

Founded in 1852
by Sidney Davy Miller

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September 27, 2018

Ms. Kavita Kale
Executive Secretary
Michigan Public Service Commission
7109 W. Saginaw Highway, 3rd Floor
Lansing, MI 48917

Re: Upper Michigan Energy Resources Corporation
2019 PSCR Plan
Case No. U-20227

Dear Ms. Kale:

Enclosed for filing is the Application, supported by the Direct Testimony and [Public Version] Exhibits of John Guntlisbergen, on behalf of Upper Michigan Energy Resources Corporation. Also enclosed is a Motion for Protective Order, along with the draft Protective Order and Notice of Hearing on Motion. Finally enclosed is my Appearance.

A marked-up Notice of Hearing is being e-mailed to Angela Sanderson at sandersona2@michigan.gov.

Very truly yours,

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

By: _____
Sherri A. Wellman

SAW/kf

Enclosures

cc: Theodore Eidukas
Dennis Derricks
Koby Bailey
Richard Stasik
John Guntlisbergen
Vickie Nugent
Amy Winkler

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
UPPER MICHIGAN ENERGY RESOURCES)	
CORPORATION for approval of a power supply cost)	
recovery plan and authorization of monthly power supply)	Case No. U-20227
cost recovery factors for the calendar year 2019.)	
_____)	

APPLICATION

UPPER MICHIGAN ENERGY RESOURCES CORPORATION (“UMERC” or the “Company”) applies for approval pursuant to § 6j of 1982 PA 304 (“Act 304”) of its Power Supply Cost Recovery (“PSCR”) plan and five-year forecast, and for authority to implement PSCR factors for the calendar year 2019. UMERC also seeks to recover through the PSCR mechanism, costs and credits associated with fuel hedging for natural gas. In support thereof, UMERC respectfully represents to the Michigan Public Service Commission (“Commission”) as follows:

1. UMERC is a public service corporation organized under the laws of Michigan with service centers located at 800 Industrial Park Drive, Iron Mountain, Michigan, and 1717 Tenth Avenue, Menominee, Michigan. By Order Approving Settlement Agreement dated December 9, 2016, in Case No. U-18061 (“U-18061 Order”), UMERC was granted the Michigan authority necessary to, among other things, provide retail electric service to the former Michigan electric customers of Wisconsin Electric Power Company (“WEPCo”) (except, initially, Tilden Mining Company L.C. (“Tilden”) and the Empire Iron Mining Partnership (“Empire”)

(collectively the “Mines”)¹ in service areas located in Alger, Baraga, Delta, Dickinson, Gogebic, Houghton, Iron, Marquette, Menominee, and Ontonagon Counties and to the former Michigan electric customers of Wisconsin Public Service Corporation (“WPS Corp”) in a service area located in Menominee County, Michigan.

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

3. UMEREC’s tariffed Michigan retail electric rates were authorized by the Commission pursuant to the U-18061 Order, and incorporated in UMEREC’s tariff rate schedules are the PSCR clauses previously authorized by the Commission pursuant to Section 6j(2) of Act 304 for WEPCo and WPS Corp, respectively, pursuant to which UMEREC will recover PSCR costs via separate PSCR factors for the WEPCo Rate Zone and the WPSC Rate Zone.

4. In accordance with Act 304, UMEREC files the Direct Testimony and Exhibits of John G. Guntlisbergen, which constitute its 2019 PSCR plan and 5-year forecast. As fully described in Mr. Guntlisbergen’s Direct Testimony, for the WEPCo Rate Zone, UMEREC requests approval of a 2019 PSCR factor of (\$0.00313) per kWh, and for the WPSC Rate Zone, UMEREC requests approval of a 2019 PSCR factor of (\$0.00219) per kWh. UMEREC is also requesting authority to recover through the PSCR prudently incurred costs and credits for fuel hedging.

¹ The U-18061 Settlement Agreement states that WEPCo will continue to serve the Mines until termination of both of the 2015-2019 Large Curtailable Special Contracts between WEPCo and the Mines that were approved by the Commission’s April 23, 2015 Order in Case No. U-17862 (“Mines’ Special Contracts”), at which time the Mines would be transferred as customers of UMEREC.

5. UMERC represents that its 2019 PSCR plan, factors and 5-year forecast, as filed in this case, are just, reasonable and in the public interest.

6. Absent a temporary order in this case, and pursuant to MCL 460.6j(9), effective January 1, 2019, UMERC will self-implement its proposed PSCR factors in the WEPCo and WPS Corp Rate Zones.

WHEREFORE, UMERC respectfully requests that this Commission:

- A. Make and issue a notice of hearing in this case, and after notice and hearing;
- B. Issue a final order pursuant to § 6j of Act 304 authorizing the implementation of a PSCR plan and factors for the 2019 calendar year consistent with the requests made in this Application, supporting testimony and exhibits;
- C. Approve PSCR recovery of costs and credits associated with hedging natural gas;
- D. Determine that the decisions underlying UMERC's five-year forecast are reasonable and prudent and that there are no costs unlikely to be permitted to be recovered in customer rates; and
- E. Grant such other and further authority as is requested and may be lawful and proper.

Respectfully submitted,

UPPER MICHIGAN ENERGY RESOURCES
CORPORATION

Dated: September 27, 2018

By: _____
Its Attorney
Sherri A. Wellman (P38989)
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One Michigan Avenue, Suite 900
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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 approval of a power supply cost)
recovery plan and authorization of monthly power supply)
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_____)

Case No. U-20227

DIRECT TESTIMONY AND EXHIBITS OF
JOHN G. GUNT LISBERGEN
ON BEHALF OF
UPPER MICHIGAN ENERGY RESOURCES CORPORATION

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

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

4

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

6 A. I am employed by WEC as the Manager of Electric Fuel Cost Recovery in the Regulatory
7 Affairs Department.

8

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

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

1 (“WEPCo”) to develop Power Supply Cost Recovery (“PSCR”) plans and in the
2 reconciliation of the PSCR costs to revenues.

3
4 **Q. Have you testified before a regulatory agency?**

5 A. Yes. I have testified before the Public Service Commission of Wisconsin (“PSCW”) and
6 the Michigan Public Service Commission (“MPSC” or “the Commission”) on numerous
7 occasions.

8
9 **Q. On whose behalf are you testifying in this proceeding?**

10 A. I am testifying on behalf of Upper Michigan Energy Resources (“UMERC” or “the
11 Company”). UMEREC is a subsidiary of WEC.

12
13 **Q. Please describe UMEREC.**

14 A. UMEREC is a Michigan jurisdictional regulated utility authorized to serve the former
15 Michigan electric customers of WEPCo and WPS Corp and the former Michigan natural
16 gas customers of WPS Corp. Michigan approvals for UMEREC to provide retail electric
17 and natural gas service in the state of Michigan were granted by the Commission in its
18 December 9, 2016 Order in Case No. U-18061. The approvals granted in Case No. U-
19 18061 included, but were not limited to, (i) the transfer of the electric distribution assets
20 of WEPCo and WPS Corp used for providing retail electric service in Michigan, (ii) (at
21 least initially, with the exception of the Tilden Mining Company, L.C. (“Tilden”) and
22 Empire Iron Mining Partnership (collectively the “Mines”)) the transfer of WEPCo’s and
23 WPS Corp’s Michigan retail tariff electric customers to UMEREC, (iii) the assumption of

1 WEPCo's and WPS Corp's PSCR clauses, and (iv) the authority to provide electric
2 service under the current rates, terms and conditions of service set forth in WEPCo's and
3 WPS Corp's Michigan electric tariff books.

4
5 **Q. What will happen with the Mines' load upon UMERC's completion of the Upper
6 Peninsula ("UP") generation solution?**

7 A. Consistent with the U-18061 Settlement Agreement, WEPCo will continue to serve the
8 Mines until UMERC's completion of the UP generation solution and the corresponding
9 termination of both of the 2015-2019 Large Curtailable Special Contracts between
10 WEPCo and the Mines that were approved by the Commission's April 23, 2015 Order in
11 Case No. U-17862 ("Mines' Special Contracts"). Once those events occur, the Mines
12 will be transferred to, and will become customers of, UMERC. In a signed letter
13 appended as Attachment B to WEPCo's September 1, 2016 Application Requesting
14 Approval of Amendment in Case No. U-17862, WEPCo and Empire agreed that
15 Empire's special contract would terminate no later than October 15, 2016. The
16 Commission approved the termination letter in its December 9, 2016 Order in Case No.
17 U-17862.

18 Upon transfer to UMERC, service will be pursuant to a Special Contract between
19 UMERC and Tilden, which was approved by the MPSC on October 25, 2017, in Case
20 No. U-18224.

21
22 **Q. What is the purpose of your testimony in this proceeding?**

1 A. The purpose of my testimony is to support (i) UMERC's 2019 PSCR plan, (ii) sponsor
2 the proposed 2019 PSCR factors for the UMERC WEPCo Rate Zone and the WPSC Rate
3 Zone, and (iii) sponsor the five-year forecast. I will describe UMERC's power supply
4 sources for 2019, including the purchase power agreements with WPS Corp and WEPCo,
5 as well as the expected startup of UMERC's UP generation, and the Company's
6 participation in the Midcontinent Independent System Operator, Inc. ("MISO") Market
7 and the American Transmission Company LLC ("ATC") for power supply and
8 transmission services.

9 **Q. What PSCR bases and loss factors will be used for determining PSCR cost recovery**
10 **for the WEPCo and WPSC Rate Zones in 2019?**

11 A. As part of the approvals sought in Case No. U-18061, the PSCR clauses of WEPCo and
12 WPS Corp were transferred to UMERC. As such, this 2019 PSCR plan filing reflects that
13 UMERC will recover PSCR costs via separate PSCR clauses for the customers of the
14 WEPCo Rate Zone and WPSC Rate Zone. Thus, each Rate Zone has its own PSCR base
15 and factor. The WEPCo Rate Zone reflects the current loss factor of 1.04 and the PSCR
16 base of \$45.47 per MWh, and the WPSC Rate Zone reflects the current loss factor of
17 1.0276 and the PSCR base of \$40.52 per MWh. The purpose of this filing is to establish a
18 2019 PSCR factor for each Rate Zone.

19

20 **Q. Are you sponsoring any exhibits in the proceeding?**

21 A. Yes, I am sponsoring:
22 Exhibits A-1 (JGG-1) through A-3 (JGG-3) and A-7 (JGG-7) as non-confidential,
23 and Exhibits A-4 (JGG-4) through A-6 (JGG-6) as confidential.

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Q. Were these exhibits prepared by you or under your supervision?

A. Yes.

WHOLESALE PURCHASE POWER AGREEMENTS

Q. What are UMERC’s power supply sources until the long-term UP generation solution is in service?

A. The geographic areas in which UMERC provides electric service to former WEPCo Michigan retail customers are collectively known as the WEPCo Rate Zone, and the geographic areas in which UMERC provides electric service to former WPS Corp Michigan retail customers are collectively known as the WPSC Rate Zone. As previously addressed in past PSCR plan cases, UMERC will continue to have two purchase power agreements in place, (i) the WEPCo PPA, and (ii) the WPS Corp PPA (collectively the “PPAs”). These PPAs, as previously presented and approved in Case No. U-18061, provide “slice of system” benefits and costs from the WEPCo and WPS Corp generation systems, similar to the allocation of generation costs in a retail rate case, to the WEPCo Rate Zone and WPSC Rate Zone, respectively. The PPAs are formula-based, with two formulas – one for capacity costs and one for energy costs.

Q. Are these PPAs subject to FERC regulation?

A. Yes. These PPAs are wholesale transactions that are subject to FERC regulation. Both PPAs are utilizing cost-based formula rates that FERC approved in WEPCo and WPS Corp FERC rate cases. WEPCo’s FERC rate case was docket number ER06-1320, and

1 was approved by FERC's order dated September 14, 2007. WPS Corp's FERC rate case
2 was docket number ER03-606, and was approved by FERC's order dated November 19,
3 2004. In both orders, FERC found the formula rates to be just and reasonable.
4

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

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

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

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

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

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

15
16
17 **Q. The WEPCo FERC-approved energy rates are billed in two parts, Energy Rate Part**
18 **1 and Energy Rate Part 2. Would you please explain the difference?**

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

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

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 MISO to serve UMERC.

Q. Please explain the interruptible credit calculation.

A. Both the WEPCo and WPSC Rate Zones have retail customers that take service under a tariff that provides UMERC the right to interrupt load under certain conditions, and UMERC is of the opinion that this serves to minimize costs to its PSCR customers. This interruptible retail load reduces the firm generation capacity that is needed to satisfy resource adequacy requirements with respect to generation capacity. UMERC will receive a credit for the amount of retail interruptible load that will be registered as a Load Modifying Resource (“LMR”) with MISO for a planning year. The credit for this interruptible load in the WPSC – W-1A tariff is \$7.00 per kW per month. The legacy WPSC Rate Zone has approximately 15,000 kW of monthly retail interruptible load that is registered as an LMR. This provides a monthly credit of approximately \$105,000. For the WEPCo PPA, the interruptible credit will be based on the MISO published cost of new generation capacity - Cost of New Entry (“Cone”). For the 2018 MISO planning year, this amount is \$7.926 per kW per month. The legacy WEPCo Rate Zone has approximately 3,800 kW of monthly retail interruptible load registered as an LMR. This provides a monthly credit of approximately \$30,119.

1 **Q. Are there capacity charges associated with the WEPCo and WPS Corp PPAs that**
2 **would require Commission approval under MCL 460.6j(13)(b)?**

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

6
7 **Q. How is UMEREC addressing the fact that legacy WEPCo and WPS Corp retail rates**
8 **recover generation ownership costs previously not included in the PSCR, and the**
9 **fact that PPA costs, which include generation ownership costs, are generally**
10 **included in PSCR costs?**

11 A. As previously addressed in Case No. U-18061 and its recent PSCR plan cases, the
12 Company is excluding the generation-related ownership costs that are included in the
13 capacity (depreciation, return, taxes, etc.) and energy (O&M) rates for both the WEPCo
14 and the WPS Corp PPA for purposes of the PSCR factor calculations in its PSCR plan
15 and reconciliation cases, while the PPAs are in effect. For purposes of calculating the
16 power supply costs to be recovered through the 2019 PSCR factors these generation
17 related ownership costs have not been included.

18

19 **UMERC UP GENERATION**

20 **Q. When does UMEREC expect to have the UP generation solution in service?**

21 A. UMEREC expects to have the UP generation solution in service by June 1, 2019. As a
22 result, UMEREC's 2019 PSCR Plan includes the first five months of UMEREC power
23 supply from the WEPCo and WPS Corp PPAs and the last seven months from the

1 Company's own generation, and its participation in the MISO Market and the ATC for
2 power supply and transmission services. Upon the expected completion of UMERC's UP
3 generation project at the end of May, 2019, UMERC's purchase power agreements with
4 WEPCo and WPS Corp will terminate. At the same time, the 2015-2019 Large
5 Curtailable Special Contracts between WEPCo and Tilden will end, and subsequently
6 UMERC will supply its customers, including Tilden, from its own power supply sources.
7 Tilden, however as I discuss later, will not be a PSCR customer.

8
9 **Q. Please describe UMERC's UP generation currently being installed in the UP.**

10 A. UMERC is currently installing reciprocating internal combustion engines ("RICE") to be
11 operated as natural gas-fired generation at the following two facilities in the UP: (i) the
12 Kuester Power Plant, with seven generators each with a capacity of 18 MW, and (ii) the
13 Mihm Power Plant, with three generators each with a capacity of 18 MW.

14
15 **Q. How will UMERC recover the PSCR costs related to its RICE generation and its
16 participation in the MISO Market and the ATC for power supply and transmission
17 services?**

18 A. As is typical, fuel costs relating to the RICE generation, costs for participation in the
19 MISO, and transmission costs relating to ATC will be recovered from the WEPCo Rate
20 Zone and WPS Rate Zone customers via the PSCR mechanism. Additionally, as a
21 customer of the Company, Tilden will pay UMERC for fuel costs to operate the RICE
22 units for its load, purchases and sales of power from MISO for its load, and transmission
23 costs for transmission services for its load, per the terms of the approved Tilden Special

1 Contract. UMERC will then credit the monthly revenues billed by the Company to
2 Tilden for energy and transmission to the total UMERC PSCR fuel, purchased power,
3 MISO and ATC costs.

4
5 The total UMERC generation and purchases MWh will be reduced by the Tilden load
6 requirements, resulting in the UMERC WEPCo and WPSC Rate Zone load requirements
7 excluding Tilden. The PSCR cost per MWh will be determined by dividing the remaining
8 PSCR cost by the UMERC WEPCo and WPSC Rate Zone load requirements excluding
9 Tilden. Both Rate Zones will be charged the same PSCR cost per MWh. However, as
10 discussed earlier, for the retail WEPCo Rate Zone the loss factor of 1.04 will be applied
11 to the PSCR cost per MWh and will be compared to the PSCR Base of \$45.47/MWh,
12 approved in the last WEPCo rate case, resulting in the WEPCo Rate Zone PSCR factor.
13 For the WPSC Rate Zone, the loss factor of 1.0276 will be applied to the PSCR cost per
14 MWh and will be compared to the PSCR Base of \$40.52/MWh, approved in the last
15 WPSC rate case, resulting in the WPSC Rate Zone PSCR factor.

16
17 **Q. What is the Company's forecast for natural gas costs in 2019?**

18 A. The Company forecasts natural gas costs in 2019 at \$2.40/MBtu, for a total estimated
19 cost of approximately \$12.5 million for operating the RICE units in 2019. Price
20 estimates were based upon the June 27, 2018 closing NYMEX natural gas futures price.

21
22 **Q. How will the Company procure natural gas for generation at its facilities?**

23 A. UMERC will employ a mix of supply options when operationally and economically

1 feasible: (1) Term supplies, which are supplies for longer than one month, (2) first of the
2 month (“FOM”) base-load supplies and (3) daily purchases. In addition U MERC might
3 consider an asset management agreement if one can be negotiated with reasonable terms
4 to supply the RICE units.

5
6 **Q. Please describe the Company’s pipeline transportation assets.**

7 A. The Company has firm transportation contracts with Northern Natural Gas Pipeline
8 (“NNG”) with a daily capacity of 24,610 Dth and a reservation rate of \$0.48/dth/day.
9 The firm transportation contracts will be a 20 year term beginning on November 1, 2019.
10 These contracts were approved by FERC and include reservation fees and a NNG
11 approved tariff gas transportation rate. U MERC also expects to contract for capacity on
12 the release market to support the units prior to and after November 1, 2019. Contracting
13 for capacity in the release market is dependent on what the market is bearing at the time
14 of contact. At this time U MERC is expecting to contract for 25,000 Dth/day to cover gas
15 needs for the early 2019 through October 2019 period.

16
17 **Q. Please describe the Company’s pipeline balancing services.**

18 A. The Company is exploring contracting for NNG SMS with NNG. At this time it is
19 targeting around 3,000 Dth/day, however has not finalized the contract yet.

20
21 **Q. Please explain why the Company contracts for firm transport from the pipelines.**

22 A. The interstate pipelines serving the U MERC area has much of its firm transportation
23 capacity sold and allocated to the various shippers for multiple years. During severe or

1 colder-than-normal weather consumption increases dramatically for many and it is likely
2 that contracted firm transportation capacity will be fully utilized. Unlike firm
3 transportation, released capacity or interruptible capacity is typically subject to recall
4 under such conditions, therefore any supplier relying on interruptible or released capacity
5 would likely be unable to deliver its supply to the Company's service territory. The
6 Company secures firm transportation capacity to provide reliable transportation of
7 supply, rather than relying on interruptible or released capacity, which may be potentially
8 cheaper but which also carries the risk of being unavailable when it is most needed.
9

10 **Q. Has UMERC contracted with any counterparties that sell in these areas or other**
11 **areas?**

12 A. Yes, UMERC is actively in negotiations with counterparties to sign contracts based on
13 the North American Energy Standards Board base contracts ("NAESB agreements").
14

15 **Q. Will the Company utilize a risk management hedging program in order to mitigate**
16 **and protect against price spikes in its natural gas procurement plans?**

17 A. Yes. Given historical volatility in natural gas prices and concerns about storage and
18 supply/demand imbalances, the Company believes it is prudent to seek to protect
19 customers from future price swings. While managing price risk does not equate to
20 guaranteed savings, financially settled hedging can act like insurance and protect
21 customers from the negative effects of price spikes. In its 2019 PSCR plan, the Company
22 has included risk management hedging costs of \$118,623 for natural gas for its gas-fired
23 generation.

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Q. Provide an outline describing UMERC’s strategy for financial hedging.

A. The goal of UMERC’s hedging strategy is to mitigate the volatility of natural gas prices and the effect on generation fuel costs and customer rates. This strategy is implemented in a cost effective, non-speculative manner through the acquisition of natural gas financial or physical derivatives for a portion of the planned gas supply purchase to meet energy obligations.

Q. How are hedge volumes determined?

A. Hedge volumes are determined by utilizing the results of the dispatch model used in determining fuel costs filing with the MPSC. Volumes are reviewed and updated periodically throughout the year.

Q. What type of hedge contracts will UMERC employ and for how long?

A. UMERC plans to utilize options that shall not exceed \$0.60/dth (with a target of \$0.10/dth) plus the standard transaction fees and futures. UMERC will limit hedges to a maximum future timeframe of 36 months.

Q. Does UMERC have limits to the volume hedged?

A. Yes, UMERC proposes the following limits. That the cumulative maximum hedge volume for a given contract month should not exceed 75% of the forecasted exposure, and that the maximum hedge volume purchase in a single month for a given contract month should not exceed 30% of the forecasted exposure.

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TRANSMISSION COSTS

Q. Will UMERC be participating in the ATC and MISO market for transmission service?

A. Yes. Currently UMERC is billed for transmission service through the WEPCo and WPSC PPAs. UMERC will be filing for Network Integrated Transmission Service to begin at some point in 2019 resulting in UMERC being charged directly by the ATC and MISO for transmission service.

Q. What amount does UMERC expect to pay to the MISO and ATC for transmission services for the months of June through December 2019?

A. As shown on line 4 of Exhibit A-4 (JGG-4), UMERC expects to pay \$10.1 million of transmission costs for the months of June through December 2019. The total transmission costs include \$6.6 million of network transmission costs and \$3.5 million of non-network transmission costs.

MISO ENERGY MARKET TRANSACTIONS

Q. How were the generation and cost projections developed from the sales forecasts?

A. The Company used the PROMOD security-constrained production cost model to project how its generating resources could be utilized economically and reliably under the MISO dispatch given the generating unit operating characteristics, fuel costs, planned outage schedules, and transmission availability. The PROMOD scheduling simulation is, in turn, used to estimate fuel costs, generator revenue and associated margin, projected

1 Locational Marginal Prices (“LMPs”), and the cost of hourly net energy purchases from
2 and sales to MISO. The use of PROMOD has been accepted in past Michigan PSCR and
3 Wisconsin fuel cases. The Company believes that PROMOD provides a reasonable
4 projection of unit utilization within its modeling footprint.

5
6 **Q. Please describe how the Company will operate in the MISO market on an actual**
7 **basis.**

8 A. The Company’s Power Traders in the Wholesale Energy and Fuels Department will
9 forecast Day-Ahead and Real-Time system loads, evaluate generation availability and
10 market opportunities, and develop generation resource offers and demand bids to reliably
11 meet, at minimal system costs, the real time electric load requirements of the Company.

12
13 **Q. How will the Power Traders project what load conditions will occur over the next**
14 **24-hour period?**

15 A. The Power Traders will use a variety of load-forecasting programs that integrate
16 forecasted weather and historic data and simulate and calculate the various factors and
17 conditions which affect load levels. The programs produce hour-by-hour projections of
18 system load levels for the next seven days. The Power Traders will develop load
19 forecasts using the output of these programs along with adjustments based on current
20 conditions, weather expectations and experience.

21
22 **Q. Please describe how the energy forecasts will be utilized in the MISO Market and**
23 **the role these transactions will play in UMERC’s overall cost of power supply.**

1 A. Under the MISO Energy Market, the Company is required to offer all available
2 generation into both Day-Ahead and Real-Time energy and operating reserve markets
3 and bid its load into the Day-Ahead market. MISO pays the Company for energy
4 generated and operating reserves carried at the hourly LMP for each product and charges
5 the Company hourly for energy consumed at each load node. The MISO financial
6 settlement for each operating day nets these payments and charges along with other
7 charges and credits. The net of hourly generation revenue and load cost will represent
8 short-term energy purchases or sales within the MISO energy market.

9

10 **Q. How will the Power Traders minimize the cost of meeting electric load**
11 **requirements?**

12 A. This will be done by effectively and continuously assessing and utilizing available
13 resources, including company-owned assets, load assets, MISO energy market
14 transactions, virtual bids and offers, transmission resources, and load management
15 programs. The Power Traders are supported by sophisticated computer hardware and
16 software programs that produce updated generator offer price matrices using recent fuel
17 cost data and perform analyses on large amounts of market operations data. These
18 programs consider such factors as unit heat rates, unit fuel costs, ramp rates, maximum
19 and minimum operating levels, and historic market operations data. Power Traders will
20 use these programs and tools to create demand bids in the UMERC load zone and
21 develop and adjust generation resource offers for each generator owned by UMERC. This
22 information will be submitted to the MISO Market, a bid/offer-based energy market
23 using security constrained economic dispatch, to produce LMPs for the MISO market

1 footprint.

2

3 **Q. You have described how the Power Traders plan for the Day-Ahead operation. How**
4 **will they operate in the Real-Time?**

5 A. The Power Traders will monitor current and projected generation status, load, and market
6 conditions, along with the operating plan represented by the Day-Ahead schedule,
7 modifying resource offers or, in some cases, utilizing load management programs as
8 necessary to minimize the overall cost to serve load. Aided by the computerized,
9 automatic generation control system, the Power Traders will work with Electric System
10 Operations personnel to schedule the generating units both on- and off-line according to
11 actual and anticipated MISO energy market results. In response to increases and
12 decreases in load, and changes in the MISO generator set point instructions, the
13 automatic generation control system adjusts loading on generating units consistent with
14 the MISO energy market and reliability standards in order to achieve minimum system
15 production costs while maintaining the reliability of the electric power grid.

16

17 **Q. Is it your evaluation that the Company's decisions to provide power supply in the**
18 **manner described in your testimony are reasonable and prudent?**

19 A. Yes, in my opinion such decisions are reasonable and prudent.

20

21 **Q. What is the Company's projection for the net of MISO generation revenue and load**
22 **cost for 2019?**

23 A. Exhibit A-4 (JGG-4) provides the Company's fuel run, which is a forecast of generation

1 and energy market transactions necessary to meet the load requirements of our customers.
2 As mentioned earlier in my testimony, the fuel run is developed using the PROMOD
3 security-constrained production cost model. This exhibit shows how much generation
4 will be required by MISO plus how much additional energy the Company will purchase
5 from MISO at market prices in order to meet the forecasted load requirements.
6

7 **Q. Please describe any other impacts on power supply costs related to the MISO**
8 **Energy Market in the PSCR plan.**

9 A. In addition to energy transactions (sales and purchases) with MISO, other MISO costs
10 and revenues associated with operating in the energy and Ancillary Service Market
11 (“ASM”) are included in Exhibit A-4 (JGG-4). Those elements include Day-Ahead and
12 Real-Time Revenue Sufficiency Guarantee (“RSG”) uplift charges and Make-Whole
13 Payment (“MWP”) revenues, Financial Transmission Rights (“FTR”) and Auction
14 Revenue Rights (“ARR”) sales revenues, and ASM charges and revenues, to name a few.
15

16 **Q. How were the FTR and MWP revenues determined?**

17 A. FTR and MWP revenues are calculated based upon the specific hourly congestion and
18 dispatch predicted by the PROMOD model. This ensures that the same transmission
19 topology and transmission events used to calculate the plan year dispatch and pricing are
20 used to value the FTR and MWP revenues. It also matches the LMPs used to calculate
21 generator revenue and load costs to the LMPs used to calculate the plan year FTR and
22 MWP revenues. Specifically, the marginal congestion component of the hourly LMPs
23 calculated in the PROMOD dispatch forecast is used to determine the value of each

1 specific FTR path. Applying the estimated value of each specific FTR path to the actual
2 FTR quantities obtained in the most recent FTR auction provides the total FTR revenue
3 estimate for the test year. For units offered as economic, MWP revenues are assumed to
4 be realized for any dispatch hours in which the unit cost exceeds the hourly LMP.

5
6 **Q. Please describe Exhibit A-1 (JGG-1).**

7 A. Exhibit A-1 (JGG-1) reflects UMERC's forecasted Monthly PSCR sales (MWh),
8 separated into the WEPCo and WPSC Rate Zones, for the 2019 PSCR period. Since the
9 Tilden load will be served under a special contract, not subject to the PSCR factor, Tilden
10 sales have not been included in the PSCR sales.

11
12 **Q. How were the forecasted UMERC energy requirements set forth in Exhibit A-1
13 (JGG-1) determined?**

14 A. The general approach was to construct forecast models for the rate classes in each of the
15 rate zones that statistically relate sales to weather, economic and demographic data (e.g.
16 income, employment, industrial production, Gross State Product, price, population, etc.),
17 historical sales data, energy efficiency data, trend variables, and binary variables as
18 appropriate. The models come in a variety of forms, but may be generally described as
19 regression-based econometric models or more statistically based (e.g. autoregressive
20 integrated moving average ("ARIMA"), exponential smoothing) time series models. The
21 models are evaluated on their ability to replicate historical sales and their ability to
22 produce forecasts which reflect expected seasonal and longer term trends. Typical
23 statistical tests are used to evaluate the various models such as R^2 , T-test, F-Test, P-value,

1 MAPE, Durbin-Watson, etc.

2

3 **Q. Was the effect of the Michigan Energy Waste Reduction initiative for energy**
4 **efficiency reflected in the WEPCo and WPSC Rate Zone energy sales?**

5 A. Yes, the effect has been reflected based on sales impact trends experienced since the start
6 of the initiative for the WEPCo and WPS Corp legacy Michigan service areas.

7

8 **Q. Please describe Exhibit A-2 (JGG-2).**

9 A. Exhibit A-2 (JGG-2) reflects the 5-year sales forecast for UMERC's WEPCo and WPSC
10 Rate Zones through 2023. The forecasted requirements for 2020-2023 were developed in
11 the same manner as previously described for the 2019 requirements.

12

13 **Q. Please describe Exhibit A-3 (JGG-3).**

14 A. Exhibit A-3 (JGG-3) shows the January through July 2018 actual over/under-recovery of
15 power supply costs as requested in item 5 of the Commission Staff Additional Filing
16 Requirements - PSCR Plans. Page 1 shows the UMERC WEPCo Rate Zone and page 2
17 shows the UMERC WPSC Rate Zone. Exhibit A-3 (JGG-3) also shows the 2018
18 over/under-recovery of power supply costs. For purposes of this PSCR plan filing,
19 neither of the two rate zones is forecasted to have a PSCR over/under recovery balance at
20 the end of 2018, as shown on page 1, line 34 and on page 2, line 34 of Exhibit A-3 (JGG-
21 3).

22

23 **Q. Please describe Exhibit A-4 (JGG-4).**

1 A. Exhibit A-4 (JGG-4) shows the calculation of the uniform PSCR factors for January
2 through December 2019 for the WEPCo and WPSC Rate Zones respectively.

3

4 **Q. What is the proposed PSCR factor for 2019 for UMERC's WEPCo Rate Zone?**

5 A. As shown on Exhibit A-4 (JGG-4), line 30, the 2019 PSCR factor for the WEPCo Rate
6 Zone is (\$3.13) per MWh. UMERC proposes to apply this factor to retail electric sales in
7 the WEPCo Rate Zone for each month of the plan year of 2019.

8

9 **Q. What is the proposed PSCR factor for 2019 for UMERC's WPSC Rate Zone?**

10 A. As shown on Exhibit A-4 (JGG-4), line 44, the proposed 2019 PSCR factor for the
11 WPSC Rate Zone is (\$2.19) per MWh. UMERC proposes to apply this factor to retail
12 electric sales in the WPSC Rate Zone for each month of the plan year of 2019.

13

14 **Q. How was the proposed (\$3.13) per MWh PSCR factor determined for the WEPCo
15 Rate Zone?**

16 A. As previously discussed, UMERC adopted the legacy WEPCo PSCR base of \$45.47 per
17 MWh for the WEPCo Rate Zone. Referring to the total column on Exhibit A-4 (JGG-4),
18 the proposed negative (\$3.13) per MWh power supply cost recovery factor (line 30) was
19 determined by: (a) dividing the UMERC WEPCo Rate Zone PSCR costs for recovery on
20 line 25 of \$14,901,096, by the net requirements sales of 351,968 MWh on line 24,
21 resulting in the WEPCo Rate Zone average power supply cost of \$42.34 per MWh on line
22 26; (b) comparing the \$42.34 per MWh of power supply cost to the base power supply
23 costs included in base rates of \$45.47 per MWh on line 27, results in the (\$3.13) per

1 MWh power supply cost recovery factor on line 28; (c) dividing the forecasted 2018
2 over/under-collection amount of \$0 by the 2019 forecasted WEPCo Rate Zone PSCR
3 sales of 351,968 MWh on line 24, resulting in the roll-in PSCR factor of \$0.00 per MWh
4 (line 29); and (d) the addition of the forecasted roll-in factor of \$0.00 per MWh for 2018
5 to the 2019 PSCR factor, resulting in the proposed 2019 PSCR factor of (\$3.13) per
6 MWh as shown on line 30.

7
8 **Q. How was the proposed (\$2.19) per MWh PSCR factor for 2019 determined for the**
9 **WPS Rate Zone?**

10 A. Again, as previously discussed, UMERC adopted the legacy WPS Corp PSCR base of
11 \$40.52 per MWh for the WPSC Rate Zone. Referring to the total column on Exhibit A-4
12 (JGG-4), the proposed (\$2.19) per MWh power supply cost recovery factor was
13 determined by: (a) dividing the UMERC WPSC Rate Zone PSCR costs for recovery on
14 line 39 of \$9,971,946, by the net requirements sales of 260,170 MWh on line 38,
15 resulting in the WPSC Rate Zone average power supply cost of \$38.33 per MWh on line
16 40; (b) comparing the \$38.33 per MWh of power supply cost to the base power supply
17 costs included in base rates of \$40.52 per MWh on line 41, results in the (\$2.19) per
18 MWh power supply cost recovery factor on line 42; (c) dividing the forecasted 2018
19 over/under-collection amount of \$0 shown by the 2019 forecasted legacy WPSC Rate
20 Zone PSCR sales of 260,170 MWh on line 38, resulting in the roll-in PSCR factor of
21 \$0.00 per MWh (line 43); and (d) the addition of the forecasted roll-in factor of \$0.00
22 per MWh for 2018 to the proposed 2019 PSCR factor, resulting in the proposed 2019
23 PSCR factor of (\$2.19) per MWh as shown on line 44.

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Q. How were the UMERCo WEPCo Rate Zone power supply costs determined for 2019?

A. As shown on Exhibit A-4 (JGG-4), for January through May 2019, the UMERCo WEPCo Rate Zone power supply cost per MWh (line 21) were based on the PSCR costs that are forecasted to be included in the WEPCo PPA. The WEPCo PSCR PPA costs were determined by dividing the WEPCo PSCR System Costs (line 19) by the WEPCo System supplied MWh (line 20). For June through December 2019, the UMERCo WEPCo Rate Zone power supply cost per MWh (lines 16 and 21) were based on the UMERCo PSCR System Costs (line 9) divided by the UMERCo System supplied MWh (line 15).

For the months of January through December 2019, the UMERCo WEPCo Rate Zone power supply cost per MWh (line 21) was then multiplied by the line loss factor of 1.04 (line 22) to determine the UMERCo WEPCo Rate Zone PSCR cost per MWh on sales (line 23). The UMERCo WEPCo Rate Zone PSCR cost per MWh on sales (line 23) was then multiplied by the UMERCo WEPCo Rate Zone sales (line 24), resulting in the UMERCo WEPCo Rate Zone power supply costs of \$14,901,096 (line 25).

Q. How were the UMERCo WPSC Rate Zone power supply costs determined for 2019?

A. As shown on Exhibit A-4 (JGG-4), for January through May 2019, the UMERCo WPSC Rate Zone power supply cost per MWh (line 35), were based on the PSCR costs that are forecasted to be included in the WPSC PPA. The WPSC PSCR PPA costs were determined by dividing the WPS Corp PSCR System Costs (line 33) by the WPS Corp

1 System supplied MWh (line 34). For June through December 2019, the UMERC WPSC
2 Rate Zone power supply cost per MWh (lines 16 and 35) were based on the UMERC
3 PSCR System Costs (line 9) divided by the UMERC System supplied MWh (line 15).

4
5 For the months of January through December 2019, the UMERC WPSC Rate Zone
6 power supply cost per MWh (line 35) was then multiplied by the line loss factor of
7 1.0276 (line 36) to determine the UMERC WPSC Rate Zone PSCR cost per MWh on
8 sales (line 37). The UMERC WPSC Rate Zone PSCR cost per MWh on sales (line 37)
9 was then multiplied by the UMERC WPSC Rate Zone sales (line 38), resulting in the
10 UMERC WPSC Rate Zone power supply costs of \$9,971,946 (line 39).

11
12 **Q. How were the UMERC PSCR System Costs and the UMERC System supplied**
13 **MWh determined?**

14 A. As discussed earlier, and as shown on Exhibit A-4 (JGG-4), UMERC credited the
15 forecasted monthly revenues (line 8), to be billed by the Company to Tilden for energy
16 and transmission, to the total UMERC PSCR fuel, purchased power, MISO and ATC
17 costs (lines 1-6) to determine the UMERC PSCR System Costs (line 9) to recover from
18 the UMERC WEPCo and WPSC Rate Zone customers, excluding Tilden. The UMERC
19 PSCR System costs also include a credit (line 7) for the revenues from the UMERC sales
20 under the Energy for Tomorrow tariff, to reflect the premium paid by customers for
21 renewable energy power supply sources.

22
23 As shown on Exhibit A-4 (JGG-4), the total forecasted UMERC generation and

1 purchases MWh (lines 11-13) was reduced by the Tilden load requirements (line 14),
2 resulting in the UMERC System supplied MWh (line 15), which are the UMERC
3 WEPCo and WPSC Rate Zone load requirements excluding Tilden.

4
5 **Q. Please describe Exhibit A-5 (JGG-5).**

6 A. Exhibit A-5 (JGG-5) consists of two pages.

7
8 Page 1 of Exhibit A-5 (JGG-5) shows the forecasted UMERC System Power Supply
9 costs (line 11) broken down by Mihm fuel costs (line 1), Kuester fuel costs (line 2),
10 MISO market purchased power costs (line 3), MISO market other charges and credits
11 (line 4), ATC and MISO transmission charges (line 5), MISO opportunity sales (line 6),
12 MISO ASM revenue (line 7), Renewable Energy revenue (line 8), and revenue credits
13 from Tilden (lines 9 and 10) for the years 2019 through 2023. Line 18 shows the
14 associated forecasted UMERC System MWh, made up of Mihm generation (line 13),
15 Kuester generation (line 14), MISO purchased power (line 15), MISO opportunity sales
16 (line 16) and the removal of Tilden load (line 17) for the years 2019 through 2023. The
17 resulting average costs per MWh are shown for Mihm generation (line 20), Kuester
18 generation (line 21), MISO market purchases (line 22), MISO opportunity sales (line 23),
19 the Tilden revenue credit (line 24) and the overall PSCR system cost on supplied (line
20 25) for the years 2019 through 2023.

21
22 Page 1 of Exhibit A-5 (JGG-5), lines 28-33, show the determination of the total UMERC
23 WEPCo Rate Zone PSCR costs (line 34), the UMERC WEPCo Rate Zone sales (line 35),

1 and the resulting total UMERC WEPCo Rate Zone PSCR cost per MWh (line 36) for the
2 years 2019 through 2023.

3
4 Page 1 of Exhibit A-5 (JGG-5), lines 39-44, show the determination of the total UMERC
5 WPSC Rate Zone PSCR costs (line 45), the UMERC WPSC Rate Zone sales (line 46),
6 and the resulting total UMERC WPSC Rate Zone PSCR cost per MWh (line 47) for the
7 years 2019 through 2023.

8
9 Page 2 of Exhibit A-5 (JGG-5) shows the 2019 monthly forecasted UMERC purchase
10 power costs under the WEPCo Rate Zone PPA (line 5), broken down by energy (line 2),
11 capacity (line 3), and transmission (line 4). Line 16 of Page 2 shows the 2019 monthly
12 forecasted UMERC purchase power costs under the WPSC Rate Zone PPA, broken down
13 by energy (line 13), capacity (line 14), and transmission (line 15).

14
15 Line 7 of page 2 of Exhibit A-5 (JGG-5) shows the UMERC WEPCo Rate Zone PSCR
16 PPA cost per Mwh by month as calculated on page 1 of Exhibit A-4 (JGG-4), line 23.
17 Applying the PSCR cost per MWh to the UMERC WEPCo Rate Zone sales on line 8,
18 results in the UMERC WEPCo Rate Zone PSCR PPA costs on line 9.

19
20 Line 18 of page 2 of Exhibit A-5 (JGG-5) shows the UMERC WPSC Rate Zone PSCR
21 PPA cost per Mwh by month as calculated on page 1 of Exhibit A-4 (JGG-4), line 37.
22 Applying the PSCR cost per MWh to the UMERC WPSC Rate Zone sales on line 19,
23 results in the UMERC WPSC Rate Zone PSCR PPA costs on line 20.

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Q. What are the power supply costs that have historically been included in the calculation of the PSCR factors for the WEPCo PSCR?

A. The following power supply costs:

WEPCo System Costs and MWh					
\$'s in thousands					
	Jan-19	Feb-19	Mar-19	Apr-19	May-19
Generation	\$38,431	\$30,112	\$26,312	\$29,247	\$29,666
Renewable-Transfer Price	\$5,236	\$3,805	\$5,027	\$3,809	\$3,559
Purchased Power	\$41,856	\$40,510	\$38,116	\$33,572	\$45,478
Opportunity Sales	(\$10,657)	(\$6,640)	(\$4,224)	(\$7,131)	(\$6,755)
Transmission	\$29,407	\$28,882	\$28,957	\$28,708	\$29,023
Total Power Supply	\$104,272	\$96,669	\$94,188	\$88,205	\$100,972
System MWh	2,317,664	2,073,381	2,113,387	2,002,892	2,123,311
Power Supply Cost/MWh	\$44.99	\$46.62	\$44.57	\$44.04	\$47.55

Q. What are the power supply costs that have historically been included in the calculation of the PSCR factors for the WPS Corp PSCR?

A. The following power supply costs:

WPSC System Costs and MWh					
\$'s in thousands					
	Jan-19	Feb-19	Mar-19	Apr-19	May-19
Generation	\$24,849	\$20,447	\$18,026	\$10,463	\$10,162
Purchased Power	\$8,903	\$8,929	\$11,314	\$16,054	\$17,084
Opportunity Sales	(\$4,269)	(\$2,766)	(\$2,452)	(\$1,781)	(\$1,761)
Transmission	\$12,787	\$12,623	\$12,675	\$12,549	\$12,613
Total Power Supply	\$42,270	\$39,233	\$39,563	\$37,286	\$38,097
System MWh	1,107,071	1,024,514	1,061,304	1,000,060	1,030,260
Power Supply Cost/MWh	\$38.18	\$38.29	\$37.28	\$37.28	\$36.98

1

2

3 **Q. Please describe Exhibit A-6 (JGG-6).**

4 A. Exhibit A-6 (JGG-6) shows the comparison of power supply costs approved in the
5 UMERC 2018 PSCR Plan to the forecasted power supply costs included in this 2019
6 PSCR Plan filing. For 2018, all power supply for UMERC is being supplied through the
7 purchase power agreements with WEPCo and WPS Corp. For the first 5 months of 2019,
8 the power supply for UMERC is forecasted to continue to be supplied through the
9 purchase power agreements with WEPCo and WPS Corp. For the last 7 months of 2019,
10 the power supply for UMERC is from its owned generation and the MISO market and
11 ATC.

12

13 As shown on line 42 of Exhibit A-6 (JGG-6), the forecasted average UMERC WEPCo
14 Rate Zone PSCR cost for 2019 is \$42.34/MWh as compared to the 2018 PSCR cost of
15 \$46.14/MWh, which is \$3.80/MWh lower.

16

17 As shown on line 58 of Exhibit A-6 (JGG-6), the forecasted average UMERC WPSC

1 Rate Zone PSCR cost for 2019 is \$38.33/MWh as compared to the 2018 PSCR cost of
2 \$39.16/MWh, which is \$0.83/MWh lower.

3
4 **Q. Please describe Exhibit A-7 (JGG-7).**

5 A. Exhibit A-7 (JGG-7), page 1 of 2 is the PSCR schedule Sheet No. D-3.00 of UMEREC's
6 Michigan rate book for the WEPCo Rate Zone revised to reflect the proposed 2019 PSCR
7 credit factor of (\$0.00313) per kilowatt-hour and an estimate of the Prior Period PSCR
8 reconciliation factor of \$0.00000 per kilowatt-hour. Exhibit A-7 (JGG-7) also shows the
9 sum of the 2019 PSCR Plan factor and the Prior Period PSCR over/under-recovery factor,
10 for a proposed PSCR credit factor of (\$0.00313) per kilowatt-hour to be applied for all
11 billing months during 2019.

12 Page 2 of 2 is the PSCR schedule Sheet No. D-100.00 of UMEREC's Michigan rate book
13 for the WPSC Rate Zone revised to reflect the proposed 2019 PSCR factor of a credit of
14 (\$0.00219) per kilowatt-hour and an estimate of the Prior Period PSCR reconciliation
15 factor of \$0.00000 per kilowatt-hour. Exhibit A-7 (JGG-7) page 2 of 2 also shows the
16 sum of the 2019 PSCR Plan factor and the Prior Period PSCR over/under-recovery factor,
17 for a proposed PSCR credit factor of (\$0.00219) per kilowatt-hour to be applied for all
18 billing months during 2019.

19
20 **Q. How will UMEREC recover its costs to comply with the Renewable Energy Credit**
21 **(“REC”) portfolio requirements in the WEPCo Rate Zone?**

22 A. UMEREC will utilize the cost recovery mechanisms approved on January 23, 2018 in its
23 renewable energy (“RE”) Plan in MPSC Case No. U-18236, which arranges RE into

1 categories.

2
3 **Q. Can you provide more detail for the recovery of RE costs between the PSCR and**
4 **RE surcharge?**

5 A. Yes. The first category of RE includes the existing pre-Act 295 RE either WEPCo-
6 owned, or purchased under a CGS tariff or pre-Act 295 PPA. These costs will be
7 incurred by UMERC pursuant to the WEPCo PPA, and UMERC will recover them via
8 traditional rate mechanisms, *i.e.*, its base rates and the PSCR mechanism, just as UMERC
9 does currently.

10 The second category includes: (i) post-Act 295 RE purchased by WEPCo under
11 PPAs, of which UMERC will receive its allocated share under the WEPCo PPA; and (ii)
12 post-Act 295 WEPCo-owned resources, of which UMERC will receive its allocated share
13 under the WEPCo PPA. The costs of RE purchased under post-Act 295 PPAs are not
14 incremental costs of compliance with Act 295 RE requirements to be recovered via Act
15 295 rate mechanisms. Rather, these costs are to be recovered via traditional rate
16 mechanisms, as indicated under the UMERC RE Plan. As I stated, this second category
17 also includes RE from post-Act 295 WEPCo-owned resources, which consist of the
18 Glacier Hills Wind Farm (“Glacier Hills”), the Montfort Energy Center (“Montfort”), and
19 the Rothschild Bio-mass Energy Project (“Rothschild”). The costs of these three RE
20 sources will be recovered using the Act 295 cost recovery mechanisms (*i.e.*, the transfer
21 price and RE surcharge).

22 The third category of RE consists of RECs-only purchases obtained solely to
23 achieve compliance with the Michigan REC portfolio requirement (“RECs Obtained for

1 Michigan RPS”). These RECs will be recovered via UMERC’s RE surcharge.

2
3 **Q. Why wouldn’t UMERC simply recover the costs of RE generated at Glacier Hills,**
4 **Montfort and Rothschild via the WEPCo Rate Zone base rates that it adopted?**

5 A. These three plants were not included in rate base for WEPCo when the current base rates
6 were established for WEPCo Michigan Retail customers, and so their revenue
7 requirements are not included in the WEPCo base rates that UMERC adopted for the
8 WEPCo Rate Zone. UMERC WEPCo Rate Zone will simply keep in place the same
9 PSCR recovery mechanisms that WEPCo had in place, which were also approved in the
10 UMERC RE Plan, in order to recover the costs of these three plants until the WEPCo
11 PPA is terminated.

12
13 **Q. What transfer prices is UMERC applying to Glacier Hills, Montfort and**
14 **Rothschild?**

15 A. UMERC is applying the transfer prices that the Commission approved in UMERC’s RE
16 Plan for the WEPCo Rate Zone. For Glacier Hills, UMERC will use the transfer price of
17 \$80.41 per MWh approved by the Commission in WEPCo’s RE plans and in UMERC’s
18 RE Plan. For Montfort and Rothschild, UMERC will use the transfer price schedule
19 developed by the MPSC Staff and approved by the Commission in its December 19, 2013
20 Order in Case No. U-16662, which was also approved for use in UMERC’s RE Plan. The
21 schedule developed by the MPSC Staff indicates a transfer price of \$73.46/MWh for
22 2019.

23

1 **Q. Will UMERC make any firm sales to out-of-state customers?**

2 A. No.

3

4 **Q. Do the amounts of projected power supply costs include any items of cost that the**
5 **Commission could reasonably anticipate disallowing under Section 6j(13) of Act**
6 **304?**

7 A. No.

8

9 **Q. What is your evaluation of the reasonableness and prudence of UMERC's proposed**
10 **2019 PSCR plan?**

11 A. I believe that UMERC's 2019 PSCR plan is reasonable and prudent. I base this
12 conclusion on sources of capacity and energy that will be available to UMERC in 2019
13 and on my knowledge of UMERC's actions to meet its power supply requirements and to
14 manage its power supply costs.

15

16 **Q. Does this conclude your direct testimony at this time?**

17 A. Yes it does.

18

**Upper Michigan Energy Resources Corporation
 Monthly PSCR Sales
 2019 (MWhs)**

Line No.		<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Total</u>
1	WEPCO Rate Zone													
2														
3	Residential	16,377	14,235	14,584	12,726	12,115	11,823	13,414	12,813	11,383	12,357	13,348	15,597	160,771
4	General Secondary	9,022	8,388	8,526	8,142	8,412	8,631	9,051	9,006	8,565	8,353	8,190	8,821	103,108
5	General Primary	7,609	6,188	7,609	6,802	7,609	6,802	7,636	7,636	6,829	6,636	6,829	7,636	85,822
6	Public Authority	191	190	190	189	189	189	188	188	188	188	189	189	2,267
7	Michigan Retail Requirement Sales	33,198	29,001	30,909	27,860	28,324	27,444	30,289	29,643	26,965	27,535	28,557	32,244	351,968
8	Company Use	204	180	224	137	146	132	150	155	149	133	149	211	1,970
9	Michigan Sales + Company Use	33,403	29,181	31,132	27,997	28,470	27,576	30,439	29,798	27,114	27,668	28,706	32,455	353,938
10	Distribution Losses	1,310	1,161	1,202	1,081	1,074	1,054	1,164	1,135	1,034	1,067	1,114	1,263	13,658
11	Michigan Retail Sales with Losses	34,713	30,341	32,334	29,077	29,544	28,630	31,603	30,932	28,148	28,734	29,820	33,718	367,596
12														
13	WPSC Rate Zone													
14														
15	Residential	6,616	5,687	5,678	4,853	4,795	5,171	6,022	5,813	4,891	4,762	5,142	6,157	65,587
16	Small Commercial & Industrial	2,418	2,348	2,268	2,133	2,121	2,271	2,411	2,318	2,164	2,121	2,205	2,361	27,139
17	Large Commercial & Industrial	14,115	13,384	14,051	14,064	14,015	14,011	14,104	14,197	13,150	14,046	13,988	13,568	166,693
18	Street Lighting	83	67	65	54	49	44	48	55	59	70	75	82	751
19	Michigan Retail Requirement Sales	23,232	21,486	22,062	21,104	20,980	21,497	22,585	22,383	20,264	20,999	21,410	22,168	260,170
20	Distribution Losses	719	665	683	653	650	666	699	693	627	650	663	686	8,055
21	Michigan Retail Sales with Losses	23,951	22,151	22,745	21,757	21,630	22,163	23,284	23,076	20,891	21,649	22,073	22,854	268,225

Upper Michigan Energy Resources Corporation
Annual PSCR Sales
2019-2023 (MWhs)

Line
 No.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
1 WEPCO Rate Zone					
2					
3 Residential	160,771	160,772	159,959	159,584	159,196
4 General Secondary	103,108	103,418	103,445	103,613	103,781
5 General Primary	85,822	86,962	86,487	86,820	87,153
6 Public Authority	2,267	2,257	2,247	2,236	2,226
7 Ultimate Retail Sales	351,968	353,408	352,137	352,253	352,356
8 Company Use	1,970	1,970	1,970	1,970	1,970
9 Michigan Retail Requirement Sales	353,938	355,378	354,108	354,224	354,327
10 Distribution Losses	13,658	13,686	13,639	13,631	13,622
11 Michigan Retail Sales with Losses	367,596	369,064	367,747	367,855	367,949
12					
13 WPSC Rate Zone					
14					
15 Residential	65,587	64,972	64,120	63,780	63,596
16 Small Commercial & Industrial	27,139	27,239	27,318	27,399	27,495
17 Large Commercial & Industrial	166,693	166,692	166,692	166,692	167,389
18 Street Lighting	751	754	756	757	757
19 Michigan Retail Requirement Sales	260,170	259,657	258,886	258,628	259,237
20 Distribution Losses	8,055	8,039	8,015	8,007	8,026
21 Michigan Retail Sales with Losses	268,225	267,696	266,901	266,635	267,263

Upper Michigan Energy Resources Corporation
 WEPCO Rate Zone
 Estimated Prior Year's PSCR True-up

Line No.	2018 PSCR Reconciliation	Actual 2017	Actual 2018	Actual 2018	Actual 2018	Actual 2018	Actual 2018	Actual 2018	Actual 2018	Forecast 2018	Forecast 2018	Forecast 2018	Forecast 2018	Forecast 2018	2018
		Balance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
1	Sales Subject to PSCR Billed (Mwh)		36,759	29,090	28,725	28,423	26,970	28,825	31,018	31,374	24,720	29,944	23,222	26,863	345,932
2	Unbilled Sales Subject to PSCR (Mwh)		18,988	18,204	18,236	17,649	18,264	18,095	18,720	15,842	16,789	13,787	18,550	23,156	216,280
3	Unbilled Prior Month Sales Subject to PSCR (Mwh)		(23,156)	(18,988)	(18,204)	(18,236)	(17,649)	(18,264)	(18,095)	(18,720)	(15,842)	(16,789)	(13,787)	(18,550)	(216,280)
4	Sales Subject to PSCR Calendar (Mwh)		32,591	28,306	28,757	27,836	27,585	28,656	31,643	28,496	25,667	26,942	27,985	31,469	345,932
5															
6	Fuel Base Incl. Losses (Mills/kwh)		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
7	PSCR Factor Applied (Mills/kwh)		0.67	0.67	0.00	0.00	(3.00)	(3.00)	(3.00)	(7.00)	(9.00)	(7.68)	(7.68)	(7.68)	(3.13)
8															
9	PSCR Revenue Billed (\$)		\$1,696,053	\$1,342,234	\$1,306,106	\$1,292,385	\$1,145,399	\$1,224,217	\$1,317,315	\$1,206,958	\$901,539	\$1,131,657	\$877,638	\$1,015,233	\$14,456,734
10	PSCR Revenue Unbilled Current Month		\$876,106	\$827,736	\$829,191	\$749,553	\$775,672	\$768,495	\$720,158	\$577,758	\$634,505	\$521,051	\$701,058	\$980,425	\$8,961,708
11	PSCR Revenue Unbilled Prior Month		(\$1,068,418)	(\$876,106)	(\$827,736)	(\$829,191)	(\$749,553)	(\$775,672)	(\$768,495)	(\$720,158)	(\$577,758)	(\$634,505)	(\$521,051)	(\$701,058)	(\$9,049,701)
12	Total PSCR Revenue (\$)		\$1,503,741	\$1,293,864	\$1,307,561	\$1,212,747	\$1,171,518	\$1,217,040	\$1,268,978	\$1,064,558	\$958,286	\$1,018,203	\$1,057,645	\$1,294,600	\$14,368,741
13															
14	WEPCO PSCR Costs		\$94,222,118	\$66,304,845	\$80,064,863	\$83,879,988	\$99,607,307	\$89,444,166	\$113,239,796	\$123,463,479	\$101,840,388	\$87,303,475	\$87,871,075	\$94,700,718	\$1,121,942,218
15	WEPCO PSCR Requirement Sales plus losses		2,347,225	2,065,565	2,123,491	2,042,892	2,200,726	2,299,499	2,631,366	2,614,653	2,180,467	2,086,138	2,047,679	2,214,369	26,854,071
16	WEPCO PSCR Cost/Mwh on Generation		\$40.14	\$32.10	\$37.70	\$41.06	\$45.26	\$38.90	\$43.03	\$47.22	\$46.71	\$41.85	\$42.91	\$42.77	
17	WEPCO PSCR 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	
18	WEPCO PSCR Cost/Mwh on Sales		\$41.75	\$33.38	\$39.21	\$42.70	\$47.07	\$40.45	\$44.76	\$49.11	\$48.57	\$43.52	\$44.63	\$44.48	
19															
20	UMERC - WEPCO Rate Zone Sales (Mwh)		32,591	28,306	28,757	27,836	27,585	28,656	31,643	28,496	25,667	26,942	27,985	31,469	345,932
21	UMERC - WEPCO Rate Zone PSCR Costs		\$1,360,668	\$944,870	\$1,127,545	\$1,188,589	\$1,298,407	\$1,159,154	\$1,416,320	\$1,399,439	\$1,246,647	\$1,172,500	\$1,248,984	\$1,399,744	\$14,962,867
22															
23	Over/(Under) Recovery (\$)		\$143,073	\$348,994	\$180,016	\$24,158	(\$126,889)	\$57,886	(\$147,342)	(\$334,881)	(\$288,361)	(\$154,297)	(\$191,339)	(\$105,144)	
24	Beginning Recovery Balance (\$)		\$519,709	\$662,782	\$1,011,776	\$1,191,792	\$1,215,950	\$1,089,061	\$1,146,947	\$999,605	\$664,724	\$376,364	\$222,066	\$30,727	\$74,417
25	Ending Recovery Balance (\$)		\$519,709	\$662,782	\$1,011,776	\$1,191,792	\$1,215,950	\$1,089,061	\$1,146,947	\$999,605	\$664,724	\$376,364	\$222,066	\$30,727	\$74,417
26	Average Recovery Balance (\$)		\$519,709	\$662,782	\$1,011,776	\$1,191,792	\$1,215,950	\$1,089,061	\$1,146,947	\$999,605	\$664,724	\$376,364	\$222,066	\$30,727	\$74,417
27															
28	Interest Rate Undercollection (%)		1.500%	1.540%	1.780%	1.830%	1.820%	1.930%	1.950%	1.950%	1.950%	1.950%	1.950%	1.950%	
29	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%	
30	Days in Month		31	28	31	30	31	30	31	31	30	31	30	31	365
31	Monthly Interest (\$)		\$5,072	\$6,487	\$9,451	\$9,994	\$9,886	\$9,281	\$9,207	\$7,138	\$4,321	\$2,567	\$1,049	(\$36)	\$74,417
32	Interest Balance		\$5,072	\$11,559	\$21,010	\$31,004	\$40,890	\$50,171	\$59,378	\$66,516	\$70,837	\$73,404	\$74,453	\$74,417	
33															
34	Ending Recovery Balance & Interest		\$667,854	\$1,023,335	\$1,212,802	\$1,246,954	\$1,129,951	\$1,197,118	\$1,058,983	\$731,240	\$447,201	\$295,470	\$105,180	(\$0)	

Upper Michigan Energy Resources Corporation
 WPSC Rate Zone
 Estimated Prior Year's PSCR True-up

Line No.	Actual 2017	Actual 2018	Actual 2018	Actual 2018	Actual 2018	Actual 2018	Actual 2018	Actual 2018	Actual 2018	Forecast 2018	Forecast 2018	Forecast 2018	Forecast 2018	Forecast 2018	2018
	Balance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL	
2018 PSCR Reconciliation															
1		21,548	21,534	21,946	21,822	19,743	22,487	22,575	21,672	20,214	19,023	19,310	21,231		253,105
2		6,053	5,498	5,360	4,972	5,210	4,250	5,644	5,955	4,690	3,793	4,717	5,885		62,027
3		(5,885)	(6,053)	(5,498)	(5,360)	(4,972)	(5,210)	(4,250)	(5,644)	(5,955)	(4,690)	(3,793)	(4,717)		(62,027)
4		21,715	20,979	21,808	21,433	19,981	21,526	23,969	21,983	18,949	18,126	20,234	22,400		253,105
5															
6		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	40.52
7		(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(7.00)	(8.00)	(4.47)	(4.47)	(4.47)	(2.19)
8															
9		\$843,806	\$843,265	\$859,411	\$854,530	\$773,144	\$880,584	\$884,029	\$726,457	\$657,369	\$685,826	\$696,167	\$765,434		\$9,470,022
10		\$237,033	\$215,321	\$209,909	\$194,709	\$204,038	\$166,419	\$189,187	\$193,661	\$169,072	\$136,736	\$170,043	\$225,585		\$2,311,713
11		(\$230,470)	(\$237,033)	(\$215,321)	(\$209,909)	(\$194,709)	(\$204,038)	(\$166,419)	(\$189,187)	(\$193,661)	(\$169,072)	(\$136,736)	(\$170,043)		(\$2,316,598)
12		\$850,369	\$821,553	\$853,999	\$839,330	\$782,473	\$842,965	\$906,797	\$730,931	\$632,780	\$653,490	\$729,474	\$820,976		\$9,465,137
13															
14		\$43,167,597	\$39,088,850	\$36,887,217	\$37,108,889	\$40,182,213	\$34,816,110	\$45,748,189	\$44,915,698	\$39,494,396	\$39,253,665	\$38,184,429	\$40,592,552		\$479,439,806
15		1,096,783	995,314	1,019,053	981,794	1,049,076	1,119,142	1,226,267	1,213,906	1,049,652	996,083	993,177	1,058,933		12,799,180
16		\$39.36	\$39.27	\$36.20	\$37.80	\$38.30	\$31.11	\$37.31	\$37.00	\$37.63	\$39.41	\$38.45	\$38.33		\$38.33
17		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00		1.00
18		\$39.36	\$39.27	\$36.20	\$37.80	\$38.30	\$31.11	\$37.31	\$37.00	\$37.63	\$39.41	\$38.45	\$38.33		\$38.33
19															
20		21,715	20,979	21,808	21,433	19,981	21,526	23,969	21,983	18,949	18,126	20,234	22,400		253,105
21		\$854,712	\$823,861	\$789,447	\$810,181	\$765,289	\$669,679	\$894,287	\$813,388	\$713,042	\$714,350	\$777,986	\$858,589		\$9,484,813
22															
23		(\$4,343)	(\$2,308)	\$64,552	\$29,149	\$17,184	\$173,286	\$12,510	(\$82,457)	(\$80,262)	(\$60,860)	(\$48,512)	(\$37,613)		
24		\$8,420	\$4,077	\$1,769	\$66,321	\$95,470	\$112,654	\$285,939	\$298,450	\$215,992	\$135,730	\$74,870	\$26,357		
25		\$8,420	\$4,077	\$1,769	\$66,321	\$95,470	\$112,654	\$285,939	\$298,450	\$215,992	\$135,730	\$74,870	\$26,357		
26		\$6,248	\$2,923	\$34,045	\$80,895	\$104,062	\$199,297	\$292,195	\$257,221	\$175,861	\$105,300	\$50,614	\$7,551		
27															
28		1.500%	1.540%	1.780%	1.830%	1.820%	1.930%	1.950%	1.950%	1.950%	1.950%	1.950%	1.950%		
29		10.20%	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%		
30		31	28	31	30	31	30	31	31	30	31	30	31		365
31		\$54	\$23	\$295	\$678	\$901	\$1,671	\$2,531	\$2,228	\$1,474	\$912	\$424	\$65		\$11,256
32		\$54	\$77	\$372	\$1,050	\$1,951	\$3,622	\$6,153	\$8,381	\$9,855	\$10,767	\$11,191	\$11,256		
33															
34		\$4,131	\$1,846	\$66,693	\$96,520	\$114,605	\$289,561	\$304,603	\$224,373	\$145,585	\$85,637	\$37,548	\$0		

Upper Michigan Energy Resources Corporation
 Development of 2019 Power Supply Cost Recovery Factors

CONFIDENTIAL

Line No.		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
UMERC Power Supply														
1	UMERC Fuel Costs						\$2,130,806	\$2,434,185	\$2,296,657	\$1,677,754	\$1,602,611	\$1,816,043	\$2,278,913	\$14,236,970
2	MISO Market Purchases Cost						\$1,296,750	\$1,425,633	\$1,428,442	\$1,726,104	\$1,985,274	\$2,329,772	\$2,464,709	\$12,656,684
3	MISO Market Other Charges & Credits						(\$1,139)	(\$17,824)	(\$20,562)	(\$41,723)	(\$115,185)	(\$74,106)	(\$86,295)	(\$356,834)
4	ATC & MISO Transmission Charges						\$1,428,238	\$1,445,807	\$1,446,983	\$1,425,432	\$1,430,584	\$1,428,866	\$1,448,448	\$10,054,358
5	MISO Opportunity Sales						\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	MISO ASM Revenue						(\$37,466)	(\$47,391)	(\$54,367)	(\$43,409)	(\$59,391)	(\$57,399)	(\$52,124)	(\$351,547)
7	Renewable Energy Revenue						(\$714)	(\$714)	(\$714)	(\$714)	(\$714)	(\$714)	(\$714)	(\$5,001)
8	Tilden Credit						(\$3,040,767)	(\$3,174,498)	(\$3,181,758)	(\$3,014,237)	(\$3,142,071)	(\$3,344,866)	(\$3,686,288)	(\$22,584,484)
9	UMERC PSCR System Costs						\$1,775,708	\$2,065,198	\$1,914,681	\$1,729,207	\$1,701,108	\$2,097,596	\$2,366,649	\$13,650,146
10														
11	UMERC Generation (MWh)						103,329	116,783	108,997	79,221	72,571	64,480	73,478	618,859
12	MISO Purchased Power (MWh)						49,495	44,708	51,594	71,886	84,423	89,489	89,730	481,324
13	MISO Opportunity Sales (MWh)						-	-	-	-	-	-	-	-
14	Tilden Credit (MWh)													
15	PSCR System (MWh)						50,755	54,922	54,022	49,038	50,425	51,900	56,639	367,702
16	UMERC PSCR System Cost (\$/MWh)						\$34.99	\$37.60	\$35.44	\$35.26	\$33.74	\$40.42	\$41.79	\$37.12
17														
WEPCO Rate Zone														
19	WEPCO PSCR System Costs	\$104,272,422	\$96,668,527	\$94,188,221	\$88,205,485	\$100,971,512								\$484,306,167
20	WEPCO System Supplied (Mwhs)	2,317,664	2,073,381	2,113,387	2,002,892	2,123,311								10,630,636
21	PSCR Cost on Supplied (\$/MWh)	\$44.99	\$46.62	\$44.57	\$44.04	\$47.55	\$34.99	\$37.60	\$35.44	\$35.26	\$33.74	\$40.42	\$41.79	
22	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	
23	PSCR Cost on Sales (\$/MWh)	\$46.79	\$48.49	\$46.35	\$45.80	\$49.46	\$36.39	\$39.11	\$36.86	\$36.67	\$35.08	\$42.03	\$43.46	
24	UMERC WEPCO Rate Zone Sales (MWh)	33,198	29,001	30,909	27,860	28,324	27,444	30,289	29,643	26,965	27,535	28,557	32,244	351,968
25	UMERC WEPCO Rate Zone PSCR Costs	\$1,553,352	\$1,406,193	\$1,432,619	\$1,275,991	\$1,400,808	\$998,552	\$1,184,498	\$1,092,647	\$988,884	\$966,043	\$1,200,315	\$1,401,195	\$14,901,096
26	PSCR Cost on Sales (\$/MWh)	\$46.79	\$48.49	\$46.35	\$45.80	\$49.46	\$36.39	\$39.11	\$36.86	\$36.67	\$35.08	\$42.03	\$43.46	\$42.34
27	PSCR Base	\$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
28	2019 PSCR Factor	\$1.32	\$3.02	\$0.88	\$0.33	\$3.99	(\$9.08)	(\$6.36)	(\$8.61)	(\$8.80)	(\$10.39)	(\$3.44)	(\$2.01)	(\$3.13)
29	PSCR Rate for 2018 Under/(Over)-recovery (\$/MWh)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
30	2019 PSCR Factor + 2018 Under/(Over)-recovery (\$/MWh)	\$1.32	\$3.02	\$0.88	\$0.33	\$3.99	(\$9.08)	(\$6.36)	(\$8.61)	(\$8.80)	(\$10.39)	(\$3.44)	(\$2.01)	(\$3.13)
31														
WPSC Rate Zone														
33	WPSC PSCR System Costs	\$42,270,344	\$39,232,902	\$39,563,378	\$37,285,711	\$38,097,497								\$196,449,832
34	WPSC System Supplied (Mwhs)	1,107,071	1,024,514	1,061,304	1,000,060	1,030,260								5,223,210
35	PSCR Cost on Supplied (\$/MWh)	\$38.18	\$38.29	\$37.28	\$37.28	\$36.98	\$34.99	\$37.60	\$35.44	\$35.26	\$33.74	\$40.42	\$41.79	
36	Loss Factor	1.0276	1.0276	1.0276	1.0276	1.0276	1.0276	1.0276	1.0276	1.0276	1.0276	1.0276	1.0276	
37	PSCR Cost on Sales (\$/MWh)	\$39.24	\$39.35	\$38.31	\$38.31	\$38.00	\$35.95	\$38.64	\$36.42	\$36.24	\$34.67	\$41.53	\$42.94	
38	UMERC WPSC Rate Zone Sales (MWh)	23,232	21,486	22,062	21,104	20,980	21,497	22,585	22,383	20,264	20,999	21,410	22,168	260,170
39	UMERC WPSC Rate Zone PSCR Costs	\$911,530	\$845,497	\$845,128	\$808,547	\$797,222	\$772,845	\$872,684	\$815,214	\$734,277	\$727,958	\$889,189	\$951,856	\$9,971,946
40	PSCR Cost on Sales (\$/MWh)	\$39.24	\$39.35	\$38.31	\$38.31	\$38.00	\$35.95	\$38.64	\$36.42	\$36.24	\$34.67	\$41.53	\$42.94	\$38.33
41	PSCR Base	\$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
42	2019 PSCR Factor	(\$1.28)	(\$1.17)	(\$2.21)	(\$2.21)	(\$2.52)	(\$4.57)	(\$1.88)	(\$4.10)	(\$4.28)	(\$5.85)	\$1.01	\$2.42	(\$2.19)
43	PSCR Rate for 2018 Under/(Over)-recovery (\$/MWh)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
44	2019 PSCR Factor + 2018 Under/(Over)-recovery (\$/MWh)	(\$1.28)	(\$1.17)	(\$2.21)	(\$2.21)	(\$2.52)	(\$4.57)	(\$1.88)	(\$4.10)	(\$4.28)	(\$5.85)	\$1.01	\$2.42	(\$2.19)

Upper Michigan Energy Resources Corporation
Power Supply Costs by Rate Zone
5 Year Forecast

Case No: U-20227
 Exhibit: A-5 (JGG-5)
 Witness: John G. Guntlisbergen
 Page: 1 of 2

CONFIDENTIAL

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
UMERC System Power Supply					
1 Mihm Fuel Costs	\$4,183,925	\$8,034,496	\$8,533,189	\$8,587,642	\$9,071,612
2 Kuester Fuel Costs	\$10,053,045	\$19,067,544	\$20,048,318	\$20,191,176	\$21,308,877
3 MISO Market Purchases Cost	\$12,656,684	\$20,667,285	\$18,274,561	\$18,826,693	\$19,149,946
4 MISO Market Other Charges & Credits	(\$356,834)	(\$752,948)	(\$601,338)	(\$562,188)	(\$714,287)
5 ATC & MISO Transmission Charges	\$10,054,358	\$18,426,578	\$18,777,510	\$19,097,231	\$19,119,243
6 MISO Opportunity Sales	\$0	\$0	\$0	\$0	\$0
7 MISO ASM Revenue	(\$351,547)	(\$540,615)	(\$540,615)	(\$540,615)	(\$540,615)
8 Renewable Energy Revenue	(\$5,001)	(\$8,573)	(\$8,573)	(\$8,573)	(\$8,573)
9 Tilden Credit-Energy	(\$15,889,323)	(\$27,169,102)	(\$26,560,853)	(\$26,956,221)	(\$27,710,893)
10 Tilden Credit-Transmission	(\$6,695,161)	(\$12,213,785)	(\$12,455,301)	(\$12,658,005)	(\$12,668,148)
11 PSCR System Costs	\$13,650,146	\$25,510,880	\$25,466,898	\$25,977,139	\$27,007,162
12					
13 Mihm Generation (MWh)	179,082	323,881	355,580	353,295	365,783
14 Kuester Generation (MWh)	439,778	787,376	854,076	847,161	875,646
15 MISO Purchased Power (MWh)	481,324	777,579	672,474	681,429	641,106
16 MISO Opportunity Sales (MWh)	-	-	-	-	-
17 Tilden Credit (MWh)					
18 PSCR System (MWh)	367,702	637,011	634,806	634,561	635,210
19					
20 Mihm Fuel Cost (\$/MWh)	\$23.36	\$24.81	\$24.00	\$24.31	\$24.80
21 Kuester Fuel Cost (\$/MWh)	\$22.86	\$24.22	\$23.47	\$23.83	\$24.34
22 MISO Market Purchases Cost (\$/MWh)	\$26.30	\$26.58	\$27.18	\$27.63	\$29.87
23 MISO Market Sales Cost (\$/MWh)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
24 Tilden Credit (\$/MWh)	\$30.83	\$31.46	\$31.28	\$31.76	\$32.37
25 PSCR System Cost on Supplied (\$/MWh)	\$37.12	\$40.05	\$40.12	\$40.94	\$42.52
26					
UMERC WEPCO Rate Zone					
27	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
28 PSCR System Cost on Supplied (\$/MWh)	\$37.12	\$40.05	\$40.12	\$40.94	\$42.52
29 Loss Factor	1.04	1.04	1.04	1.04	1.04
30 PSCR System Cost on Sales (\$/MWh)	\$38.61	\$41.65	\$41.72	\$42.57	\$44.22
31 Sales Supplied by UMERC System (MWh)	202,676	353,408	352,137	352,253	352,356
32 UMERC WEPCO Rate Zone PSCR System Costs	\$7,832,132	\$14,719,328	\$14,691,988	\$14,997,068	\$15,580,340
33 UMERC WEPCO PPA PSCR Costs	\$7,068,963	\$0	\$0	\$0	\$0
34 Total UMERC WEPCO Rate Zone PSCR Costs	\$14,901,096	\$14,719,328	\$14,691,988	\$14,997,068	\$15,580,340
35 Total UMERC WEPCO Rate Zone Sales (MWh)	351,968	353,408	352,137	352,253	352,356
36 Total UMERC WEPCO Rate Zone PSCR Cost (\$/MWh)	\$42.34	\$41.65	\$41.72	\$42.57	\$44.22
37					
UMERC WPSC Rate Zone					
38	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
39 PSCR System Cost on Supplied (\$/MWh)	\$37.12	\$40.05	\$40.12	\$40.94	\$42.52
40 Loss Factor	1.0276	1.0276	1.0276	1.0276	1.0276
41 PSCR System Cost on Sales (\$/MWh)	\$38.15	\$41.15	\$41.22	\$42.07	\$43.69
42 Sales Supplied by UMERC System (MWh)	151,306	259,657	258,886	258,628	259,237
43 UMERC WPSC Rate Zone PSCR System Costs	\$5,764,023	\$10,685,694	\$10,672,538	\$10,879,714	\$11,326,163
44 UMERC WPSC PPA PSCR Costs	\$4,207,923	\$0	\$0	\$0	\$0
45 Total UMERC WPSC Rate Zone PSCR Costs	\$9,971,946	\$10,685,694	\$10,672,538	\$10,879,714	\$11,326,163
46 Total UMERC WPSC Rate Zone Sales (MWh)	260,170	259,657	258,886	258,628	259,237
47 Total UMERC WPSC Rate Zone PSCR Cost (\$/MWh)	\$38.33	\$41.15	\$41.22	\$42.07	\$43.69

Upper Michigan Energy Resources Corporation
Power Supply Costs
PSCR Plan Cost Comparison

CONFIDENTIAL

Line No.	2018 PSCR <u>Plan</u>	2019 PSCR <u>Plan</u>	<u>Difference</u>
1	UMERC System Power Supply		
2		\$4,183,925	
3		\$10,053,045	
4		\$12,656,684	
5		(\$356,834)	
6		\$10,054,358	
7		\$0	
8		(\$351,547)	
9		(\$5,001)	
10		(\$15,889,323)	
11		(\$6,695,161)	
12		<u>\$13,650,146</u>	
13			
14		179,082	
15		439,778	
16		481,324	
17		-	
18			
19		367,702	
20			
21		\$23.36	
22		\$22.86	
23		\$26.30	
24		\$0.00	
25		\$30.83	
26		\$37.12	
27			
28	2018	2019	
29		\$37.12	
30		1.04	
31		\$38.61	
32			
33	351,856	149,292	(202,565)
34		202,676	202,676
35	<u>351,856</u>	<u>351,968</u>	<u>111</u>
36			
37	\$16,234,649	\$7,068,963	(\$9,165,686)
38	\$0	\$7,832,132	\$7,832,132
39	<u>\$16,234,649</u>	<u>\$14,901,096</u>	<u>(\$1,333,554)</u>
40			
41	\$46.14	\$47.35	\$1.21
42	\$46.14	\$42.34	(\$3.80)
43			
44	2018	2019	
45		\$37.12	
46		1.0276	
47		\$38.15	
48			
49	260,620	108,864	(151,756)
50		151,306	151,306
51	<u>260,620</u>	<u>260,170</u>	<u>(450)</u>
52			
53	\$10,205,897	\$4,207,923	(\$5,997,974)
54	\$0	\$5,764,023	\$5,764,023
55	<u>\$10,205,897</u>	<u>\$9,971,946</u>	<u>(\$233,952)</u>
56			
57	\$39.16	\$38.65	(\$0.51)
58	\$39.16	\$38.33	(\$0.83)

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

WEPCo Rate Zone
 Twelfth Revised Sheet No. D-3.00
 Replaces Eleventh Revised Sheet No. D-3.00

POWER SUPPLY COST RECOVERY

PSCR FACTORS

All rates for metered electric service shall include an amount up to the Power Supply Cost Recovery (PSCR) Factor for the specified billing period as set forth below. The PSCR Factor includes an increase or decrease of 0.0104 mills per kWh for each full 0.01 mill increase or decrease in the projected annual power supply costs above or below a cost base of 45.47 mills per kWh, rounded to the nearest one-hundredth of a mill per kWh. The projected power supply costs per kWh shall equal the total projected annual net power cost divided by the projected annual net system energy requirements. Net system energy requirements shall be the sum of net generation and net purchased and interchange power.

An amount not exceeding the PSCR Factor for each month shall be placed into effect in the first billing cycle of that month and shall continue in effect until the first billing cycle of a subsequent month for which a subsequent PSCR Factor becomes operative.

The PSCR Factor shall be applicable to all Power Supply charges for the following Rate Schedules:

<u>Class of Service</u>	<u>Rate Schedule No.</u>
Residential	Rg 1 and Rg 2
General Secondary	Cg 1, Cg 2, Cg 3, Cg3C, Cg 5, TssM and TssU
General Primary	Cp 1, Cp 2, Cp 3, Cp 4, Schedule A & Cp LC
Lighting	Ms2, Ms3, GL1, LED1
Other	Mg 1, DS 1
ERER 1, ERER 3	
100% Renewable power	No adjustment for PSCR
50% Renewable power	(1-.50) x PSCR factor applicable to rate schedule customer is served under. Customer pays 50% of PSCR factor.
25% Renewable power	(1-.25) x PSCR factor applicable to rate schedule customer is served under. Customer pays 75% of PSCR factor.
ERER 2	
Kilowatt-hour in excess of nominated block	PSCR factor applicable to rate schedule customer is served under.
Customer Generating System	CGS Category 1, CGS Category 2, CGS Biogas

Power Supply Cost Recovery Factors

<u>Billing Month</u>	<u>2019 Plan Year PSCR Factor \$/kWh</u>	<u>Prior Period PSCR Reconciliation Factor \$/kWh</u>	<u>Maximum 2019 PSCR Factor \$/kWh</u>	<u>Actual Factor Billed \$/kWh</u>
Jan 2019	(\$0.00313)	\$0.00000	(\$0.00313)	
Feb 2019	(\$0.00313)	\$0.00000	(\$0.00313)	
Mar 2019	(\$0.00313)	\$0.00000	(\$0.00313)	
Apr 2019	(\$0.00313)	\$0.00000	(\$0.00313)	
May 2019	(\$0.00313)	\$0.00000	(\$0.00313)	
Jun 2019	(\$0.00313)	\$0.00000	(\$0.00313)	
Jul 2019	(\$0.00313)	\$0.00000	(\$0.00313)	
Aug 2019	(\$0.00313)	\$0.00000	(\$0.00313)	
Sep 2019	(\$0.00313)	\$0.00000	(\$0.00313)	
Oct 2019	(\$0.00313)	\$0.00000	(\$0.00313)	
Nov 2019	(\$0.00313)	\$0.00000	(\$0.00313)	
Dec 2019	(\$0.00313)	\$0.00000	(\$0.00313)	

Parentheses indicate a credit factor. Should the Company apply lesser factors than those above or if the factors are later revised pursuant to commission orders or 1982 PA 304, the Company will notify the commission if necessary and file a revision of the above list.

(Continued on Sheet No. D-4.00)

Issued December 15, 2018
 T. T. Eidukas
 Vice-President,
 Milwaukee, Wisconsin

Effective for bills rendered for
 the 2019 Plan year

Issued under authority of the
 Section 6j(9) of 1982 PA304
 For self-implementing
 in Case No. U-20227

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

Wpsc Rate Zone
 Twelfth Revised Sheet No. D-100.00
 Replaces Eleventh Revised Sheet No. D-100.00

**SECTION D – Wpsc RATE ZONE
 RATE SCHEDULES**

D1. POWER SUPPLY COST RECOVERY

PSCRM

1. PSCR FACTORS

All rates for metered electric Power Supply service shall include an amount up to the Power Supply Cost Recovery Factor (the PSCR Factor) for the specified billing period as set forth below. The PSCR Factor for the period covered shall consist of an increase or decrease of .010276 mills per kwh for each full .01 mill per kwh increase or decrease in power supply costs above or below a base cost of 39.43 mills per kwh rounded to the nearest .01 mills per kwh. The projected power supply and transmission service costs per kwh shall equal the total projected net power costs in that month divided by that month's net system kwh requirements. MPSC Order dated April 23, 2015 in Case No. U-17669 established the PSCR base and loss factor effective for service on and after the beginning of the first business month following April 23, 2015, on a bill rendered basis.

An amount not exceeding the PSCR Factor for each month shall be placed into effect in the first billing cycle of that monthly billing period and shall continue in effect until the first billing cycle of a subsequent month for which a subsequent PSCR Factor becomes operative. This procedure shall apply to the following rate schedules:

<u>Class of Service</u>	<u>Schedule No.</u>
Residential	Rg-1M, RG-OTOUM
Commercial & Industrial	Cg-1M, Cg-3M, Cg-OTOUM, Cp-1M
Other	Mp-1M

Power Supply Cost Recovery Factors

<u>Billing Month</u>	<u>2019 Plan Year PSCR Factor \$/kWh</u>	<u>Prior Period PSCR Reconciliation Factor \$/kWh</u>	<u>Maximum 2019 PSCR Factor \$/kWh</u>	<u>Actual Factor Billed \$/kWh</u>
<i>Jan 2019</i>	<i>(\$0.00219)</i>	<i>\$0.00000</i>	<i>(\$0.00219)</i>	
<i>Feb 2019</i>	<i>(\$0.00219)</i>	<i>\$0.00000</i>	<i>(\$0.00219)</i>	
<i>Mar 2019</i>	<i>(\$0.00219)</i>	<i>\$0.00000</i>	<i>(\$0.00219)</i>	
<i>Apr 2019</i>	<i>(\$0.00219)</i>	<i>\$0.00000</i>	<i>(\$0.00219)</i>	
<i>May 2019</i>	<i>(\$0.00219)</i>	<i>\$0.00000</i>	<i>(\$0.00219)</i>	
<i>Jun 2019</i>	<i>(\$0.00219)</i>	<i>\$0.00000</i>	<i>(\$0.00219)</i>	
<i>Jul 2019</i>	<i>(\$0.00219)</i>	<i>\$0.00000</i>	<i>(\$0.00219)</i>	
<i>Aug 2019</i>	<i>(\$0.00219)</i>	<i>\$0.00000</i>	<i>(\$0.00219)</i>	
<i>Sep 2019</i>	<i>(\$0.00219)</i>	<i>\$0.00000</i>	<i>(\$0.00219)</i>	
<i>Oct 2019</i>	<i>(\$0.00219)</i>	<i>\$0.00000</i>	<i>(\$0.00219)</i>	
<i>Nov 2019</i>	<i>(\$0.00219)</i>	<i>\$0.00000</i>	<i>(\$0.00219)</i>	
<i>Dec 2019</i>	<i>(\$0.00219)</i>	<i>\$0.00000</i>	<i>(\$0.00219)</i>	

Parentheses indicate a credit factor.

(Continued on Sheet No. D-101.00)

Issued December 15, 2018
 T. T. Eidukas
 Vice-President,
 Milwaukee, Wisconsin

Effective for bills rendered for
 the 2019 Plan year

Issued under authority of the
 Section 6j(9) of 1982 PA304
 For self-implementing
 in Case No. U-20227

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

In the matter of the application of)	
UPPER MICHIGAN ENERGY RESOURCES)	
CORPORATION for approval of a power)	
supply cost recovery plan and authorization)	Case No. U-20227
of monthly power supply cost recovery factors)	
<u>for the calendar year 2019.</u>)	

MOTION OF UPPER MICHIGAN ENERGY RESOURCES CORPORATION
FOR ENTRY OF A PROTECTIVE ORDER

Upper Michigan Energy Resources Corporation (“UMERC” or “the Company”), by its attorneys, pursuant to Rule 432 of the Michigan Administrative Hearing System’s Administrative Hearing Rules, R 792.10432, and MCR 2.302(C)(8), respectfully requests entry of a Protective Order to govern the release, use, and disclosure of confidential information, in any matter or form, in this proceeding. In support of its Motion, UMERC states as follows:

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

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

2. UMERC requests a Protective Order to protect confidential information identified in its pre-filed direct case and Exhibit A-4 (JGG-4), Exhibit A-5 (JGG-5), and Exhibit A-6 (JGG-6), which identify confidential projected sales as relating to a single customer. Additional confidential information may be provided in discovery or filed in this docket. Although the Michigan Public Service Commission’s (“MPSC” or “Commission”) rules do not expressly address the issuance of protective orders, Rule 403(1) of the Michigan Administrative Hearing System’s Administrative Hearing Rules, R 792.10403, states that “[t]hese rules govern practice and procedure in all proceedings before the commission, excepts as otherwise provided by statute or these rules. In areas not addressed by these rules, the presiding officer may rely on appropriate provisions of the currently effective Michigan court rules.” MCR 2.302(C)(8) states:

“On motion by a party or by the person from whom discovery is sought, and on reasonable notice and for good cause shown, the court in which the action is pending may issue any order that justice requires to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense, including one or more of the following orders:

(8) that a trade secret or other confidential research, development, or commercial information not be disclosed or be disclosed only in a designated way;”

Also, Section 80 of the Michigan Administrative Procedures Act specifically provides that a presiding officer may “[r]egulate the course of the hearings...” MCL 24.280.

3. The appropriateness of the issuance of protective orders in Commission proceedings for documents which are confidential, proprietary, or involve trade secrets is well established. For example, protective orders have been issued in Case Nos. U-9322 and U-9611 (July 18, 1990), U-10335 (Nov. 29, 1993), U-10491 and U-10492 (July 19, 1992), U-13221 (March 20, 2002), U-14040 (May 11, 2004), U-15988 (August 3, 2009), U-16166 (July 23,

2010), U-16417 (August 5, 2011), and U-17672 (November 19, 2014), and U-18148 (November 23, 2016). In its Opinion and Order dated June 30, 1994, Case No. U-10282, the Commission discussed the standards that it applies when considering whether to issue a protective order. The Commission stated that before it will enter a protective order, the moving party must show “(1) that the information at issue is a trade secret or otherwise confidential, and (2) that disclosure would work a clearly defined and serious injury.”

4. The documentation which is identified in paragraph 2 herein, contains confidential customer information and the Company’s customer data privacy policy requires individual customer information to be shielded from public disclosure.

5. UMERC represents that the documentation identified in paragraph 2 herein is not in the public domain and in the past this Commission has treated this information as confidential.

6. The proposed Protective Order (Exhibit A hereto) is modeled after other MPSC orders which protected information. The proposed Protective Order identifies the documentation in paragraph 2 as “Protected Material” and provides that any document filed with the Commission that contains Protected Material shall be placed in a sealed envelope with a copy of the Protective Order attached and maintained in the Commission’s files. The proposed Order also provides that materials which UMERC contends are confidential will be marked as “Protected Material.” The proposed Order prohibits distribution or dissemination of the protected documentation by MPSC Staff (“Staff”) or any properly admitted party except according to the terms of the Protective Order. Further, the proposed Order dictates the use of the documentation in the discovery and litigation phases of this case, and requires that UMERC be given notice of any Freedom of Information Act request filed with the Commission (or Attorney General’s (“AG”) office) seeking access to the documents. Such notice must be given

at least five (5) business days prior to the MPSC, Staff or AG, responding to the request so as to provide UMERC with an opportunity to take whatever legal actions it deems appropriate to protect the documents from disclosure.

7. The proposed Protective Order will not hinder the Commission's, the Administrative Law Judge's, Staff's or any properly admitted party's review of the Application, testimony and exhibits in MPSC Case No. U-20227, because all will continue to have full access to the confidential information.

WHEREFORE, for the reasons states herein, UMERC respectfully requests the Commission to grant this Motion and enter the proposed Protective Order, attached as Exhibit A.

Respectfully submitted,

UPPER MICHIGAN ENERGY RESOURCES
CORPORATION

Dated: September 27, 2018

By: _____
Its Attorney
Sherri A. Wellman (P38989)
MILLER, CANFIELD, PADDOCK and STONE, P.L.C.
One Michigan Avenue, Suite 900
Lansing, Michigan 48933
(517) 487-2070

Attorney for Upper Michigan Energy Resources Corporation

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
UPPER MICHIGAN ENERGY RESOURCES)
CORPORATION for approval of a power)
supply cost recovery plan and authorization) Case No. U-20227
of monthly power supply cost recovery factors)
for the calendar year 2019.)

PROTECTIVE ORDER

This Protective Order governs the use and disposition of Protected Material (as defined herein) disclosed by Upper Michigan Energy Resources Corporation (“UMERC”) or any other Party (as defined below) in this case, as set forth herein. The intent of this Protective Order is to protect non-public confidential information and materials, which information and materials contain confidential, proprietary, or commercially sensitive information, and confidential customer information, including confidential information provided in discovery, and any witness’s related testimony and exhibits and arguments of counsel referring to such confidential information (“Protected Material”). This Protective Order describes the manner in which Protected Material is to be identified and treated, and governs its ultimate disposition. Accordingly, IT IS HEREBY ORDERED:

1. This Protective Order shall govern the use of all Protected Material, so identified in paragraph 2 and marked as required by Paragraph 11, that is filed in this case on a confidential basis and/or made available for review, or produced, by or on behalf of any Party to any Party, Reviewing Representative, the Administrative Law Judge (“ALJ”) assigned to this case, or members of the Michigan Public Service Commission (“MPSC”) assigned to assist the MPSC in

Case No. U-20227. Protected Material shall be used and disclosed by the recipient thereof solely in accordance with the terms and conditions of this Protective Order.

2. This Protective Order protects: (1) the Protected Material; (2) any copy or reproduction of the Protected Material made by any person; and (3) any memoranda, handwritten notes, or any other form of information that copies, contains or discloses Protected Material. This Protective Order protects not only the documents described in the preceding paragraph herein, but also protects from disclosure the information contained therein in any form including, but not limited to, affidavits, testimony, exhibits, workpapers, studies, discovery inquiries and responses, and all other data and documentation to the extent provided to the parties or filed with the MPSC in connection with these proceedings.

3. The information subject to this Protective Order does not include:

- a. Information lawfully known by the Party or Reviewing Representative at the time of disclosure that is not subject to a confidentiality agreement or arrangement; and
- b. Information that is or becomes available to the general public through no fault of a Party or Reviewing Representative.

4. “Party” shall mean any party to this proceeding, including the Staff and Attorney General, who produces, requests or receives access to the Protected Material, subject to the requirement that each Reviewing Representative must sign a Nondisclosure Certificate.

5. “Reviewing Representative” shall mean a person who has signed a Nondisclosure Certificate and who is:

- a. an attorney who has entered an appearance in this proceeding for a Party;

- b. an attorney, paralegal, or other employee associated for purposes of this case with an attorney described in Paragraph 5a;
- c. an expert or employee of an expert retained by a Party for purposes of advising, preparing for, or testifying in this proceeding; or
- d. an employee or other representative of a Party with significant responsibility for this docket.

A Reviewing Representative is responsible for assuring that persons under his or her supervision and control comply with this Protective Order.

6. “Nondisclosure Certificate” shall mean a certificate substantially in the form of the certificate attached to this Protective Order by which a Reviewing Representative who has been granted access to Protected Material certifies his or her understanding that such access is provided pursuant to the terms of this Protective Order and that he or she agrees to be bound by it.

7. A Party may authorize access to and use of Protected Material by a Reviewing Representative identified by the Party as being necessary in order to analyze the Protected Material, including consultants employed by the Party, but only for the purposes of analyzing the issues, presenting evidence, and preparing testimony, cross-examination, argument, pleadings, briefs, exceptions or other motions or filings in Case No. U-20227. Such persons may not release or disclose the content of Protected Material to any other person or use such information for any other purpose.

8. All persons authorized to review Protected Material, including copies or reproductions, and copies of notes of Protected Material, must, before reviewing any Protected Material, sign a copy of the Nondisclosure Certificate, which evidences an agreement by such

person to be bound by the terms of this Protective Order. A copy of the executed Nondisclosure Certificate shall be provided to all Parties.

9. Protected Material shall remain the property of the producing Party and shall only remain available to the Party until no later than the conclusion of any appeal of any final order issued in this Case No. U-20227. A Party in Case No. U-20227 who has signed a Nondisclosure Certificate and who is participating in an appeal from a final order in this Case No. U-20227 may retain copies of Protected Material until the date the final order in this Case No. U-20227 is no longer subject to judicial review. On or before the date specified by the preceding sentence, with the exception of the provision made in the second to the last sentence of this paragraph, the Party shall return all Protected Material in its possession or in the possession of its Reviewing Representatives, including all copies thereof and notes of Protected Material or certify in writing that the Protected Material has been destroyed. The Party shall submit to the producing Party written certification stating that all Protected Material and all copies thereof and all notes of Protected Material in its possession, care, custody or control have been returned or destroyed. Notwithstanding, the attorney for a Party may retain copies of non-public pleadings, orders, transcripts, briefs, comment, and exhibits, which contain Protected Material in Case No. U-20227; provided, a list of retained documents, which identifies the documents containing the Protected Materials, is given to the producing Party within 30 days from the date on which the final order in Case No. U-20227 is no longer subject to judicial review. To the extent Protected Material is not returned by a Party or destroyed pursuant to this Protective Order, it shall remain subject to this Protective Order.

10. The Parties to Case No. U-20227 retain the right to seek further restrictions on the dissemination of Protected Material to Parties or to persons who have or may subsequently seek to intervene in this proceeding.

11. Protected Material made available by the producing Party shall be clearly marked as Protected Material subject to this Protective Order, including by labeling such items as “Confidential.” Any copies of Protected Material shall be physically designated as Protected Material by the Party or the person authorized by the Party to make the copy. Notes of Protected Material shall be physically marked as Protected Material by the person making the notes. All Protected Material in the possession of the Party shall be maintained in a secure place. Access to Protected Material shall be limited to persons authorized to have such access subject to the provisions of this Protective Order.

12. Even if no longer engaged or active in this proceeding, every person who has signed a Nondisclosure Certificate shall continue to be bound by the provisions of this Protective Order. The obligations under this Protective Order shall not be extinguished or nullified by entry of a final order in this case and shall be enforceable before the MPSC or in a court of competent jurisdiction.

13. If a Party with access to Protected Material desires to incorporate, utilize, refer to, or otherwise use Protected Material in pre-filed testimony, pleadings, direct or cross-examination, briefs, oral argument, comments or in some other form in this proceeding, such Party shall only do so pursuant to procedures that will maintain the confidentiality of the Protected Material. For purposes of this order, the following procedures are established:

- a. Written submissions using Protected Material shall be filed in a sealed record, to be maintained by the Docket Section of the MPSC in envelopes

clearly marked on the outside, “CONFIDENTIAL – SUBJECT TO PROTECTIVE ORDER ISSUED IN CASE NO. U-20227.”

Simultaneously, identical documents and materials, but with the Protected Material redacted, shall be filed, offered, introduced, or otherwise disclosed in the usual manner for the submissions of evidence or briefs.

- b. Furthermore, with regard to proceedings before the MPSC or presiding officers designated by it, oral testimony, examination of witnesses, or argument on the Protected Material shall be conducted on a separate record to be maintained by the Docket Section of the MPSC. These separate record proceedings shall be closed to all persons except those furnishing the Protected Material and Parties otherwise subject to this Protective Order. The Party presenting the information during the course of the proceeding shall advise the presiding officer receiving testimony of the terms of this Protective Order on sufficient notice to allow the presiding officer an opportunity to take measures within the presiding officer’s control to protect the confidentiality of the Protected Material, and suggest that a separate, protected record be made of all testimony concerning the protected information.
- c. Copies of documents filed with the MPSC that contain Protected Material, including the portions of the exhibits, transcripts, and brief that refer to Protected Material, must be sealed and maintained in the MPSC’s files with a copy of the Protective Order attached.

14. It is intended that the Protected Material subject to this Protective Order should be shielded from disclosure by the Party to the extent permitted by law. If any person files a Freedom of Information Act Request seeking access to documents subject to this Protective Order, the MPSC's Executive Secretary shall immediately notify the producing Party, and the producing Party may take whatever legal actions it deems appropriate to protect the Protected Material from disclosure. In accordance with Section 5 of the Freedom of Information Act, MCL 15.235, the notice must be given at least five (5) business days prior to the MPSC, its Staff, and/or Attorney General responding to the request. This Protective Order does not prohibit disclosure to the extent, but only to the extent, and for the purpose, but only for the purpose, that such disclosure is: (i) required by law; or (ii) in response to a valid order of a court of competent jurisdiction or governmental body; provided that in all instances above, the Party first provides reasonable written advance (at least five (5) business days prior) notice to the producing Party of the proposed disclosure.

15. The provisions of this Protective Order shall not apply to a particular document or portion of a document described in Paragraph 2 if a Party can demonstrate that it has been previously disclosed on a non-confidential basis or meets the criteria set forth in Paragraph 3a or 3b. Before disclosing a particular document or portion of a document described in Paragraph 2, however, the Party must first provide reasonable notice to the producing Party of its conclusion that the document or portion of a document is not subject to this Protective Order because of prior disclosure. The provisions of this Protective Order shall terminate as to the Protected Material described in Paragraph 2 to the extent that the content of such Protected Material are filed with a state, provincial or federal agency and are not subject to protection from public disclosure, or are otherwise lawfully disclosed.

16. If a Party violates this Order by an improper disclosure or use of Protected Material, then that Party shall take all necessary steps to remedy the improper disclosure or use. This includes immediately notifying the MPSC, the presiding officer, and the producing Party, in writing, of the identity of each person known or reasonably suspected to have obtained the Protected Material. Parties that violate this Protective Order remain subject to this paragraph regardless of whether the producing Party could have discovered the violation earlier than it was discovered. This paragraph of this Protective Order applies to both inadvertent and intentional violations. Nothing in this Protective Order limits the producing Party's rights and remedies, at law or in equity, against Parties or persons using Protected Material in a manner not authorized by this Protective Order, including the right to obtain injunctive relief to prevent violations of this Protective Order.

17. Upon motion filed by any Party to Case No. U-20227, the MPSC or any presiding officer designated by it may subsequently declare that the protected status of Protected Material should not be continued and immediately communicate that declaration to the producing Party. Thereafter, this Protective Order shall cease to apply to such Protected Material unless, within twenty-one (21) days, the producing Party files a pleading asserting that the information should continue to be protected and setting forth the basis for that assertion. The producing Party shall bear the burden of proving that the asserted Protected Material is entitled to continuing protection from disclosure. If the MPSC or presiding officer finds that an asserted Protected Material no longer qualifies for treatment as Protected Material, it shall remain subject to the protection afforded by this Protective Order for twenty-one (21) days following the issuance of the MPSC's order or the presiding officer's ruling.

18. The obligations of this Protective Order shall not apply if the Protected Material is approved for release by written authorization of the producing Party, but only to the extent of such authorization.

19. The ALJ and members of the MPSC assigned to assist the MPSC in Case No. U-20227 may review Protected Materials that are a part of confidential pleadings, and Protected Materials that are admitted into the record, for purposes of analyzing the issues, issuing rulings, preparing the proposal for decision, and issuing MPSC orders. Such persons may not release or disclose the Protected Material inconsistent with the terms and conditions of this Protective Order.

Dated: _____, 2018

Administrative Law Judge

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
UPPER MICHIGAN ENERGY RESOURCES)
CORPORATION for approval of a power)
supply cost recovery plan and authorization) Case No. U-20227
of monthly power supply cost recovery factors)
for the calendar year 2019.)

NONDISCLOSURE CERTIFICATE

I hereby certify my understanding that access to Protected Material is provided to me pursuant to the terms and restrictions of the Protective Order issued in Case No. U-20227, that I have been given a copy of and have read the Protective Order, and that I agree to be bound by the terms of the Protective Order. I am aware that the Joint Applicants and any other producing Party assert that Protected Material, as defined in the Protective Order, includes information that is confidential, proprietary, and commercially sensitive. I understand that the substance of the Protected Material, any notes or other memoranda, or any other form of information that copies or discloses Protected Material, shall be maintained as confidential, shall not be disclosed to anyone other than in accordance with that Protective Order, and shall not be used for any purpose other than in connection with Michigan Public Service Commission Case No. U-20227.

Reviewing Representative

Date: _____

Title:
Representing:

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

In the matter of the application of)	
UPPER MICHIGAN ENERGY RESOURCES)	
CORPORATION for approval of a power)	
supply cost recovery plan and authorization)	Case No. U-20227
of monthly power supply cost recovery factors)	
<u>for the calendar year 2019.</u>)	

NOTICE OF HEARING ON MOTION

PLEASE TAKE NOTICE that the scheduling of an initial hearing on the Motion of Upper Michigan Energy Resources Corporation for Entry of a Protective Order will be taken up with the assigned Administrative Law Judge at the prehearing conference in this matter at the Michigan Public Service Commission, 7109 West Saginaw Highway, Lansing, Michigan.

Respectfully submitted,

UPPER MICHIGAN ENERGY RESOURCES
CORPORATION

Dated: September 27, 2018

By: _____
 Its Attorney
 Sherri A. Wellman (P38989)
 MILLER, CANFIELD, PADDOCK and STONE, P.L.C.
 One Michigan Avenue, Suite 900
 Lansing, Michigan 48933
 (517) 483-4954

Attorney for Upper Michigan Energy Resources Corporation

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 _____

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

Signature: _____

Save Form