

Founded in 1852
by Sidney Davy Miller

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March 24, 2017

Ms. Kavita Kale
Executive Secretary
Michigan Public Service Commission
7109 West Saginaw Highway
Lansing, MI 48917

Re: Upper Michigan Energy Resources Corporation
2016 Energy Optimization Reconciliation (Electric & Gas)
MPSC Case No. U-18336

Dear Ms. Kale:

Enclosed for electronic filing please find the application of Upper Michigan Energy Resources Corporation for authority to reconcile Wisconsin Public Service Corporation's 2016 electric and gas Energy Optimization costs and revenues and to revise its WPSC Rate Zone surcharges, and supporting testimony and exhibits of Diane J. Mier and James M. Beyer. Also enclosed are the Appearances of Sherri A. Wellman and Michael Rampe.

Finally, a marked-up notice of hearing has been e-mailed to Angela McGuire at the Michigan Public Service Commission.

If you have any questions, please advise.

Very truly yours,

Miller, Canfield, Paddock and Stone, P.L.C.

By: _____
Sherri A. Wellman

SAW/kld
Enclosures

cc: Koby Bailey
Mary Wolter
James M. Beyer
Diane J. Mier

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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

In the matter of the application of)	
UPPER MICHIGAN ENERGY RESOURCES)	Case No. U-18336
CORPORATION for authority to reconcile the 2016)	
electric and natural gas energy optimization costs and)	
revenues and to revise surcharges for its WPS Rate Zone.)	
_____)	

APPLICATION

Upper Michigan Energy Resources Corporation (“UMERC” or the “Company”) respectfully requests the Michigan Public Service Commission (“MPSC” or the “Commission”) to: (i) approve UMERC’s reconciliation of its WPS Rate Zone electric and natural gas Energy Optimization (“EO”) costs and revenues for the 12-month period ended December 31, 2016; (ii) authorize revised electric and natural gas EO surcharges for its WPS Rate Zone; and (iii) accept this filing as its EO report. In support of these requests, UMERC represents as follows:

1. UMERC is a public service corporation organized under the laws of Michigan with service centers located at 800 Industrial Park Drive, Iron Mountain, Michigan, and 1717 Tenth Avenue, Menominee, Michigan. By Order Approving Settlement dated December 9, 2016, in Case No. U-18061 (“U-18061 Order”) UMERC was granted authority by the Commission to, among other things, provide retail electric service to the former Michigan electric customers of Wisconsin Electric Power Company (“WEPCo”) in service areas located in Alger, Baraga, Delta, Dickinson, Gogebic, Houghton, Iron, Marquette, Menominee, and Ontonagon Counties and to the former Michigan electric and natural gas customers of Wisconsin

Public Service Corporation (“WPS Corp”) in a service area located in Menominee County, Michigan.

2. Pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; 1909 PA 300, as amended, MCL 462.2 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; and 1939 PA 3, as amended, MCL 460.1 et seq., the Commission has jurisdiction to regulate UMERC’s retail electric and natural gas business.

3. UMERC’s tariffed Michigan retail electric and natural gas rates were authorized by the Commission pursuant to the U-18061 Order, and incorporated in UMERC’s tariff rate schedules are the EO surcharges for its WPSC Rate Zone as previously authorized by the Commission for WPS Corp.

4. On February 28, 2017, the Commission issued its Order in Case No. U-18330 et al., as amended by the Commission’s March 2, 2017 Errata, directing UMERC to file in Case No. U-18336 a reconciliation of the electric and natural gas EO costs and revenues for the 2016 calendar year as relating to WPS Corp’s former Michigan service territory. Therefore, consistent with this Order, UMERC hereby files for, and requests approval of, a reconciliation of the electric and natural gas EO revenues recovered pursuant to the authorized surcharges during the 12-month period ending December 31, 2016, with costs paid to the Program Administrator in connection with its WPSC Rate Zone. UMERC is filing with this application, testimony and exhibits sufficient to allow reconciliation.

5. As supported by its contemporaneously filed testimony and exhibits, for the 12-month period as of December 31, 2016, UMERC has experienced (i) a net cumulative over collection in its WPS Rate Zone electric EO surcharge revenues of \$ 24,503, inclusive of

interest, and (ii) a net cumulative over collection in its WPSC Rate Zone natural gas EO surcharge revenues of \$ 11,290, inclusive of interest.

6. UMERC requests that the Commission approve revised electric and natural gas EO surcharges for its WPSC Rate Zone from July 1, 2017 through June 30, 2018 as set forth in Exhibits A-4 and A-8.

WHEREFORE, Upper Michigan Energy Resources Corporation requests that the Commission:

- A. Establish an early time and place for hearing and give notice thereof;
- B. Approve this annual report and the reconciliation of the WPSC Rate Zone 12-month EO surcharge revenues for both electric and natural gas service ending December 31, 2016, as presented by UMERC;
- C. Find and determine that UMERC's WPSC Rate Zone EO electric and natural gas surcharge revenues were properly recovered;
- D. Authorize UMERC to roll-in the electric net cumulative over recovery of \$24,503 and natural gas net cumulative over recovery of \$11,290 and revise its WPSC Rate Zone EO electric and natural gas surcharge rates beginning July 1, 2017 through June 30, 2018; and

E. Grant UMERB such other and further authority as may be lawful and proper.

Respectfully submitted,

UPPER MICHIGAN ENERGY RESOURCES
CORPORATION

Dated: March 24, 2017

By: _____

One of Its Attorneys
Sherri A. Wellman (P38989)
Michael C. Rampe (P58189)
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.
One Michigan Avenue, Suite 900
Lansing, Michigan 48933
(517) 487-2070

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STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
UPPER MICHIGAN ENERGY RESOURCES CORPORATION)
for authority to reconcile its 2016 electric and gas)
energy optimization costs and revenues and to)
revise surcharges.)

Case No. U-18336

DIRECT TESTIMONY AND EXHIBITS

OF

DIANE J. MIER

ON BEHALF OF

**UPPER MICHIGAN ENERGY RESOURCES
CORPORATION**

Dated: March 24, 2016

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Diane J. Mier and my business address is 700 North Adams Street, Green Bay, Wisconsin 54307-9001.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by WEC Energy Group, Inc. ("WEC") as a Project Specialist 2. I am testifying in this case on behalf of Upper Michigan Energy Resources Corporation ("UMERC" or the "Company") which is a wholly owned subsidiary of WEC.

Q. BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EMPLOYMENT HISTORY.

A. I have a Bachelor of Science Degree from the University of Wisconsin - Green Bay, in Managerial Accounting. I have been employed by Wisconsin Public Service Corporation ("WPS Corp"), WPS Corp's predecessor, or WEC since December of 2003, and have held various positions in the Non-Regulated and Corporate Risk Departments. In November 2014, I transferred to the Regulatory Affairs Department where I currently hold the position of Project Specialist 2. In my current position, my primary duties are the calculation and administration of WPS Corp's natural gas rates. WPS Corp is also a wholly owned subsidiary of WEC.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN ANY REGULATORY**
2 **PROCEEDINGS?**

3 A. Yes. I have previously submitted testimony and exhibits with
4 the Michigan Public Service Commission (“MPSC” or the “Commission”)
5 in Case Nos. U-17279, U-17890, U-18018 and U-18112.

6
7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A. The purpose of my testimony is to support the reconciliation of Energy
9 Optimization (“EO”) revenues received, and payments made to the
10 Program Administrator, by WPS Corp for the 2016 calendar year as
11 relating to its Michigan natural gas service.

12
13 **Q. PLEASE SUMMARIZE UMERC’S EFFECTIVE NATURAL GAS**
14 **RATES AND ITS EO SURCHARGE STATUS BEFORE THIS**
15 **COMMISSION.**

16 A. Pursuant to the Commission’s December 9, 2016 Order approving
17 settlement in Case No. U-18061, UMERC was granted authority to, among
18 other things, provide retail natural gas service to the former customers of
19 WPS Corp, and adopt and implement in its WPSC Rate Zone the EO plan
20 approved in Case No. U-17776 for WPS Corp’s Michigan gas operations,
21 and the surcharges authorized in Case No. U-18018.
22 UMERC’s retail natural gas business, including its retail gas sales,
23 transportation and distribution business, are subject to the jurisdiction of

1 the MPSC pursuant to various provisions of 1909 PA 300, as amended
2 MCL 462.2 *et seq.*; 1919 PA 419, as amended MCL 460.54 *et seq.*: 1929
3 PA 9, as amended MCL 483.101 *et seq.*; 1939 PA 3, as amended MCL
4 460.1 *et seq.*; and 1982 PA 304, as amended 460.6h (1) *et seq.* Pursuant
5 to these statutory provisions, the Commission has the power and
6 jurisdiction to regulate UMERC's retail natural gas sales, transportation
7 and distribution rates.

8 The Company recovers EO costs from its customers by means of EO
9 surcharges authorized by the Commission pursuant to 2008 PA 295, as
10 amended MCL 460.1001 *et seq.* Implementation of the EO
11 surcharges for UMERC's predecessor, WPS Corp, for bills issued on
12 or after July 1, 2009, was initially approved by the Commission in its May
13 26, 2009 Order Approving Settlement Agreement in consolidated Case
14 Nos. U-15811 and U-15894. The approved Settlement Agreement also
15 provides that EO reconciliations by March 31 for the preceding calendar
16 years revenues and costs.

17
18 **Q. DOES YOUR TESTIMONY IN THIS PROCEEDING COMPLY WITH THE**
19 **SETTLEMENT AGREEMENT IN CASE NOS. U-15811 AND U-15894?**

20 A. Yes, the Settlement Agreement specifies that the EO reconciliation filing
21 shall include:

- 22 1. a reconciliation for the covered period consisting of revenues billed
23 with

- 1 a. actual costs, i.e. payments made to the Program
- 2 Administrator, for purposes of determining interest on any
- 3 over-recoveries and under-recoveries; and
- 4 b. the levelized revenue requirements, for purposes of
- 5 determining revised natural gas EO surcharges;
- 6 2. calculations of the revenue over-recovery or under-recovery in total
- 7 and by each major customer class;
- 8 3. interest at the Company's short-term borrowing rate on any over-
- 9 recoveries and under-recoveries; and
- 10 4. if appropriate, proposed revised natural gas EO surcharges which
- 11 shall include an amount designed to true-up such reconciliation
- 12 amounts.

13

14 **Q. PLEASE IDENTIFY THE EXHIBITS THAT YOU ARE SPONSORING**

15 **WITH YOUR DIRECT TESTIMONY.**

16 A. I am sponsoring the following exhibits, all of which were prepared by me

17 or under my direction and supervision:

<u>Exhibit</u>	<u>Content</u>
Exhibit A-1 (DJM-1)	Natural Gas EO Surcharge Revenues Collected in 2016, Compared to 2.0% of WPS Corp's 2014 Revenues, Which Served as the Basis for the Payments Made to the Program Administrator;

1 Exhibit A -4 (DJM-4) includes the revised tariff sheet reflecting the
2 proposed natural gas EO surcharges.

3
4 **Q. DURING 2016, DID W P S C O R P UNDER- RECOVER ITS NATURAL**
5 **GAS EO REVENUES COMPARED TO AMOUNTS ACTUALLY PAID TO**
6 **THE ADMINISTRATOR?**

7 A. Yes, as a result of a decrease in the actual revenues collected from
8 residential customers in 2016 compared to forecasted revenues used in the
9 calculation of the EO surcharge. WPS Corp under collected for the period
10 in the amount of \$6,886.

11
12 **Q. HOW DOES THIS UNDER-RECOVERY IMPACT UMERC'S**
13 **CUMMULATIVE NATURAL GAS EO SURCHARGE POSITION?**

14 A. As detailed on Exhibit A-2 (DJM-2), WPS Corp under-recovered its
15 natural gas EO surcharge revenues during 2016. Adding this to the over-
16 recovery carried forward from 2015 of \$18,892, inclusive of interest,
17 results in a net over-recovery of \$11,186. Interest of \$104 is then added to
18 this amount, in compliance with paragraph 7(3) of the order issued in Case
19 No. U-15894, to arrive at a net cumulative over-recovery figure of \$11,290.

20
21 **Q. HOW DOES UMERC PLAN TO TRUE-UP THIS NET**
22 **CUMULATIVE OVER-RECOVERY?**

23 A. As detailed on Exhibit A-3 (DJM-3), UMERC plans to incorporate the net

1 cumulative over-recovery amount as a component in determining its
2 revised natural gas surcharges to be collected during the period from
3 July 1, 2017 through June 30, 2018. This true-up adjustment also includes
4 a component for interest through December 2016. Based upon the
5 actual monthly payments made to the State's Appointed EO
6 Program Administrator; the short-term borrowing rate has
7 been applied to the monthly over or (under)-collection, as specified in
8 2008 PA 295.

9
10 **Q. HOW DID THE WPS CORP ARRIVE AT ITS NATURAL GAS EO**
11 **SURCHARGE REVENUES COLLECTED DURING 2016?**

12 A. As specified in 2008 PA 295, W P S C o r p implemented a volumetric
13 surcharge for its natural gas residential customers and a "per meter"
14 surcharge for each of its other rate classes. W P S C o r p then applied
15 the appropriate surcharge rate to the volumes that were sold during 2016
16 or the number of meters or contracts operating during the year, based
17 upon the requirements of each surcharge component.

18
19 **Q. WHAT SURCHARGES ARE UMERC PROPOSING?**

20 A. The Company is proposing the following natural gas EO surcharge rates
21 for July 1, 2017 through June 30, 2018:

	<u>Customer Class</u>	<u>Natural Gas EO Surcharge</u>
1		
2	Residential	\$0.0054 per therm
3	Small General Service	\$0.92 per meter
4	Small General Service(Seasonal)	\$1.84 per meter
5	Large General Service	\$16.98 per meter
6	Transportation –	
7	Large	\$18.00 per meter
8	Super Large	\$250.83 per meter

9 For customers that are billed for only six months of the year, Small General
10 Service – Seasonal, the surcharge is double the surcharge that year round
11 Small General Service customers are charged.

12
13 **Q. HOW WERE THESE SURCHARGES DERIVED?**

14 A. As detailed on Exhibit A-3 (DJM-3), the Company’s proposed natural gas
15 EO surcharge for July 1, 2017 through June 30, 2018 is based upon
16 recovering payments to the EO Administrator based upon 2.0% of the
17 historical revenues from 2015 and 2016. The cumulative revenue over-
18 recovery true-up is also included in order to arrive at the adjusted natural
19 gas EO surcharges.

20
21 **Q. HOW DO THESE PROPOSED REVISED NATURAL GAS EO**
22 **SURCHARGES COMPARE WITH CURRENT SURCHARGES?**

1 A. The revised natural gas EO surcharge for Residential customers has
2 decreased 62.2% compared to the current effective surcharge. This
3 decrease is the result of the over collection of residential EO revenues in
4 prior years and a decrease in the amount of the required EO
5 annual payments to the Program Administrator to be made in 2017
6 as compared to 2016. The revised natural gas EO surcharge for Small
7 General Service (GS) customers has decreased 61.5% compared to the
8 current surcharge. This decrease is the result of a decrease in the
9 amount of the required EO annual payment to the Program
10 Administrator to be made in 2017 as compared to 2016. The revised
11 natural gas EO surcharge for Large General Service (GS) customers has
12 decreased 44.7% compared to the current surcharge. This decrease is
13 the result of an over collection of EO revenues in 2016 and prior years.
14 The revised natural gas EO surcharge for Large Transportation Gas (TG)
15 customers has increased 71.6% compared to the current surcharges.
16 This increase is the result of under collected prior year amounts in EO
17 revenue. The revised natural gas EO surcharge for Super Large
18 Transportation Gas (TG) customers has increased 8.8% compared to
19 the current surcharges. This increase is the result of an under
20 collection of EO revenues in 2016 for this class.

1 **Q. MS. MIER, DOES THIS COMPLETE YOUR DIRECT TESTIMONY AT**
2 **THIS TIME?**

3 **A. Yes, it does.**

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Case No.: U-18336
 Exhibit: A-1 (DJM-1)
 Witness: Diane J. Mier

UPPER MICHIGAN ENERGY RESOURCES CORPORATION
 Natural Gas Energy Optimization Surcharges Collected in 2016

Rate Class	EO Surcharge Revenues												Amount Recovered in 2016	2.0% Of 2014's Revenue	Amount Under/(Over) Collected				
	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16							
Residential																			
Residential	\$ 10,855.74	\$ 12,251.75	\$ 9,855.44	\$ 8,649.04	\$ 4,680.81	\$ 1,701.09	\$ 1,044.41	\$ 929.59	\$ 880.40	\$ 1,461.74	\$ 3,596.50	\$ 7,930.94	\$ 63,837	\$ 70,975	\$ 7,137				
Total	\$ 10,855.74	\$ 12,251.75	\$ 9,855.44	\$ 8,649.04	\$ 4,680.81	\$ 1,701.09	\$ 1,044.41	\$ 929.59	\$ 880.40	\$ 1,461.74	\$ 3,596.50	\$ 7,930.94	\$ 63,837	\$ 70,975	\$ 7,137				
Small General Service																			
Small General Service	\$ 1,026.39	\$ 1,014.58	\$ 988.27	\$ 1,073.80	\$ 1,027.79	\$ 1,023.29	\$ 1,055.14	\$ 1,041.76	\$ 1,032.71	\$ 947.99	\$ 949.64	\$ 993.24	\$ 12,174.60	\$ 13,440	\$ 1,266				
Small GS Multi-Family	\$ 92.99	\$ 88.60	\$ 86.67	\$ 93.60	\$ 89.41	\$ 90.28	\$ 90.76	\$ 91.41	\$ 89.13	\$ 83.20	\$ 84.88	\$ 86.40	\$ 1,067.33	\$ 890	\$ (177)				
Total	\$ 1,119.38	\$ 1,103.18	\$ 1,074.94	\$ 1,167.40	\$ 1,117.20	\$ 1,113.57	\$ 1,145.90	\$ 1,133.17	\$ 1,121.84	\$ 1,031.19	\$ 1,034.52	\$ 1,079.64	\$ 13,241.93	\$ 14,331	\$ 1,089				
Large General Service																			
Large GS 206	\$ 1,698.58	\$ 1,930.86	\$ 1,824.49	\$ 1,951.25	\$ 1,854.59	\$ 1,865.60	\$ 1,917.88	\$ 1,895.71	\$ 1,600.57	\$ 1,169.55	\$ 1,150.79	\$ 1,215.34	\$ 20,075.21	\$ 19,333	\$ (742)				
Total	\$ 1,698.58	\$ 1,930.86	\$ 1,824.49	\$ 1,951.25	\$ 1,854.59	\$ 1,865.60	\$ 1,917.88	\$ 1,895.71	\$ 1,600.57	\$ 1,169.55	\$ 1,150.79	\$ 1,215.34	\$ 20,075.21	\$ 19,333	\$ (742)				
Transportation																			
Transport Large	\$ 222.90	\$ 215.40	\$ 230.25	\$ 222.90	\$ 230.25	\$ 222.90	\$ 230.25	\$ 230.25	\$ 155.25	\$ 160.35	\$ 155.25	\$ 160.35	\$ 2,436.30	\$ 1,792	\$ (644)				
Transport Super Large	\$ 576.84	\$ 557.60	\$ 596.06	\$ 576.84	\$ 596.06	\$ 576.84	\$ 596.06	\$ 596.06	\$ 454.98	\$ 470.14	\$ 454.98	\$ 470.14	\$ 6,522.60	\$ 6,569	\$ 46				
Total	\$ 799.74	\$ 773.00	\$ 826.31	\$ 799.74	\$ 826.31	\$ 799.74	\$ 826.31	\$ 826.31	\$ 610.23	\$ 630.49	\$ 610.23	\$ 630.49	\$ 8,958.90	\$ 8,361	\$ (598)				
Grand Total	\$ 14,473	\$ 16,059	\$ 13,581	\$ 12,567	\$ 8,479	\$ 5,480	\$ 4,935	\$ 4,785	\$ 4,213	\$ 4,293	\$ 6,392	\$ 10,856	\$ 106,113	\$ 112,999	\$ 6,886				

Case No.: U-18336
 Exhibit: A-3 (DJM-3)
 Witness: Diane J. Mier

UPPER MICHIGAN ENERGY RESOURCES CORPORATION
 Computation of Revised Energy Optimization Natural Gas Surcharges
 With True-up Adjustments

Rate Class	Cummulative EO Revenue Under/(Over) Collection w/Interest	Historical 2015 Total Revenues	2.0% Of 2015 Revenues	Historical 2016 Total Revenues	2.0% Of 2016 Revenues	Projected Sales		Current Volumetric Surcharge	PROPOSED Volumetric Surcharge	
						2017 Therms	2018 Therms		Monthly Charge	Daily Charge
Residential										
Residential	\$ (11,702)	\$ 3,165,416	\$ 63,308	\$ 1,815,810	\$ 36,316	4,630,000	4,493,000			
Total	\$ (11,702)	\$ 3,165,416	\$ 63,308	\$ 1,815,810	\$ 36,316	4,630,000	4,493,000	\$ 0.0143	\$ 0.0054	per therm
Small General Service										
Small General Service	\$ (2,075)	\$ 542,311	\$ 10,846	\$ 313,723	\$ 6,274	409	411			
Small GS Multi-Family	\$ 290	\$ 37,747	\$ 755	\$ 22,220	\$ 444	36	36			
Total	\$ (1,785)	\$ 580,058	\$ 11,601	\$ 335,943	\$ 6,719	445	447	\$ 2.39	\$ 0.0787	\$ 0.92 \$ 0.0302 per meter *
Large General Service										
Large GS 206	\$ 1,217	\$ 947,313	\$ 18,946	\$ 336,391	\$ 6,728	44	39			
Total	\$ 1,217	\$ 947,313	\$ 18,946	\$ 336,391	\$ 6,728	44	39	\$ 30.68	\$ 1.0085	\$ 16.98 \$ 0.5581 per meter
Transportation										
Transport Large	\$ 1,056	\$ 88,084	\$ 1,762	\$ 109,187	\$ 2,184	15	15	\$ 10.49	\$ 0.3449	\$ 18.00 \$ 0.5917 per meter
Transport Super Large	\$ (76)	\$ 316,574	\$ 6,331	\$ 304,800	\$ 6,096	2	2	\$ 230.65	\$ 7.5830	\$ 250.83 \$ 8.2466 per meter
	\$ 980	\$ 404,658	\$ 8,093	\$ 413,988	\$ 8,280					
Grand Total	\$ (11,290)	\$ 5,097,445	\$ 101,949	\$ 2,902,132	\$ 58,043					

*Seasonal customers (billed six months of the year) will be charged double the surcharge that year round customers are charged.

M.P.S.C. No. 1 – Natural Gas
Upper Michigan Energy Resources Corporation

Replaces 1st Rev. Sheet No. D-9.00
Original Sheet No. D-9.00
Schedule GSC

**SECTION D
RATE SCHEDULES**

D3. SUPPLEMENTAL CHARGES

NATURAL GAS

1. Each Rate Schedule may be subject to Rule C3, Customer Attachment Program.
2. Energy Optimization (EO) Surcharge – This surcharge is pursuant to Section 91(4) of 2008 PA 295, the adjustment of distribution service rates, via the application of an Energy Optimization Surcharge, to allow recovery of the energy optimization alternative compliance payment made by the Company in compliance with Section 91(1) of 2008 PA 295. The EO compliance payments and the associated surcharges are subject to a reconciliation mechanism.

The approved Energy Optimization Surcharges are listed below:

<u>Customer Class</u>	<u>EO Surcharge</u>	
Residential	\$ 0.0143 <u>0.0054</u> /Therm	
	<u>Per Day/meter</u>	<u>Per Month/meter</u>
C & I Small-year round customers	\$ 0.0787 <u>0.0302</u>	\$ 2.390 <u>.92</u>
C & I Small-seasonal customers	\$ 0.1574 <u>0.0604</u>	\$ 4.781 <u>.84</u>
C & I Large	\$ 1.0085 <u>0.5581</u>	\$ 30.681 <u>6.98</u>
Transportation Medium*	--	---
Transportation Large	\$ 0.3449 <u>0.5917</u>	\$ 10.491 <u>8.00</u>
Transportation Super Large	\$ 7.5830 <u>8.2466</u>	\$ 230.652 <u>50.83</u>

* No customers currently on this rate

Issued ~~December 21, 2016~~XX-XX-XX
T. T. Eidukas
Vice-President,
Milwaukee, Wisconsin

Effective for service rendered on and
after ~~January 1, 2017~~XX-XX-XX
Issued under authority of the
Michigan Public Service Commission
dated ~~December 9, 2016~~XX-XX-XX
in Case No. U-~~18064~~18336

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
UPPER MICHIGAN ENERGY RESOURCES)	Case No. U-18336
CORPORATION for authority to reconcile the 2016)	
electric and natural gas energy optimization costs and)	
revenues and to revise surcharges for its WPS Rate)	
Zone.)	
_____)	

DIRECT TESTIMONY AND EXHIBITS

OF

JAMES M. BEYER

ON BEHALF OF

UPPER MICHIGAN ENERGY RESOURCES CORPORATION

Dated: March 24, 2017

1 **Q₁ PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A₁ My name is James M. Beyer and my business address is 700 North
3 Adams Street, Green Bay, Wisconsin 54307-9001.

4
5 **Q₂ BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A₂ I am employed by WEC Energy Group, Inc., (“WEC”) as a Senior Rate
7 Planner. I am testifying on behalf of Upper Michigan Energy Resources
8 Corporation (“UMERC” or the “Company”) which is a wholly-owned
9 subsidiary of WEC.

10
11 **Q₃ BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
12 EMPLOYMENT HISTORY.**

13 A₃ I graduated from Northern Michigan University in May of 2002 with a
14 Bachelor of Science Degree in Accounting. I received my Master of
15 Business Administration degree from Lakeland College, Sheboygan,
16 Wisconsin in 2006. I have been employed by Integrys, Wisconsin Public
17 Service Corporation (“WPS Corp”) and WEC, first as a Pricing Analyst and
18 currently as a Senior Rate Planner since 2004. In that position, I perform
19 and am otherwise involved in rate related studies, service and tariff
20 administration, financial analyses, and rate development and
21 administration.

22
23 **Q₄ HAVE YOU PREVIOUSLY TESTIFIED IN ANY REGULATORY
24 PROCEEDINGS?**

1 A₄ Yes I have. I have testified before the Public Service Commission of
2 Wisconsin.

3 Also, I submitted testimony and exhibits with the Michigan Public Service
4 Commission (“MPSC” or the “Commission”) in Case Nos. U-14745, U-
5 15988, U-16166, U-16417, U-17274, U-17606, U-17669, U-17836, U-
6 17776 and U-18018.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A. The purpose of my testimony is to support the reconciliation of Energy
9 Optimization (“EO”) revenues received, and payments made to the
10 Program Administrator, by WPS Corp for the 2016 calendar year as
11 relating to its Michigan electric gas service.

12
13

14
15 **Q₅ PLEASE SUMMARIZE UMERC’S EFFECTIVE ELECTRIC RATES AND
16 ITS EO SURCHARGE STATUS BEFORE THIS COMMISSION.**

17
18 A₅ Pursuant to the Commission’s December 9, 2016 Order approving
19 settlement in Case No. U-18061, UMERC was granted authority to,
20 among other things, provide retail electric service to the former customers
21 of WPS Corp, and adopt and implement in its WPSC Rate Zone the EO
22 surcharges approved for WPS Corp.

23 UMERC’s retail electric business is subject to the jurisdiction of the MPSC
24 pursuant to various provisions of 1909 PA 300, as amended MCL 462.2 *et*
25 *seq.*; 1919 PA 419, as amended MCL 460.54 *et seq.*; 1939 PA 3, as

1 amended MCL 460.1 *et seq.*; and 1982 PA 304, as amended 460.6j(1) *et*
2 *seq.*. Pursuant to these statutory provisions, the Commission has the
3 power and jurisdiction to regulate UMERC's retail electric sales and rates.

4
5
6 The Company recovers EO costs from its customers by means of EO
7 surcharges authorized by the Commission pursuant to 2008 PA 295, as
8 amended MCL 460.1001 *et seq.* Implementation of the EO surcharges for
9 UMERC's predecessor, WPS Corp, bills issued on or after July 1, 2009,
10 was initially approved by the Commission in its May 26, 2009 Order
11 Approving Settlement Agreement in consolidated Case Nos. U-15811 and
12 U-15894. The approved Settlement Agreement also provides that EO
13 reconciliations would be filed by March 31 for the preceding calendar
14 year's revenues and costs.

15

16 **Q₆ DOES YOUR TESTIMONY IN THIS PROCEEDING COMPLY WITH THE**
17 **SETTLEMENT AGREEMENT IN CASE NOS. U-15811 AND U-15894?**

18 **A₆** Yes. The Settlement Agreement specifies that the EO reconciliation filing
19 shall include:

20 1. a reconciliation for the covered period consisting of revenues
21 billed with:

22 a. actual costs, i.e. payments made to the Program
23 Administrator, for purposes of determining interest on any
24 over-recoveries and under-recoveries; and

1 A₈ Exhibit A-5 (JMB-1) details the electric EO surcharge revenues collected
2 during 2016 for each of the major electric rate class and customer type.
3 Then it compares those revenues against the required total payment
4 made by WPS Corp in 2016 to the State Appointed EO Program
5 Administrator. These payments were based upon 2.00% of WPS Corp's
6 electric revenues for 2014, which served as the basis for monthly
7 payments to the State Appointed EO Program Administrator for 2016.

8 Exhibit A-6 (JMB-2) compares the electric EO surcharge monthly
9 revenues collected in 2016 to the actual monthly payments made to the
10 State Appointed EO Program Administrator during 2016 and calculates
11 interest applicable to the cumulative under/over-recovered balance.

12
13 Exhibit A-7 (JMB-3) determines the revised electric EO surcharges by
14 major electric rate classes designed to recover the true-up adjustment and
15 reflect the collection of EO revenues.

16
17 Exhibit A-8 (JMB-4) includes the revised tariff sheet reflecting the
18 proposed electric EO surcharges.

19
20 **Q₉ DURING 2016, DID WPS CORP OVER-RECOVER OR UNDER-**
21 **RECOVER ITS ELECTRIC EO REVENUES COMPARED TO AMOUNTS**
22 **ACTUALLY PAID TO THE ADMINISTRATOR?**

23 A₉ WPS Corp over-recovered EO revenues compared to the amount actually
24 paid to the Program Administrator by \$10,619.

25

1 **Q₁₀ HOW DOES THIS OVER-RECOVERY IMPACT UMERC'S**
2 **CUMMULATIVE ELECTRIC EO SURCHARGE POSITION?**

3 A₁₀ In 2015, WPS Corp had an over-recovery of \$13,779. Adding this to the
4 over-recovery in 2016 of \$10,619, exclusive of interest, results in a net
5 over-recovery of \$24,398. Interest is then added to this amount, in
6 compliance with paragraph 7(3) of the order issued in Case No. U-15894,
7 to arrive at a net cumulative over-recovery figure of \$24,503.

8

9 **Q₁₁ HOW DOES UMERC PLAN TO TRUE-UP THIS NET CUMMULATIVE**
10 **OVER-RECOVERY?**

11 A₁₁ As detailed on Exhibit A-6 (JMB-2) UMERC plans to incorporate the
12 cumulative over-recovery amount as a component in determining its
13 WPSC Rate Zone revised electric surcharges to be collected during the
14 period from July 1, 2017 through June 30, 2018. This true-up adjustment
15 also includes a component for interest through December 2016. Based
16 upon the actual monthly payments made to the State's Appointed EO
17 Program Administrator; the short-term borrowing rate has been applied to
18 the monthly over or (under)-collection, as specified in PA 295.

19

20 **Q₁₂ HOW DID THE WPS CORP ARRIVE AT ITS ELECTRIC EO**
21 **SURCHARGE REVENUES COLLECTED DURING 2016?**

22 A₁₂ As specified in PA 295, WPS Corp implemented a volumetric surcharge
23 for its residential customers and a "per meter" surcharge for each of its

1 other rate classes. The Company then applied the appropriate surcharge
2 rate to the volumes that were sold during 2016 or the number of meters or
3 contracts operating during the year, based upon the requirements of each
4 surcharge component.

5
6 **Q₁₃ WHAT SURCHARGES IS U MERC PROPOSING FOR ITS WPSC RATE**
7 **ZONE?**

8 A₁₃ The Company is proposing the following electric EO surcharge rates for
9 July 1, 2017 through June 30, 2018:

10	<u>Customer Class</u>	<u>Electric EO Surcharge</u>
11	Residential	\$0.0022 per kWh
12	Small Commercial	\$3.24 per meter
13	Small Commercial (Seasonal)	\$6.48 per meter
14	Medium Commercial	\$38.56 per meter
15	Medium Commercial (Seasonal)	\$77.12 per meter
16	Large Commercial	\$75.98 per meter
17	Transmission <10MW	\$2,237.56 per meter
18	Transmission >10MW	\$8,496.93 per meter
19	Lighting	\$0.18 per lamp

20

21

22

23

24

1 **Q₁₄ HOW WERE THESE SURCHARGES DERIVED?**

2 A₁₄ As detailed on Exhibit A-6 (JMB-3), the Company's proposed electric EO
3 surcharges for July 1, 2017 through June 30, 2018, are based on
4 recovering payments made to the EO Administrator based upon 2.0% of
5 the historical revenues from 2015 and 2016. The cumulative over-
6 collection true-up is also included in order to arrive at the adjusted electric
7 EO surcharges. The 2.2% cap for secondary customers and 1.7% cap for
8 primary customers is also taken into account in the calculation.

9

10

11 **Q₁₅ HOW DO THESE PROPOSED REVISED ELECTRIC EO SURCHARGES
12 COMPARE WITH CURRENT SURCHARGES?**

13 A₁₅ UMERC is proposing no change to any of the electric EO surcharges with
14 the exception of the Large Commercial category. UMERC is proposing a
15 9% decrease in this surcharge.

16

17 **Q₁₇ MR. BEYER, DOES THIS COMPLETE YOUR DIRECT TESTIMONY AT
18 THIS TIME?**

19 A₁₇ Yes, it does.

20 28804051.1\156197-00001

UPPER MICHIGAN ENERGY RESOURCES CORPORATION

Computation of the Revised Energy Optimization Surcharges
With True-Up Adjustment

Case No.: U-18336

Exhibit: A-7 (JMB-3)

Witness: James M. Beyer

Rate Class	2016 Over/(Under) EO Revenue Collection	2.0% Of 2015's Revenues	2.0% Of 2016's Revenues	Volumes In kWh 2017	Volumes In kWh 2018	Proposed Surcharge	
Residential							
RG-1-MI	\$ 145,576	\$ 80,156	\$ 129,365	63,552,491	63,054,240		
RG-1T-MI	6,256	1,273	3,568	2,725,249	2,705,359		
RG-2-MI	(91,603)	53,109	14,533	0	0		
RG-2T-MI	(5,043)	3,918	1,490	0	0		
Total	55,186	138,456	148,957	66,277,740	65,759,599	\$ 0.0022	per kWh
Small Commercial							
CG-1-MI	19,710	25,559	31,527	882	888		
CG-1T-MI	1,879	1,353	1,980	52	52		
CG-2-MI	(17,390)	8,429	3,276	0	0		
CG-2T-MI	(1,474)	645	33	0	0		
Total	2,725	35,986	36,816	934	940	\$ 3.24	per meter*
Medium Commercial							
MP-1-MI	1,419	1,250	1,218	4	4		
CG-3-MI	6,410	16,159	20,411	40	40		
CG-4-MI	(4,305)	1,731	(111)	0	0		
Total	3,524	19,140	21,518	44	44	\$ 38.56	per meter*
Large Commercial							
CP-SEC-MI	26,147	36,797	30,066	40	40		
CP-PRI-MI	(1,795)	1,444	1,379	1	1		
Total	24,353	38,241	31,445	41	41	\$ 75.98	per meter
Transmission <10MW							
CP-TRAN-MI	(14,445)	34,473	34,590	1	1		
CPB-MI	-	-	-	0	0		
Total	(14,445)	34,473	34,590	1	1	\$ 2,237.56	per meter
Transmission >10MW							
CP-TRAN-MI	(45,308)	121,433	123,246	1	1		
CPB-MI	-	-	-	0	0		
Total	(45,308)	121,433	123,246	1	1	\$ 8,496.93	per meter
NatureWise							
PG-3-MI	-	-	-	0	0		
PG-2-MI	-	-	-	0	0		
NAT-R-MI	(51)	26	29	0	0		
NAT-F-MI	(3)	-	-	0	0		
Total	(54)	26	29	0	0	\$ -	
Lighting							
Ls-1M	(1,480)	4,178	4,452	1,477	1,484		
Total	(1,480)	4,178	4,452	1,477	1,484	\$ 0.18	per lamp
Grand Total	\$ 24,503	\$ 391,934	\$ 401,053				

*Seasonal customers (billed six months of the year) will be charged double the surcharge that year round customers are charged. This is represented in Exhibit A-8 (JMB-4)

M.P.S.C. No. 1 – Electric
 Upper Michigan Energy Resources Corporation

WPSC Rate Zone

1st Rev. Sheet No. D-156.00
 Replaces Original Sheet No. D-156.00

D12. ENERGY OPTIMIZATION (EO)

EO

ENERGY OPTIMIZATION SURCHARGE

This surcharge permits, pursuant to Section 91(4) of 2008 Pa 295, the adjustment of distribution rates, via the application of an Energy Optimization Surcharge, to allow recovery of the energy optimization alternative compliance payment made by the Company in compliance with Section 91(1) of 2008 Pa 295.

All customer bills subject to the provisions of this tariff, including any bills rendered under special contract, shall be adjusted by the Energy Optimization Surcharge per kWh or Customer as follows:

<u>Tariff</u>	<u>Energy Charges</u>
Rg-1M	\$0.0022 /kWh
RG-OTOU-1M	\$0.0022 /kWh

<u>Tariff</u>	<u>Per Month/Meter</u>	<u>Per Day/Meter</u>
Cg-1M	\$3.24	\$0.1065
Cg-1M Seasonal	\$6.48	\$0.2130
Cg-OTOU-1M	\$3.24	\$0.1065
Cg-OTOU-1M Seasonal	\$6.48	\$0.2130
Cg-3M	\$38.56	\$1.2677
Cg-3M Seasonal	\$77.12	\$2.5355
Mp-1M	\$38.56	\$1.2677
Cp-1M (Secondary)	\$83.95 <u>75.98</u>	\$2.7600 <u>2.4980</u>
Cp-1M (Primary)	\$83.95 <u>75.98</u>	\$2.7600 <u>2.4980</u>
Cp-1M (Transmission <10MW)	\$2,237.56	\$73.5636
Cp-1M (Transmission >10MW)	\$8,496.93	\$279.3511
Ls-1M	\$0.18	\$0.0059

Issued ~~December 21, 2016~~ XX-XX-XX
 T. T. Eidukas
 Vice-President,
 Milwaukee, Wisconsin

Effective for service rendered on and
 after ~~January 1, 2017~~ XX-XX-XX

Issued under authority of the
 Michigan Public Service Commission
 dated ~~December 9, 2016~~ XX-XX-XX
 in Case No. U-~~1806~~ 18336

MICHIGAN DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
PUBLIC SERVICE COMMISSION

ENTRY OF APPEARANCE IN AN ADMINISTRATIVE HEARING

This form is issued as provided for by 1939 PA 3, as amended, and by 1933 PA 254, as amended. The filing of this form, or an acceptable alternative, is necessary to ensure subsequent service of any hearing notices, Commission orders, and related hearing documents.

General Instructions:

Type or print legibly in ink. For assistance or clarification, please contact the Public Service Commission at (517) 284-8090.

*Please Note: The Commission will provide **electronic** service of documents to all parties in this proceeding.*

THIS APPEARANCE TO BE ENTERED IN ASSOCIATION WITH THE ADMINISTRATIVE HEARING:

Case / Company Name: _____ Docket No. _____

Please enter my appearance in the above-entitled matter on behalf of:

1. (Name)
2. (Name)
3. (Name)
4. (Name)
5. (Name)
6. (Name)
7. (Name)

Name _____

Address _____

City _____ State _____

Zip _____ Phone (____) _____

Email _____

Date _____

I am not an attorney

I am an attorney whose:

Michigan Bar # is P- _____

_____ Bar # is: _____
(state)

Signature: _____

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3. (Name)
4. (Name)
5. (Name)
6. (Name)
7. (Name)

Name _____

Address _____

City _____ State _____

Zip _____ Phone (____) _____

Email _____

Date _____

<input type="checkbox"/> I am not an attorney
<input type="checkbox"/> I am an attorney whose:
Michigan Bar # is P- _____
_____ Bar # is: _____
(state)

Signature: _____

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