIAL BOARD MEETING
7PM OCTOBER 1, 2013**

AGENDA

Call to Order Chairman Brown

Roll Call

PA 167 of 2008 CEO Burns

Introduction of Guests

Member Comment

Action Items CFO Sobeck

1. Establish the 2014 Power Supply Cost Recovery Factor
2. Revise the interest rate paid to members on balances due as a result of billing errors

Adjournment

Presque Isle Electric & Gas Co-op

2014 PSCR Plan Overview

Line No.

1	Projected Energy Purchases (kWh)	255,294,477
2	Less: Line Losses (7.06%)	18,023,790
3	Projected Energy Sales (kWh)	237,270,687
4	Projected Energy Costs	\$ 21,095,649.81
5	PSCR Rate - \$/kWh (Line 4/Line 3)	\$ 0.08891
6	PSCR Base - \$/kWh	<u>0.08785</u>
7	PSCR Factor - \$/kWh (Line 5 - Line 6)	\$ 0.00106
8	PSCR Rate - mills/kWh (Line 4/Line 3)	88.91
9	PSCR Base - mills/kWh	<u>87.85</u>
10	PSCR Factor - mills/kWh (Line 8 - Line 9)	1.06

Presque Isle Electric & Gas Co-op

2014 PSCR Plan

Summary

	Existing Rates	Units	Amounts
Units			
Energy (General)	\$ 0.054314	kWh	235,293,263
Energy (C&I)	\$ 0.045000	kWh	20,001,214
Demand (General)	\$ 9.41	kW/mo.	448,501
Demand (C&I)	\$ 10.41	kW/mo.	40,084
Member's Coincident Peak	NA	kW/mo.	488,585
Trans. Members Coincident Peak	NA	kW	5,868,058
Energy (Total)	NA	kWh	255,294,477
General Energy, % Total Energy	NA	% and pts.	92.2%
General Demand, % Total Demand	NA	%	91.8%
Member's Share of Coin. Peak	NA	% and pts.	8.3%
Fuel Clause Adjustment, Budget	NA	\$/kWh	0.00689
Fuel Clause Adjustment, True Up	NA	\$/kWh	0
kVAR (General)	\$ 0.25	VAR	48,736
kVAR (C&I)	\$ 0.25	VAR	32,954
Controlled Heating Energy	\$ 0.030000	kWh	3,248,257
Controlled Water Heating Units	\$ 4.50	no.	12,613
Network Transmission	18.31%	Invest. \$	NA
Michigan Joint Zone	NA	\$	29,000,000
Excluded Facilities (Radials)	17.11%	Invest. \$	1,844,426
Excluded Facilities (Lines)	17.11%	Invest. \$	6,763,520
Distribution Substation, %	10.16%	Invest. \$	7,767,736
Distribution Substation, \$/sub	\$ 2,085.78	# subs	18
Temporary Rate Reduction	NA	\$	(915,320)
Dollar Amounts			
Energy (General)		\$	12,779,718
Energy (C&I)		\$	900,055
Demand (General)		\$	4,220,394
Demand (C&I)		\$	417,274
Fuel Clause Adjustment, Budget		\$	1,757,757
Fuel Clause Adjustment, True Up		\$	0
kVAR (General)		\$	12,184
kVAR (C&I)		\$	8,239
Controlled Heating Credits		\$	(154,206)
Network Transmission		\$	2,968,429
Michigan Joint Zone		\$	(2,400,955)
Excluded Facilities (Total)		\$	412,351
Distribution Substation, %		\$	789,202
Distribution Substation, \$/sub		\$	450,528
Temporary Rate Reduction		\$	(915,320)
Total		\$	21,245,650
Non-Energy Components		\$	8,481,197

Contribution to Bundled Rate		
Energy (General)	\$/MWh	50.06
Energy (C&I)	\$/MWh	3.53
Demand (General)	\$/MWh	16.53
Demand (C&I)	\$/MWh	1.63
Fuel Clause Adjustment, Budget	\$/MWh	6.89
Fuel Clause Adjustment, True Up	\$/MWh	0.00
kVAR (General)	\$/MWh	0.05
kVAR (C&I)	\$/MWh	0.03
Controlled Heating Credits	\$/MWh	(0.60)
Network Transmission	\$/MWh	11.63
Michigan Joint Zone	\$/MWh	(9.40)
Excluded Facilities (Total)	\$/MWh	1.62
Distribution Substation, %	\$/MWh	3.09
Distribution Substation, \$/sub	\$/MWh	1.76
Temporary Rate Reduction	\$/MWh	(3.59)
Total	\$/MWh	83.22
Inputs for Member's PSCR Factor		
Member's Line Losses	%	7.06%
Member's Line Losses	kWh	18,023,790
Wholesale Purchases - Member's Losses	kWh	237,270,687
Member's Sales to its Members	kWh	237,270,687
PSCR Sales	kWh	237,270,687
Prior Year (Over)/Under Collection	\$	(150,000)
PSCR Cost	\$	21,095,650
Power Supply Rate Before HQ Use and (O)/U Coll.	\$/MWh	89.54
PSCR Rate	\$/MWh	88.91
PSCR Base	\$/MWh	87.85
PSCR Factor	\$/MWh	1.06
Member's PSCR Revenue	\$	21,095,737
Member's PSCR Cost	\$	21,095,650
Member's Over/(Under) Collection	\$	87

Residential Bill Comparison as of October 1 2013

	Residential Monthly Current	Residential Monthly Proposed	Residential Seasonal Current	Residential Seasonal Proposed
Consumption	640	640	2075	2075
kwh rate	0.11373	0.11373	0.15936	0.15936
Consumption Charge	\$72.79	\$72.79	\$330.67	\$330.67
Monthly Service Charge	\$18.00	\$18.00	\$228.00	\$228.00
PSCR Factor	0.00319	0.00106	0.00319	0.00106
PSCR Charge	\$2.04	\$0.68	\$6.62	\$2.20
Tax	\$3.71	\$3.66	\$22.61	\$22.43
Total Bill	\$96.54	\$95.13	\$587.90	\$583.30
		(\$1.41)		(\$4.60)
		-1.49%		-0.79%

**PRESQUE ISLE ELECTRIC & GAS CO-OP
BOARD RESOLUTION
OCTOBER 1, 2013**

**RESOLUTION 2013-MR5
2014 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 and overall energy cost of 88.91 mills/kWh or \$0.08891/kWh which, when combined with PIE&G's current PSCR basing point of 87.85 mills/kWh provides for a 2014 PSCR Factor of 1.06 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 2014 PSCR Factor of 1.06 mills/kWh or \$0.00106/kWh effective with all bills rendered on or after February 1, 2014 and directs staff to file 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, David Smith, 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 1, 2013.

By: _____
David Smith, Secretary

Dated: _____

**PRESQUE ISLE ELECTRIC & GAS CO-OP
BOARD RESOLUTION
OCTOBER 1, 2013**

**RESOLUTION 2013-MR6
ELECTRIC RATE BOOK AMENDMENTS**

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

WHEREAS, PIE&G's staff has recommended changes to the current rate book to amend the interest rate paid to members on balances due them as a result of billing errors; and

WHEREAS, PIE&G's staff has recommended that interest rate be changed from 7% to the rate paid on US Savings Bonds, Series EE at the beginning of each calendar year; and

WHEREAS, PIE&G staff has reviewed the requested change with the Board of Directors

NOW BE IT HEREBY RESOLVED that the PIE&G Board of Directors amends the Electric Rate Book to reflect the interest rate paid to members for billing errors be set at the rate paid on US Savings Bonds, Series EE at the beginning of each calendar year and directs staff to file the appropriate tariffs in its Electric Rate Book.

CERTIFICATION

I, David Smith, 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 1, 2013.

By: _____
David Smith, Secretary

Dated: _____

**B2 CONSUMER STANDARDS AND BILLING PRACTICES
FOR ELECTRIC RESIDENTIAL SERVICE
(CONT'D FROM SHEET NO. B-33.00)**

(3) Whenever the cooperative consolidates accounts under subrule (2) of this rule, the cooperative shall provide the member with a written notice for the consolidation, the rule that allows the consolidation, and the process for refuting the action.

R 460.125 Billing for non-tariff services.

Rule 25. The cooperative may include charges for unregulated services, such as appliance repair or appliance protection programs, together with charges for gas and electric service on the same monthly bill if the charges for the unregulated services are designated clearly and separately from the charges for the gas or electric service and it is noted that it is an unregulated service. Failure to pay for unregulated service charges may result in the termination of that service but not the termination of the gas or electric service. If partial payment is made, the cooperative shall first credit payment to the balance outstanding for gas or electric service in accordance with the provisions of R 460.120(5) and R 460.120(6) where applicable.

R 460.126 Billing error.

Rule 26. (1) If the cooperative overcharges a member due to a billing error, the cooperative shall refund or credit the amount of the paid overcharge plus interest on the bill immediately following the discovery of the error. Upon member request, overcharges greater than \$10 shall be refunded within 30 days. The cooperative is not required to adjust, refund, or credit an overcharge plus interest for more than the 3 years immediately preceding discovery of the billing error, unless the member is able to establish an earlier date for commencement of the error. The interest on the overcharge shall be applied on the 60th day following the paid overcharge and shall be calculated at the rate paid for United States savings bonds, series EE, as of the first business day of the calendar year.

(2) If the cooperative undercharges a member, the following provisions apply:

(a) In cases that involve unauthorized use of utility service the cooperative may backbill the member for the amount of the undercharge using the approved process for estimating the bill. The cooperative may charge fees for unauthorized use of utility service in accordance with approved tariffs.

(b) In cases that do not involve unauthorized use of utility service, the cooperative may backbill the member for the amount of the undercharge during the 12-month period immediately preceding discovery of the error, and the cooperative shall offer the member reasonable payment arrangements for the amount of the backbill, which shall allow the member to make installment payments over a period at least as long as the period of the undercharge. The cooperative shall take into account the member's financial circumstances when setting payment amounts

Continued on Sheet No. B-35.00

Issued **October 1, 2013**
By: Brian Burns
President and CEO
Onaway, Michigan

Effective for bills rendered on and
after February 1, 2014

Issued under the authority of the Board
of Directors dated 10/1/13

**B4 BILLING PRACTICES APPLICABLE TO NON-RESIDENTIAL
ELECTRIC AND GAS MEMBERS
(CONT'D FROM SHEET NO. B-66.00)**

R 460.1617 Billing errors.

Rule 17. (1) If a member has been overcharged, then the Cooperative shall refund or credit the amount of the paid overcharge to the member. Overcharges shall be credited to members with interest at a rate equal to the rate paid for a United States savings bond, series EE as of the first business day of the calendar year, commencing on the 60th day following payment. The Cooperative is not required to adjust, refund, or credit an overcharge beyond the 3-year period immediately preceding discovery of the billing error, unless the member is able to present a record establishing an earlier date of occurrence or commencement of the error.

(3) In cases of unauthorized use of Cooperative service the member may be back billed for the amount of the undercharge. The back bill may include interest at the same interest rate applied to overcharges.

(4) In cases not involving unauthorized use of Cooperative service, the member may be back billed for the amount of the undercharge during the 12-month period immediately preceding discovery of the error. The Cooperative shall offer the member at least the same number of months for repayment equal to the time of the error. The back bill shall not include interest.

PART 6. MEMBER RELATIONS AND COOPERATIVE PROCEDURES

R 460.1618 Selection of rate, member information, and service.

Rule 18. Each Cooperative shall do all of the following:

(c) Maintain information necessary to advise the member or prospective members and others entitled to the information about the facilities available to serve prospective members in the Cooperative's service area.

(d) Assist the member in selecting the most economical rate schedule based on information supplied by the member; however, selection of the appropriate rate is the responsibility of the member. Once the selection is made, the member shall stay on that rate not less than 12 months unless the member notifies the Cooperative of permanent changes in the conditions of service that warrant a different rate schedule.

(e) Notify members affected by a proposed change in rates or schedule classification by publishing a notice in newspapers of general circulation in the Cooperative's service area, by giving notice to members individually, or as otherwise required by the board of directors.

(Continued on Sheet No. D-1.01)

Issued: **October 1, 2013**
By: Brian Burns
President and CEO
Onaway, Michigan

Effective for bills rendered on and after
after **February 1, 2014.**

Issued under authority of the Board of
Directors dated **10/1/13**

SECTION D
RATE SCHEDULES

Power Supply Cooperative Clause

This clause permits the monthly adjustment of rates for power supply to allow recovery of the booked costs of purchased power incurred under reasonable and prudent policies and practices.

For purposes of this clause, the following definitions apply:

"Power supply cost recovery factor" means that element of the rates to be charged for electric service to reflect power supply costs incurred and made pursuant to a power supply cost recovery clause incorporated in the rates or rate schedule.

"Power supply cost recovery plan" means a determination by the Cooperative made annually describing the expected sources of electric power supply and changes over a future 12-month period specified by the Cooperative's Board of Directors and specifying for each of those 12 months a specified power supply cost recovery factor.

"Power supply costs" means those elements of the costs of purchased power as determined by the Cooperative's Board of Directors to be included in the calculation of the power supply cost recovery factor.

The Power Supply Cost Recovery factor shall consist of 0.01088 mills per kilowatthour for each full .01 mills per kWh, of power supply costs, less the allowance for cost of power supply included in base rates, rounded to the nearest .01 mills per kilowatthour. The power supply cost recovery factor to be applied to the Cooperative's retail Member-Consumers' monthly kilowatthour usage represents the power supply costs as established by the Cooperative's Board of Directors pursuant to a power supply and cost review hearing conducted by the Cooperative's Board of Directors. The power supply and cost review will be conducted not less than once a year for the purpose of evaluating the power supply cost recovery plan submitted by Cooperative to the Cooperative's Board of Directors and to authorize appropriate power supply cost recovery factors.

Not less than once a year and not later than 4 months after the end of the 12-month period covered by Cooperative's most recently authorized power supply cost recovery plan, a power supply cost reconciliation will be submitted by the Cooperative to the Cooperative's Board of Directors to reconcile the revenues recorded pursuant to the power supply cost recovery factor and the allowance for cost of power included in the base rates as established by the Cooperative's Board of Directors under Cooperative's most recent power supply cost recovery plan, among other things.

(Continued on Sheet No. D-1.01)

Issued: **October 1, 2013**
By: Brian Burns
President and CEO
Onaway, Michigan

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after **February 1, 2014**.

Issued under authority of the Board of
Directors dated **10/1/13**

Cooperative shall be required to refund to Member-Consumers, or to credit to Member-Consumers' bills any net amount determined to have been recovered which is in excess of the amounts actually expensed by Cooperative for power supply. Cooperative shall recover from Member-Consumers any net amount by which the amount determined to have been recovered over the period covered was less than the amount determined to have been actually expensed by Cooperative for power supply.

For the twelve (12) months ending December **2014**, the Power Supply Cost Recovery Factor is \$0.00106 per kWh. The allowance for cost of power supply included in base rates is **\$0.08785** per kWh.

Issued: **October 1, 2013**
By: Brian Burns
President and CEO
Onaway, Michigan

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after **February 1, 2014**.

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Directors dated **10/1/13**