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by Sidney Davy Miller

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March 9, 2017

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

Re: Upper Michigan Energy Resources Corporation  
2017 RE Plan  
MPSC Case No. U-18236

Dear Ms. Kale:

Enclosed for filing is the Application supported by the Direct Testimony and Exhibits of Dennis M. Derricks on behalf of Upper Michigan Energy Resources Corporation.

Also enclosed are the Appearances of Michael C. Rampe and Theresa A.G. Staley.

Additionally, a draft proposed Notice of Hearing is being e-mailed to Angela McGuire at [mcguirea@michigan.gov](mailto:mcguirea@michigan.gov).

Very truly yours,

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

By: \_\_\_\_\_  
Michael C. Rampe

cc: Robert Garvin  
Ted Eidukas  
Dennis M. Derricks  
Christine Kane  
John Guntlisbergen  
Koby Bailey  
Catherine Phillips  
Colleen Siporski  
Amy Winkler

**STATE OF MICHIGAN**  
**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

\* \* \* \* \*

In the matter of the Application of	)	
<b>UPPER MICHIGAN ENERGY RESOURCES</b>	)	
<b>CORPORATION</b> requesting approval of a renewable	)	Case No. U-18236
renewable energy plan to fully comply with	)	
<u>Public Act 295 of 2008, as amended.</u>	)	

**APPLICATION REQUESTING APPROVAL OF  
RENEWABLE ENERGY PLAN**

Upper Michigan Energy Resources Corporation (“UMERC” or “Company”) pursuant to Public Act 295 of 2008, as amended, files this Application and requests review and approval by the Michigan Public Service Commission (“Commission”) of the Company’s Renewable Energy (“RE”) Plan. In support thereof, the Company respectfully represents as follows:

1. 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. 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.

2. 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.

3. The Michigan Legislature enacted the Michigan clean, renewable, and efficient energy act, 2008 PA 295 (“Act 295”), MCL 460.1001 et seq., effective October 6, 2008. The Michigan Legislature subsequently amended Act 295 with 2016 PA 342 (“Act 342”), effective April 20, 2017.

4. The U-18061 Settlement Agreement, in ¶ 5.b.(6), states that UMEREC will file an RE Plan within 90 days of the Commission Order approving the U-18061 Settlement Agreement. In accordance with the U-18061 Settlement Agreement, UMEREC files this Application requesting approval of an RE Plan that complies with Act 295, as amended by Act 342.

5. Under MCL 460.1028, effective April 20, 2017, an electric provider must achieve a renewable energy credit (“REC”) portfolio as follows:

(a) In 2016 through 2018, a renewable energy credit portfolio that consists of at least the same number of renewable energy credits as were required under former section 27.

(b) In 2019 and 2020, a renewable energy credit portfolio of at least 12.5%, as calculated under subsection (2).

(c) In 2021, a renewable energy credit portfolio of at least 15%, as calculated under subsection (2).

6. Consistent with the above-stated requirements of MCL 460.1028, and as explained in the testimony and exhibits filed in support of this Application, UMEREC will:

A. For 2017 and 2018: Maintain a REC portfolio consisting of at least 66,150 RECs, based on: (i) the 27,750 RECs required under Wisconsin Public Service Corporation’s (“WPS Corp”) RE Plan approved in Case No. U-17797 under former § 27 for service to electric customers now served by UMEREC in the WPSC Rate Zone; and (ii) the 38,400 RECs required under Wisconsin Electric Power Company’s (“WEPCo”) RE

Plan approved in Case No. U-17798 under former § 27 for service to customers now served by UMEREC in the WEPCo Rate Zone.

B. For 2019 and 2020: Maintain a REC portfolio of at least 12.5% based on the average number of megawatt hours (“MWh”) of electricity sold by UMEREC annually during the previous 3 years to Michigan retail customers.

C. For 2021: Maintain a REC portfolio of at least 15% based on the average number of MWh of electricity sold by UMEREC annually during the previous 3 years to Michigan retail customers.

D. After 2022: Maintain a REC portfolio of 15% based on the average number of MWh of electricity sold by UMEREC annually during the previous 3 years to Michigan retail customers.

7. UMEREC will obtain RECs to meet its REC portfolio requirements as follows:

A. For 2017 through mid-2019, with RECs allocated to UMEREC for RE purchased under UMEREC’s power purchase agreement (“PPA”) with WPS Corp (“WPS Corp PPA”) and UMEREC’s PPA with WEPCo (“WEPCo PPA”), as well as RECs acquired by WEPCo under an agreement with Cadillac Renewable Energy, LLC. (“CRE Agreement”), which WEPCo will sell to UMEREC at the same price at which WEPCo acquires the RECs under the CRE Agreement.

B. For June 2019 through the remainder of the RE Plan period, assuming receipt of all required approvals and a June 2019 commercial operation date for UMEREC’s reciprocating internal combustion engine (“RICE”) electric generation facilities that are the subject of its Application in Case No. U-18224, through REC purchases.

8. Regarding the recovery of RE costs under this RE Plan, UMERC requests to maintain the same cost recovery mechanisms previously approved for WEPCo and WPS Corp for their service to the WEPCo Rate Zone and the WPSC Rate Zone, respectively, prior to the formation of UMERC, as follows:

A. While the WEPCo PPA and WPS Corp PPA are in effect (*i.e.*, prior to the Commission's approval of, and commencement of operation of, the RICE electric generation facilities), costs of pre-Act 295 RE generated at WEPCo-owned and WPS Corp-owned facilities, pre-Act 295 RE purchased under a CGS tariff, and RE obtained by WEPCo and WPS Corp under pre-Act 295 power purchase agreements, and allocated to UMERC would be recovered via traditional rate mechanisms (*e.g.*, via UMERC's base rates and the PSCR mechanism).

B. While the WEPCo PPA is in effect, post-Act 295 RE generated at WEPCo-owned facilities that is allocated to UMERC via the WEPCo PPA, namely from the Glacier Hills Wind Farm ("Glacier Hills"), the Montfort Energy Center ("Montfort"), and the Rothschild Bio-mass Energy Project ("Rothschild"), would be recovered via the transfer price and RE surcharges. The transfer prices to be applied in pending and future UMERC RE reconciliation proceedings, PSCR plan proceedings, and PSCR reconciliation proceedings: (i) for RE from Glacier Hills would be the \$80.41 per MWh transfer price established in WEPCo's initial RE and 2015 RE Plan; (ii) for RE from Montfort and Rothschild would be the transfer price schedule established in the Commission's December 19, 2013 Order in Case No. U-16662 and used in WEPCo's 2015 RE Plan.

C. During the RE plan period, the cost of REC-only purchases made to comply with the REC portfolio requirement would be recovered via RE surcharges.

9. The cost of post-Act 295 RE above the transfer price will be reconciled, in accordance with MCL 460.1049, in pending and future RE reconciliation proceedings. To the extent that the costs of obtaining RE are not recovered via a transfer price and RE surcharge, UMERC may request that such costs be deferred and/or reviewed and recovered in otherwise applicable regulatory proceedings.

10. As set forth in the testimony in support of this Application, UMERC requests approval to utilize the inventory method of accounting for REC purchases.

11. This RE Plan and proposed cost recovery mechanisms satisfy the requirements of Act 295, as amended, and are reasonable and prudent.

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

A. Approve this RE Plan, as reasonable and prudent and consistent with Act 295 and Act 342 requirements;

B. Approve UMERC's RE surcharges as proposed in the supporting testimony and exhibits;

C. Grant such other and further relief and authorizations as may be lawful and proper.

Respectfully submitted,  
UPPER MICHIGAN ENERGY RESOURCES  
CORPORATION

Dated: March 9, 2017

By: \_\_\_\_\_  
One of Its Attorneys  
Michael C. Rampe (P58189)  
Theresa A.G. Staley (P56998)  
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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** requesting approval of a renewable ) Case No. U-18236  
renewable energy plan to fully comply with )  
Public Act 295 of 2008, as amended. )

DIRECT TESTIMONY OF DENNIS M. DERRICKS

ON BEHALF OF

UPPER MICHIGAN ENERGY RESOURCES CORPORATION

March 2017



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

2 A. My name is Dennis M. Derricks. My business address is WEC Energy Group, Inc.  
3 (“WEC”), 700 North Adams Street, P.O. Box 19001, Green Bay, Wisconsin 54307-9001.

4 **Q. By whom are you employed and what is your position?**

5 A. I am Director of Regulatory Affairs at WEC.

6 **Q. Please briefly describe your education and professional background.**

7 A. Regarding my educational background, I graduated from Michigan Technological  
8 University in 1988 with a Bachelor of Science degree in Electric Engineering, with an  
9 emphasis on Electric Power Systems. In 1998, I received a Masters degree in Business  
10 Administration from the University of Wisconsin Oshkosh.

11 Regarding my professional background, prior to joining Wisconsin Public Service  
12 Corporation (“WPS Corp”) in 1991, I was a distribution engineer for Ohio Edison and a  
13 project engineer with a large paper making company. I joined WPS Corp in 1991 as  
14 Rates Engineer and was promoted in 1996 to Electric Rates Supervisor with  
15 responsibilities in electric rate design, electric tariff and service rule development and  
16 administration, and rate related engineering studies. In 2003, I was promoted to Director  
17 of Electric Regulatory Policy with responsibilities for retail tariffs and polices in both  
18 Wisconsin and Michigan, and wholesale tariffs and rates at the Federal Energy  
19 Regulatory Commission (“FERC”). In February 2013, I assumed the position of  
20 Assistant VP of Regulatory Affairs with responsibility for the development and  
21 implementation of the regulatory plan and activities including rate cases, fuel and tariff  
22 filings for Integrys Energy Group, Inc. (“TEG”), the parent company of WPS Corp at that  
23 time. Effective with the acquisition in June 2015 of TEG by Wisconsin Energy

1 Corporation, now known as WEC Energy Group, my title is Director of Regulatory  
2 Affairs.

3 **Q. Please briefly describe your responsibilities as Director of Regulatory Affairs.**

4 A. I am responsible for retail electric rates for the WEC public utilities, including Upper  
5 Michigan Energy Resources Corporation (“UMERC” or the “Company”). This includes  
6 retail electric tariff development and administration, electric fuel cost recovery, and  
7 electric construction authorization filings. I also have responsibilities for the  
8 administration of wholesale electric generation formula rates.

9 **Q. Have you ever testified in any regulatory proceedings before the Michigan Public  
10 Service Commission (“MPSC” or the “Commission”)?**

11 A. Yes, I have. I have testified before this Commission, the Public Service Commission of  
12 Wisconsin, the FERC, and the Illinois Commerce Commission, in various rate case, fuel,  
13 and policy dockets on behalf of WPS Corp, Upper Peninsula Power Company, The  
14 Peoples Gas Light and Coke Company, and the North Shore Gas Company. I testified  
15 before this Commission most recently in Case No. U-18061, in support of the request for  
16 approvals necessary to establish UMERC.

17 **Q. What is the purpose of your testimony?**

18 A. The purpose of my testimony is to support UMERC’s renewable energy (“RE”) plan. A  
19 settlement agreement approved by the Commission on December 9, 2016 in Case No. U-  
20 18061 (“U-18061 Settlement Agreement”), in ¶ 5.b.(6), states that UMERC will file an  
21 RE Plan within 90 days of the Commission Order approving the U-18061 Settlement  
22 Agreement. UMERC’s RE Plan is being filed in accordance with the U-18061  
23 Settlement Agreement.

1 **Q. Are you sponsoring any exhibits with this testimony?**

2 A. Yes. I am sponsoring Exhibit A-1 (DMD-1) which shows the Company's RE Plan for its  
3 WEPCo Rate Zone, including a RE Plan surcharge summary with supporting schedules.  
4 Exhibit A-2 (DMD-2) shows the Company's RE Plan for the WPS Rate Zone. Exhibit  
5 A-3 (DMD-3) is an agreement between Wisconsin Electric Power Company ("WEPCo")  
6 and UMERC for the purchase by UMERC of renewable energy credits ("RECs") from  
7 WEPCo.

8 **Q. Were these exhibits prepared by you or at your direction?**

9 A. Yes.

10 **Q. Did UMERC design its RE Plan to comply with the new requirements of Public Act**  
11 **342 of 2016?**

12 A. Yes.

13 **Q. Please briefly describe UMERC.**

14 A. Pursuant to the U-18061 Settlement Agreement, UMERC was established on January 1,  
15 2017, as a Michigan regulated utility providing service to electric and natural gas  
16 customers in the Upper Peninsula of Michigan. UMERC is engaged as a public utility in  
17 the business of purchasing, distributing, and selling electric energy to approximately  
18 36,500 full requirements customers, as well as distribution-only customers who qualify  
19 for retail access service. UMERC also provides retail natural gas service to  
20 approximately 5,300 full requirements customers, and natural gas transportation service  
21 to qualifying transportation customers.

22 UMERC provides electric service in two rate zones: the WEPCo Rate Zone and  
23 the WPSC Rate Zone. Customers in UMERC's WEPCo Rate Zone are the former

1 WEPCo Michigan customers that were transferred to UMERC when UMERC was  
2 established, and customers in UMERC’s WPSC Rate Zone are the former Wisconsin  
3 Public Service Corporation (“WPS Corp”) Michigan customers that were transferred to  
4 UMERC when UMERC was established.

5 **Q. Were all former electric customers of WEPCo transferred to UMERC on January**  
6 **1, 2017?**

7 A. No, Tilden Mining Company LC (“Tilden”) has not been transferred to UMERC. Tilden  
8 remains a WEPCo customer and continues to be served under the special contract  
9 approved by the Commission in Case No. U-17862, as amended. WEPCo will continue  
10 to serve Tilden until UMERC places new generation in service, which is expected in June  
11 2019.

12 **Q. What are UMERC’s RE credit (“REC”) portfolio targets for the plan period?**

13 A. Under the law as amended effective April 20, 2017, for the years 2017 and 2018,  
14 UMERC is required by the new § 28 to have “at least the same number of renewable  
15 energy credits as were required under former section 27.” Under former § 27, utilities  
16 were required to achieve REC portfolio targets based on prior years’ sales as described in  
17 that section. UMERC did not exist in 2016, and so it did not have any REC portfolio  
18 requirements under former § 27. However, as UMERC was formed from the Michigan  
19 electric distribution assets that were formerly owned by WEPCo and WPS Corp, and  
20 serves the former Michigan electric customers of WEPCo and WPS Corp, UMERC  
21 would maintain at least as many RECs as was required for WPS Corp and WEPCo under  
22 their approved RE plans. WPS Corp’s RE Plan approved in Case No. U-17797 for WPS  
23 Corp’s service to Michigan customers that are now served by UMERC in the WPSC Rate

1 Zone required 27,750 RECs for 2017 and 2018. WEPCo's RE Plan approved in Case  
2 No. U-17798 under former § 27 for WEPCo's service to Michigan customers that are  
3 now served by UMERC in the WEPCo Rate Zone required 38,400 RECs for 2017 and  
4 2018. UMERC would adopt these same requirements, for a total REC portfolio target of  
5 at least 66,150 for 2017 and 2018.

6 For 2019 and 2020, the amended law requires at least a 12.5% REC portfolio. For  
7 2019 and 2020, UMERC would maintain a REC portfolio of at least 12.5% based in the  
8 average number of megawatt hours ("MWh") of electricity sold by UMERC annually  
9 during the previous 3 years to Michigan retail customers.

10 For 2021, the amended law requires a REC portfolio of at least 15%. UMERC  
11 would maintain a REC portfolio of at least 15% based on the average number of MWh of  
12 electricity sold by UMERC annually during the previous 3 years to Michigan retail  
13 customers.

14 After 2021, and for the remaining plan period, UMERC would maintain a REC  
15 portfolio of at least 15% based on the average number of MWh of electricity sold by  
16 UMERC annually during the previous 3 years to Michigan retail customers. UMERC  
17 may propose changes to its post-2021 REC portfolio in future RE plans.

18 **Q. How will UMERC obtain RECs for its REC portfolio?**

19 A. UMERC provides service to its customers through two PPAs, one between UMERC and  
20 WEPCo ("WEPCo PPA"), and the other between UMERC and WPS Corp ("WPS Corp  
21 PPA"). While these PPAs are in effect, as a wholesale customer of WEPCo and WPS  
22 Corp, UMERC will receive its slice-of-system allocation of RECs through the PPAs.

23 **Q. Will UMERC obtain RECs under the WEPCo PPA that qualify for REC status?**

1 A. Yes. Under MCL 460.1029(1), RE generated by WEPCo outside of Michigan continues  
2 to qualify for Michigan REC status. Section 29(1) of Act 295 states:

3 (1) Subject to subsection (2), a renewable energy system that is the  
4 source of renewable energy credits used to satisfy the renewable energy  
5 standards shall be either located outside of this state in the retail electric  
6 customer service territory of any provider that is not an alternative electric  
7 supplier or located anywhere in this state. For the purposes of this  
8 subsection, a retail electric customer service territory shall be considered  
9 to be the territory recognized by the commission on January 1, 2008 and  
10 any expansion of retail electric customer service territory recognized by  
11 the commission after January 1, 2008 under 1939 PA 3, MCL 460.1 to  
12 460.10cc. The commission may also expand a service territory for the  
13 purposes of this subsection if a lack of transmission lines limits the ability  
14 to obtain sufficient renewable energy from renewable energy systems that  
15 meet the location requirement of this subsection. [Emphasis added.]  
16

17 The term “provider” as used above is defined in MCL 460.1009(d) as “an electric  
18 provider or a natural gas provider.” An “electric provider,” as defined in MCL  
19 460.1005(a)(i), includes any person or entity that is regulated by the Commission for the  
20 purpose of selling electricity to retail customers in Michigan. WEPCo is an “electric  
21 provider” because WEPCo continues to serve Tilden as a Michigan regulated utility (*e.g.*,  
22 it has PSCR factors, an EO charge, etc.), and therefore RE generated at WEPCo’s  
23 Wisconsin RE facilities that are located in WEPCo’s retail electric customer service  
24 territory, and that flow to UMEREC under the WEPCo PPA, will count toward UMEREC’s  
25 REC portfolio requirement. Additionally, § 29(2) contains exceptions to the § 29(1)  
26 location requirements. The Commission found, in its December 19, 2013 Order in Case  
27 No. U-17072, page 30, that WEPCo’s Glacier Hills Wind Farm (“Glacier Hills”) and  
28 Montfort Energy Center (“Montfort”) both fall within the § 29(2)(g) exception.

29 Additionally, even if WEPCo was not still a “provider,” UMEREC reads the  
30 language of MCL 460.1029(1) as stating that RE meets the location requirements if the

1 RE generated by WEPCo is from an RE system that is located outside of Michigan, but  
2 within WEPCo's retail electric service territory as of January 1, 2008.

3 **Q. Will UMEREC obtain RECs under the WPS Corp PPA that qualify for REC status?**

4 A. Yes. First, as I explained in response to the previous question, UMEREC reads the  
5 language of MCL 460.1029(1) as stating that RE meets the location requirements if the  
6 RE is generated by WPS Corp from an RE system that is located outside of Michigan, but  
7 within WPS Corp's retail electric service territory as of January 1, 2008.

8 In addition to the above, Michigan-eligible RECs are obtained from UMEREC's  
9 Grand Rapids hydroelectric facilities, which is owned by WEPCo and located in  
10 Michigan.

11 Further, MCL 460.1029 allows for qualification outside of a service territory of an  
12 energy provider if the provider filed an application for certificate of authority prior to  
13 January 1, 2008. WPS Corp filed an application with the Public Service Commission of  
14 Wisconsin ("PSCW") for the Crane Creek Wind Farm on December 27, 2007 in PSCW  
15 Docket No. 6690-CE-194, which the PSCW approved in May 2008. MCL  
16 460.1029(2)(d) allows up to 10 MW of this facility to qualify for Michigan REC  
17 compliance. Crane Creek Wind Farm RECs, and any other RECs flowing from WPS  
18 Corp to UMEREC under the WPS Corp PPA that meet an exemption would continue to  
19 qualify for Michigan REC status.

20 **Q. Would UMEREC obtain Michigan-eligible RECs from other sources?**

21 A. Yes. WEPCo has a REC purchase agreement with Cadillac Renewable Energy, LLC  
22 ("CRE Agreement"), which the Commission approved in its January 23, 2014 Order in  
23 Case No. U-15812, pursuant to which WEPCo obtains RECs from a source generated in

1 Michigan. As discussed later in this testimony, UMERC would buy the CRE Agreement  
2 RECs from WEPCo at the same price that WEPCo pays for those RECs.

3 **Q. Will WEPCo and WPS Corp track the Michigan-eligible RECs that flow to**  
4 **UMERC under the PPAs so that UMERC can use this information to ensure that**  
5 **UMERC receives a sufficient number to meet UMERC’s annual REC portfolio**  
6 **requirement?**

7 A. Yes.

8 **Q. You have described how UMERC will obtain RECs while the WEPCo PPA and**  
9 **WPS Corp PPA are in effect. How will UMERC obtain RECs after those PPAs are**  
10 **no longer in effect?**

11 A. UMERC has filed an Application in Case No. U-18224 requesting various approvals for  
12 the construction of new reciprocating internal combustion engine (“RICE”) electric  
13 generation facilities at two locations in the Upper Peninsula. Assuming all required  
14 approvals are obtained, UMERC plans for those facilities to be installed and operational  
15 in mid-2019, at which point the PPAs would be terminated. For mid-2019 through the  
16 remainder of the RE Plan period, UMERC would purchase RECs for compliance.

17 **Q. How would UMERC recover its costs to comply with the REC portfolio requirement**  
18 **from customers in the WPSC Rate Zone?**

19 A. While the WPS Corp PPA is in effect, UMERC would recover its RE costs via base rates  
20 and the PSCR mechanism, just as under WPS Corp’s RE Plan. After the WPS Corp PPA  
21 ceases to be in effect, UMERC would utilize an RE surcharge to recover the cost of its  
22 REC purchases.



1 **Q. How would UMERC recover its costs to comply with the REC portfolio requirement**  
2 **in the WEPCo Rate Zone?**

3 A. While the WEPCo PPA is in effect, UMERC requests to maintain the status quo with  
4 respect to the cost recovery mechanisms that WEPCo used under WEPCo’s 2015 RE  
5 Plan, which arranges RE into three categories. The first category is “RECs from Existing  
6 Renewables.” This category includes the existing pre-Act 295 RE either WEPCo-owned,  
7 or purchased under a CGS tariff or pre-Act 295 PPA. These costs would be incurred by  
8 UMERC pursuant to the WEPCo PPA, and UMERC would recover them via traditional  
9 rate mechanisms, *i.e.*, its base rates and the PSCR mechanism, just as under WEPCo’s  
10 RE plan.

11 The second category is “RECs from System-wide Allocation.” This category  
12 includes: (i) post-Act 295 RE purchased by WEPCo under PPAs, of which UMERC  
13 would receive its allocated share under the WEPCo PPA; and (ii) post-Act 295 WEPCo-  
14 owned resources, of which UMERC would receive its allocated share under the WEPCo  
15 PPA. The costs of Michigan allocated RE purchased under post-Act 295 PPAs and  
16 allocated to UMERC would be recovered via traditional rate mechanisms, as under the  
17 WEPCo 2015 RE Plan. As I stated, this second category also includes post-Act 295  
18 WEPCo-owned resources, which consist of Glacier Hills, Montfort, and the Rothschild  
19 Bio-mass Energy Project (“Rothschild”). The costs of these three RE sources would be  
20 recovered using the Act 295 cost recovery mechanisms (*i.e.*, the transfer price and RE  
21 surcharge).

1           The third category of RE consists of RECs-only purchases obtained solely to  
2 achieve compliance with the Michigan REC portfolio requirement (“RECs Obtained for  
3 Michigan RPS”). These RECs would be recovered via the RE surcharge.

4           After the WEPCo PPA ceases to be in effect, UMERC would utilize an RE  
5 surcharge to recover the cost of REC purchases.

6 **Q. Why wouldn’t UMERC simply recover the costs of RE generated at Glacier Hills,  
7 Montfort and Rothschild via the WEPCo base rates that UMERC adopted pursuant  
8 to the U-18061 Settlement Agreement?**

9 A. These three plants were not included in the WEPCo base rates that UMERC adopted for  
10 the WEPCo Rate Zone pursuant to the U-18061 Settlement Agreement. Therefore, for  
11 the WEPCo Rate Zone, UMERC requests to simply keep in place the same recovery  
12 mechanisms that WEPCo had in place to recover the costs of RE generated at these three  
13 plants.

14 **Q. What transfer prices would apply to Glacier Hills, Montfort and Rothschild?**

15 A. For Glacier Hills, UMERC would continue to use the transfer price of \$80.41 per MWh  
16 approved by the Commission in WEPCo’s initial RE plan and in WEPCo’s 2015 RE  
17 Plan. For Montfort and Rothschild, UMERC would use the transfer price schedule  
18 developed by the MPSC Staff and approved by the Commission in its December 19, 2013  
19 Order in Case No. U-16662, and approved for use in WEPCo’s 2015 RE Plan.

20           Consistent with WEPCo’s 2015 RE Plan, UMERC’s incremental cost of RE  
21 allocated to it from Rothschild on a per MWh basis would be the difference between: (i)  
22 the lower of either the levelized revenue requirement of \$140 per MWh or the actual  
23 annual revenue requirement per MWh; and (ii) the transfer price, irrespective of whether

1 the actual annual revenue requirement per MWh for Rothschild generation is higher than  
2 the amounts shown on my Exhibit A-1 (DMD-1). UMERC, however, does not waive,  
3 but fully preserves, its rights to: (a) introduce in a future RE plan or reconciliation  
4 proceeding, or in a general rate case, new or different revenue requirement information  
5 for Rothschild; and (b) request in such proceedings that the Commission approve a  
6 change in the recovery of the costs of Rothschild, including (but not limited to) the  
7 recovery of all Rothschild revenue requirements in base rates.

8 **Q. You mentioned earlier in this testimony that UMERC would purchase unbundled**  
9 **RECs from WEPCo. Please elaborate regarding these purchases.**

10 A. Under the above-mentioned CRE Agreement, WEPCo purchases RECs from Cadillac  
11 Renewable Energy, LLC. The CRE Agreement was filed, with its pricing and other  
12 terms redacted, in Case No. U-15812, and was approved by the Commission's Order  
13 dated January 23, 2014, which included assurance that the full costs of the CRE  
14 Agreement would be recoverable through RE surcharges. Under a REC Purchase  
15 Agreement between WEPCo and UMERC, which is my Exhibit A-3 (DMD-3), WEPCo  
16 will sell the RECs to UMERC at the same price that WEPCo pays for those RECs.<sup>1</sup>  
17 Recovery of the CRE RECs cost from customers in the WEPCo Rate Zone would be via  
18 an RE surcharge.

19 **Q. Can the CRE RECs be used to meet Wisconsin renewable portfolio standards?**

20 A. No, they cannot.

21 **Q. Would you please describe Page 1 of Exhibit A-1 (DMD-1) in detail?**

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<sup>1</sup> Information on costs and quantities in this Agreement is confidential. Confidential information will be made available in discovery pursuant to a protective order or other appropriate procedure to protect this information.

1 A. Yes. Page 1 of Exhibit A-1 (DMD-1) is an annual summary of the 20-year RE Plan to  
2 comply with the Michigan REC portfolio standard in the WEPCo Rate Zone. Line 1  
3 shows the Michigan retail sales forecast from page 4. Line 2 is the 3-year average sales  
4 calculation. Line 3 shows the REC portfolio standard for each year.

5 Lines 5 through 12 show the REC beginning balance each year, the current year  
6 RECs from the three categories of renewable resources, the RECs retired for compliance  
7 with the Michigan REC portfolio standard and the Ending REC balance. Lines 13  
8 through 16 show the revenue requirement (*i.e.*, the incremental cost to achieve  
9 compliance with Act 295) of the RECs obtained for Michigan REC standard. Line 15  
10 shows the purchase of RECs. Lines 17 through 22 show the “RECs Obtained for  
11 Michigan RPS” which is the amount of RECs for Michigan REC portfolio standard  
12 compliance only. Line 25 shows the revenue requirement of the RECs Obtained for  
13 Michigan RPS from line 16. Line 26 shows the projected annual “incremental cost of  
14 compliance” over the life of the RE Plan.

15 The non-volumetric RE surcharges for the WEPCo Rate Zone are calculated  
16 using the customer forecast shown on lines 27 through 29, times 12 months, times the  
17 planned monthly RE surcharge amount shown on lines 39 through 41. The RE surcharge  
18 revenues by customer class by year are shown on lines 31 through 33. Line 34 shows the  
19 RE surcharge revenue collected over the 20-year life of the RE Plan. Line 36 shows the  
20 year-end regulatory liability balance including carrying charges.

21 **Q. Is the projected cost of UMERC’s RE Plan reasonable and prudent?**

22 A. Yes.

- 1 **Q. Please describe the allocation to Michigan of renewables obtained on a system-wide**  
2 **basis, as shown pages 2 and 3 of Exhibit A-1 (DMD-1).**
- 3 A. Page 2 shows the detail of the Company's RECs from existing renewable resources and  
4 their allocation to UMERC.
- 5 **Q. Please describe Exhibit A-2 (DMD-2).**
- 6 A. Exhibit A-2 (DMD-2) addresses the WPSC Rate Zone, shows the number of RECs that  
7 will be required each year, illustrates the projected three-year rolling average retail  
8 electric sales through the plan period and the RE requirements, and shows the WPSC  
9 Rate Zone's compliance with the REC portfolio requirement.
- 10 **Q. Is UMERC requesting approval to use an inventory accounting method for REC**  
11 **purchases?**
- 12 A. Yes. UMERC is requesting the same inventory accounting approval granted for WEPCo  
13 in Case No. U-17798, for use in both the WEPCo and WPSC Rate Zones.
- 14 **Q. Please explain the inventory accounting method for REC purchases.**
- 15 A. The cost for all REC purchases will be charged to an inventory account, except for the  
16 cost of MPSC approved REC-only purchases that will be recovered through the RE  
17 surcharge. RECs from WEPCo-owned and WPS Corp-owned renewable generation will  
18 be transferred to inventory at no cost. The cost of the RECs will be expensed from the  
19 inventory account at the average cost.
- 20 **Q. MCL 460.1039(3)(d) states that a REC expires 5 years after the end of the month in**  
21 **which the REC was generated. How does the Company plan to use the 5-year life of**  
22 **RECs to comply with the Michigan REC standard?**

1 A. The Company will inventory all RECs allocated to the Michigan jurisdiction from its  
2 system-wide RE resources plus any Michigan-specific REC purchases. The Company  
3 will use a First-in, First-out (“FIFO”) method for RECs for compliance with the  
4 Michigan REC portfolio standard. Under a FIFO method, the oldest RECs will be used  
5 first to meet the Michigan REC portfolio standard.

6 **Q. What are the monthly RE surcharges that UMERC is proposing in this RE Plan for**  
7 **the WEPCo Rate Zone?**

8 A. UMERC is proposing to maintain the status quo with respect to the RE surcharges for  
9 2017 and 2018 in the WEPCo Rate Zone, but will revisit this issue in its next RE Plan.

10 **Q. What projected interest rates did you use for the regulatory asset and liability**  
11 **balance?**

12 A. For a regulatory liability balance, I used a short-term rate of 0.15%. For the regulatory  
13 asset balance, for the WEPCo Rate Zone I used the pre-tax weighted average rate of  
14 return from the WEPCo’s last rate case, Case No. U-16830, of 9.61%.

15 **Q. Does UMERC’s RE Plan show the impact of Tilden becoming a customer of**  
16 **UMERC?**

17 A. Yes. First, in 2020, if approved by the Commission, WEPCo would transfer its  
18 regulatory asset of \$2,033,670 to UMERC, which is requested in Case No. U-18237, and  
19 which is included on line 37 of Exhibit A-1 (DMD-10, page 1. This is the projected year-  
20 end balance in 2019 for WEPCo for incremental renewable costs for service to Tilden not  
21 recovered in the PSCR. Along with this regulatory asset, we are proposing that WEPCo  
22 would also transfer the WEPCo Michigan REC bank to UMERC, as discussed later in  
23 this testimony. While the exact amount of the REC bank is not known at this time, an

1 estimated number of RECs that would transfer has been added for 2020 on Exhibit A-1  
2 (DMD-1), line 10, and it is expected that this bank will provide the necessary RECs for  
3 UMERC for several years.

4 **Q. Are there other impacts on UMERC of the transfer Tilden becoming a customer of**  
5 **UMERC?**

6 A. Yes. As discussed later in this testimony, UMERC is requesting to limit the number of  
7 RECs it should have to obtain in connection with Tilden's sales, which will avoid cost  
8 impacts on non-Tilden customers.

9 For the time period of 2017-2019, the WEPCo Rate Zone will be complying with  
10 the REC portfolio standard using RECs obtained via the WEPCo PPA and the CRE  
11 Agreement. UMERC is proposing to keep RE surcharges at current levels for that period,  
12 resulting in a projected \$700,351 regulatory liability. UMERC is expected to create a  
13 small REC bank as well during this time period.

14 In 2020, the projected \$700,351 regulatory liability would be netted with the  
15 \$2,033,670 projected regulatory asset transferred from WEPCo. No incremental RE  
16 costs would be incurred in 2020 as the UMERC WEPCo Rate Zone is expected to have  
17 enough banked RECs transferred from WEPCo for compliance. Keeping surcharges  
18 level at current levels, results the total year end regulatory asset of \$736,186. This would  
19 also apply to 2021, *i.e.*, no change in RE surcharges, with REC requirements met using  
20 banked RECs. The result is having the regulatory asset reduced to \$137,623, and RE  
21 surcharges would be reduced beginning in 2022.

22 **Q. Please elaborate on the transfer of banked RECs to UMERC.**

1 A. WPS Corp will transfer RECs banked under its RE Plan to UMERC after the  
2 Commission finds WPS Corp to have met its RPS requirements in its 2016 RE  
3 reconciliation. WEPCo will transfer RECs banked under its RE Plan to UMERC when  
4 Tilden transfers as a customer to UMERC and after the Commission finds that WEPCo  
5 met its 2016 RPS requirements in its 2016 RE reconciliation. Because we do not yet  
6 know what these REC amounts will be, they are not shown in my exhibits.

7 **Q. Is UMERC requesting to limit the number of RECs it should have to obtain in**  
8 **connection with Tilden's sales?**

9 A. Yes, pursuant to Section 45(2). With respect to the number of RECs to be included in  
10 UMERC's annual REC portfolio targets, UMERC requests to only acquire the number of  
11 RECs that can be obtained from revenue generated by the \$187.50 per meter per month  
12 RE surcharge collected from Tilden. UMERC has therefore not included any Tilden  
13 sales in this RE Plan.

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

15 A. Yes it does.

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**Upper Michigan Energy Resources Company**

**Allocation of Renewables to Michigan**

<u>Line No.</u>	<u>Description</u>	<u>2016 Actual</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b><u>RECS from Existing Renewables (MWh)</u></b>					
1.	WE Hydro: On-peak	213,197	213,197	213,197	88,832
2.	WE Hydro: Off-peak	187,721	187,721	187,721	78,217
3.	Byron Wind	2,283	2,283	2,283	951
4.	Montfort Wind				
5.	Blue Sky Green Field Wind	333,471	325,132	325,132	135,472
6.	COGS - Hydro / Solar	415	-	-	-
7.	COGS - Biogas	263,484	278,967	278,967	116,236
8.	Total Existing Renewables	1,000,571	1,007,300	1,007,300	419,708
9.	Less: Energy For Tomorrow (EFT) Green Pricing	128,941	115,070	112,685	45,978
10.	Net Existing Renewables Available	871,630	892,230	894,615	373,730
11.	Michigan Energy Allocation	7.80012%	1.43058%	1.43159%	1.43258%
12.	Total MI Allocated RECs from Existing Renewables	<b>67,988</b>	<b>12,764</b>	<b>12,807</b>	<b>5,354</b>
13.	WE Hydro: Incentive RECs (1/5)	3,326	610	610	255
<b><u>System-wide Renewable Energy Purchases (MWh)</u></b>					
14.	Glacier Hills Wind Farm (Pre-Commercial) Purchase				
15.	Glacier Hills Wind Farm (Dec. 21 - 31, 2012)				
16.	Barton (Iberdrola) Wind				
17.	NEA-Crystal Lake III				
18.	NEA-Crystal Lake II				
19.	NEA-Ashtabula III				
20.	Iberdrola - Elm Creek II	128,427	156,797		
21.	Iberdrola - Elm Creek II	124,750	156,797	159,000	
22.	Manitoba Hydro	150,000	151,625	150,000	
23.	Total System-wide Renewable Energy Purchases	403,177	465,219	309,000	-
24.	Less: Energy For Tomorrow (EFT) Green Pricing	-	-	-	-
25.	Net System-wide Renewable Energy Purchases	403,177	465,219	309,000	-
26.	MI Energy Allocation	7.80012%	1.43058%	1.43159%	1.43258%
27.	MI Allocated System-wide Renewable Energy Purchases (REC)	<b>31,448</b>	<b>6,655</b>	<b>4,424</b>	-

**Upper Michigan Energy Resources Company**

**Revenue Requirements and Allocation of Company-owned Renewable Systems to Michigan**

Line No.	Description	2016	2017	2018	2019
<b>Rev. Req. YOC\$</b>					
<b>Glacier Hills Wind</b>					
1.	Annual Revenue Requirement	47,344,000	46,142,000	44,943,000	18,227,083
2.	MI Energy Allocation	7.80012%	1.43058%	1.43159%	1.43258%
3.	MI Allocated Revenue Requirement	3,692,889	660,098	643,399	261,118
4.	Glacier Hills Generation - MWh	383,130	399,798	399,798	166,583
5.	MI Energy Allocation	7.80012%	1.43058%	1.43159%	1.43258%
6.	Michigan Allocated - Mwh	29,885	5,719	5,723	2,386
7.	Transfer Price	\$ 80.41	\$ 80.41	\$ 80.41	\$ 80.41
8.	Amount recovered through PSCR	\$ 2,403,053	\$ 459,865	\$ 460,186	\$ 191,858
9.	Incremental Cost of Compliance	\$ 1,289,836	\$ 200,233	\$ 183,213	\$ 69,260
<b>Montfort Wind</b>					
10.	Annual Revenue Requirement	5,130,000	4,990,000	4,850,000	1,962,917
11.	MI Energy Allocation	7.80012%	1.43058%	1.43159%	1.43258%
12.	MI Allocated Revenue Requirement	400,146	71,386	69,432	28,120
13.	Montfort Wind Generation - Mwh	46,662	60,802	60,802	25,334
14.	MI Energy Allocation	7.80012%	1.43058%	1.43159%	1.43258%
15.	Michigan Allocated - Mwh	3,640	870	870	363
16.	Transfer Price	\$ 72.02	\$ 71.20	\$ 72.09	\$ 73.46
17.	Amount recovered through PSCR	\$ 262,153	\$ 61,944	\$ 62,718	\$ 26,666
18.	Incremental Cost of Compliance	\$ 137,993	\$ 9,442	\$ 6,714	\$ 1,454
<b>Rothschild Biomass</b>					
19.	Annual Revenue Requirement (\$/MWh)	\$ 140.00	\$ 140.00	\$ 130.02	\$ 129.29
20.	Michigan Allocated - Mwh	8,040	2,517	2,450	1,166
21.	MI Allocated Revenue Requirement	1,125,600	352,380	318,549	150,752
22.	Rothschild Bio-mass Plant: On-peak	51% 52,803	90,136	87,670	41,708
23.	Rothschild Bio-mass Plant: Off-peak	49% 50,272	85,817	83,469	39,710
24.	Rothschild Generation - MWh	103,075	175,953	171,139	81,418
25.	MI Energy Allocation	7.80012%	1.43058%	1.43159%	1.43258%
26.	Michigan Allocated - Mwh	8,040	2,517	2,450	1,166
27.	Transfer Price	\$ 72.02	\$ 71.20	\$ 72.09	\$ 73.46
28.	Amount recovered through PSCR	\$ 579,041	\$ 179,210	\$ 176,621	\$ 85,654
29.	Incremental Cost of Compliance	\$ 546,559	\$ 173,170	\$ 141,928	\$ 65,098
<b>Total</b>					
30.	Total MI Revenue Requirement	\$ 5,218,635	\$ 1,083,864	\$ 1,031,381	\$ 439,990
31.	Amount recovered through PSCR	\$ 3,244,247	\$ 701,019	\$ 699,525	\$ 304,178
32.	Incremental Cost of Compliance	\$ 1,974,388	\$ 382,845	\$ 331,856	\$ 135,812
<b>Michigan Allocated - Mwh</b>					
33.	Glacier Hills	383,130	399,798	399,798	166,583
34.	Montfort	46,662	60,802	60,802	25,334
35.	Rothschild Bio-mass Plant: On-peak	52,803	90,136	87,670	41,708
36.	Rothschild Bio-mass Plant: Off-peak	50,272	85,817	83,469	39,710
37.	Total System - MWh	532,867	636,553	631,739	273,335
38.	MI Energy Allocation	7.80012%	1.43058%	1.43159%	1.43258%
39.	Michigan Allocated - Mwh	41,564	9,106	9,044	3,916
40.	Incentive RECs from MIRECS	824	258	251	120

Upper Michigan Energy Resources Corporation

Sales Forecast & Energy Allocator													
<b>Sales Forecast</b>	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2016 Actual</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
1 Wisconsin Retail	23,909,329	23,701,516	24,172,449	23,841,681	23,835,982	23,818,237	23,827,920	23,770,276	23,751,548	23,734,790	23,718,424	23,702,619	23,687,237
2 Michigan Retail - Non-Mines	384,001	561,224	349,791	362,904	363,072	363,068	363,266	363,527	363,809	364,097	364,388	364,679	364,970
3 Michigan Retail - Mines	-	1,556,928	1,791,156	-	-	-	-	-	-	-	-	-	-
4 Michigan Wholesale	3,080	3,079	2,984	3,032	3,032	3,032	3,032	3,032	3,032	3,032	3,032	3,032	3,032
5 Total Sales To Consumer	24,296,410	25,822,747	26,316,380	24,207,617	24,202,086	24,184,337	24,194,218	24,136,835	24,118,389	24,101,919	24,085,844	24,070,330	24,055,239
Firm Wholesale Sales:													
6 WPPI	766,973	74,406	0	0	0	-	-	-	-	-	-	-	-
7 WPPI Supplemental	0	306,900	296,670	279,480	279,240	279,240	280,080	115,560	-	-	-	-	-
8 GLU	227,850	175,830	179,940	167,688	167,544	167,544	168,048	167,688	167,832	168,688	168,048	167,544	167,544
9 MGE	349,425	264,475	274,025	279,480	279,240	279,240	280,080	279,480	115,800	-	-	-	-
10 ESE/CEC	505,448	409,322	380,593	433,296	433,296	433,296	434,592	433,296	433,296	433,296	434,592	433,296	433,296
11 Total Firm Wholesale Sales	1,849,696	1,230,933	1,131,228	1,159,944	1,159,320	1,159,320	1,162,800	996,024	716,928	601,984	602,640	600,840	600,840
12 Total Sales	26,146,106	27,053,680	27,447,608	25,367,561	25,361,406	25,343,657	25,357,018	25,132,859	24,835,317	24,703,903	24,688,484	24,671,170	24,656,079
13 Michigan Retail Energy Allocator	1.46867%	7.82944%	7.80012%	1.43058%	1.43159%	1.43258%	1.43261%	1.44642%	1.46489%	1.47384%	1.47594%	1.47816%	1.48024%
<b>Sales Forecast</b>													
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>		
14 Wisconsin Retail	23,687,237	23,687,237	23,687,237	23,687,237	23,687,237	23,687,237	23,687,237	23,687,237	23,687,237	23,687,237	23,687,237	23,687,237	23,687,237
15 Michigan Retail - Non-Mines	364,970	364,970	364,970	364,970	364,970	364,970	364,970	364,970	364,970	364,970	364,970	364,970	364,970
16 Michigan Retail - Mines	-	-	-	-	-	-	-	-	-	-	-	-	-
17 Michigan Wholesale	3,032	3,032	3,032	3,032	3,032	3,032	3,032	3,032	3,032	3,032	3,032	3,032	3,032
18 Total Sales To Consumer	24,055,239	24,055,239	24,055,239	24,055,239	24,055,239	24,055,239	24,055,239	24,055,239	24,055,239	24,055,239	24,055,239	24,055,239	24,055,239
Firm Wholesale Sales:													
19 WPPI	-	-	-	-	-	-	-	-	-	-	-	-	-
20 WPPI Supplemental	-	-	-	-	-	-	-	-	-	-	-	-	-
21 GLU	167,544	167,544	167,544	167,544	167,544	167,544	167,544	167,544	167,544	167,544	167,544	167,544	167,544
22 MGE	-	-	-	-	-	-	-	-	-	-	-	-	-
23 ESE	433,296	433,296	433,296	433,296	433,296	433,296	433,296	433,296	433,296	433,296	433,296	433,296	433,296
24 Total Firm Wholesale Sales	600,840	600,840	600,840	600,840	600,840	600,840	600,840	600,840	600,840	600,840	600,840	600,840	600,840
25 Total Sales	24,656,079	24,656,079	24,656,079	24,656,079	24,656,079	24,656,079	24,656,079	24,656,079	24,656,079	24,656,079	24,656,079	24,656,079	24,656,079
26 Michigan Retail Energy Allocator	1.48024%	1.48024%	1.48024%	1.48024%	1.48024%	1.48024%	1.48024%	1.48024%	1.48024%	1.48024%	1.48024%	1.48024%	1.48024%

Note: Years 2027 through 2029 are calculated using a 5 year compound growth rate.

## Upper Michigan Energy Resources Corporation

### Customer Forecast - Michigan Retail

Year	Rg1	Rg2	Total Residential	Cg1	Cg2	Cg3	Cg5	Total Secondary	Total Primary	Total Customers
2016	24,391	415	24,806	2,789	39	33	178	3,039	6	27,851
2017	24,195	432	24,627	2,810	38	39	101	2,988	5	27,620
2018	24,228	431	24,659	2,810	38	39	101	2,988	5	27,652
2019	24,262	430	24,692	2,810	38	39	101	2,988	5	27,685
2020	24,294	429	24,723	2,810	38	39	101	2,988	5	27,716
2021	24,332	428	24,760	2,810	38	39	101	2,988	5	27,753
2022	24,369	427	24,796	2,810	38	39	101	2,988	5	27,789
2023	24,406	426	24,832	2,810	38	39	101	2,988	5	27,825
2024	24,443	425	24,868	2,810	38	39	101	2,988	5	27,861
2025	24,480	424	24,904	2,810	38	39	101	2,988	5	27,897
2026	24,517	423	24,940	2,810	38	39	101	2,988	5	27,933
2027	24,517	423	24,940	2,810	38	39	101	2,988	5	27,933
2028	24,517	423	24,940	2,810	38	39	101	2,988	5	27,933
2029	24,517	423	24,940	2,810	38	39	101	2,988	5	27,933
2030	24,517	423	24,940	2,810	38	39	101	2,988	5	27,933
2031	24,517	423	24,940	2,810	38	39	101	2,988	5	27,933
2032	24,517	423	24,940	2,810	38	39	101	2,988	5	27,933
2033	24,517	423	24,940	2,810	38	39	101	2,988	5	27,933
2034	24,517	423	24,940	2,810	38	39	101	2,988	5	27,933
2035	24,517	423	24,940	2,810	38	39	101	2,988	5	27,933
2036	24,517	423	24,940	2,810	38	39	101	2,988	5	27,933
2037	24,517	423	24,940	2,810	38	39	101	2,988	5	27,933



## UMERC - WPS Rate Zone

### Sales Forecast & Energy Allocator

Line No.	<u>2009 Actual</u>	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2012 Actual</u>	<u>2013 Actual</u>	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2016 Actual</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Sales Forecast</b>											
1	10,146,900	10,489,437	10,584,627	10,562,175	10,497,769	10,399,296	10,349,003	10,299,849	10,182,924	10,186,007	10,198,316
2	255,701	277,789	286,471	285,447	284,172	262,875	256,693	262,171	253,674	253,582	253,672
3	4,022,439	3,893,766	3,359,219	3,121,978	2,762,584	2,733,435	2,618,671	2,570,365	2,530,474	2,343,338	2,199,833
4	14,425,040	14,660,992	14,230,316	13,969,600	13,544,525	13,395,606	13,224,367	13,132,386	12,967,072	12,782,927	12,651,821
5	1.77262%	1.89475%	2.01310%	2.04334%	2.09806%	1.96239%	1.94106%	1.99637%	1.95629%	1.98376%	2.00502%

DRAFT - EXECUTION VERSION

**PURCHASE AND SALE AGREEMENT**  
**FOR**  
**MICHIGAN RENEWABLE ENERGY CREDITS**

This purchase and sale agreement (“Agreement”) shall confirm the transaction agreed to as of this XX<sup>rd</sup> day of Month, 2016 (“Effective Date”) by and between Wisconsin Electric Power Company and Upper Michigan Energy Resources Corporation regarding the purchase/sale of the Product. Seller and Buyer are sometimes referred to individually as a “Party” and collectively as the “Parties”.


**1. TRANSACTION DETAILS**

The terms of the transaction all as described more fully below to which this Agreement relates are as follows:

<b>Seller:</b>	Wisconsin Electric Power Company
<b>Facility:</b>	38 MW biomass fired generation facility located in Cadillac, Michigan
<b>Seller’s MIRECS account number and name</b>	Account # 67 Name: We Energies
<b>Buyer:</b>	Upper Michigan Energy Resources Corporation
<b>Buyer’s MIRECS account number and name</b>	Account #: TBD Name: TBD
<b>Product:</b>	Renewable Energy Credits (as defined below)
<b>Vintage Year(s):</b>	<p>██████████</p> <p>“Vintage Year” shall mean the respective calendar year in which the Energy produced by the Facility associated with the RECs delivered hereunder was generated. For example, if the Vintage Year listed is ██████, the RECs delivered for such Vintage Year must be associated with Energy generated by the Facility between January 1, ██████ and December 31, ██████.</p>
<b>Contract Quantity:</b>	<p>20% of the Unit Contingent REC(s) created by the Facility annually, which, as of the Effective Date, represents approximately ██████ RECs annually from each Vintage Year.</p> <p>“Unit Contingent REC” means a REC in which Seller’s ability to provide to Buyer is contingent upon Seller’s procurement of the Facility’s production of the REC and Seller’s contractual ownership of the REC produced. Seller does not guarantee any specific Unit Contingent REC volume that will be produced in any Vintage Year.</p>



DRAFT - EXECUTION VERSION

<b>Contract Price:</b>	The Product price for each REC delivered by Seller and confirmed by Buyer shall be as follows: 
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1.1. **Product.**

Product shall mean “**Renewable Energy Credit(s)**” or “**RECs**”, as that term is defined in MCL 460.1011(d) as in effect as of the Effective Date, (which includes “Michigan Incentive Renewable Energy Credits”) associated with electricity generated from a Renewable Energy Resource, as such term is defined in 2008 PA 295, MCL 460.1011(i), as in effect as of the Effective Date; and includes all right, title and interest in only those environmental attributes required by law to be included as part of the REC for compliance and does not include any other attributes, including, but not limited to, (i) NOX and SOX credits, (ii) state and federal production tax credits, investment tax credits, and any other tax credits or tax benefits, (iii) cash payments or outright grants of money (except any cash payments arising from offsets or other credits under any environmental greenhouse gas or emissions cap and trade program), (iv) other financial incentives which, if achieved, will result in cash payments by the Party providing such incentives and which are specific to project development or project operation and (v) any item that would otherwise be an environmental benefit or attribute under this definition, but (a) cannot be transferred by Seller in accordance with applicable law or (b) cannot be transferred by Seller without incurring material expenses.

For clarification purposes, the Parties acknowledge that the purchase and sale of RECs pursuant to this transaction shall not include delivery of the Energy associated with such RECs.



1.2. **Product Delivery.**

Seller shall, in accordance with the Michigan Renewable Energy Certification System (“MIRECS”) Operating Procedures as may be amended from time to time (“Operating Rules”), (a) accomplish delivery of the quarterly Contract Quantity for each Vintage Year by submitting the necessary transaction(s) in the MIRECS to electronically transfer such Quantity from Seller’s MIRECS account (as identified above) to Buyer’s MIRECS account (as identified above) within  calendar days following the end of each such Vintage Year quarter under this Agreement (the actual date of delivery shall be referred to as the “Delivery Date”) and (b) deliver to Buyer, at the time of the MIRECS electronic transfer of the quarterly Contract Quantity, an electronic spreadsheet of the MIRECS certificate detail report of the quarterly Contract Quantity electronically transferred from Seller’s MIRECS account to Buyer’s MIRECS account. Buyer shall, in accordance with the Operating Rules, accomplish receipt of the quarterly Contract

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Quantity for each Vintage Year by confirming the necessary transaction(s) submitted by Seller. In the event Seller or Buyer discovers any discrepancy with respect to the Product delivered by Seller and received by Buyer and the Product required to be delivered and received under this Agreement, Seller and Buyer shall mutually work together to resolve such discrepancy to accomplish the delivery and receipt as outlined in this Section 1.2: Product Delivery.

Title and risk of loss related to the Product shall transfer from Seller to Buyer when the Product is electronically transferred from Seller's MIRECS account to Buyer's MIRECS account and confirmed by Buyer. Buyer's confirmation of the electronic transfer of the Product from Seller's MIRECS account to Buyer's MIRECS account shall constitute receipt of the Product.

1.3. **Payment Terms.**

- (a) **Billing:** Within [REDACTED] calendar days after delivery and receipt of the Product, in accordance with the terms of this Agreement, Seller shall provide Buyer with a quarterly invoice for the amount due for the quarterly Contract Quantity of the Product delivered by Seller to Buyer under this Agreement. Seller shall transmit such invoice by electronic mail, fax, first class mail or as otherwise mutually agreed by the Parties in writing. The invoice shall include sufficient detail to allow Buyer to verify such invoice.
- (b) **Payment:** Buyer will pay the amount specified in the quarterly invoice by wire transfer of immediately available funds by the [REDACTED] calendar day after receipt of such invoice. If the due date does not fall on a Business Day, then the payment will be due on the next following Business Day. Payment will be made in accordance with written wire transfer instructions provided to Buyer by Seller from time to time; provided, however, that any changes to such wire transfer instruction will not be effective until [REDACTED] Business Days after the date of receipt of notice from Seller. The Parties agree that any payments hereunder shall be deemed made in full when confirmation is received from the financial institution holding the account into which payment is made that the payment has been successfully received in immediately available funds. Such confirmation shall be conclusive evidence of receipt.

1.4. **Term.**

Seller and Buyer each acknowledge that this Agreement shall commence on the Effective Date and shall remain in full force and effect after the final Vintage Year of this Agreement to the extent necessary to provide for final Product Delivery, Billing and Payment. This Agreement shall terminate when both Parties have completed the performance of their obligations hereunder related to the Product Delivery, Billing and Payment for the sale of Product for the final quarter of the final Vintage Year under this Agreement.

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**2. ADDITIONAL REPRESENTATIONS AND WARRANTIES**

As of the Delivery Date, Seller hereby represents and warrants to Buyer that:

- (a) it has the regulatory authorizations and legal right to claim, sell, and transfer to Buyer all right, title and interest to the Product delivered to Buyer hereunder;
- (b) the Product delivered to Buyer hereunder has never been sold by Seller or otherwise transferred by Seller to any person or entity other than Buyer for any other purpose or use;
- (c) it has not sold, and shall not sell, more Product, or any rights thereto, to any entity or entities (including without limitation Buyer) for a given Vintage Year encompassed by this Agreement than the amount of Product generated by the underlying Facility associated with the Product delivered to Buyer hereunder for such Vintage Year;
- (d) the Product is free and clear of all liens or other encumbrances;
- (e) the Product was generated during the Vintage Year;
- (f) the Product delivered to Buyer hereunder has not otherwise expired, been retired, been redeemed or decertified and are, when delivered, valid for the Vintage Year associated therewith as provided for under 460.1041 in effect as of the Effective Date of this Agreement;
- (g) the Product delivered to Buyer shall meet the requirements of 2008 PA 295 MCL 460.1011(d) and MCL 460.1041, as in effect as of the Effective Date of this Agreement.

**3. PERFORMANCE ASSURANCE**



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**4. REGULATORY APPROVAL**

(a) This Agreement shall become effective as of the Effective Date, upon Buyer receiving approval of this Agreement from the Michigan Public Service Commission (the “Commission”), pursuant to 2008 PA 295 MCL 460.1037 (the “Approval”) and the subsequent execution of this Agreement by both Buyer and Seller.

**5. New Governmental Charges**

(a) “New Governmental Charges” means (i) any Governmental Charges enacted and effective after the Effective Date, including without limitation, that portion of any Governmental Charges or New Governmental Charges that constitutes an unscheduled increase, or (ii) any law, rule, order or regulation, or interpretation thereof, enacted and effective after the Effective Date resulting in the application of any Governmental Charges to a new or different class of Parties including Seller or Buyer, as applicable.

(b) [REDACTED]

*[Signatures appear on the following page.]*

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IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized representative as of the Effective Date.

**Seller:**

**WISCONSIN ELECTRIC POWER COMPANY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Buyer:**

**UPPER MICHIGAN ENERGY RESOURCES CORPORATION**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

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) 241-6180.

*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 \_\_\_\_\_

Signature: \_\_\_\_\_

I am not an attorney

I am an attorney whose:

Michigan Bar # is P- \_\_\_\_\_

\_\_\_\_\_ Bar # is: \_\_\_\_\_  
( state )

MICHIGAN DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
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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 \_\_\_\_\_

Signature: \_\_\_\_\_

I am not an attorney

I am an attorney whose:

Michigan Bar # is P- \_\_\_\_\_

\_\_\_\_\_ Bar # is: \_\_\_\_\_  
( state )