

**PRESQUE ISLE ELECTRIC & GAS CO-OP  
SPECIAL BOARD MEETING  
9 A.M. March 27, 2018**

**AGENDA**

Call to Order – Chairman Brown

Roll Call

PA167 of 2008: The Electric Cooperative Member-Regulation Act – CEO Sobeck

Review Items:

1. Accept 2017 Power Supply Cost Recovery (PSCR) Factor Reconciliation
2. Accept 2017 Electric Operations TIER Analysis

Member Comment – CEO Sobeck

Action Items:

1. Accept 2017 Power Supply Cost Recovery (PSCR) Factor Reconciliation
2. Accept 2017 Electric Operations TIER Analysis

Adjournment

**Proposed Changes At A Glance**

1. Reconcile 2017 Power Supply Cost Recovery Factor Collections
2. Review and accept the 2017 TIER Analysis.

**1. Reconcile 2017 Power Supply Cost Recovery (PSCR) Factor Collections**

<p><b>Existing Situation</b></p> <ul style="list-style-type: none"> <li>o Power supply costs from Wolverine Power Supply Cooperative (WPSC) are passed through at cost to the members of Presque Isle Electric &amp; Gas Co-op.</li> <li>o PIE&amp;G, working with WPSC establishes a factor to collect or return power supply costs (PSCR) that are above or below the base energy rates, based upon cost and sales forecasts.</li> <li>o This PSCR Factor collection is reconciled annually with actual costs and the difference is either returned or charged to the membership.</li> <li>o The reconciliation for the 12 month period ending December 31, 2017 indicates that there was an over-collection of \$190,081.53 This amount has been rolled into the 2018 PSCR factor and is currently being refunded to the membership throughout the 2018 calendar year.</li> </ul>	<p><b>Proposed Action</b></p> <ul style="list-style-type: none"> <li>o Accept the reconciliation of the 2017 PSCR Factor cumulative over-collection of \$191,081.53.</li> </ul>	<p><b>Management Recommends</b></p> <ul style="list-style-type: none"> <li>o Approval of the Proposed Power Supply Cost Recovery Reconciliation net over-recovery of \$191,081.53.</li> <li>o The over-collection of \$191,081.53 will continue to be refunded for the remainder of the 2018 calendar year.</li> </ul>
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**2. Review and accept the 2017 TIER Analysis**

<p><b>Existing Situation</b></p> <ul style="list-style-type: none"> <li>o The TIER analysis based upon the 2017 operating year indicates an Adjusted TIER of 1.60. Management has reviewed this analysis with the board.</li> </ul>	<p><b>Proposed Action</b></p> <ul style="list-style-type: none"> <li>o Accept the 2017 TIER analysis which establishes an adjusted TIER of 1.60 and indicates no adjustment to revenue is necessary.</li> </ul>	<p><b>Management Recommends</b></p> <ul style="list-style-type: none"> <li>o Management recommends acceptance of the 2017 TIER analysis.</li> </ul>
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**PRESQUE ISLE ELECTRIC & GAS CO-OP  
BOARD RESOLUTION  
MARCH 27, 2018**

**RESOLUTION 2018-MR-01  
2017 POWER SUPPLY COST RECOVERY (PSCR) FACTOR  
RECONCILIATION**

**WHEREAS**, PIE&G transitioned to member-regulation with an effective date of September 23, 2012 thus providing that its electric rates, charges, accounting standards, billing practices, and terms and conditions of service are under authority of the board of directors and not the Michigan Public Service Commission (MPSC); and

**WHEREAS**, PIE&G staff has reviewed the 2017 PSCR Factor reconciliation exhibits with the Board of Directors; and

**WHEREAS**, the 2017 PSCR Factor reconciliation indicates that PIE&G has experienced a cumulative over-collection of power supply costs of \$191,081.53 for the 12 month period ending December 31, 2017; and

**WHEREAS**, PIE&G has incorporated the over-collection of \$191,081.53 into its 2018 PSCR Factor application.

**NOW BE IT HEREBY RESOLVED** that the PIE&G Board of Directors accepts management's 2017 ELECTRIC PSCR Factor reconciliation analysis, which indicates an over-collection of \$191,081.53 and directs management to continue refunding this amount from the membership through the use of the 2018 PSCR Factor.

**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 March 27, 2018.

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

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

MICHIGAN DEPARTMENT OF COMMERCE  
 PUBLIC SERVICE COMMISSION  
 MONTHLY REPORT OF POWER SUPPLY COST

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 This form is authorized by Act 3, P.A. 1939,  
 as amended. Filing of this form is voluntary.  
 However, failure to file this form or an alter-  
 native submission approved by the Commission  
 will place you in violation of the Act.

INSTRUCTIONS

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 When completed, a copy of all bills for power and fuel, and any  
 worksheets or other documents required to support the data reported  
 herein are to be mailed to: MICHIGAN DEPARTMENT OF COMMERCE, PUBLIC  
 SERVICE COMMISSION, Electric Division - Audit, 6545 Mercantile, P.O.  
 Box 30221, Lansing, Michigan 48909. Alternatively, any of the above  
 documentation may be submitted in a microcomputer readable format  
 approved by MPSC Staff.

For assistance or clarification, please contact the Public Service  
 Commission Staff at: (Area Code 517) 334-6416

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 STATUTORY REFERENCE

Section 6j(11) of Act 3, P.A. 1939, as amended, sets forth: "(1)  
 Not more than 45 days following the last day of each billing month in  
 which a power supply cost recovery factor has been applied to  
 customer's bills, the utility shall file with the commission a detailed  
 statement for that month of the revenues recorded pursuant to the power  
 supply cost recovery factor and the allowances for cost of power supply  
 included in the base rates established in the latest commission order  
 for the utility, and the cost of power supply. The detailed statement  
 shall be in the manner and form prescribed by the commission. The  
 commission shall establish procedures for insuring that the detailed  
 statement is promptly verified and corrected if necessary."

1. NAME OF REPORTING UTILITY:	PRESQE ISLE ELECTRIC COOPERATIVE	
2. THIS REPORT FILED FOR THE COST MONTH OF:	December 2017	
3. IS THIS REPORT SUBMITTED AS AN ORIGINAL OR REVISION? IF THIS IS A REVISION, ATTACH AN EXPLANATION.	Original	
4. DATE OF REPORT SUBMISSION:	None-Member Regulated	
5. UTILITY REPRESENTATIVE TO WHOM QUESTIONS REGARDING THIS REPORT MAY BE DIRECTED - NAME:	Dawn Cryderman	
PHONE No. (include area code):	((989) 733-8515	
6. POWER SUPPLY COST RECOVERY FACTOR AUTHORIZED (or requested):	mills per kWh	0.870

NAME OF REPORTING UTILITY: PRESQUE ISLE ELECTRIC COOPERATIVE

7. REVENUES RECORDED PURSUANT TO THE POWER SUPPLY COST RECOVERY FACTOR AND THE ALLOWANCE FOR POWER SUPPLY INCLUDED IN BASE RATES FOR THIS MONTH:		
a. kWh sales subject to the PSCR clause are:	kWh	20,650,998
b. Applied PSCR factor:	mills per kWh	0.587774085
c. PSCR factor revenues: (a * b)		\$ 12,138.12
d. Allowance for power supply included in case rates:	mills per kWh	87.85
e. Revenues collected pursuant to allowance for power supply included in base rates: (a * d)		\$ 1,814,190.17
f. TOTAL POWER SUPPLY COST REVENUE: (c + e)		\$ 1,826,328.30
8. THE TOTAL COST OF POWER (from attached worksheets ) APPLICABLE TO SALES REPORTED ABOVE:		
		\$ 1,969,411.04
9. MONTHLY OVER(UNDER) COLLECTION : (7f-8)		
		\$ (143,082.75)
10. TOTAL OVER/(UNDER) COLLECTION THIS PSCR YEAR		
		\$ 191,697.54
11. Is there a major difference between actual and projected costs this month: Please circle Yes or No (if yes, please explain)		
NO		

12. Do you anticipate any significant changes which would have an effect on next month's projected costs? Please circle Yes or No (if yes, briefly explain the change)

NO

13. Authorized refund/surcharge this month due to reconciliation of prior year(s) PSCR:						
MEMBER REGULATED	PSCR YEAR	2016 Roll In		<u>Seasonal</u>	<u>Year to Date</u>	<u>Remaining</u>
Auth.PSCR adj.(m/kWh)						
Auth.PSCR adj.(dollars)		\$ 8,383.52		\$ 797.27	\$ 9,060.16	\$ (676.64)
MEMBER REGULATED	PSCR YEAR	2016 Roll In		<u>Monthly</u>	<u>Year to Date</u>	<u>Remaining</u>
Auth.PSCR adj.(m/kWh)						
Auth.PSCR adj.(dollars)		\$ 58,989.02		\$ 5,031.01	\$ 57,696.37	\$ 1,292.65

NAME OF REPORTING UTILITY :	PRESQUE ISLE ELECTRIC COOPERATIVE			PRESQUE ISLE ELECTRIC COOPERATIVE					
	December			YEAR TO DATE					
	(ag)	(ah)	(ai)	(aj)	(ak)	(al)			
2017									
PURCHASED POWER FROM WOLVERINE	*UNITS	\$	\$/Unit	*UNITS	\$	\$/Unit			
1 Energy-A	23,804,073	\$ 1,351,381.03	0.056771	242,104,330	\$ 13,744,504.91	0.056771			
2 Energy-C&I	1,145,913	\$ 65,054.63	0.056771	14,827,207	\$ 841,755.35	0.056771			
3 C & I Energy Credit	1,145,913	\$ (5,729.57)	(0.005000)	14,827,207	\$ (74,136.06)	(0.005000)			
5 Total Energy	24,949,986	\$ 1,410,706.09	0.056541	256,931,537	\$ 14,512,124.20	0.056482			
6 Demand-Rate A	43,882	\$ 244,080.46	5.562200	437,273	\$ 2,432,199.88	5.562200			
7 Demand-Rate C & I	1,640	\$ 9,122.01	5.562200	24,211	\$ 134,666.43	5.562200			
8 Miso-Demand Rate A	42,222	\$ 197,506.07	4.677800	506,664	\$ 2,370,072.86	4.677800			
9 Miso-Demand Rate C & I	2,872	\$ 13,434.64	4.677800	34,464	\$ 161,215.69	4.677800			
12 Load Management Credits		\$ (13,420.47)			(\$155,227.42)				
13 Substation Fixed Charge	18	\$ 40,554.00	\$ 2,253.00	252	\$ 486,648.00	1931.142857			
14 Substation Investment Charge		\$ 63,918.40	Varies		\$ 769,372.72	Varies			
15 Dedicated Excluded Facilites		\$ -	Varies		\$ -	Varies			
16 Shared Excluded Facilites		\$ 729.94	Varies		\$ 8,759.28	Varies			
17 True Ups Billed		\$ 22,189.01			\$ 255,252.06	Varies			
18 TOTAL WPSC	24,949,986	\$ 1,988,820.15	0.079712	256,931,537	\$ 20,975,083.70	0.081637			
18B WPSC True Ups Already Booked		\$ (22,189.01)			\$ (255,252.06)				
18C Actual WPSC True Up					\$ -				
18D Estimated WPSC True Up		\$ 2,661.06			\$ 2,661.06				
18F Final WPSC After True Up		\$ 1,969,292.20	0.078930		\$ 20,722,492.70	0.000000			
18N Total NEG Purchases	1,037	\$ 118.84	0.114600	39,267	\$ 4,499.95	0.114599			
19 Total kWh Purchase & Cost	24,951,023	\$ 1,969,411.04	0.078931	256,970,804	\$ 20,726,992.65	0.080659			
20 Less: Line Loss	4,300,025		0.172338625	20,435,111		0.079523			
21 kWh Available for Use	20,650,998	\$ 1,969,411.04	0.09536639	236,535,693	\$ 20,726,992.65	0.087627			
22 PSCR SALES & POWER COSTS	20,650,998	\$ 1,969,411.04	0.095366	236,535,693	\$ 20,726,992.63	0.087627			
<b>PSCR OVER/(UNDER) RECOVERY</b>									
	<u>BASE</u>	<u>FACTOR</u>	<u>TOTAL</u>	<u>BASE</u>	<u>FACTOR</u>	<u>TOTAL</u>			
A. PSCR REVENUE									
23 1. Mills/kWh	87.8500	0.587774	88.4378	87.850000	0.5878	88.437774			
24 2. PSCR Sales	20,650,998	20,650,998	20,650,998	236,535,693	236,535,693	236,535,693			
25 3. PSCR Revenue [(1*2)/1000]	\$ 1,814,190.17	\$ 12,138.12	\$ 1,826,328.30	20,779,661	\$ 139,029.55	\$ 20,918,690.18			
26 C. PSCR COST			\$ 1,969,411.04			\$ 20,726,992.63			
27 D. OVER/(UNDER) RECOVERY			<u>(\$ (143,082.74)</u>			<u>\$ 191,697.54</u>			
<b>Current Year to Date</b>			<b>\$ 191,697.54</b>			<b>\$ 191,697.54</b>			
<b>Surcharge Distribution:</b>	<u>kWh</u>	<u>Recovery</u>	<u>FACTOR</u>	<u>kWh</u>	<u>Recovery</u>	<u>Surcharge Remaining:</u>	<u>Target Recovery</u>	<u>Est pscr kWh:</u>	<u>Adjustment</u>
Prior Year Monthly - 2016	17,826,140	\$ 5,031.01	0.282226	204,433,271	\$ 57,696.37	\$ 1,292.65	\$ 58,989.02	207,670,433	
Prior Year Seasonal - 2016	2,824,858	\$ 797.27	0.282226	32,102,422	9,060.16	(676.64)	8,383.52	31,048,042	
Total		\$ 5,828.27	0.282226	236,535,693	66,756.53	616.01	67,373	238,718,475	0.282226
Combined PSCR	20,650,998	\$ 17,966.37	0.87	236,535,693	205,786	0.87000			

**PRESQUE ISLE ELECTRIC & GAS CO-OP  
BOARD RESOLUTION  
MARCH 27, 2018**

**RESOLUTION 2018-MR-02  
2017 ELECTRIC OPERATIONS TIMES INTEREST EARNED RATIO  
(TIER) ANALYSIS**

**WHEREAS**, PIE&G transitioned to member-regulation with an effective date of September 23, 2012 thus providing that its electric rates, charges, accounting standards, billing practices, and terms and conditions of service are under authority of the board of directors and not the Michigan Public Service Commission (MPSC); 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 was authorized by the MPSC to employ the Times Interest Earned Ratio (TIER) Analysis rate setting mechanism when regulated by the Commission and continues to do so in order to satisfy the requirements of Board Policy No. 307; and

**WHEREAS**, the TIER rate setting mechanism provides that margins are adequate and there is no need to adjust revenue for a TIER range of 1.60 to 2.20, and PIE&G’s management has reviewed with the Board of Directors and established that the TIER calculation for the 2017 operating year indicates an adjusted TIER of 1.60.

**NOW BE IT HEREBY RESOLVED** that the PIE&G Board of Directors accepts management’s 2017 ELECTRIC TIER analysis that indicates an adjusted TIER of 1.60 and no adjustment in revenue is required.

**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 March 27, 2018.

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

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

**TEST YEAR MARGINS AND INTEREST**  
**12 MONTHS ENDED DECEMBER 31, 2017**

	<u>Operating Margins</u>	<u>Total Margins</u>	<u>Interest</u>
December 31, 2017	\$ 1,076,287 <sup>1</sup>	\$ 2,584,106 <sup>2</sup>	\$1,587,376 <sup>3</sup>

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<sup>1</sup> From December 2017 Form 7, Part 1A, line 20, *Patronage Capital and Operating Margins*.

<sup>2</sup> From December 2017 Form 7, Part 1A, line 28, *Patronage Capital*.

<sup>3</sup> From December 2017 Form 7, Part 1A, line 15, *Interest on Long Term Debt*.



**ADJUSTED TOTAL MARGINS**

<u>Step One:</u>	Unadjusted Total Margins	\$ 2,584,106 <sup>4</sup>
<u>Step Two:</u>	Add Back Net Loss From Equity Investments	\$ 114,321 <sup>5</sup>
	Less G&T Capital Credits Allocated/Not Paid	\$( 1,340,933) <sup>6</sup>
	Less Other Capital Credits Allocated/Not Paid	\$( 56,681) <sup>7</sup>

(continued on next page)

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<sup>4</sup> From Exhibit A-2.

<sup>5</sup> From December 2017 Form 7, page 1, column (b), line 23, "Income (Loss) from Equity Investments" includes a \$114,321 loss on disposition of utility plant. Accounts 421.10 and 421.20 Gain/(Loss) on Disposition of Utility Plant are to be removed from Total Margins. When that is done, Total Margins increase by \$114,321.

<sup>6</sup> From December 2017 Form 7, page 1, column (b), line 25a, "Generation and Transmission Capital Credits" + Line 25b, "G&T Capital Credits – PSDFC".

<sup>7</sup> From December 2017 Form 7, page 1, column (b), line 26, "Other Capital Credits and Patronage Dividends", i.e. \$199,893 less \$143,212. The \$143,212 is comprised of the following declared and paid other capital credits or patronage dividends.

NRUCFC	\$ 68,030
COBANK	\$ 263
NISC	\$ 5,656
CRC	\$ 657
RESCO	\$ <u>68,607</u>
Total	\$ <u><u>143,212</u></u>

**ADJUSTED TOTAL MARGINS**  
**(continued from prior page)**

<u>Step Three:</u> Add: Issued Capital Credits/Past Years' Allocations	\$ 1,503,119
Less General Capital Credit Retired to Members	\$( 716,459)
<u>Step Four:</u> Less Member Remaining Capital Credits Retired	\$(1,135,047) <sup>8</sup>
Adjusted Total Margins	\$ 952,426

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<sup>8</sup> Presque Isle actually retired remaining capital credits in the amount of \$1,911,735 however, the reduction allowed in Step 4 cannot be used to reduce the Adjusted TIER below the floor of 1.60.

**CALCULATION OF REQUIRED TIER REVISION**

$$1.8 \text{ TIER} = \frac{\text{Necessary Margin} + \text{Interest}}{\text{Interest}}$$

Interest = \$1,587,376<sup>9</sup>

$$1.8 \text{ TIER} = \frac{\text{Necessary Margin} + \$1,587,376 \text{ Interest}}{\$1,587,376 \text{ Interest}}$$

Necessary Margins = \$ 1,269,901

Target TIER:

$$1.8 \text{ TIER} = \frac{\$1,269,901 \text{ Necessary Margin} + \$1,587,376 \text{ Interest}}{\$1,587,376 \text{ Interest}}$$

Actual Adjusted Total TIER:

$$\text{TIER} = \frac{\$952,426^{10} + \$1,587,376 \text{ Interest}}{\$1,587,376 \text{ Interest}} = 1.60 \text{ TIER}$$

Based on Adjusted Total TIER of 1.60, no increase is required.

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<sup>9</sup> From Exhibit A-2.

<sup>10</sup> From Exhibit A-3.

**RECONCILIATION OF OPERATING AND TOTAL MARGINS**Line No.

1	Operating Margins		\$ 1,076,287 <sup>11</sup>
2	Other Income		
3	a. Non Operating Margins – Interest	\$ 69,171 <sup>12</sup>	
	b. Income from Equity Investments	\$ (102,178) <sup>13</sup>	
	c. Non Operating Margins – Other	\$ 0 <sup>14</sup>	
	d. G&T Capital Credits	\$ 1,340,933 <sup>15</sup>	
	Other Capital Credits and Patronage Dividends	\$ <u>199,893</u> <sup>16</sup>	
3.	Total Additions to Operating Margins		\$ 1,507,819
4	Total Margins		\$ 2,584,106

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<sup>11</sup> From Exhibit A-2.

<sup>12</sup> From December 2017 Form 7, Part 1A, line 21, “*Non Operating Margins – Interest*”.

<sup>13</sup> From December 2017 Form 7, Part 1A, line 23, “*Income(Loss) from Equity Investments*”.

<sup>14</sup> From December 2017 Form 7, Part 1A, line 24, “*Non Operating Margins – Other*”.

<sup>15</sup> From December 2017 Form 7, Part 1A, line 25b, “*G&T Capital Credits - PSDFC*”.

<sup>16</sup> From December 2017 Form 7, Part 1A, line 26, “*Other Capital Credits and Patronage Dividends*”.

**CALCULATION OF REQUIRED AND REQUESTED INCREASE**

Line No.

1	Required \$ Increase Per Exhibit A-4	\$ 0.00
2	2017 Revenue from Electric Sales	\$ 34,526,041 <sup>17</sup>
3	Required % Increase	0.00%
4	2017 kWh Sales	236,674,960 <sup>18</sup>
5	Average Mills Per kWh Increase	0.00 mills per kWh

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<sup>17</sup> From December 2017 Form 7, Page 5, Electric Operations Plant Ratios, Sales & Revenue Report, Year to Date Total Sales of Electric Energy, dollars.

<sup>18</sup> From December 2017 Form 7, Page 5, Electric Operations Plant Ratios, Sales & Revenue Report, Year to Date Total kWh sold.

# PRESQUE ISLE ELECTRIC & GAS CO-OP

19831 M68 Hwy. P.O. Box 308 Onaway, MI 49765 (989) 733-8515 1-800-423-6634 Fax (989) 733-2247

## CERTIFICATION

*We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.*

\_\_\_\_\_  
Signature of Chief Financial Officer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Chief Executive Officer

\_\_\_\_\_  
Date

## PART 1A - STATEMENT OF ELECTRICAL OPERATIONS FOR THE PERIOD ENDED DECEMBER 31, 2017

RUS Form 7 Line Number	ITEM	YEAR TO DATE			THIS MONTH
		2016	2017	BUDGET	
1.	Operating Revenue - Electric	35,822,664	35,617,160	35,680,914	3,233,915
1.	<b>Total Revenue</b>	<b>35,822,664</b>	<b>35,617,160</b>	<b>35,680,914</b>	<b>3,233,915</b>
3.	Cost of Purchased Energy - Electric	21,112,750	20,722,593	21,164,529	1,969,392
3.	<b>Total Cost of Energy Sold</b>	<b>21,112,750</b>	<b>20,722,593</b>	<b>21,164,529</b>	<b>1,969,392</b>
	<b>Gross Revenues</b>	<b>14,709,914</b>	<b>14,894,568</b>	<b>14,516,385</b>	<b>1,264,522</b>
5.	Distribution Expense - Operation	1,148,982	1,056,367	1,133,754	46,224
6.	Distribution Expense - Maintenance	3,663,726	3,593,859	4,113,738	382,624
7.	Consumer Accounts Expense	1,474,830	1,377,122	1,670,117	91,344
8.	Customer Service and Informational Expens	642,002	803,051	650,892	62,078
10.	Administrative and General Expense	1,493,505	1,485,628	1,587,038	77,472
	<b>Total Operation &amp; Maintenance Expense</b>	<b>8,423,046</b>	<b>8,316,027</b>	<b>9,155,539</b>	<b>659,742</b>
12.	Depreciation & Amortization Expense	2,978,343	3,019,129	3,133,005	252,687
13.	Tax Expense - Property & Gross Receipts	859,703	873,652	872,490	88,384
14.	Tax Expense - Other	1,678	1,052	1,733	(1)
15.	Interest on Long-Term Debt	1,531,782	1,587,376	1,768,441	132,721
17.	Interest Expense - Other	73,843	20,045	86,875	237
18.	Other Deductions	172	1,000	0	0
	<b>Total Cost of Operations</b>	<b>13,868,568</b>	<b>13,818,280</b>	<b>15,018,083</b>	<b>1,133,770</b>
20.	Patronage Capital & Operating Margins	841,346	1,076,287	(501,698)	130,752
21.	Non-Operating Margins - Interest	51,180	69,171	53,629	1,368
23.	Income (Loss) from Equity Investments	(223,192)	(102,178)	(325,241)	509
24.	Non-Operating Margins - Other	0	0	0	0
25.a	Generation and Transmission Capital Credit	1,908,599	1,340,933	1,300,000	1,340,933
25.b	G & T Capital Credits - PSDFC	0	0	0	0
26.	Other Capital Credits and Patronage Divider	188,927	199,893	238,541	19,282
27.	Extraordinary Items See attached sheet	0	0	0	0
28.	<b>Patronage Capital</b>	<b>2,766,860</b>	<b>2,584,106</b>	<b>765,231</b>	<b>1,492,844</b>
	<b>Net T.I.E.R.</b>	<b>2.72</b>	<b>2.61</b>		
	<b>Operating T.I.E.R.</b>	<b>1.52</b>	<b>1.67</b>		

## PART 2A - DATA ON ELECTRICAL DISTRIBUTION PLANT

ITEM	YEAR TO DATE	
	2016	2017
1. New Services Connected	187	213
2. Services Retired	95	88
3. Total Services in Place	35,616	35,780
4. Idle Services (Excl Seasonal)	2,311	2,312
5. Miles Distribution - Overhead	3,837	3,838
6. Miles Distribution - Underground	1,040	1,051
7. Total Miles Energized (5 + 6)	4,877	4,890

# PRESQUE ISLE ELECTRIC & GAS CO-OP

19831 M68 Hwy. P.O. Box 308 Onaway, MI 49765 (989) 733-8515 1-800-423-6634 Fax (989) 733-2247

## PART 3 - COMBINED BALANCE SHEET AS OF DECEMBER 31 2017

RUS Form 7 Line Number	ASSETS AND OTHER DEBITS	RUS Form 7 Line Number	LIABILITIES AND OTHER CREDITS
1a.	Utility Plant in Service - Electric 106,721,777	30a.	Memberships - Electric 253,020
1b.	Utility Plant in Service - Gas 33,517,888	30b.	Memberships - Gas 23,910
1.	Utility Plant in Service - Combined <b>140,239,665</b>	30.	Memberships - Combined <b>276,930</b>
2a.	Construction Work in Progress - Electric 1,145	31a.	Patronage Capital - Electric 41,093,302
2b.	Construction Work in Progress - Gas 31,199	31b.	Patronage Capital - Gas 5,926,264
2.	Construction Work in Progress - Combined <b>32,344</b>	31.	Patronage Capital - Combined <b>47,019,566</b>
3a.	Total Utility Plant (1+ 2) - Electric 106,722,922	32a.	Operating Margins - Prior Years - Electric (253,082)
3b.	Total Utility Plant (1 + 2) - Gas 33,549,086	32b.	Operating Margins - Prior Years - Gas 0
3.	Total Utility Plant - Combined <b>140,272,009</b>	32.	Operating Margins - Prior Years - Combined <b>(253,082)</b>
4a.	Accumulated Provision for Depreciation - Electric 54,425,493	33a.	Operating Margins - Current Year - Electric 1,076,287
4b.	Accumulated Provision for Depreciation - Gas 9,311,626	33b.	Operating Margins - Current Year - Gas 471,454
4.	Accum. Provision for Depreciation - Combined <b>63,737,119</b>	33.	Operating Margins - Current Year - Combined <b>1,547,741</b>
5a.	Net Utility Plant (3 - 4) - Electric 52,297,430	34a.	Non Operating Margins - Electric 1,507,819
5b.	Net Utility Plant (3 - 4) - Gas 24,237,460	34b.	Non Operating Margins - Gas 89,994
5.	Net Utility Plant - Combined <b>76,534,889</b>	34.	Non Operating Margins - Combined 1,597,812
7.	Investments in Subsidiary Companies 0	35a.	Other Margins and Equities - Electric 3,082,374
8.a	Invest. in Assoc. Org- Patronage Capital - WPC 20,486,928	35b.	Other Margins and Equities - Gas 7,174
8.b	Invest. in Assoc. Org- Patronage Capital - Other 2,630,927	35.	Other Margins and Equities - Combined <b>3,089,548</b>
9.	Invest. in Assoc. Org. - Other - General Funds 4,800	36a.	Total Margins and Equities (30 thru 35) - Electric 46,759,720
10.	Invest. in Assoc. Org. - Other - Nongeneral Funds 1,521,664	36b.	Total Margins and Equities (30 thru 35) - Gas 6,518,795
11.	Invest. in Economic Development Projects 0	36.	Total Margins and Equities (30 thru 35) - Combined 53,278,515
12.	Other Investments 0	37.	Long Term Debt - RUS (Net)
13.	Restricted Funds 0		(Payments-Unapplied \$ -0- ) 0
14.	Total Other Property and Investments (6 thru 13) 24,644,319	38.	Long Term Debt - RUS - Econ. Dev. (Net) 0
15.	Cash - General Funds 1,447,193	39.	Long Term Debt - Other - RUS Guaranteed 0
16.	Cash - Construction Funds 0	40.	Long Term Debt - Other (Net) 48,874,610
17.	Special Deposits 0	41.	Total Long Term Debt (37 thru 40) 48,874,610
18.	Temporary Investments 1,523,887	42.	Obligations Under Capital Leases 0
19.	Notes Receivable - Net 0	43.	Deferred Compensation 0
20.	Accounts Receivable - Net Sales of Energy 4,374,732	44.	Total Other Non Current Liabilities (42+43) 0
21.	Accounts Receivable - Net Other 273,651	45.	Line of Credit Balance Due 0
22.	Materials and Supplies - Electric and Other 1,460,638	46.	Accounts Payable 3,318,592
23.	Prepayments 347,401	47.	Consumers Deposits 544,851
24.	Other Current and Accrued Assets 0	48.	Other Current and Accrued Liabilities 4,797,694
25.	Total Current and Accrued Assets (15 thru 24) 9,427,502	49.	Total Current and Accrued Liabilities (45 thru 48) 8,661,137
26.	Regulatory Assets 0	50.	Deferred Credits 29,244
27.	Other Deferred Debits 236,795	51.	Accumulated Deferred Income Taxes 0
28.	Accumulated Deferred Income Taxes 0	52.	Total Liabilities and Other Credits
29.	Total Assets and Other Debits ( 5 + 14 + 25 thru 28) <b>110,843,506</b>		(36+41+44+49 thru 51) <b>110,843,506</b>
			<i>ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION</i>
		53.	Balance Beginning of the Year - Electric 21,072,560
		54.	Balance Beginning of the Year - Gas 4,461,294
		55.	Balance Beginning of the Year - Gas AER 1,054,511
			Amount Received This Year (Net) - Electric 580,904
			Amount Received This Year (Net) - Gas 199,543
			Amount Received This Year (Net) - Gas AER
			Total Contributions in Aid of Construction - Electric 21,653,464
			Total Contributions in Aid of Construction - Gas 4,660,837
			Total Contributions in Aid of Construction - Gas AER 1,054,511

## PART 4 - NOTES TO COMBINED FINANCIAL STATEMENTS

THIS SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.

# PRESQUE ISLE ELECTRIC & GAS CO-OP

19831 M68 Hwy. P.O. Box 308 Onaway, MI 49765 (989) 733-8515 1-800-423-6634 Fax (989) 733-2247

## ELECTRIC OPERATIONS PLANT RATIOS, SALES & REVENUE REPORT FOR THE MONTH ENDING DECEMBER 31, 2017

### BALANCE SHEET RATIOS

Current Assets to Current Liabilities	- Combined	108.85 %
Margins & Equities as % of Assets	- Combined	48.07 %
Long Term Debt as % of Net Utility Plant	- Combined	63.86 %
Long Term Debt as % of Plant	- Combined	34.84 %
Modified Debt Service Coverage Ratio	- Combined	2.72

### CONSUMER SALES AND REVENUE DATA - MONTHLY

CLASS OF SERVICE	Number Receiving Service	kWh Sold	Amount	Number of Minimum Bills
	A.	B.	C.	D.
Sales - Residential	17,568	12,258,956	1,713,476	967
Sales - Seasonal	13,510	2,824,858	671,170	12,612
Sales - General Service - Oil	469	482,637	61,307	42
Sales - Irrigation	26	4,887	1,543	17
Sales - General Service	1,472	2,312,163	282,535	183
Sales - Large Power - Oil	9	131,918	14,242	
Sales - Large Power	42	2,271,568	226,912	
Sales - Public Street & Highway Lighting	39	15,249	4,023	
Sales - Public Buildings	333	348,762	44,581	37
Consumer Sales - PSCR			137,254	
Total Sales of Electric Energy (1 thru 11)	33,468	20,650,998	3,157,044	13,858
Other Electric Revenue			76,870	
Total (12 + 13)			3,233,915	
Last Year kWh Sales	33,305	20,448,521		

### CONSUMER SALES AND REVENUE DATA - YEAR TO DATE

CLASS OF SERVICE	Average Number Receiving Service	kWh Sold Cumulative	Amount Cumulative
	B.	C.	D.
Sales - Residential	17,492	132,148,680	18,876,176
Sales - Seasonal	13,497	32,095,831	7,746,692
Sales - General Service - Oil	469	4,908,048	639,090
Sales - Irrigation	26	127,818	22,710
Sales - General Service	1,455	30,689,153	3,688,508
Sales - Large Power - Oil	9	1,517,202	164,180
Sales - Large Power	41	30,267,390	3,028,008
Sales - Public Street & Highway Lighting	39	269,261	55,628
Sales - Public Buildings	333	4,512,310	566,165
Consumer Sales - PSCR			(258,454)
Total Sales of Electric Energy (1 thru 11)	33,361	236,535,693	34,528,702
Other Electric Revenue			1,088,458
Total (12 + 13)			35,617,160
Last Year kWh Sales		239,756,252	

### KWH AND KWH STATISTICS

ITEM	THIS MONTH	YEAR-TO-DATE
1. kWh Purchased	24,949,986	256,931,537
2. Interchange kWh-Net	1,037	39,267
3. Total kWh (1 + 2)	24,951,023	256,970,804
4. Total kWh-Sold	20,650,998	236,535,693
5. Office Use - **For Information Purposes Only**	22,204	263,909
6. Total Unaccounted for (3 - 4)	4,301,062	20,474,378
7. Percent System Loss (6/3)x100	17.24	7.97
8. Maximum Demand (kw)	45,522	45,522
9. Month When Maximum Demand Occured		12



# PRESQUE ISLE ELECTRIC & GAS CO-OP

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## STATISTICAL INFORMATION FOR THE MONTH ENDING DECEMBER 31, 2017

	THIS YEAR	LAST YEAR
1. KWHRs Sold Per Consumer:		
a. For the Month	617	614
b. Year to Date	591	599
2. Average Monthly Bill	94.33	100.48
Average Residential Bill	97.53	95.36
3. Average Bill:		
a. Year To Date	86.25	87.55
b. YTD Residential	89.93	89.40
4. Cost Per KWHR Purchased		
a. This Month Mills	78.93	90.54
b. Year to Date Mills	80.64	81.23
5. Revenue Per KWHR Sold:		
a. This Month Mills	152.88	163.66
b. Year to Date Mills	145.98	146.21
6. Power Cost Adjustment		
a. This Month	0.000870	-0.001310
7. Number of New Members - Electric	68	77
Number of Transferred Members Added - Electric	1411	1230
7. Number of New Members - Gas	47	40
Number of Transferred Members Added - Gas	151	161
8. Security Lights Billed	1945	2040
9. Regular Payroll - Hours	12,198.50	12,753.00
Overtime Payroll - Hours	1,995.50	1,662.75
Total Payroll	14,194.00	14,415.75
10. Number of Employees		
Full Time	71	70
Temporary	6	5
11. Principal Paid To CFC-YTD	1,621,675.15	1,500,367.85
Interest Paid To CFC-YTD	2,435,745.78	2,348,025.05
12. Interest Paid on Line of Credit - YTD	24,143.47	89,077.69

<b>TIER CALCULATION</b>			
<b>CO-OP: Presque Isle Electric &amp; Gas Co-op</b>			
Case:			
Year: <b>2017</b>			
FORM			
		<b>2017</b>	
7 LINE	ITEM	<b>All Costs</b>	
		\$	
	Operating Revenue		
	Sales of Electricity	35,617,160	
	Other	-	
1	Operating Revenue	35,617,160	
	Operating Expenses		
3	Cost of Purchased Energy	20,722,593	
4	Transmission Expense		
5	Distribution Expense - Operation	1,056,367	
6	Distribution Expense - Maintenance	3,593,859	
7	Consumer Accounts Expense	1,377,122	
8	Customer Service & Info. Expense	803,051	
9	Sales Expense		
10	Administrative & General Expense	1,485,628	
11	Total O & M Expense	29,038,620	
12	Depreciation & Amortization Exp.	3,019,129	
13	Tax Exp. - Property & Gross Recpts.	873,652	
14	Tax Expense - Other	1,052	
15	Interest on Long-Term Debt (mpsc)	<b>1,587,376</b>	
16	Interest Charged to Const. - Cr.		
17	Interest Expense - Other	20,045	
18	Other Deductions	1,000	
19	Total Cost of Operations	34,540,874	
20	<b>Ptrng Cap. &amp; OPERATING Margins</b>	1,076,286	
21	Non-Operating Margins - Interest	69,171	
22	AFUDC		
nt lsted	Loss from Property Retirements		
23	Inc. (Loss) from Equity Investments	(102,178)	
24	Non-Operating Margins - Other	-	
25.a	Gen. & Trans. Capital Crs.	1,340,933	
25.b	G & T Capital Crs - PSDFC	-	
26	Other Capital Crs. & Patronage Div's.	199,893	
27	Extraordinary Items	-	
28	<b>Ptrng Capital or Margins (20-27)</b>	<b>2,584,105</b>	
<b>Part II: Adjusted Margins &amp; TIER AS FILED</b>			
	Actual Total Margin (Ln 28)	2,584,105	
Step II	Back Out:		
	Gain/Loss from Equity Investments	114,321	
	G&T Credits, Allocated/Not Paid	(1,340,933)	
	Other Cap Crs, Allocated/Nt Pd	(56,681)	
	Weather Normalization Adjustment		
	Adjustment for Non-Operating Loss		
	<b>Total Mrgns Less Cap. Crs. Allocation</b>	<b>1,300,812</b>	
Step III	Add Back:		
	Estimated Storm Restoration Costs		
	Cap Crs Pd for Prior Years	1,503,119	
	Less offset of Cap Crs Retired/Members	(2,628,193)	
	<b>Preliminary Adjusted Total Margins</b>	<b>175,738</b>	
Step IV	Back Out:		
	Member Remaining Cap Crs. Retired		
	Adjust for difference in LT Debt Interest		
	Adjust for Add Back of C.C. Retired/Members	776,688	
	<b>Adjusted Total Margin</b>	<b>952,426</b>	
<b>Resulting TIER:</b>			
	Adjusted Total Margin	952,426	
	+ Interest, L/T Debt	1,587,376	
	÷ Interest, L/T Debt	1,587,376	
	<b>= TIER</b>	<b>1.60</b>	
	[Quiet zone = 1.6 - 2.2]		
<b>Part III N/A - Increase in Rates resulting from the 2017 PSCR/TIER Reconciliation</b>			