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March 27, 2018

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

Re: Upper Michigan Energy Resources Corporation
2017 PSCR Reconciliation
Case No. U-20074

Dear Ms. Kale:

Enclosed for electronic filing are the Application and Direct Testimony and Exhibit of John G. Guntlisbergen. Also enclosed are the Appearances of Sherri A. Wellman and Paul M. Collins.

A marked-up copy of the Notice of Hearing has been e-mailed to Angela Sanderson of your office.

If you should have any questions, please kindly advise.

Very truly yours,

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

By: _____
Sherri A. Wellman

SAW/kld
Enclosures

cc w/enc: John G. Guntlisbergen
Dennis M. Derricks
Ted Eidukas
Catherine Phillips

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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)		Case No. U-20074
reconciliation of its power supply cost recovery plan)		
(Case No. U-18149) for the 12-month)		
<u>period ended December 31, 2017.</u>)		

APPLICATION

UPPER MICHIGAN ENERGY RESOURCES CORPORATION (“UMERC”) requests the Michigan Public Service Commission (“Commission”) to approve the reconciliation of UMERC’s power supply costs and revenues pursuant to 1982 PA 304 (“Act 304”) for the 12-month period January 2017 through December 2017, and represents to the Commission as follows:

1. UMERC is a public service corporation organized under the laws of Michigan with its principal offices located in Milwaukee, Wisconsin, and with service centers located at 800 Industrial Park Drive, Iron Mountain, Michigan, and 1717 Tenth Avenue, Menominee, Michigan. For the 2017 Power Supply Cost Recovery (“PSCR”) Plan year, UMERC provided retail electric service to the public in service areas located in the Upper Peninsula, including the Counties of Alger, Baraga, Delta, Dickinson, Gogebic, Houghton, Iron, Marquette, Menominee, and Ontonagon.

2. On January 1, 2017, pursuant to a Settlement Agreement approved by the Commission on December 9, 2016 in Case No. U-18061 (“U-18061 Settlement Agreement”), UMERC was established as a Michigan regulated utility providing service only to electric and natural gas customers in the Upper Peninsula of Michigan. As of January 1, 2017, UMERC serves approximately 36,500 full requirements electric customers, as well as distribution-only

electric customers who qualify for retail access service. UMERC also provides retail natural gas service to approximately 5,300 full requirements customers, and natural gas transportation service to qualifying transportation customers.

3. UMERC's retail electric business in Michigan is subject to the Commission's jurisdiction 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.*

4. Incorporated in UMERC's rate schedules are PSCR clauses as authorized by the Commission in Case No. U-18061.

5. For the WEPCo Rate Zone, the 12-month reconciliation of UMERC's power supply costs and revenues for 2017 results in a net cumulative over-recovery of \$519,709, inclusive of interest. The U-18061 Settlement Agreement provided that, for Wisconsin Electric Power Company's reconciliation of 2016 PSCR costs and revenues, "the 2016 over or under recovery representing either a regulatory liability or asset, shall be allocated between the WEPCo non-Mine load that will be served by UMERC, and the Mines' load, on a proportional MWh basis." UMERC's allocated portion of WEPCo's 2016 reconciliation, approved in Case No. U-17912-R, was an over-recovery amount (including interest during the 2016 plan year) of \$123,105 for the WEPCo Rate Zone. The net cumulative over-recovery includes the roll-in of this allocated 2016 over-recovery.

6. For the WPSC Rate Zone, UMERC experienced a net cumulative over-recovery of \$8,420, inclusive of interest, during the period ending December 31, 2017. This amount includes the roll-in of UMERC's under-recovery of \$28,874 for the WPSC Rate Zone during the period ending December 31, 2016, as approved by the Commission's Order Approving Settlement Agreement in Case No. U-17914-R.

7. The testimony and exhibits of John G. Guntlisbergen are filed in support of this Application. UMERC represents that its proposals are just and reasonable and in the public interest.

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

A. Approve the reconciliation of UMERC's 12-month power supply costs and revenues as presented by UMERC;

B. Find and determine that the power supply costs incurred by UMERC during 2017, as included in this reconciliation, were reasonably and prudently incurred;

C. Find and determine that UMERC's net cumulative over-recovery of \$519,709, as of December 31, 2017, for its WEPCo Rate Zone, should be rolled into the beginning balance of its 2018 PSCR reconciliation for its WEPCo Rate Zone;

D. Find and determine that UMERC's net cumulative over-recovery of \$8,420, as of December 31, 2017, for its WPSC Rate Zone, should be rolled into the beginning balance of its 2018 PSCR reconciliation; and

E. Grant UMERC such other and additional relief as shall be lawful and proper.

Respectfully submitted,

UPPER MICHIGAN ENERGY RESOURCES
CORPORATION

Dated: March 27, 2018

By: _____

One of its Attorneys
Sherri A. Wellman (P38989)
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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 reconciliation of its power supply)
cost recovery plan (U-18149) for the 12-months)
ended December 31, 2017.)

Case No. U-20074

DIRECT TESTIMONY AND EXHIBIT OF

JOHN G. GUNT LISBERGEN

ON BEHALF OF

UPPER MICHIGAN ENERGY RESOURCES CORPORATION

March 27, 2018

1 **Q. Please state your name, business address, and position.**

2 A. My name is John G. Guntlisbergen. My business address is WEC Energy Group
3 (“WEC”), 700 North Adams Street, P.O. Box 19001, Green Bay, WI 54307-9001. I am
4 the Manager of Electric Fuel Cost Recovery in the State Regulatory Affairs Department
5 of WEC. Upper Michigan Energy Resources Corporation (“UMERC” or “the Company”)
6 is a wholly owned subsidiary of WEC.

7
8 **Q. Please describe briefly your education, professional, and utility background.**

9 A. In 1981, I graduated from St. Norbert College - De Pere, Wisconsin, with a Bachelor of
10 Business Administration Degree in Accounting. After completing college I was
11 employed by Wisconsin Public Service Corporation (“WPS Corp”) as a Depreciation
12 Analyst and later as the Depreciation Supervisor in the Corporate Tax Department.
13 While in the Corporate Tax Department, I performed depreciation studies on utility plant
14 property, and determined book depreciation, tax depreciation and deferred taxes on an
15 actual and forecasted basis. In 1993, I moved to the Rates and Economic Evaluation
16 Department as a Rates Planner. I performed cost studies and rate impact studies for
17 generation planning and long-range corporate planning. I participated in the analysis of
18 transmission costs and the development of the transmission tariffs for filing with the
19 Federal Energy Regulatory Commission (“FERC”). I performed electric and gas cost of
20 service studies for the Michigan and Wisconsin jurisdictions. I have also worked with
21 the power supply areas for WPS Corp and Upper Peninsula Power Company to develop
22 Power Supply Cost Recovery (“PSCR”) plans and in the reconciliation of the PSCR costs
23 to revenues.

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Q. Have you testified before a regulatory agency?

A. Yes. I have testified before the Public Service Commission of Wisconsin ("PSCW") and the Michigan Public Service Commission ("MPSC" or "Commission").

Q. Please describe UMERC.

A. UMERC is a Michigan jurisdictional regulated utility authorized to serve the former Michigan electric customers of Wisconsin Electric Power Company ("WEPCo") and WPS Corp and the former Michigan natural gas customers of WPS Corp. Michigan approvals for UMERC to provide retail electric and natural gas service in the state of Michigan were granted by the Commission in its December 9, 2016 Order in Case No. U-18061. The approvals granted in Case No. U-18061 included, but were not limited to, (i) the transfer of the electric distribution assets of WEPCo and WPS Corp used for providing retail electric service in Michigan, (ii) (at least initially, with the exception of the Tilden Mining Company, L.C. and Empire Iron Mining Partnership (collectively the "Mines")) the transfer of WEPCo's and WPS Corp's Michigan retail tariff electric customers to UMERC, (iii) the assumption of WEPCo's and WPS Corp's PSCR clauses, and (iv) the authority to provide electric service under the current rates, terms and conditions of service set forth in WEPCo's and WPS Corp's then Michigan electric tariff books.

Q. What is the purpose of your testimony in this proceeding?

1 A. The purpose of my testimony is to support the reconciliation of UMERC’s actual power
2 supply costs to the revenues it collected pursuant to its authorized base rates and PSCR
3 factors for the 12-month period ended December 31, 2017.

4

5 **WHOLESALE PURCHASE POWER AGREEMENTS**

6 **Q. As addressed in Case No. U-18061, UMERC will not own any generation assets until**
7 **the long-term Upper Peninsula (“UP”) generation solution is in service. In the**
8 **interim, what is UMERC’s power supply source?**

9 A. The geographic areas in which UMERC provides electric service to former WEPCo
10 Michigan retail customers are known as the WEPCo Rate Zone, and the geographic areas
11 in which UMERC provides electric service to former WPS Corp Michigan retail
12 customers are known as the WPSC Rate Zone. As identified by the Company in its
13 Amended Application filed in Case No. U-18149, UMERC continues to have two
14 purchase power agreements in place, (i) the WEPCo Power Purchase Agreement
15 (“PPA”), and (ii) the WPS Corp PPA (collectively the “PPAs”). These PPAs, as
16 previously presented and approved in Case No. U-18061 and addressed in Case No. U-
17 18149, provide “slice of system” benefits and costs from the WEPCo and WPS Corp
18 generation systems, similar to the allocation of generation costs in a retail rate case, to the
19 WEPCo Rate Zone and WPSC Rate Zone, respectively. The PPAs are formula-based,
20 with two formulas – one for capacity costs and one for energy costs.

21

22 **Q. Are these PPAs subject to FERC regulation?**

23 A. Yes. These PPAs are wholesale transactions that are subject to FERC regulation. Both

1 PPA's are utilizing cost-based formula rates that FERC approved in WEPCo and WPS
2 Corp FERC rate cases. WEPCo's FERC rate case was docket number ER06-1320, and
3 was approved by FERC's order dated September 14, 2007. WPS Corp's FERC rate case
4 was docket number ER03-606, and was approved by FERC's order dated November 19,
5 2004. In both orders, FERC found the formula rates to be just and reasonable.
6

7 **Q. Are the FERC-approved cost-based formula rates based on tariffs?**

8 A. Yes. The capacity and energy formulas that are used in the WEPCo PPA are contained in
9 WEPCo's Formula Rate Wholesale Sales Tariff, FERC Electric Tariff Volume No. 9.
10 The capacity and energy formulas that are used in the WPS Corp PPA are contained in
11 WPS Corp's FERC Rate Schedule W-1A for Full Requirements Service to Wholesale
12 Customers, Volume 2.
13

14 **Q. Please provide a general description of the capacity rate.**

15 A. The capacity rate is intended to recover the generation ownership costs and purchase
16 capacity costs of the providing utility, *i.e.*, WEPCo and WPS Corp, respectively.
17 Generation ownership costs include the return on and of the generation assets. This is
18 accomplished by taking the corporate purchase capacity and generation ownership costs
19 for each company and dividing by the summation of the 12 system monthly peaks in a
20 year for each company. This creates a dollar per kilowatt ("kW") per month charge or
21 rate that is charged to the customer's load at the time of the company's monthly peak.
22 Customers are billed on estimated rates that are trued-up the following year once the
23 supplier's FERC Form 1 that provides the audited actual company costs is filed.

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Q. Please provide a general description of the energy formula rate.

A. The energy rate is intended to recover each of WEPCo’s and WPS Corp’s fuel, energy purchases, and variable generation operation and maintenance (“O&M”) costs. The energy formula rate is intended to recover the fuel and energy purchases. This is accomplished by taking the corporate fuel and energy purchase costs for each and dividing by the system sales in megawatt hours (“MWh”) for each company. This provides a system average dollar per MWh rate. For WPS Corp, the on peak energy rate is calculated by multiplying the system dollar per MWh rate by 1.2. Similarly, the off peak energy rate is calculated by multiplying the system dollar per MWh rate by 0.8. For WEPCo, the on peak energy rate is calculated by multiplying the system dollar per MWh rate by 1.14. Similarly, the off peak energy rate is calculated by multiplying the system dollar per MWh rate by 0.9. The customer (*i.e.*, UMERC) is billed using on peak and off peak rates determined using forecasted system costs and sales and are trued up with actual system costs and sales on a two-month lag for WPS Corp and for WEPCo on a one month lag for Energy Rate Part 1 and on an annual basis for Energy Rate Part 2.

Q. Can you provide a general description of the transmission charges?

A. The transmission charges are intended to pass-through to UMERC, the actual transmission, ancillary, and certain market charges incurred by WEPCo and WPS Corp from the Midcontinent Independent System Operator, Inc. (“MISO”) to serve UMERC. This is required since the WEPCo and WPS Corp formula rates do not include transmission cost recovery mechanisms and UMERC is not being charged directly by

1 MISO for any applicable transmission costs since UMERC is not a registered MISO
2 Market Participant.

3
4 **Q. The WEPCo FERC-approved energy rates are billed in two parts, Energy Rate Part
5 1 and Energy Rate Part 2. Would you please explain the difference?**

6 A. Energy Rate Part 1 recovers fuel and energy related purchased power cost that would
7 essentially be included in the FERC fuel clause: Fuel and Purchased Power (energy-
8 related), less Opportunity Sales Revenue (energy related). Energy Rate Part 2 recovers
9 O&M costs defined by the FERC “Predominance Method” as energy-related, and are not
10 included in the Energy Rate – Part I (some maintenance-related accounts).

11
12 **Q. Please explain the interruptible credit calculation.**

13 A. Both the WEPCo and WPSC Rate Zones have retail customers that take service under a
14 tariff that provides UMERC the right to interrupt load under certain conditions, and
15 UMERC is of the opinion that this serves to minimize costs to its PSCR customers. This
16 interruptible retail load reduces the firm generation capacity that is needed to satisfy
17 resource adequacy requirements with respect to generation capacity. UMERC will
18 receive a credit for the amount of retail interruptible load that will be registered as a Load
19 Modifying Resource (“LMR”) with MISO for a planning year. The credit for this
20 interruptible load in the WPSC – W-1A tariff is \$7.00 per kW per month. The WPSC
21 Rate Zone has approximately 14,000 kW of monthly retail interruptible load that is
22 registered as an LMR. This provided an annual credit of approximately \$1.15 million.
23 For the WEPCo PPA, the interruptible credit is based on the MISO published cost of new

1 generation capacity - Cost of New Entry (“Cone”). For the 2017 MISO planning year,
2 this amount is \$7.926 per kW per month. The WEPCo Rate Zone has approximately
3 4,100 kW of monthly retail interruptible load registered as an LMR. This provided an
4 annual credit of approximately \$393,000.

5
6 **Q. Are there capacity charges associated with the WEPCo and WPS Corp PPAs?**

7 A. Yes. Both PPAs have associated capacity charges exceeding six months. The
8 Commission approved the capacity charges associated with the WEPCo PPA and the
9 WPS Corp PPA in its December 9, 2016 Order in Case No. U-18061.

10
POWER SUPPLY COST RECOVERY

11 **Q. How is UMERC recovering the costs associated with the PPAs?**

12 A. As part of the approvals sought in Case No. U-18061, the PSCR clauses of WEPCo
13 (except as needed for WEPCo to continue to serve the Mines) and WPS Corp were
14 transferred to UMERC. As such, this 2017 PSCR reconciliation filing reflects that
15 UMERC is recovering PSCR costs via separate PSCR clauses for the customers of the
16 WEPCo Rate Zone and WPSC Rate Zone. Thus, each Rate Zone has its own PSCR base
17 and factor. The WEPCo Rate Zone reflects the current PSCR base of \$45.47 per MWh,
18 and the WPSC Rate Zone reflects the current PSCR base of \$40.52 per MWh. The
19 purpose of this filing is to reconcile 2017 PSCR revenues and costs for each Rate Zone.

20
21 **Q. How is UMERC addressing the fact that legacy WEPCO and WPS Corp retail rates**
22 **include generation ownership costs in base rates, but were not included in**
23 **establishing the current PSCR bases; whereas all charges under the PPAs, including**

1 **charges for generation ownership costs, would normally be included in the PSCR**
2 **costs?**

3 A. As previously addressed in Case No. U-18061, until UMERC files a Michigan retail rate
4 case and implements new PSCR base(s), the Company will exclude the generation-
5 related ownership costs that are included in the capacity (depreciation, return, taxes, etc.)
6 and energy (O&M) rates for both the WEPCO and the WPS Corp PPA for purposes of
7 the PSCR factor calculations in its annual PSCR plan and reconciliation cases. For
8 purposes of calculating the power supply costs to be recovered through the 2017 PSCR
9 factors, the generation related ownership costs have not been included.

10
11 **Q. If the PPA charges to UMERC included generation related ownership costs, how did**
12 **UMERC make sure that none of the ownership costs were included in its PSCR**
13 **reconciliations?**

14 A. Since UMERC receives a slice of system assignment of all WEPCo and WPS Corp power
15 supply costs, UMERC receives its load ratio share of the same power supply costs that
16 were previously included in the WEPCo and WPS Corp PSCR reconciliations as part of
17 the PPA charges. While the previous PSCR costs cannot be determined from the PPA
18 charges, the PSCR costs are embedded in the WEPCo and WPS Corp PPA charges, and
19 represent a portion of the energy, capacity and transmission PPA costs. Therefore,
20 UMERC developed an average PSCR system cost per MWh for each of the WEPCo and
21 WPS Corp power supply systems, which only included WEPCo and WPS Corp power
22 supply costs that were previously included in their PSCR reconciliations prior to the
23 formation of the UMERC. These average WEPCo and WPS Corp PSCR system costs per

1 MWh were adjusted for losses and applied to UMERC WEPCo Rate Zone and WPSC Rate
2 Zone sales, respectively, to determine UMERC PSCR costs.

3
4 **Q. Are you sponsoring any exhibits?**

5 A. Yes, I am sponsoring Exhibit A-1 (JGG-1) consisting of four pages.

6
7 **Q. Was Exhibit A-1 (JGG-1) prepared by you?**

8 A. Yes, it was.

9
10 **Q. Please describe Exhibit A-1 (JGG-1).**

11 A. Exhibit A-1 (JGG-1) details the UMERC 2017 WEPCO Rate Zone and WPSC Rate Zone
12 PSCR reconciliations, including interest calculations. Page 1 compares the 2017 actual
13 PPA and PSCR costs with the projected PPA and PSCR costs as approved in the April
14 13, 2017 Order Approving Settlement Agreement in the 2017 PSCR Plan in MPSC Case
15 No. U-18149. Page 2 details the calculation of PSCR revenues as well as PSCR costs,
16 interest, and over/(under) recovery for the months of January through December 2017,
17 resulting in a net over-recovery of \$519,709 in the WEPCO Rate Zone and an over-
18 recovery of \$8,420 in the WPSC Rate Zone for the reconciliation period. Page 3 details
19 the WEPCo and the WPS Corp PSCR System Costs that are embedded in the PPAs and
20 the related System Requirements by month and shows the monthly PSCR cost per MWh
21 used on Page 2, to calculate the costs attributable to the sales by Rate Zone. Page 4
22 compares the 2017 actual WEPCo and the WPS Corp PSCR System Costs and System

1 Requirements to the PSCR System Costs and System Requirements in the 2017 PSCR
2 plan.

3
4 **Q. Is UMERC's 2017 beginning over/(under) recovery balance for the WEPCO Rate**
5 **Zone the same as the as-settled amount in the 2016 PSCR Reconciliation in Case No.**
6 **U-17912-R?**

7 A. Yes. The 2016 PSCR Reconciliation over-recovery amount of \$123,105, shown as the
8 beginning over/(under) recovery balance for 2017, on Page 2, line 23, is the amount
9 approved for the UMERC WEPCO Rate Zone in the 2016 PSCR Reconciliation in Case
10 No. U-17912-R.

11
12 **Q. Is UMERC's 2017 beginning over/(under) recovery balance for the WPSC Rate**
13 **Zone the same as the as-settled amount in the 2016 PSCR Reconciliation in Case No.**
14 **U-17914-R?**

15 A. Yes. The 2016 PSCR Reconciliation under-recovery amount of \$28,874, shown as the
16 beginning over/(under) recovery balance for 2017, on Page 2, line 56, is the amount
17 approved for the UMERC WPSC Rate Zone in the 2016 PSCR Reconciliation in Case
18 No. U-17914-R.

19
20 **Q. Please describe in more detail the over-recovery experienced by UMERC in the**
21 **WEPCO Rate Zone for the 12-month period ending December 31, 2017.**

22 A. UMERC attempted to reduce its over-recovery in the WEPCO Rate Zone through its
23 2017 PSCR factors, which included implementing negative PSCR factors during the year.

1 However, the Company still experienced an over-recovery of the 2017 PSCR costs in the
2 amount of \$351,356, as shown on Page 2 of Exhibit A-1 (JGG-1), line 22. Adding the
3 2016 WEPCO Rate Zone PSCR over-recovery balance of \$123,105 to the 2017 PSCR
4 over-recovery amount of \$351,356, results in a year-end over-recovery of \$474,461. As
5 stated above, Page 2 of Exhibit A-1 (JGG-1) details the over/under-recovery balance by
6 month as well as the monthly interest calculation for the reconciliation period. Interest is
7 calculated on the average recovery balance for each month. All twelve months of 2017
8 had over-recovered average balances and, as such, the interest rate applied was the
9 UMERC WEPCO Rate Zone authorized rate of return on common equity of 10.10%
10 representing interest of \$45,248 as shown on line 30. The 2017 over-recovery balance of
11 \$474,461 as shown on line 24, plus the plan year interest of \$45,248 on line 30, results in
12 a net cumulative over-recovery in the amount of \$519,709 for the WEPCO Rate Zone, as
13 shown on line 32.

14
15 **Q. Please describe in more detail the over-recovery experienced by UMERC in the**
16 **Wpsc Rate Zone for the 12-month period ending December 31, 2017.**

17 A. UMERC attempted to reduce its over-recovery in the Wpsc Rate Zone through its 2017
18 PSCR factors, which included implementing negative PSCR factors during the year. The
19 Company experienced an over-recovery of the 2017 PSCR costs in the amount of
20 \$24,260, as shown on Page 2 of Exhibit A-1 (JGG-1), line 55. Adding the 2016 Wpsc
21 Rate Zone PSCR under-recovery balance of \$28,874 to the 2017 PSCR over-recovery
22 amount of \$24,260, results in a year-end under-recovery of \$4,614. As stated above,
23 Page 2 of Exhibit A-1 (JGG-1) details the over/under-recovery balance by month as well

1 as the monthly interest calculation for the reconciliation period. Interest is calculated on
2 the average recovery balance for each month. For January through November of 2017
3 the average recovery balance was an over-recovery and, as such, the interest rate applied
4 was the UMERC WPSC Rate Zone authorized rate of return on common equity of
5 10.2%, representing over-recovery interest of \$13,043 as shown on line 64. The average
6 recovery balance for the month of December was an under-recovery, therefore the
7 interest rate applied was the Company's short term debt rate, resulting in an under-
8 recovery interest of \$9. Adding the over-recovery interest of \$13,043 to the under-
9 recovery interest of \$9 results in a net over-recovery interest amount of \$13,034, as
10 shown on line 63. The 2017 under-recovery balance of \$4,614 as shown on line 57, plus
11 the plan year over-recovery interest of \$13,034 on line 63, results in a net cumulative
12 over-recovery balance in the amount of \$8,420 for the WPSC Rate Zone, as shown on
13 line 65.

14
15 **Q. How does UMERC propose to address the PSCR over-recovery balances at the end**
16 **of 2017?**

17 A. UMERC proposes to roll-in the WEPCO Rate Zone over recovery balance of \$519,709
18 into the WEPCO Rate Zone PSCR over/(under) recovery beginning balance for 2018.
19 Similarly, UMERC proposes to roll-in the WPSC Rate Zone over recovery balance of
20 \$8,420 into the WPSC Rate Zone PSCR over/(under) recovery beginning balance for
21 2018.

1 **DETERMINATION OF PSCR COSTS**

2 **Q. What WEPCo system power supply costs and related net system requirements were**
3 **included in the calculation of the average PSCR system cost per MWh in the**
4 **determination of the WEPCO Rate Zone PSCR costs?**

5 A. The WEPCo system power supply costs and related net system requirements that were
6 included in the calculation of the average PSCR system cost per MWh in the
7 determination of the WEPCO Rate Zone PSCR costs are shown on page 3 of Exhibit (A-
8 1) (JGG-1), lines 1 through 14. The resulting total WEPCo PSCR system costs on line 7,
9 page 3 and the total net system requirements on page 3, line 14 are also shown on lines
10 15 and 16 of page 2 of Exhibit (A-1) (JGG-1). The WEPCO PSCR system costs on line
11 15, page 2 are divided by the related net system requirements on line 16, page 2, resulting
12 in the WEPCo PSCR System Cost per MWh on generation. Applying the WEPCo loss
13 factor of 1.04 on line 18 to the WEPCo PSCR System Cost per MWh on generation,
14 results in the WEPCo PSCR System Cost per MWh on sales, shown on line 19 of page 2.
15 Applying the WEPCo PSCR System Cost per MWh on line 19, to the WEPCO Rate Zone
16 sales subject to the PSCR on line 5, results in the WEPCO Rate Zone PSCR costs on line
17 20. The WEPCO Rate Zone PSCR costs were compared to the WEPCO Rate Zone
18 revenues shown on lines 10 through 13, page 2, which were collected through the PSCR
19 base and PSCR factors billed to customers in 2017 to determine the PSCR over/(under)
20 recovery shown on line 22 of page 2.

21
22 **Q. What costs were included for the Glacier Hills Wind Farm (“Glacier Hills”), the**
23 **Montfort Wind Energy Center (“Montfort”) and the Rothschild Biomass**

1 **Cogeneration Plant (“Rothschild”) in the determination of the WEPCo average**
2 **system cost?**

3 A. Consistent with the Order Approving Settlement Agreement dated January 23, 2018, in
4 UMERC’s 2017 renewable energy (“RE”) Plan in Case No. U-18236, the generation was
5 treated as a system-wide RE resource to be recovered through a transfer price, with
6 incremental costs to be recovered through the RE surcharge. The 2017 transfer prices
7 were as follows: (1) \$80.41 per MWh for Glacier Hills, (2) \$71.20 per MWh for Montfort
8 and (3) \$71.20 per MWh for Rothschild. The Glacier Hills transfer price was approved by
9 Commission Order in Case No. U-15812. The prices for Montfort and Rothschild are
10 from the transfer price schedule developed by the MPSC Staff and approved by the
11 Commission in its December 19, 2013 Order in Case No. U-16662. The WEPCO system
12 transfer price costs that were included for Glacier Hills, Montfort and Rothschild are
13 shown on Page 3, Line 3 of Exhibit (A-1) (JGG-1).

14
15 **Q. What WPS Corp system power supply costs and related net system requirements**
16 **were included in the calculation of the average PSCR system cost per MWh in the**
17 **determination of the WPSC Rate Zone PSCR costs?**

18 A. The WPS Corp system power supply costs and related net system requirements that were
19 included in the calculation of the average PSCR system cost per MWh in the
20 determination of the WPSC Rate Zone PSCR costs are shown on page 3 of Exhibit (A-1)
21 (JGG-1), lines 18 through 32. The resulting WPS Corp PSCR system costs on line 25,
22 page 3 and the net system requirements on page 3, line 32 are also shown on lines 50 and
23 51 of page 2 of Exhibit (A-1) (JGG-1). The WPS Corp PSCR system costs on line 50,

1 page 2 are divided by the related net system requirement sales on line 51, page 2,
2 resulting in the WPS Corp PSCR System Cost per MWh on requirement sales on line 52,
3 page 2. Applying the WPS Corp PSCR System Cost per MWh on line 52 to the WPSC
4 Rate Zone sales subject to the PSCR on line 40 results in the WPSC Rate Zone PSCR
5 costs on line 53. The WPSC Rate Zone PSCR costs were compared to the WPSC Rate
6 Zone revenues shown on lines 45 through 48, page 2, which were collected through the
7 PSCR base and PSCR factors billed to customers in 2017 to determine the PSCR
8 over/(under) recovery shown on line 55 of page 2.

10 **COMPARISON OF ACTUAL PSCR COSTS TO PSCR PLAN**

11 **Q. Please summarize the primary reasons for the variance in the PSCR costs between**
12 **the 2017 PSCR plan as approved compared to the 2017 actual PSCR costs incurred**
13 **for the WEPCO Rate Zone.**

14 A. As shown on page 4 of Exhibit (A-1) (JGG-1), lines 1 through 25, the WEPCO Rate
15 Zone PSCR cost per MWh was lower than forecasted by \$4.87/MWh. The lower cost per
16 MWh was due to lower PSCR net system costs incurred by WEPCo, which resulted in
17 lower PSCR charges being included in the UMEREC WEPCO Rate Zone PPA. The lower
18 WEPCo average PSCR system cost per MWh was due to: (1) lower transmission costs
19 and related refunds from the American Transmission Company LLC (“ATC LLC”) and
20 the MISO, due to the FERC lowering their allowed return on equity for transmission
21 investments and a refund of a portion of past Presque Isle Power Plant System Support
22 Resource charges, (2) higher than forecasted market prices for power, increasing

1 opportunity sales revenue, and (3) lower requirement sales volumes, reducing the need
2 for higher cost generation.

3
4 **Q. Please summarize the primary reasons for the variance in the PSCR costs between**
5 **the 2017 PSCR plan as approved compared to the 2017 actual PSCR costs incurred**
6 **for the WPSC Rate Zone.**

7 A. As shown on page 4 of Exhibit (A-1) (JGG-1), lines 29 through 50, the WPSC Rate Zone
8 PSCR cost per MWh was lower than forecasted by \$3.59/MWh. The lower cost per MWh
9 was due to lower PSCR net system costs incurred by WPS Corp, which resulted in lower
10 PSCR charges being included in the UMERC WPSC Rate Zone PPA. The lower WPS
11 Corp average PSCR system cost per MWh was due to: (1) lower transmission costs and
12 related refunds from the ATC LLC and the MISO, due to the FERC lowering their
13 allowed return on equity for transmission investments, and (2) lower requirement sales
14 volumes, reducing the need for higher cost generation.

15
16 **PSCR COST RECONCILIATION APPROVAL**

17 **Q. What is UMERC requesting the Commission to approve in this PSCR reconciliation**
18 **filing?**

19 A. UMERC requests that for both the WEPCO and WPSC Rate Zones, the Commission
20 approve the 2017 reconciliation of all power supply revenues received, whether included
21 in base rates or collected through the PSCR clause, with the power supply costs incurred
22 by UMERC in 2017 and the roll-in of the 2017 ending WEPCO and WPSC Rate Zone

1 PSCR over-recovery balances into their respective 2018 beginning WEPCO and WPS
2 Rate Zone PSCR over/under recovery balances.

3

4 **Q. Were the costs of power supply incurred through reasonable and prudent actions on**
5 **the part of UMERC?**

6 A. Yes. The PSCR costs that UMERC incurred in 2017, through the PPAs with WEPCo
7 and WPS Corp, were reasonable and prudent. UMERC's PPAs with WEPCo and WPS
8 Corp have been approved by FERC and by the MPSC in Case No. U-18061.

9

10 **Q. Does this conclude your direct testimony?**

11 A. Yes, it does.

12

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Upper Michigan Energy Resources Corporation
2017 Power Supply Cost Recovery Reconciliation
Comparison of Actual to Plan

Case No: U-20074
Exhibit: A-1 (JGG-1)
Witness: John G. Guntlisbergen
Page: 1 of 4

	2017			%
	<u>PSCR Plan</u>	<u>PSCR Actual</u>	<u>Variance</u>	<u>Variance</u>
1 <u>UMERC WEPCO Rate Zone</u>				
2 WEPCo PPA Costs - Capacity	\$17,614,494	\$19,007,490	\$1,392,996	7.9%
3 WEPCo PPA Costs - Energy	\$9,253,454	\$7,998,053	(\$1,255,402)	-13.6%
4 WEPCo PPA Costs - Transmission	\$5,012,336	\$4,721,874	(\$290,462)	-5.8%
5 Surplus Energy	\$0	\$9,084	\$9,084	0.0%
6				
7 WEPCo PPA Costs - Total	\$31,880,285	\$31,736,501	(\$143,784)	-0.5%
8				
9 WEPCo PSCR System Costs	\$1,238,145,670	\$1,099,656,425	(\$138,489,245)	-11.2%
10 WEPCo System Supplied (Mwhs)	26,879,918	26,697,336	(182,582)	-0.7%
11 WEPCo PSCR Costs on Supplied (\$/Mwh)	\$46.06	\$41.19	(\$4.87)	-10.6%
12 Loss Factor	1.04	1.04		
13 WEPCo PSCR System Costs on Sales (\$/Mwh)	\$47.90	\$42.84	(\$5.06)	-10.6%
14				
15 UMERC WEPCO Rate Zone Sales (Mwhs)	362,904	340,573	(22,331)	-6.2%
16 WEPCo PPA Costs - PSCR	\$17,383,102	\$14,476,669	(\$2,906,433)	-16.7%
17 WEPCo PPA Costs - PSCR (\$/Mwh)	\$47.90	\$42.51	(\$5.39)	-11.3%
18 PSCR Base (\$/Mwh)	\$45.47	\$45.47		
19 PSCR Factor (\$/Mwh)	\$2.43	(\$2.96)	(\$5.39)	
20				
21	2017	2017		%
22 <u>UMERC WPSC Rate Zone</u>	<u>PSCR Plan</u>	<u>PSCR Actual</u>	<u>Variance</u>	<u>Variance</u>
23 WPS Corp PPA Costs - Capacity	\$6,881,752	\$6,424,241	(\$457,511)	-6.6%
24 WPS Corp PPA Costs - Energy	\$7,833,296	\$7,238,190	(\$595,106)	-7.6%
25 WPS Corp PPA Costs - Transmission	\$3,360,345	\$2,683,152	(\$677,193)	-20.2%
26				
27 WPS Corp PPA Costs - Total	\$18,075,393	\$16,345,583	(\$1,729,810)	-9.6%
28				
29 WPS Corp PSCR System Costs	\$532,613,275	\$478,730,568	(\$53,882,707)	-10.1%
30 WPS Corp System Sales (Mwhs)	12,967,095	12,771,452	(195,643)	-1.5%
31 WPS Corp PSCR System Costs on Sales (\$/Mwh)	\$41.07	\$37.48	(\$3.59)	-8.7%
32				
33 UMERC WPSC Rate Zone Sales (Mwhs)	253,674	253,289	(385)	-0.2%
34 WPS Corp PPA Costs - PSCR	\$10,418,391	\$9,483,942	(\$934,449)	-9.0%
35 WPS Corp PPA Costs - PSCR (\$/Mwh)	\$41.07	\$37.44	(\$3.63)	-8.8%
36 PSCR Base (\$/Mwh)	\$40.52	\$40.52		
37 PSCR Factor (\$/Mwh)	\$0.55	(\$3.08)	(\$3.63)	

	2017 1	2017 2	2017 3	2017 4	2017 5	2017 6	2017 7	2017 8	2017 9	2017 10	2017 11	2017 12	2018 1	Total
1 UMERC - WEPCO Rate Zone														
2 Sales Subject to PSCR Billed (Mwh)	32,696	28,353	30,095	26,281	26,000	28,302	27,806	29,645	26,786	26,566	26,441	28,484		337,455
3 Unbilled Sales Subject to PSCR (Mwh)	17,227	17,498	15,739	16,822	17,365	17,161	19,782	15,013	16,789	13,787	18,550	23,156		208,889
4 Unbilled Prior Month Sales Subject to PSCR (Mwh)	(20,038)	(17,227)	(17,498)	(15,739)	(16,822)	(17,365)	(17,161)	(19,782)	(15,013)	(16,789)	(13,787)	(18,550)		(205,771)
5 Sales Subject to PSCR Calendar (Mwh)	29,885	28,624	28,336	27,364	26,543	28,098	30,427	24,876	28,562	23,564	31,204	33,090		340,573
6														
7 PSCR Base Incl. Losses (\$/Mwh)	45.47	45.47	45.47	45.47	45.47	45.47	45.47	45.47	45.47	45.47	45.47	45.47	45.47	
8 PSCR Factor Applied (\$/Mwh)	2.43	2.43	(1.00)	(1.00)	(1.93)	(3.60)	(3.00)	(4.54)	(3.43)	(2.15)	(2.15)	(4.94)	0.67	
9														
10 PSCR Revenue Billed (\$)	\$1,566,138	\$1,358,109	\$1,338,325	\$1,168,716	\$1,132,040	\$1,185,005	\$1,180,921	\$1,213,370	\$1,126,083	\$1,150,839	\$1,145,424	\$1,154,457		\$14,719,427
11 PSCR Revenue Unbilled Current Month (\$)	\$825,173	\$778,136	\$699,913	\$732,430	\$727,073	\$728,828	\$809,677	\$631,147	\$727,299	\$597,253	\$751,832	\$1,068,418		\$9,077,179
12 PSCR Revenue Unbilled Prior Month (\$)	(\$959,820)	(\$825,173)	(\$778,136)	(\$699,913)	(\$732,430)	(\$727,073)	(\$728,828)	(\$809,677)	(\$631,147)	(\$727,299)	(\$597,253)	(\$751,832)		(\$8,968,581)
13 Total PSCR Revenue (\$)	\$1,431,491	\$1,311,072	\$1,260,102	\$1,201,233	\$1,126,683	\$1,186,760	\$1,261,770	\$1,034,840	\$1,222,235	\$1,020,793	\$1,300,003	\$1,471,043		\$14,828,025
14														
15 WEPCo PSCR System Costs	\$72,162,895	\$81,124,362	\$88,472,559	\$82,641,957	\$97,843,272	\$103,394,268	\$115,161,637	\$115,870,126	\$102,048,543	\$85,142,586	\$64,292,400	\$91,501,821		\$1,099,656,425
16 WEPCo Generation with Losses (Mwh)	2,325,108	2,015,426	2,205,528	2,002,239	2,089,484	2,361,287	2,544,848	2,387,194	2,250,853	2,134,995	2,089,852	2,290,522		26,697,336
17 WEPCo PSCR System Costs on Generation (\$/Mwh)	\$31.04	\$40.25	\$40.11	\$41.27	\$46.83	\$43.79	\$45.25	\$48.54	\$45.34	\$39.88	\$30.76	\$39.95		\$41.19
18 WEPCo Loss Factor	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04		1.04
19 WEPCo PSCR System Costs on Sales (\$/Mwh)	\$32.28	\$41.86	\$41.72	\$42.93	\$48.70	\$45.54	\$47.06	\$50.48	\$47.15	\$41.47	\$31.99	\$41.55		\$42.84
20 UMERC WEPCO Rate Zone PSCR Costs (\$)	\$964,688	\$1,198,201	\$1,182,178	\$1,174,737	\$1,292,644	\$1,279,583	\$1,431,895	\$1,255,740	\$1,346,698	\$977,199	\$998,216	\$1,374,890		\$14,476,669
21														
22 Over/(Under) Recovery (\$)	\$466,803	\$112,871	\$77,924	\$26,496	(\$165,961)	(\$92,823)	(\$170,125)	(\$220,900)	(\$124,463)	\$43,594	\$301,787	\$96,153		\$351,356
23 Beginning Recovery Balance (\$)	\$123,105	\$589,908	\$702,779	\$780,703	\$807,199	\$641,238	\$548,415	\$378,290	\$157,390	\$32,927	\$76,521	\$378,308		\$123,105
24 Ending Recovery Balance (\$)	\$589,908	\$702,779	\$780,703	\$807,199	\$641,238	\$548,415	\$378,290	\$157,390	\$32,927	\$76,521	\$378,308	\$474,461		\$474,461
25 Average Recovery Balance (\$)	\$356,507	\$646,344	\$741,741	\$793,951	\$724,219	\$594,827	\$463,353	\$267,840	\$95,159	\$54,724	\$227,415	\$426,385		
26														
27 Interest Rate Undercollection (%)	0.640%	0.610%	0.780%	0.830%	0.840%	1.020%	1.100%	1.100%	1.110%	1.130%	1.160%	1.400%		
28 Interest Rate Overcollection (%)	10.10%	10.10%	10.10%	10.10%	10.10%	10.10%	10.10%	10.10%	10.10%	10.10%	10.10%	10.10%		
29 Days in Month	31	28	31	30	31	30	31	31	30	31	30	31		365
30 Monthly Interest (\$)	\$3,058	\$5,008	\$6,363	\$6,591	\$6,212	\$4,938	\$3,975	\$2,298	\$790	\$469	\$1,888	\$3,658		\$45,248
31 Interest Balance (\$)	\$3,058	\$8,066	\$14,429	\$21,020	\$27,232	\$32,170	\$36,145	\$38,443	\$39,233	\$39,702	\$41,590	\$45,248		\$474,461
32 Ending Recovery Balance + Interest (\$)	\$592,966	\$710,845	\$795,132	\$828,219	\$668,470	\$580,585	\$414,435	\$195,833	\$72,160	\$116,223	\$418,898	\$519,709		\$519,709
33														
34														
35														
36 UMERC - WSPC Rate Zone														
37 Sales Subject to PSCR Billed (Mwh)	23,470	21,862	21,449	21,754	20,633	20,226	21,616	22,361	20,214	19,023	19,310	21,231		253,150
38 Unbilled Sales Subject to PSCR (Mwh)	5,942	5,386	5,367	5,120	4,658	4,582	5,376	5,005	4,690	3,793	4,717	5,885		60,521
39 Unbilled Prior Month Sales Subject to PSCR (Mwh)	(5,746)	(5,942)	(5,386)	(5,367)	(4,658)	(4,582)	(5,376)	(5,005)	(4,690)	(3,793)	(4,717)	(5,885)		(60,381)
40 Sales Subject to PSCR Calendar (Mwh)	23,666	21,306	21,430	21,507	20,172	20,150	22,409	21,990	19,899	18,126	20,234	22,400		253,289
41														
42 PSCR Base Incl. Losses (\$/Mwh)	40.52	40.52	40.52	40.52	40.52	40.52	40.52	40.52	40.52	40.52	40.52	40.52	40.52	
43 PSCR Factor Applied (\$/Mwh)	0.55	0.55	0.00	(4.47)	(4.47)	(4.47)	(4.47)	(4.47)	(4.47)	(4.47)	(4.47)	(3.42)	(2.40)	(1.36)
44														
45 PSCR Revenue Billed (\$)	\$963,915	\$897,879	\$869,097	\$784,247	\$743,829	\$729,149	\$779,251	\$806,116	\$728,725	\$685,780	\$716,396	\$809,331		\$9,513,715
46 PSCR Revenue Unbilled Current Month (\$)	\$244,042	\$218,244	\$193,493	\$184,568	\$167,931	\$165,186	\$193,797	\$180,427	\$169,060	\$140,709	\$179,795	\$230,470		\$2,267,722
47 PSCR Revenue Unbilled Prior Month (\$)	(\$235,983)	(\$244,042)	(\$218,244)	(\$193,493)	(\$184,568)	(\$167,931)	(\$165,186)	(\$193,797)	(\$180,427)	(\$169,060)	(\$140,709)	(\$179,795)		(\$2,273,235)
48 Total PSCR Revenue (\$)	\$971,974	\$872,081	\$844,346	\$775,322	\$727,192	\$726,404	\$807,862	\$792,746	\$717,358	\$657,429	\$755,482	\$860,006		\$9,508,202
49														
50 WPS Corp PSCR System Costs	\$35,594,285	\$36,020,867	\$38,525,731	\$38,784,002	\$40,050,399	\$44,139,263	\$44,086,302	\$39,519,555	\$40,223,233	\$41,172,838	\$38,795,116	\$41,818,977		\$478,730,568
51 WPS Corp Requirement Sales	1,108,224	983,073	1,047,549	976,538	999,599	1,092,721	1,200,682	1,155,635	1,075,373	1,026,515	1,009,301	1,096,241		12,771,452
52 WPS Corp PSCR Costs on Sales (\$/Mwh)	\$32.12	\$36.64	\$36.78	\$39.72	\$40.07	\$40.39	\$36.72	\$34.20	\$37.40	\$40.11	\$38.44	\$38.15		\$37.48
53 UMERC WSPC Rate Zone PSCR Costs (\$)	\$760,161	\$780,658	\$788,190	\$854,251	\$808,283	\$813,855	\$822,876	\$752,065	\$744,223	\$727,039	\$777,784	\$854,557		\$9,483,942
54														
55 Over/(Under) Recovery (\$)	\$211,813	\$91,423	\$56,156	(\$78,929)	(\$81,091)	(\$87,451)	(\$15,014)	\$40,681	(\$26,865)	(\$69,610)	(\$22,302)	\$5,449		\$24,260
56 Beginning Recovery Balance (\$)	(\$28,874)	\$182,939	\$274,362	\$330,518	\$251,589	\$170,498	\$83,047	\$68,033	\$108,714	\$81,849	\$12,239	(\$10,063)		(\$28,874)
57 Ending Recovery Balance (\$)	\$182,939	\$274,362	\$330,518	\$251,589	\$170,498	\$83,047	\$68,033	\$108,714	\$81,849	\$12,239	(\$10,063)	(\$4,614)		(\$4,614)
58 Average Recovery Balance (\$)	\$77,033	\$228,651	\$302,440	\$291,054	\$211,044	\$126,773	\$75,540	\$88,374	\$95,282	\$47,044	\$1,088	(\$7,339)		
59														
60 Interest Rate Undercollection (%)	0.640%	0.610%	0.780%	0.830%	0.840%	1.020%	1.100%	1.100%	1.110%	1.130%	1.160%	1.400%		
61 Interest Rate Overcollection (%)	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%		
62 Days in Month	31	28	31	30	31	30	31	31	30	31	30	31		365
63 Monthly Interest (\$)	\$667	\$1,789	\$2,620	\$2,440	\$1,828	\$1,063	\$654	\$766	\$799	\$408	\$9	(\$9)		\$13,034
64 Interest Balance (\$)	\$667	\$2,456	\$5,076	\$7,516	\$9,344	\$10,407	\$11,061	\$11,827	\$12,626	\$13,034	\$13,043	\$13,034		\$8,420
65 Ending Recovery Balance + Interest (\$)	\$183,606	\$276,818	\$335,594	\$259,105	\$179,842	\$93,454	\$79,094	\$120,541	\$94,475	\$25,273	\$2,980	\$8,420		\$8,420

Wisconsin Electric Power Company													
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1	PSCR SYSTEM COSTS												
2	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
2	54,950,810	45,237,822	36,302,178	27,206,437	31,989,868	50,798,175	60,177,819	50,952,538	42,167,313	44,779,589	48,390,495	49,694,471	542,647,514
3	3,652,773	3,985,157	4,643,135	4,160,778	2,874,836	2,999,768	1,187,979	2,083,950	2,465,239	4,209,126	4,488,405	4,160,418	40,911,564
4	36,871,571	32,850,337	32,826,274	30,500,377	43,679,828	44,477,506	52,485,622	53,487,935	44,969,852	31,453,209	29,705,591	34,185,208	467,493,310
5	(29,524,698)	(23,827,803)	(11,324,717)	(5,385,438)	(6,657,738)	(22,385,013)	(27,822,793)	(19,826,280)	(16,003,840)	(23,984,267)	(28,348,286)	(22,342,245)	(237,433,118)
6	6,212,439	22,878,849	26,025,689	26,159,803	25,956,478	27,503,832	29,133,010	29,171,983	28,449,979	28,684,929	10,056,196	25,803,969	286,037,156
7	72,162,895	81,124,362	88,472,559	82,641,957	97,843,272	103,394,268	115,161,637	115,870,126	102,048,543	85,142,586	64,292,400	91,501,821	1,099,656,425
8													
9	PSCR NET SYSTEM REQUIREMENTS												
9	(MWh)	(MWh)	(MWh)	(MWh)	(MWh)	(MWh)	(MWh)	(MWh)	(MWh)	(MWh)	(MWh)	(MWh)	(MWh)
10	2,442,763	2,104,381	1,595,771	1,219,841	1,326,528	2,319,490	2,665,163	2,262,399	1,930,440	2,086,976	2,297,384	2,381,599	24,632,735
11	47,244	50,945	59,365	53,138	36,380	38,386	14,840	26,949	31,686	53,745	57,795	53,558	524,031
12	813,196	725,164	839,647	840,482	859,438	823,960	840,918	819,311	781,556	820,633	754,059	766,674	9,685,038
13	(978,095)	(865,064)	(289,255)	(111,222)	(132,862)	(820,550)	(976,073)	(721,465)	(492,829)	(826,359)	(1,019,386)	(911,309)	(8,144,469)
14	2,325,108	2,015,426	2,205,528	2,002,239	2,089,484	2,361,287	2,544,848	2,387,194	2,250,853	2,134,995	2,089,852	2,290,522	26,697,336
15													
16													
17													
18	Wisconsin Public Service Corporation												
19	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
20	PSCR SYSTEM COSTS												
20	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
21	22,861,132	17,159,688	18,630,718	13,284,257	15,250,836	20,238,935	29,627,677	19,965,227	21,375,867	23,015,781	19,506,161	23,303,277	244,219,555
22	14,420,044	12,166,301	12,429,862	18,534,982	18,386,116	16,500,007	8,936,890	12,148,694	12,566,367	11,007,589	11,652,009	9,964,946	158,713,806
23	(5,000,091)	(3,955,676)	(4,946,468)	(5,123,759)	(5,786,053)	(5,347,319)	(7,787,040)	(5,581,613)	(6,557,410)	(5,381,010)	(3,742,170)	(3,829,529)	(63,038,139)
24	3,313,200	10,650,554	12,411,618	12,088,521	12,199,500	12,747,640	13,308,775	12,987,248	12,838,409	12,530,479	11,379,118	12,380,284	138,835,345
25	35,594,285	36,020,867	38,525,731	38,784,002	40,050,399	44,139,263	44,086,302	39,519,555	40,223,233	41,172,838	38,795,116	41,818,977	478,730,568
26													
27	PSCR NET SALES REQUIREMENTS												
27	(MWh)	(MWh)	(MWh)	(MWh)	(MWh)	(MWh)	(MWh)	(MWh)	(MWh)	(MWh)	(MWh)	(MWh)	(MWh)
28	885,124	778,181	879,412	562,568	604,749	803,943	1,224,018	1,006,749	889,827	955,878	871,473	1,017,336	10,479,258
29	379,364	319,680	332,429	552,632	561,879	477,304	229,849	343,049	367,491	280,832	313,502	244,681	4,402,693
30	(109,785)	(97,741)	(110,542)	(109,522)	(120,450)	(141,377)	(213,220)	(160,225)	(140,527)	(173,733)	(135,577)	(115,703)	(1,628,401)
31	(46,479)	(17,047)	(53,750)	(29,139)	(46,579)	(47,149)	(39,965)	(33,939)	(41,419)	(36,461)	(40,098)	(50,073)	(482,098)
32	1,108,224	983,073	1,047,549	976,538	999,599	1,092,721	1,200,682	1,155,635	1,075,373	1,026,515	1,009,301	1,096,241	12,771,452

Upper Michigan Energy Resources Corporation
2017 Power Supply Cost Recovery Reconciliation
Comparison of Actual to Plan PSCR System Costs Included in Purchased Power Agreements

Case No: U-20074
Exhibit: A-1 (JGG-1)
Witness: John G. Guntlisbergen
Page 4 of 4

1 Wisconsin Electric Power Company

2

3 PSCR SYSTEM COSTS	2017 PSCR Plan	2017 PSCR Actual	Variance
4 Generation-Fuel Related Costs	\$539,725,163	\$542,647,514	\$2,922,351
5 Renewable Generation with Transfer Prices	\$49,004,627	\$40,911,564	(\$8,093,063)
6 Purchased Power Costs	\$502,259,705	\$467,493,310	(\$34,766,395)
7 Opportunity Sales	(\$221,688,073)	(\$237,433,118)	(\$15,745,045)
8 Transmission Costs	\$368,844,248	\$286,037,156	(\$82,807,092)
9 Total PSCR System Costs	\$1,238,145,670	\$1,099,656,425	(\$138,489,245)

10

11 PSCR NET SYSTEM REQUIREMENTS

12 Generation (Mwh)	24,502,465	24,632,735	130,270
13 Renewable Generation with Transfer Prices (Mwh)	636,551	524,031	(112,520)
14 Purchased Power (Mwh)	10,586,016	9,685,038	(900,978)
15 Opportunity Sales (Mwh)	(8,845,114)	(8,144,469)	700,645
17 Total PSCR Net System Requirements (Mwh)	26,879,918	26,697,336	(182,582)

18

19 PSCR SYSTEM COSTS PER MWH

20 Generation-Fuel Related Costs	\$22.03	\$22.03	\$0.00
21 Renewable Generation with Transfer Prices	\$76.98	\$78.07	\$1.09
22 Purchased Power Costs	\$47.45	\$48.27	\$0.82
23 Opportunity Sales	\$25.06	\$29.15	\$4.09
25 Total PSCR System Costs per Mwh	\$46.06	\$41.19	(\$4.87)

26

27

28

29 Wisconsin Public Service Corporation

30

31 PSCR SYSTEM COSTS	2017 PSCR Plan	2017 PSCR Actual	Variance
32 Generation-Fuel Related Costs	\$211,226,656	\$244,219,555	\$32,992,899
33 Purchased Power Costs	\$197,222,496	\$158,713,806	(\$38,508,690)
34 Opportunity Sales	(\$42,981,877)	(\$63,038,139)	(\$20,056,262)
35 Transmission Costs	\$167,146,000	\$138,835,345	(\$28,310,655)
36 Total PSCR System Costs	\$532,613,275	\$478,730,568	(\$53,882,707)

37

38 PSCR NET SALES REQUIREMENTS

39 Generation (Mwh)	9,018,585	10,479,258	1,460,673
40 Purchased Power (Mwh)	5,426,779	4,402,693	(1,024,086)
41 Opportunity Sales (Mwh)	(1,070,453)	(1,628,401)	(557,948)
42 Less Distribution Losses & Company Use	(407,816)	(482,098)	(74,282)
43 Total PSCR Net Sales Requirements (Mwh)	12,967,095	12,771,452	(195,643)

44

45 PSCR SYSTEM COSTS PER MWH

46 Generation-Fuel Related Costs	\$23.42	\$23.31	(\$0.12)
47 Purchased Power Costs	\$36.34	\$36.05	(\$0.29)
48 Opportunity Sales	\$40.15	\$38.71	(\$1.44)
50 Total PSCR System Costs per Mwh	\$41.07	\$37.48	(\$3.59)

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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EAHR1 - 09/29/2016

MICHIGAN DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
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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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