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Great Lakes Energy Seeks Rate Increase

Great Lakes Energy is seeking an average 2.87 percent rate increase that would raise an additional \$4.4 million to maintain current funding levels for major reliability improvements and provide adequate margins.

The rate request must be approved by the Michigan Public Service Commission (MPSC), the state agency that regulates the cooperative (see notice on page 29). The earliest these changes could take effect would be this summer, pending final approval by the MPSC.

Most of the \$4.4 million in revenue would come from a proposed \$3.28 per month increase in the fixed billing charge for residential permanent and non-permanent (seasonal) members. This monthly charge would change from \$15 to \$18.28 (\$45 to \$54.84 per quarter for seasonal accounts). No change in the energy usage or kilowatt-hour (kWh) rate is proposed at this time.

An increase in the outdoor security light rate is also proposed. Depending on wattage size, members would pay from 80 cents to \$3.20 more per month for their GLE security light.

“We want the progress we’ve made in reducing average outage minutes in the last five years to continue,” says Steve Boeckman, president/CEO. “Major improvements were made that are benefitting thousands of Great Lakes Energy members. But there are still many areas on our system where reliability remains an issue. We have an obligation to provide the same high level of reliable service to all members, which can only be accomplished with adequate financial resources.”

The rate increase will also ensure that the co-op’s financial health stays strong. The co-op relies on a financial ratio called TIER (times interest earned ratio) to determine when rate changes are needed. The TIER is used to measure an electric co-op’s financial well-being. If the TIER number drops too low, it’s a signal that the co-op may no longer have the ability to meet interest expense on long-term debt at existing revenue levels.

The TIER is affected by changes in the co-op’s margins, or profits, and interest on long-term debt. By closely watching its expenses and the TIER, the co-op can plan ahead and take the necessary steps that will enable it to remain financially strong and a well-run business.

Great Lakes Energy regularly benchmarks its operating expenses and other data against other electric co-ops. This benchmarking consistently shows that GLE operates in an efficient manner and often ranks near the very top of electric co-ops nationally. The co-op will continue to use these benchmarks to monitor expense levels and other productivity measures in order to keep electricity a good value for members.

Only about 35 percent of the revenue collected from GLE members goes toward operating the co-op, and much of that is for

Only one other electric co-op in the United States has more miles of line than Great Lakes Energy.

maintaining its power line distribution system. The other 65 percent goes to its power supplier to cover their costs to have electricity generated and delivered to the co-op.

About 60 percent of the co-op’s lines are at least 40 years old. Only one other electric co-op in the United States has more miles of line than Great Lakes Energy.

Large investments so far have allowed the co-op to re-clear trees along more miles of power line, upgrade major lines, and use new technologies to reduce outage times. These improvements have also helped the co-op restore power more quickly when severe weather causes massive, widespread outages, such as last fall’s windstorm.

As noted, this proposed rate increase only affects the monthly fixed charge and not the energy (kWh) rate. This monthly (or quarterly) charge is designed to cover the fixed operating expenses incurred by GLE, which amount to about \$30 monthly per residential member. When the fixed charge is too low, some fixed costs must be put into the energy (kWh) rate, which creates an unfair

rate structure where members who use more electricity are subsidizing those who use less.

Fixed charges are not uncommon in the utility, cell phone or cable industry. This rate change is a continued effort by the co-op to fairly charge each member for fixed costs, regardless of their personal energy use choices, so that each member pays equally for the availability of electric service.

As a member-owned electric co-op, GLE will also continue returning capital credit refunds to members each year, as financial conditions allow.

The proposed rate increase is not final until it is approved by the MPSC, which may recommend modifications. We'll keep you updated through *Michigan Country Lines*, *PowerTalk* newsletter, and on our website, as more information becomes available.



Teen Days – Nine students represented Great Lakes Energy at this spring's Michigan Electric Cooperative Teen Days event at the Kettunen Center in Tustin. Pictured (top row, L to R) are: Mackenzie Morison, Justin Dahl, Kaylee Kessler, P.J. Nemish and Heidi Dill. Bottom row: Cade Dailey, Matthew Richards, Jennifer Herrema and Heath Welch.

Election Ballot In Next Issue

The mail-in ballot for election of Great Lakes Energy directors will be included in your July issue of *Michigan Country Lines*.

Exercise your right as a cooperative member and vote for the board candidates of your choice.

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Call 877.296.4319 today to see which programs your business qualifies for. You can also visit michigan-energy.org, select your electric cooperative, then click on Commercial and Industrial Program.

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GLE Earns Safety Achievements

Safety achievements were recently earned by Great Lakes Energy employees, both as a group and individually.

These employees were recently recognized for working one year without a lost-time accident, reports Tim Hartwick, GLE's loss control and training director. Avoiding workplace accidents avoids downtime and helps Great Lakes Energy contain costs.

In addition, Hartwick recently became a certified loss control professional after successfully completing an intensive program in electric utility safety and loss control conducted by the National Rural Electric Cooperative Association (NRECA) in conjunction with the National Utility Training and Safety Education Association.

The professional certification will enhance his ability to lead the co-op's loss control and safety training program. One main goal of a certified loss control professional is to help ensure a safe work environment for utility workers and the public in general.

"These accomplishments don't come easy," explains Hartwick. Avoiding lost-time accidents is a challenge for several reasons:

- ▶ With the exception of one other co-op,

Great Lakes Energy maintains more miles of line than any other electric co-op in the United States. Field employees easily log thousands of miles a year as they regularly travel our 26-county service area that stretches from south of Grand Rapids to the Mackinac Bridge. The mileage includes rugged, off-road travel to reach remote outage locations.

- ▶ Part of the workforce builds, maintains and repairs the many miles of power line. This job takes them out in the worst weather where they have to contend with damaging winds, icy roads, and other threatening conditions.

- ▶ Great Lakes Energy employees work at different locations with vastly different jobs, and it takes a concerted effort by all to hold a good safety record.

Other members of GLE's loss control and training department are Bev Bumstead and Dan King.

Great Lakes Energy has maintained national safety accreditation status with NRECA for the last six years. Regular employee training, emphasis on maintaining a safe working environment, and employee commitment to working safely all contributed to this achievement.



Great Lakes Energy employees were recently recognized by the Michigan Electric Cooperative Association for working one year without a lost-time accident. Holding the award is Tim Hartwick, director of GLE's loss control and training department.

▶ How Much Did I Earn Last Year?

See the 2010 allocation message on your June bill.

Part of the value of being a member of Great Lakes Energy is you are entitled to a share of the profits or "margins" the cooperative earns.

We maintain an annual record of your share of these profits. Your share is referred to as a "capital credit allocation," and remains with the cooperative until financial conditions permit us to return the earnings to you.

A short message will appear on your June bill to inform you of the capital credit allocation amount you earned in 2010. This amount is not a refund, but a record of your annual investment in your cooperative.

You will be notified when part of your allocations are to be returned to you as a refund. The next capital credit refund is expected to occur in December or January, and details will be shared later in *Michigan Country Lines*.

**At Great Lakes Energy, you're more than just a customer; you're a member.
The capital credits program is another way we look out for you.**

▶ How is my share determined?

Capital credits are allocated based on the total amount members pay each year for electricity. If the total amount you paid for electricity last year was more than your neighbor's, your allocation amount will also be larger.

▶ What does the co-op do with my capital credit allocation money?

Capital credits represent operating capital provided by the membership to the cooperative and are a major source of equity and operating funds for Great Lakes Energy. Capital credits help make it possible for us to secure loans, improve electric service reliability and expand our system to meet the demands of our membership.

To Member-Customers of Great Lakes Energy

This Notice of Access to Rules and Rates is published pursuant to the rules established by the Michigan Public Service Commission as set forth in the "Consumer Standards and Billing Practices for Electric Residential Service, R460.2146 and 2149."

As a member-customer (member) of Great Lakes Energy Cooperative, be advised that the following information is available to you from the cooperative upon request:

- 1) Complete rate schedules;
- 2) Clear and concise explanation of all rates that the member may be eligible to receive;
- 3) Assistance from the cooperative in determining the most appropriate rate for a member when the member is eligible to receive service under more than one rate;
- 4) Clear and concise explanation of the members' actual energy use for each billing period during the last 12 months.

Great Lakes Energy Cooperative,
Boyer City, MI

GREAT LAKES ENERGY COOPERATIVE CONSOLIDATED BALANCE SHEET*
as of Dec. 31, 2010

ASSETS

Electric plant:	
Distribution plant	\$ 366,470,981
Construction in progress	6,971,598
	<u>373,442,579</u>
Less accumulated depreciation	100,802,516
Net electric plant	<u>272,640,063</u>
Other assets and investments:	
Nonutility plant, net of depreciation	6,261
Investments and memberships	91,116,456
Notes and other receivables	112,829
	<u>91,235,546</u>
Current assets:	
Cash	2,386,393
Temporary investments and special funds	5,268,826
Accounts receivable, net of bad debt reserve	19,979,922
Materials and supplies	2,309,154
Other current assets	1,984,540
Total current assets	<u>31,928,835</u>
Deferred charges	423,972
Total assets	<u>\$ 396,228,416</u>

EQUITIES AND LIABILITIES

Equities:	
Memberships	\$ 519,740
Patronage capital	139,391,458
Donated capital	3,251,135
Accumulated other comprehensive expenses	(7,001,905)
Total equities	<u>136,160,428</u>
Long-term debt, net of current portion, and non-current accrued expenses:	
Rural Utilities Service, Cooperative Finance Corporation and CoBank long-term debt	143,200,269
Other long-term debt	65,304,841
Non-current accrued expenses	16,205,092
Total long-term debt and non-current accrued expenses	<u>224,710,202</u>
Current liabilities:	
Current maturities of long-term debt	6,602,100
Note payable	3,759,969
Accounts payable	10,701,999
Accrued expenses	6,360,337
Customer deposits	1,285,328
Total current liabilities	<u>28,709,733</u>
Deferred credits	6,648,053
Total liabilities and equities	<u>\$ 396,228,416</u>

GREAT LAKES ENERGY COOPERATIVE CONSOLIDATED OPERATING STATEMENTS*
for the years ended Dec. 31, 2010 and 2009

	2010	2009
OPERATING REVENUES	\$ 154,912,162	\$ 149,715,546
Operating expenses:		
Cost of power	99,011,929	96,248,437
Distribution system operating and maintenance expenses	20,716,538	17,664,037
Customer service and information expenses	6,782,894	5,496,755
Administrative and general expenses	7,465,097	7,467,709
Depreciation and amortization	10,917,691	10,297,766
Other operating expenses	276,075	516,114
Total operating expenses	<u>145,170,224</u>	<u>137,690,818</u>
Operating margins before fixed charges	9,741,938	12,024,728
Fixed charges, interest expense	9,921,220	9,407,903
Operating margins after fixed charges	<u>(179,282)</u>	<u>2,616,825</u>
Non-operating margins:		
Interest income	1,087,784	911,338
Other income, net	(265,734)	(230,838)
Total non-operating income	<u>822,050</u>	<u>680,500</u>
Capital credits from associated organizations:		
Wolverine Power Company	-	7,903,979
Other associated organizations	304,508	316,277
Total capital credits from associated organizations	<u>304,508</u>	<u>8,220,256</u>
Net margins	<u>\$ 947,276</u>	<u>\$ 11,517,581</u>

* A copy of the audited financial statements and auditors' report is on file at the cooperative's office in Boyne City, MI.



that Great Lakes Energy members can give back to their own communities.”

Started in 1972 as the Gaylord Opportunity Center, area parents founded the organization to provide a place where their adult children who lived with disabilities could learn productive activities. Today, Crossroads is a champion for employment independence among workers with disabilities (employs an average of 60 adults). Professional staff train and supervise the workers, who perform bulk mailing, manufacturing and shredding services.

Adults with disabilities work for Crossroads Industries Inc. in Gaylord to provide the only shredding service for businesses and individuals in Otsego County.

In the bulk mail department, Crossroads ensures that mailings comply with the latest postal rules and regulations. Their high quality standards result in accurate mailings that usually cost a company less than doing it in-house.

Crossroads workers also perform labor-intensive, repetitive manufacturing jobs at reasonable wages. These include subcontracted labor for automated supplies, and wood product, tube and electronic component manufacturers. Earlier this year, workers produced wood stakes for Great Lakes Energy to use in marking the location of electric lines for construction purposes.

Crossroads opened a retail consignment store in downtown Gaylord in April, adding to its portfolio of job opportunities for workers with disabilities. Open to the public, the store features consignment and exchange clothing items, consignment art, and a small coffee bar. Shoppers will also find new merchandise in the store, such as furniture and jewelry made by adults with disabilities who work in other facilities like Crossroads.

Visit crossroadsindustries.com, or call 989-732-1233, to learn more.

Saving Trees and Adding Jobs

A \$2,000 Great Lakes Energy People Fund grant has helped save 425 trees *and* created jobs.

Crossroads Industries Inc. of Gaylord, used the grant to help purchase a baler for its shredding services operated by area workers with disabilities. In addition, Crossroads received funds toward the baler from the Otsego Wildlife Legacy Society (OWLS) and the Otsego County Community Foundation.

“Many companies shred documents to comply with privacy regulations,” explains Jessica Kane, document destruction manager. As the only shredding service in Otsego County, Crossroads meets local demand for secure document destruction while helping support the local economy through job creation.

Crossroads first noticed the growing local need for this service in 2008. With funding from the Otsego County Community Foundation, Crossroads purchased a shredder and began shredding and recycling services.

Companies bring documents for shredding to Crossroads, or pay a fee for locked containers that provide on site storage of documents and pick up for shredding. Individuals may also bring personal documents to be shredded.

The business grew rapidly and hired Kane to manage the document shredding department in 2010. She recognized the advantage of a piece of equipment called a baler and sought grants to buy one. A baler compresses shreds into bound rectangular bales.

By using bales, Crossroads avoids fees previously paid to haul plastic bags of shreds to a recycling center. Bales also take up less space and require fewer trips to transport. That results in reduced carbon emissions—a good goal for any organization today—and less expense.

“Since anything we make goes back into the program, the savings are a plus for us,” Kane explains.

As for the 425 trees saved, the National Association for Information Destruction (NAID) advises that 1 ton of paper shredded and recycled saves 17 trees. Since the baler began operating in January, Kane estimates through mid-March alone, Crossroads recycled 50,000 pounds of shredded paper (25 tons), which equals 425 trees.

“We really appreciate the support from the People Fund,” she says. “I belong to the People Fund myself. I like that the grants benefit local causes. It’s an affordable way

Power In Numbers! If every Great Lakes Energy member who participates in the People Fund got just one other person to join, it would easily double the amount of money available to help local food pantries, senior citizen centers, youth programs, and more.

The People Fund program works because there is power in numbers. A Great Lakes Energy member’s average contribution of 50 cents a month or \$6 per year isn’t much, but it adds up fast when thousands of members get involved.

Get involved and help the People Fund expand to meet the growing needs of Michigan residents, young and old. It all starts with asking just one person to contact us and we’ll do the rest. You can also enroll online by visiting the “Your Community” section on gtlakes.com. **Enrolled members have two chances each year to win a \$100 billing credit. Enroll today!**



STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

NOTICE OF HEARING FOR THE CUSTOMERS OF GREAT LAKES ENERGY COOPERATIVE CASE NO. U-16041-R

- Great Lakes Energy Cooperative proposes to reconcile its 2010 power supply cost recovery (PSCR) costs and revenues, and increase its revenues through its Times Interest Earned Ratio (TIER) Ratemaking Mechanism, if the Michigan Public Service Commission approves its request.
- The information below describes how a person may participate in this case.
- You may call or write Great Lakes Energy Cooperative, 1323 Boyne Avenue, P.O. Box 70, Boyne City, MI 49712-0070, (888) 485-2537, for a free copy of its application. Any person may review the application at the offices of Great Lakes Energy Cooperative.
- The first public hearing in this matter will be held:

DATE/TIME: June 28, 2011, at 9:00 a.m. This hearing will be a prehearing conference to set future hearing dates and decide other procedural matters.

BEFORE: Administrative Law Judge Dennis W. Mack

LOCATION: Michigan Public Service Commission, 6545 Mercantile Way, Suite 7, Lansing, Michigan

PARTICIPATION: Any interested person may attend and participate. The hearing site is accessible, including handicapped parking. Persons needing any accommodation to participate should contact the Commission's Executive Secretary at (517) 241-6160 in advance to request mobility, visual, hearing or other assistance.

The Michigan Public Service Commission (Commission) will hold a public hearing to consider the April 29, 2011 application of Great Lakes Energy Cooperative (Great Lakes) as amended on May 5, 2011, to reconcile its 2010 power supply cost recovery (PSCR) costs and revenues. Great Lakes represents that its 2010 net overrecovery is \$1,085,965, including prior years' balances. Great Lakes is also seeking to increase revenues by \$4,439,042, or 2.87%, through its TIER Ratemaking Mechanism.

All documents filed in this case shall be submitted electronically through the Commission's E-Dockets website at: michigan.gov/mpscedockets. Requirements and instructions for filing can be found in the User Manual on the E-Dockets help page. Documents may also be submitted, in Word or PDF format, as an attachment to an email sent to: mpscedockets@michigan.gov. If you require assistance prior to e-filing, contact Commission staff at (517) 241-6180 or by e-mail at: mpscedockets@michigan.gov.

Any person wishing to intervene and become a party to the case shall electronically file a petition to intervene with this Commission by June 21, 2011. (Interested persons may elect to file using the traditional paper format.) The proof of service shall indicate service upon Great Lakes' attorney, Shaun M. Johnson, at Dykema Gossett PLLC, Capitol View, 201 Townsend Street, Suite 900, Lansing, Michigan 48933.

Any person wishing to make a statement of position without becoming a party to the case may participate by filing an appearance. To file an appearance, the individual must attend the hearing and advise the presiding administrative law judge of his or her wish to make a statement of position. All information submitted to the Commission in this matter will become public information: available on the Michigan Public Service Commission's website, and subject to disclosure.


Requests for adjournment must be made pursuant to the Commission's Rules of Practice and Procedure R 460.17315 and R 460.17335. Requests for further information on adjournment should be directed to (517) 241-6060.

A copy of Great Lakes's request may be reviewed on the Commission's website at: michigan.gov/mpscedockets, and at the office of Great Lakes Energy Cooperative, 1323 Boyne Avenue, Boyne City, Michigan. For more information on how to participate in a case, you may contact the Commission at the above address or by telephone at (517) 241-6180.


Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; 1919 PA 419, as amended, MCL 460.54 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1982 PA 304, as amended, MCL 460.6h et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.17101 et seq.

May 25, 2011



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