

Founded in 1852
by Sidney Davy Miller

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October 1, 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
Tax Reform Calculation C
Case No. U-20314

Dear Ms. Kale:

Pursuant to the Commission's orders issued in Case Nos. U-18494 and U-20110 Upper Michigan Energy Resources Corporation hereby files the enclosed Application, and Direct Testimony and Exhibits of Ricki J. Moras, Eric Nicolaus, Diane J. Mier, and Eric A. Rogers to address the "Calculation C" effects of the federal Tax Cuts and Jobs Act of 2017.

Also enclosed are the Appearances of Sherri A. Wellman and Paul M. Collins and the Proof of Service.

Should you have any questions, please kindly advise.

Very truly yours,

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

By: _____
Sherri A. Wellman

SAW/kf
Enclosures

cc: Intervenors in Case No. U-17880 and U-20110
Robert Gavin
Theodore Eidukas
Dennis Derricks
Mary Wolter
Richard Stasik
Vickie Nugent
Amy Winkler

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter on the Commission’s own motion,)
to consider changes in the rates of all the)
Michigan rate-regulated electric, steam and)
natural gas utilities to reflect the effects of the)
federal Tax Cuts and Jobs Act of 2017)
Cuts and Jobs Act of 2017: **UPPER MICHIGAN**)
ENERGY RESOURCES CORPORATION)
files an application for determination of)
Calculation C as described in orders U-18494)
and U-20110.)

Case No. U-20314

APPLICATION

Upper Michigan Energy Resources Corporation (“UMERC” or the “Company”), as directed in the February 22, 2018 Order of the Michigan Public Service Commission (“MPSC” or the “Commission”) issued in Case No. U-18494 (“February 22 Order”) and the May 30, 2018 Order issued in Case No. U-20110, hereby files its application for Calculation C to address the outstanding impacts of federal corporate tax reduction arising from the Tax Cuts and Jobs Act of 2017 (“TCJA”). In support of this Application, UMERC respectfully represents to the 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. Pursuant to a Settlement Agreement approved by the Commission in Case No. U-18061 (“U-18061 Settlement Agreement”), UMERC provides retail electric service to the former Michigan electric customers of Wisconsin Electric Power Company (“WEPCo”) in service areas located in Alger, Baraga, Delta, Dickinson, Gogebic, Houghton,

Iron, Marquette, Menominee, and Ontonagon Counties (“WEPCo Rate Zone”), and to the former Michigan electric and natural gas customers of Wisconsin Public Service Corporation (“WPS Corp”) in a service area located in Menominee County, Michigan (“WPSC Rate Zone”).

2. In Case No. U-18061 UMERC was authorized to adopt the then existing rates and tariffs of WEPCo for its WEPCo Rate Zone, and the then existing rates and tariffs of WPS Corp for its WPSC Rate Zone. WEPCo’s last general electric rate case was in Case No. U-16830, with a final order issued by the Commission on June 26, 2012. WPS Corp’s last general electric rate case was in Case No. U-17669, with a final order issued by the Commission on April 23, 2015, and its last general gas rate case was in Case No. U-7502, with a final order issued by the Commission on June 7, 1983 (these rates were subsequently reduced in Case No. U-8694 on June 9, 1987, as a result of the Tax Reform Act of 1986.)

3. As relevant to this application, in the Commission’s February 22 Order, UMERC was directed to file an application, with supporting testimony and exhibits to address Calculation C, to capture all remaining impacts of the tax law change, including excess deferred taxes, bonus depreciation, and any other impacts not captured through Credits A and B.

4. Consistent with the Commission’s directives made in Case Nos. U-18494 and U-20114, UMERC is filing herewith the supporting testimony and exhibits for purposes of addressing Calculation C and recommending credit amounts associated with Calculation C. UMERC is further proposing a true-up mechanism which will allow the Company beginning with the 2020 calendar year and annually thereafter to file an application in Case No. U-20314 by March 31 to address prior period volumetric differences, as well as changes in the amortization of excess deferred taxes due to the Average Rate Assumption Method. The true-up will also allow for the roll-in of any over or under credit balances from the prior calendar year in the proposed new Calculation C credits.

5. As reflected in its supporting testimony and exhibits, UMERC proposes to reflect credits beginning January 1, 2019.

6. UMERC represents that the proposed credits, as supported by its testimony and exhibits, are just, reasonable, in the public interest, and provide for its electric and gas customers to enjoy the benefits of the tax reduction on an equitably, timely basis.

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

- A. Approve this Application;
- B. Find and determine that UMERC's proposed credits as supported by its testimony and exhibits are reasonable and prudent;
- C. Authorize UMERC to file and make effective its proposed Calculation C credits effective January 1, 2019;
- D. Approve UMERC's proposed true-up mechanism as described herein and in its supporting testimony; and
- E. Grant UMERC such other and further relief and authorizations as shall be lawful and proper.

Respectfully submitted,

UPPER MICHIGAN ENERGY RESOURCES
CORPORATION

Dated: October 1, 2018

By: _____

One of its Attorneys
Sherri A. Wellman (P38989)
Paul M. Collins (P69719)
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Lansing, MI 48933
(517) 487-2070

Attorneys for Upper Michigan Energy Resources Corporation

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter on the Commission's own)
motion, to consider changes in the rates)
of all the Michigan rate-regulated)
electric, steam and natural gas utilities) Case No. U-20314
to reflect the effects of the federal Tax)
Cuts and Jobs Act of 2017:)
UPPER MICHIGAN ENERGY RESOURCES)
CORPORATION files an application for)
determination of Calculation C as described in)
order Nos. U-18494 and U-20110.)

DIRECT TESTIMONY AND EXHIBITS OF

RICKI J. MORAS

ON BEHALF OF

UPPER MICHIGAN ENERGY RESOURCES CORPORATION

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

2 A. My name is Ricki J. Moras and my business address is 700 North Adams Street,
3 Green Bay, Wisconsin 54307.

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

5 A. I am employed by WEC Energy Group, Inc. ("WEC") as Financial Manager Regulatory,
6 and as such, provide regulatory financial support to Upper Michigan Energy Resources
7 Corporation ("UMERC") which is a wholly owned subsidiary of WEC.

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

9 A. I graduated from Michigan Technological University in 1977 with a Bachelor of Science
10 degree in Accounting. My professional designations are Certified Public Accountant and
11 Certified Internal Auditor. I have been employed by Wisconsin Public Service Corporation
12 ("WPS Corp"), Integrys, or WEC since 1980, and have held various positions in the
13 Accounting and Finance organization over that time.

14 **Q. Have you testified before a regulatory agency?**

15 A. Yes. I have previously submitted testimony and exhibits with the Michigan Public
16 Service Commission ("MPSC" or the "Commission") in Case Nos. U-17669 and Case U-
17 20110. I have also testified before the Public Service Commission of Wisconsin
18 ("PSCW") in many WPS Corp rate cases.

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

20 A. I am testifying on behalf of UMEREC.

21 **Q. Please describe UMEREC.**

22 A. UMEREC is a Michigan jurisdictional regulated utility authorized to serve the former
23 Michigan electric customers of Wisconsin Electric Power Company ("WEPCO") and

1 WPS Corp and the former Michigan natural gas customers of WPS Corp. Michigan
2 approvals for UMERC to provide retail electric and natural gas service in the state of
3 Michigan were granted by the Commission in its December 9, 2016 Order in Case No. U-
4 18061. The approvals granted in Case No. U-18061 as relating to the providing of
5 electric service included, but were not limited to, (i) the transfer of the electric
6 distribution assets of WEPCO and WPS Corp used for providing retail electric service in
7 Michigan, (ii) (at least initially, with the exception of the Tilden Mining Company, L.C.
8 and Empire Iron Mining Partnership (collectively the “Mines”)) the transfer of WEPCO’s
9 and WPS Corp’s Michigan retail tariff electric customers to UMERC, (iii) the assumption
10 of WEPCO’s and WPS Corp’s power supply cost recovery (“PSCR”) clauses, and (iv)
11 the authority to provide electric service under the current rates, terms and conditions of
12 service set forth in WEPCO’s and WPS Corp’s Michigan electric tariff books.

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

14 A. With the completion of UMERC’s Credit A and Credit B filings, I have calculated the
15 2018 and 2019 annual revenue requirement impact of the Tax Cuts and Jobs Act of 2017,
16 to address all remaining aspects of the tax reduction on UMERC’s rates, referred to as
17 “Calculation C” in the Commission’s February 22 Order issued in Case No. U-18494
18 (“February 22 Order”).

19 **Q. Please describe your exhibits?**

20 A. I am sponsoring Exhibits A-1(RJM-1) which reflects Calculation C Electric and A-2
21 (RJM-2) which reflects Calculation C Gas. The exhibit includes the 2018 deferral of the
22 revenue requirement as a result of the change in the deferred tax liability balances, the

1 amortization of the revenue requirement of the excess deferred taxes, and an interest
2 calculation on the deferral balance for 2018 through 2018.

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

4 A. Yes.

5 **Q. What are the 2019 revenue requirement effects for 2018 deferral for UMERC?**

6 A. As shown in my exhibits, the impact of the change in the excess deferred taxes as a result
7 of the TCJA on UMERC's electric rates is \$225,412 and gas rates is \$15,114, excluding
8 interest for 2019.

9 **Q. What are the revenue requirement effects for 2019 for UMERC?**

10 A. The revenue requirements for 2019 are based on the estimates for 2018. Therefore the
11 2019 electric revenue requirement for UMERC is \$223,651, which is the net revenue
12 requirement change of the 2018 amortization of \$229,075 and the change in the deferred
13 tax liability of \$5,424 as shown on Exhibit A-1 (RJM-1) Electric for 2018. The 2019 gas
14 revenue requirement for UMERC is \$14,976, which is the net revenue requirement
15 change of the 2018 amortizations of \$15,339 and the change in the deferred tax liability
16 of \$363 as shown on Exhibit A-2 (RJM-2) Gas for 2018. There is no interest calculated
17 for the 2019 estimates as there is no deferral since the company's assumption is to give
18 back the 2019 excess deferred tax amortization in 2019.

19 **Q. Are the amortizations related to 2018 and 2019 final?**

20 A. No. The 2018 and 2019 amortizations were based on estimates. Please see witness Eric
21 Nicolaus' testimony in regards to annual adjustments.

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

23 A. Yes.

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
2018												
Tax Rate		25.740%										
	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
1												
2												
3	Deferral											
4	Before tax cost of capital:											
5	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-	-	-	-	-
7	Deferred tax liability balance change	13,014	24,936	35,653	45,208	53,558	60,745	66,727	71,504	75,119	77,529	78,776
8	CAPITAL REQUIREMENTS	13,014	24,936	35,653	45,208	53,558	60,745	66,727	71,504	75,119	77,529	78,776
9												
10	Revenue Requirement Annual Rate	9.55%	9.55%	9.55%	9.55%	9.55%	9.55%	9.55%	9.55%	9.55%	9.55%	9.55%
11	Revenue Requirement on Capital	-	-	104	198	284	360	426	483	531	569	598
12												
13	O&M & Other Income Statement											
14	Amortization	(19,090)	(19,090)	(19,090)	(19,090)	(19,090)	(19,090)	(19,090)	(19,090)	(19,090)	(19,090)	(19,090)
15	-	-	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-	-	-
17	Corporate Rev Req of ownership w/o fuel	(19,090)	(18,986)	(18,891)	(18,806)	(18,730)	(18,663)	(18,606)	(18,559)	(18,521)	(18,492)	(18,473)
18	Cumulative	(19,090)	(38,076)	(56,967)	(75,773)	(94,502)	(113,166)	(131,772)	(150,330)	(168,851)	(187,343)	(205,815)
19												
20	MI Carry Cost Calculation:											
21	Beginning Balance	-	(14,176)	(28,275)	(42,317)	(56,313)	(70,270)	(84,193)	(98,094)	(111,977)	(125,849)	(139,717)
22	MI Deferral Rev Req	(19,090)	(18,986)	(18,891)	(18,806)	(18,730)	(18,663)	(18,606)	(18,559)	(18,521)	(18,492)	(18,473)
23	Carry Cost (Previous Month)	-	-	(18)	(42)	(65)	(85)	(113)	(137)	(160)	(183)	(206)
24	Tax Cash Inflow	4,914	4,887	4,867	4,851	4,838	4,826	4,818	4,812	4,808	4,807	4,808
25	Ending Balance Before CM Carry Cost	(14,176)	(28,275)	(42,317)	(56,313)	(70,270)	(84,193)	(98,094)	(111,977)	(125,849)	(139,717)	(153,587)
26												
27	Carry Costs Annual Rate	1.50%	1.54%	1.78%	1.83%	1.82%	1.93%	1.95%	1.96%	1.96%	1.96%	1.96%
28	Carry Cost	-	(18)	(42)	(65)	(85)	(113)	(137)	(160)	(183)	(206)	(228)
29	Cumulative Carry Cost	-	(18)	(60)	(125)	(210)	(323)	(460)	(620)	(803)	(1,009)	(1,237)
30												
31	MI Deferral:											
32	Beginning Balance	-	(19,090)	(38,094)	(57,027)	(75,897)	(94,712)	(113,489)	(132,232)	(150,951)	(169,654)	(188,351)
33	Net Deferral Rev Req	(19,090)	(18,986)	(18,891)	(18,806)	(18,730)	(18,663)	(18,606)	(18,559)	(18,521)	(18,492)	(18,473)
34	Carry Cost	-	(18)	(42)	(65)	(85)	(113)	(137)	(160)	(183)	(206)	(228)
35	Ending Balance	(19,090)	(38,094)	(57,027)	(75,897)	(94,712)	(113,489)	(132,232)	(150,951)	(169,654)	(188,351)	(207,052)

2018

	(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
	Dec-18			Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19
Deferral													
<u>Before tax cost of capital:</u>													
	-			-	-	-	-	-	-	-	-	-	-
	-			-	-	-	-	-	-	-	-	-	-
Deferred tax liability balance change	78,819			-	-	-	-	-	-	-	-	-	-
CAPITAL REQUIREMENTS	78,819			-	-	-	-	-	-	-	-	-	-
Revenue Requirement Annual Rate	9.55%			9.55%	9.55%	9.55%	9.55%	9.55%	9.55%	9.55%	9.55%	9.55%	9.55%
Revenue Requirement on Capital	627	4,797		627	-	-	-	-	-	-	-	-	-
<u>O&M & Other Income Statement</u>													
Amortization	(19,090)	(229,075)		-	-	-	-	-	-	-	-	-	-
	-	0		-	-	-	-	-	-	-	-	-	-
	-	-		-	-	-	-	-	-	-	-	-	-
Corporate Rev Req of ownership w/o fuel	(18,463)	(224,278)		627	-	-	-	-	-	-	-	-	-
Cumulative	(224,278)			(225,138)	(225,138)	(225,138)	(225,138)	(225,138)	(225,138)	(225,138)	(225,138)	(225,138)	(225,138)
MI Carry Cost Calculation:													
Beginning Balance	(153,587)			(167,467)	-	-	-	-	-	-	-	-	-
MI Deferral Rev Req	(18,463)	(224,278)		627	-	-	-	-	-	-	-	-	-
Carry Cost (Previous Month)	(228)	(1,237)		(251)	-	-	-	-	-	-	-	-	-
Tax Cash Inflow	4,811			(97)	-	-	-	-	-	-	-	-	-
Ending Balance Before CM Carry Cost	(167,467)			(167,188)	-	-	-	-	-	-	-	-	-
Carry Costs Annual Rate	1.96%			1.96%	1.96%	1.96%	1.96%	1.96%	1.96%	1.96%	1.96%	1.96%	1.96%
Carry Cost	(251)	(1,488)		(274)	-	-	-	-	-	-	-	-	-
Cumulative Carry Cost	(1,488)			(1,761)	(1,761)	(1,761)	(1,761)	(1,761)	(1,761)	(1,761)	(1,761)	(1,761)	(1,761)
MI Deferral:													
Beginning Balance	(207,052)			(225,766)	(225,412)	(225,412)	(225,412)	(225,412)	(225,412)	(225,412)	(225,412)	(225,412)	(225,412)
Net Deferral Rev Req	(18,463)	(224,278)		627	-	-	-	-	-	-	-	-	-
Carry Cost	(251)	(1,488)		(274)	-	-	-	-	-	-	-	-	-
Ending Balance	(225,766)			(225,412)	(225,412)	(225,412)	(225,412)	(225,412)	(225,412)	(225,412)	(225,412)	(225,412)	(225,412)

(z) (aa) (ab)

2018

Nov-19 Dec-19

Deferral

Before tax cost of capital:

	-	-	
	-	-	
Deferred tax liability balance change	-	-	
CAPITAL REQUIREMENTS	-	-	
	-	-	
Revenue Requirement Annual Rate	9.55%	9.55%	
Revenue Requirement on Capital	-	-	5,424

O&M & Other Income Statement

Amortization			(229,075)
	-	-	0
	-	-	-
Corporate Rev Req of ownership w/o fuel	-	-	(223,651)
Cumulative	(225,138)	(225,138)	

MI Carry Cost Calculation:

Beginning Balance	-	-	
MI Deferral Rev Req	-	-	
Carry Cost (Previous Month)	-	-	
Tax Cash Inflow	-	-	
Ending Balance Before CM Carry Cost	-	-	
	-	-	
Carry Costs Annual Rate	1.96%	1.96%	
Carry Cost	-	-	(1,761)
Cumulative Carry Cost	(1,761)	(1,761)	

MI Deferral:

Beginning Balance	(225,412)	(225,412)	
Net Deferral Rev Req	-	-	(223,651)
Carry Cost	-	-	(1,761)
Ending Balance	(225,412)	(225,412)	(225,412)

(a) (b) (c) (d) (e) (f) (g) (h) (i) (j)

2018	Tax Rate	25.740%									
	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	
1											
2											
3	Deferral										
4	<u>Before tax cost of capital:</u>										
5	-	-	-	-	-	-	-	-	-	-	
6	-	-	-	-	-	-	-	-	-	-	
7	Deferred tax liability balance change	871	1,669	2,386	3,026	3,585	4,066	4,466	4,786	5,028	
8	CAPITAL REQUIREMENTS	871	1,669	2,386	3,026	3,585	4,066	4,466	4,786	5,028	
9											
10	Revenue Requirement Annual Rate	9.55%	9.55%	9.55%	9.55%	9.55%	9.55%	9.55%	9.55%	9.55%	
11	Revenue Requirement on Capital	-	7	13	19	24	29	32	36	38	
12											
13	<u>O&M & Other Income Statement</u>										
14	Amortization	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	(1,278)	
15	-	-	-	-	-	-	-	-	-	-	
16	-	-	-	-	-	-	-	-	-	-	
17	Corporate Rev Req of ownership w/o fuel	(1,278)	(1,271)	(1,265)	(1,259)	(1,254)	(1,250)	(1,246)	(1,243)	(1,240)	
18	Cumulative	(1,278)	(2,550)	(3,815)	(5,074)	(6,328)	(7,578)	(8,824)	(10,066)	(11,306)	
19											
20	<u>MI Carry Cost Calculation:</u>										
21	Beginning Balance	-	(949)	(1,893)	(2,834)	(3,771)	(4,707)	(5,640)	(6,571)	(7,503)	
22	MI Deferral Rev Req	(1,278)	(1,271)	(1,265)	(1,259)	(1,254)	(1,250)	(1,246)	(1,243)	(1,240)	
23	Carry Cost (Previous Month)	-	-	(1)	(3)	(5)	(7)	(9)	(11)	(13)	
24	Tax Cash Inflow	329	327	326	325	324	323	323	323	322	
25	Ending Balance Before CM Carry Cost	(949)	(1,893)	(2,834)	(3,771)	(4,707)	(5,640)	(6,571)	(7,503)	(8,433)	
26											
27	Carry Costs Annual Rate	1.78%	1.74%	1.99%	2.28%	2.23%	2.24%	2.35%	2.28%	2.28%	
28	Carry Cost	-	(1)	(3)	(5)	(7)	(9)	(11)	(13)	(14)	
29	Cumulative Carry Cost	-	(1)	(5)	(10)	(17)	(26)	(37)	(49)	(64)	
30											
31	<u>MI Deferral:</u>										
32	Beginning Balance	-	(1,278)	(2,551)	(3,819)	(5,084)	(6,345)	(7,603)	(8,860)	(10,116)	
33	Net Deferral Rev Req	(1,278)	(1,271)	(1,265)	(1,259)	(1,254)	(1,250)	(1,246)	(1,243)	(1,240)	
34	Carry Cost	-	(1)	(3)	(5)	(7)	(9)	(11)	(13)	(14)	
35	Ending Balance	(1,278)	(2,551)	(3,819)	(5,084)	(6,345)	(7,603)	(8,860)	(10,116)	(11,370)	

(k) (l) (m) (n) (o) (p) (q) (r) (s) (t)

2018

	Oct-18	Nov-18	Dec-18		Jan-19	Feb-19	Mar-19	Apr-19	May-19
Deferral									
<u>Before tax cost of capital:</u>									
	-	-	-		-	-	-	-	-
Deferred tax liability balance change	5,189	5,273	5,276		-	-	-	-	-
CAPITAL REQUIREMENTS	5,189	5,273	5,276		-	-	-	-	-
Revenue Requirement Annual Rate	9.55%	9.55%	9.55%		9.55%	9.55%	9.55%	9.55%	9.55%
Revenue Requirement on Capital	40	41	42	321	42	-	-	-	-
<u>O&M & Other Income Statement</u>									
Amortization	(1,278)	(1,278)	(1,278)	(15,339)	-	-	-	-	-
	-	-	-	0	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Corporate Rev Req of ownership w/o fuel	(1,238)	(1,237)	(1,236)	(15,018)	42	-	-	-	-
Cumulative	(12,545)	(13,782)	(15,018)		(15,093)	(15,093)	(15,093)	(15,093)	(15,093)
<u>MI Carry Cost Calculation:</u>									
Beginning Balance	(8,433)	(9,363)	(10,293)		(11,225)	-	-	-	-
MI Deferral Rev Req	(1,238)	(1,237)	(1,236)	(15,018)	42	-	-	-	-
Carry Cost (Previous Month)	(14)	(16)	(18)	(97)	(20)	-	-	-	-
Tax Cash Inflow	322	323	323		(6)	-	-	-	-
Ending Balance Before CM Carry Cost	(9,363)	(10,293)	(11,225)		(11,208)	-	-	-	-
Carry Costs Annual Rate	2.28%	2.28%	2.28%		2.28%	2.28%	2.28%	2.28%	2.28%
Carry Cost	(16)	(18)	(20)	(117)	(21)	-	-	-	-
Cumulative Carry Cost	(80)	(97)	(117)		(138)	(138)	(138)	(138)	(138)
<u>MI Deferral:</u>									
Beginning Balance	(11,370)	(12,624)	(13,879)		(15,135)	(15,114)	(15,114)	(15,114)	(15,114)
Net Deferral Rev Req	(1,238)	(1,237)	(1,236)	(15,018)	42	-	-	-	-
Carry Cost	(16)	(18)	(20)	(117)	(21)	-	-	-	-
Ending Balance	(12,624)	(13,879)	(15,135)		(15,114)	(15,114)	(15,114)	(15,114)	(15,114)

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter on the Commission's own motion,)
to consider changes in the rates of all the Michigan)
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to reflect the effects of the federal Tax Cuts and Jobs) Case Nos. U-20314
Act of 2017: **UPPER MICHIGAN ENERGY**)
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order Nos. U-18494 and U-20110.)

DIRECT TESTIMONY OF

ERIC NICOLAUS

ON BEHALF OF

UPPER MICHIGAN ENERGY RESOURCES CORPORATION

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

2 A. My name is Eric Nicolaus. My business address is 700 North Adams Street, P.O. Box
3 19001, Green Bay, Wisconsin 54307-9001.

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

5 A. I am employed by WEC Business Services as a Principal Tax Analyst, which provides
6 various services to UPPER MICHIGAN ENERGY RESOURCES CORPORATION
7 (“UMERC” or “Company”). WEC Business Services and UMERC are both wholly-
8 owned subsidiaries of WEC Energy Group, Inc.

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

10 A. I graduated from the University of Wisconsin Green Bay in 2007 with a Bachelor of
11 Science degree in Accounting. My professional designation is a Certified Public
12 Accountant. I have been employed by Wisconsin Public Service Corporation (“WPS
13 Corp”). Integrys, or WEC since 2006, and have held various positions in the Tax
14 organization over that time.

15 **Q. Have you testified before a regulatory agency?**

16 A. No, but I have assisted in numerous rate case proceedings on tax-related matters over my
17 career.

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

19 A. The purpose of my testimony is to comply with the Commission’s directive made in its
20 May 30, 2018 Order Approving Settlement Agreement in Case No. U-20110 wherein the
21 Commission instructed UMERC to file its “Calculation C” application to address the
22 impact of the 2017 Federal Tax Act (TCJA)¹ on excess deferred taxes, bonus

¹ The short-form title of this legislation is the Tax Cuts and Jobs Act (“TCJA” or “2017 Federal Tax Act”).

1 depreciation, and any other impacts not captured through the “Credit A and B” filings by
2 October 1, 2018.

3 **Q. Please provide an overview of this direct testimony.**

4 A. Since federal tax reform legislation was enacted on December 22, 2017, UMEREC has
5 analyzed the changes in federal tax laws for 2018 and their impacts on UMEREC’s
6 previously approved revenue requirement.

7 My testimony provides UMEREC’s calculation of the remaining impacts of the TCJA,
8 including an update to UMEREC’s authorized revenue requirement that reflects the impact
9 of TJCA. My testimony is intended to specifically address Calculation C.

10 **Q. Please describe the TCJA.**

11 A. The enactment of the 2017 TCJA made sweeping and complex changes to the federal tax
12 landscape for businesses. There are many facets of the TCJA; however, the discussion in
13 this testimony is limited to those changes (some of which are in themselves complex) that
14 affect UMEREC’s previously approved revenue requirements and rates that have not
15 already been addressed, including:

- 16 (1) The timing and amount of the return of the one-time effects of the re-measurement of
17 deferred tax liabilities from 35 percent to 21 percent (“Excess Deferred Taxes”);
- 18 (2) The elimination of bonus depreciation; and
- 19 (3) Changes in allowable deductions.

20 **Q. What is the estimated annual impact of the remaining components of the TCJA
21 change?**

22 A. UMEREC estimates that the remaining components of the TCJA reduces the Company’s
23 previously approved revenue requirement by approximately \$240,000 annually. Of this

1 amount approximately \$225,000 is attributable to electric and approximately \$15,000 to
2 gas. Details of this estimate are discussed below.

3 **Q. First, can you describe the revenue requirement impact of the adjustment to**
4 **UMERC's deferred tax balances?**

5 A. Yes. As a general overview, Financial Accounting Standards Board Accounting
6 Standards Codification 740 ("ASC 740") states, "Deferred tax liabilities and assets shall
7 be adjusted for the effect of a change in tax laws or rates (ASC 740-10-35-4)." The
8 deferred income tax effects of the change in tax laws or rates are required to be recorded
9 in the period of enactment as either income tax expense or benefit (ASC 740-10-45-15)
10 or as a regulatory asset or liability for regulated entities applying the principles of ASC
11 980 (ASC 980-740-25-2), with recovery from or refund to customers in the future as
12 authorized by the regulator.

13 Based on these accounting standards, the change in the federal corporate income tax rate
14 from 35 percent rate down to a 21 percent rate under the 2017 Federal Tax Act results in
15 changes to both the amount and amortization of previously-existing deferred tax
16 balances. I will discuss each in turn.

17 **Q. What is the change to the amount of the deferred tax balances?**

18 A. Book accounting under ASC 740 requires that the impacts of a tax law change be
19 recorded in the period of enactment. As a result, the Company's deferred taxes were
20 revalued to account for the federal income tax rate change as of December 31, 2017.
21 These deferred tax balances represent taxes that will be paid in the future. UMERC
22 presently estimates that revaluation of its deferred tax liabilities at a 21 percent rate
23 creates an estimated one-time deferred tax adjustment of approximately \$15 million

1 related to UMERC's operations. This adjustment relates to the overall amount of the
2 deferred tax liabilities required based on the new tax rate, which after being grossed up to
3 a revenue requirement, results in a regulatory liability amount of \$15 million.

4 This adjustment is still considered preliminary. Given the amount of uncertainty that
5 exists as of today regarding the analyses and effects of this complex legislation, the
6 Securities and Exchange Commission ("SEC") has published staff guidance for the
7 accounting impacts of the TCJA.² This guidance notes that items could be reported on a
8 provisional basis, based on a reasonable estimate, which would be subject to adjustment
9 for up to one year under certain circumstances. Since the deadline in this docket
10 regarding Calculation C was set prior to UMERC filing its final tax returns, which are
11 due the fourth quarter of 2018, for the 2017 tax year, changes are still possible after my
12 testimony was developed.

13 **Q. What is the change to the amortization of the deferred tax balances?**

14 A. Under prior law, normalization provisions required that any federal tax benefits related to
15 the re-measurement of deferred taxes from certain plant assets (i.e., depreciation method
16 and life differences versus book accounting) be returned to customers no faster (i.e.,
17 normalized) than the remaining average life of the assets. Two methods were available to
18 utilities to normalize the return of these Excess Deferred Taxes to customers: the average
19 rate assumption method ("ARAM") and the reverse South Georgia method ("RSGM").
20 Using RSGM is only permissible if companies do not have the appropriate records to
21 calculate using ARAM. UMERC does have the necessary records available to calculate
22 Excess Deferred Taxes to perform the ARAM calculation.

² Securities and Exchange Commission Staff Accounting Bulletin No. 118 (Dec. 22, 2017), available at <https://www.sec.gov/interps/account/staff-accounting-bulletin-118.htm>.

1 The normalization provisions described above are maintained under the new law and
2 continue to be required. Therefore, any return of federal Excess Deferred Taxes on plant
3 assets more quickly than under ARAM would result in a “normalization violation.” This
4 violation could result in (1) the possible loss of the utility’s ability to continue to take
5 accelerated tax depreciation, where accelerated depreciation benefits customers by
6 reducing overall costs, as well as (2) an increase in tax equal to the amount of the Excess
7 Deferred Taxes returned to customers faster than allowed under ARAM, which would
8 harm customers by increasing overall tax expense.

9 Of the \$15 million of excess deferred taxes and associated regulatory liability referenced
10 earlier, a portion must be amortized using ARAM (“protected”) and the other portion
11 (“unprotected”) can follow a different method of amortization.

12 **Q. What does UMERC need to do to comply with the normalization provisions of the**
13 **tax code?**

14 A. UMERC must use ARAM to reduce the protected excess deferred tax reserve over the
15 remaining regulatory lives of the assets that gave rise to the reserve for deferred taxes.
16 Under this method, the excess deferred tax reserve is reduced with respect to each item of
17 property over the remaining life of the property beginning in the year in which regulatory
18 depreciation exceeds tax depreciation. This method results in excess deferred taxes being
19 returned to customers in a manner similar to how they would have been paid to the
20 federal government had the tax rate not been reduced.

21 **Q. What is the estimated revenue requirement impact of applying the normalization**
22 **provisions?**

1 A. UMERC currently estimates that the revenue requirement impact of applying the
2 normalization provisions to the updated deferred tax liability will be a decrease in federal
3 income taxes in UMERC's proposed Calculation C amount. It is important to note,
4 however, that when December 31, 2017 year-end tax returns are filed this amount is
5 subject to change. In light of potential changes in the amount and normalization of
6 deferred taxes, UMERC proposes that any difference associated with the amortization of
7 excess deferred taxes, be included in the Company's annual adjustment to Calculation C
8 as indicated in the testimony of witnesses Eric Rogers and Diane Mier. Excess deferred
9 tax amortizations are unique to each tax year. This makes any given year's amortization
10 volatile and difficult to predict.

11 **Q. Can you provide more detail regarding the proposal involving the normalization**
12 **provision?**

13 A. Yes. UMERC's 2017 federal and state tax returns will not be filed until the fourth
14 quarter of 2018. To the extent that the final federal and state tax returns are different in
15 any manner than the year-end 2017 estimates, the re-measurement estimate of \$15
16 million will likely need to be adjusted. This adjustment could either increase or decrease
17 the \$15 million estimate, which in turn impacts the amortization of protected excess
18 deferred taxes previously referenced. Any resultant change to the revenue requirement
19 will be included in the Company's annual adjustment to Calculation C as indicated in the
20 testimony of witnesses Eric Rogers and Diane Mier.

1 **Q. Third, can you describe the impact of the elimination of bonus depreciation?**

2 A. Yes. Under prior law, corporate taxpayers, including utility companies, were generally
3 allowed 40 percent bonus depreciation in 2018 and 30 percent bonus depreciation in
4 2019. Bonus depreciation was not available after 2019.

5 Under the new law, the prior bonus depreciation rules are eliminated effective September
6 28, 2017, and replaced with new asset expensing rules. Those asset expensing rules
7 allow corporations to deduct 100 percent of the cost of capital assets in the first year they
8 are placed in service for tax purposes. However, utility companies are prohibited from
9 taking bonus depreciation or asset expensing under the TCJA starting January 1, 2018,
10 and use Modified Accelerated Cost Recovery System (“MACRS”) tax depreciation.
11 MACRS tax depreciation was used in calculating UMEREC’s previously approved
12 revenue requirements and therefore, this impact of the TCJA was not adjusted in
13 UMEREC’s Calculation C.

14 **Q. Finally, can you describe the impact of the changes in allowable deductions?**

15 A. Yes. Deductions to income for expenses related to certain compensation are no longer
16 permitted under the new tax law. These deductions were not incorporated in UMEREC’s
17 previously approved revenue requirement, and therefore have no impact on the
18 Calculation C amount. Comparatively, deductions to income for expenses related to
19 entertainment of clients and customers are also no longer permitted under the new tax
20 law. These reduced deductions, which would increase the revenue requirement if
21 included in Calculation C, are not material to UMEREC’s previously approved revenue
22 requirement; therefore, this impact of the TCJA was not adjusted in UMEREC’s
23 Calculation C.

1 Under prior law, there was no limitation on the deduction of interest expense. Under the
2 new law, corporate taxpayers are generally limited to deducting interest expense that does
3 not exceed 30 percent of taxable income before interest, taxes, and tax depreciation
4 (Adjusted Taxable Income or “ATI”). Utility companies are specifically exempted from
5 this provision and will continue to be able to fully deduct all interest expense. As such,
6 changes to interest expense deductibility in the TCJA do not affect UMERC’s
7 Calculation C.

8 **Q. Can you summarize the impacts of the TCJA reflected in the Company’s**
9 **Calculation C?**

10 A. Yes. In summary, my testimony reflects revenue requirement updates due to the
11 following aspects of the TCJA:

12 (1) Excess Deferred Taxes as of December 31, 2017 have been restated;

13 (2) Estimated Amortization of the Protected Excess Deferred Taxes

14 UMERC has calculated the net impact of these changes due to the TCJA, which results in
15 an incremental revenue requirement reduction of \$240,000 annually. UMERC believes
16 that it is appropriate to include these effects of the TCJA in this docket as it relates to
17 Calculation C. Likewise, the amount is subject to change as UMERC progresses through
18 2018 and continues to refine its information and understanding of the new tax law.

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

20 A. Yes.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter on the Commission's own motion,)
to consider changes in the rates of all Michigan) Case No. U-20314
rate-regulated electric, steam and natural gas utilities)
to reflect the effects of the federal Tax Cuts and Jobs)
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for determination of Calculation C as described in order)
Nos. U-18494 and U-20110.)

DIRECT TESTIMONY AND EXHIBITS OF

DIANE J. MIER

ON BEHALF OF

UPPER MICHIGAN ENERGY RESOURCES CORPORATION

1 **Q. Would you please state your name and your business address?**

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

4 **Q. By whom are you employed?**

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

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

9 A. I have a Bachelor of Science Degree from the University of Wisconsin -Green Bay, in
10 Managerial Accounting. I have been employed by Wisconsin Public Service Corporation
11 (“WPS Corp”), WPS Corp’s predecessor, or WEC since December of 2003, and have
12 held various positions in the Non-Regulated and Corporate Risk Departments. In
13 November 2014, I transferred to the Regulatory Affairs Department where I currently
14 hold the position of Project Specialist 2. In my current position, my primary duties are the
15 calculation and administration of natural gas rates for WPS Corp and UMERC.

16 **Q. Have you previously presented testimony in regulatory proceedings?**

17 A. Yes. I have previously submitted testimony and exhibits with the Michigan Public Service
18 Commission (“MPSC” or the “Commission”) in gas cost recovery Case Nos. U-17279,
19 U-17890, U-18112, U-18400, and U-20066 ; energy waste reduction Case Nos. U-18018,
20 U-18266, and U-18336, and Tax Cuts and Jobs Act (TCJA) Case Nos. U-18494 and U-
21 20110.

22 **Q. What is the purpose of this testimony?**

1 A. The purpose of this testimony is to present UMERC's natural gas service Calculation C
2 refund calculations due to the TCJA, as contemplated in Order point C of the February
3 22, 2018 Order in Case U-18494.

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

5 A. Yes. I am sponsoring the following exhibit:

6 Exhibit A-3 (DJM-1): UMERC Gas Calculation C TCJA Refunds
7 Exhibit A-4 (DJM-2): Calculation C Volumetric Credits Including Interest on
8 2018 Deferral
9 Exhibit A-5 (DJM-3): Tariff sheets

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

11 A. Yes.

12 **Q. Could you explain Exhibit A-3 (DJM-1), please?**

13 A. Exhibit A-3 (DJM-1) shows the split of the Calculation C refunds for UMERC natural
14 gas service. The total Company values split between the 2018 deferral values and the
15 2019 and on-going values are from Exhibit A-2 (RJM-2). These values are based on the
16 proportion of the credit A annual total refunds, which are from Exhibit A-11 in Case No.
17 U-20110. Note that the 2019 and on-going Calculation C total value is based on the 2018
18 forecasted values, the only difference being the accumulated interest on the 2018 value.
19 When better information becomes available in the future, the Company may update the
20 on-going values.

21 **Q. Could you explain Exhibit A-4 (DJM-2), please?**

22 A. Exhibit A-4 (DJM-2) is patterned after a worksheet provided by MPSC staff in Case U-
23 20110 for the calculation of the Credit B refunds, including interest. The logic has been
24 expanded because the Calculation C refunds are accruing interest over all 12 months of
25 2018 before the refunds will start, rather than 9 months, as was the case for the Credit B

1 refunds. Also, we propose to return the 2018 deferral portion of Calculation C over 12
2 months in 2019, rather than over three months as was the case for the Credit B refunds. It
3 is appropriate to return the 2018 deferral over 12 months because they were accrued over
4 12 months and they will be returned with a volumetric credit. This worksheet is also
5 modified from that provided by MPSC staff because the Calculation C refunds are split
6 into the 2018 deferral portion and the 2019 and on-going portion. The calculations are
7 shown on pages 1 and 2 of the exhibit.

8 The top of page 1 shows the 2019 forecasted monthly energy (indicated by Line 1)
9 because we propose to refund the 2018 deferral over these 12 months of 2019. The
10 Credit A refunds (\$/Therm) are listed below the forecasted energy in Line 2. The Credit
11 A values are used to calculate the preliminary Calculation C (\$/Therm) credits for the
12 2018 deferral in Line 3 and the on-going Calculation C (\$/Therm) credits in Line 4.
13 These values are proportional to the Credit A values (Line 2) multiplied by the ratio of
14 the total Calculation C to the total credit A from Exhibit A-3 (DJM-1). The total refund
15 resulting in cell C46 was substantially less than the total refund from Exhibit A-3 (DJM-
16 1) because the Credit A values were calculated using the sales forecasts from the most
17 recent general rate cases (test-year 1983) and the Calculation C values are being
18 calculated using the Company's current forecast for 2019; therefore, an adjustment factor
19 is applied to make the deferral balance close to zero as the end of 2019. The refunds by
20 month for the 2018 deferral portion of the Calculation C refund are shown in Line 5 with
21 the total in row 46. This is the forecasted energy from Line 1 multiplied by the unit credit
22 from Line 3. Line 6 is total interest. The total interest is added to the principal in line 7,

1 which is then used to calculate the final Calculation C credits (\$/Therm) for the deferral
2 portion in Line 8.

3 Page 2 of Exhibit A-4 (DJM-2) shows the calculation of interest for the 2018 deferral.
4 The beginning balance for January 2019 in column C is derived from Exhibit A-3 (DJM-
5 1). The current month activity in column D is from the monthly total for Line 5. The
6 monthly balance in column E is the beginning balance in column C minus the current
7 month activity in column D. The average balance in column F is the average of the
8 beginning balance in column C and ending balance in column E. The annual interest rate
9 in column G is an estimate of the Company's short-term rate for 2019 (based on the most
10 recent month's value). The days in column H are the days in the month. The interest in
11 column I is calculated by the average balance in column F multiplied by the annual
12 interest rate in column G multiplied by the days in the month in column H divided by 365
13 days in the year. Note that the ending balance in December 2019 in cell E72 is close to
14 zero. We can't get it be exactly zero because the unit credits (\$/Therm) are rounded to
15 five places to the right of the decimal.

16 Page 3 of Exhibit A-4 (DJM-2) shows a summary of the results. The on-going
17 Calculation C unit values are half of the 2019 unit values.

18 **Q. Much of the analysis shown in Exhibit A-4 (DJM-2) addresses the interest on the**
19 **2018 deferral. Why is there no interest on the other component, the on-going**
20 **component of Calculation C?**

21 A. The on-going component of the Calculation C refund will be refunded to customers as it
22 occurs (or at least within a month of when it occurs); therefore, no interest will accrue for
23 it.

1 **Q. How will the Calculation C unit credits be provided to customers?**

2 **A.** Effective January 1, 2019 until December 31, 2019, the unit credits will be the sum of the
3 final 2018 deferral rate shown on line 8 (row 52) plus the on-going rate shown on Line 4
4 (row 30). Effective January 1, 2020 the unit credits will be the values for the on-going
5 rate shown in Line 4 (row 30). As mentioned earlier, the 2019 and on-going Calculation
6 C total value used to calculate the unit credits in Line 4 (row30) is based on the 2018
7 forecasted value. Until the effective date of rates approved in the Company's next
8 general rate case, the Company will adjust the Calculation C unit credits which are
9 effective January 1, 2020. Beginning with the 2020 calendar year and annually thereafter
10 the Company will file an application in Case No. U-20314 by March 31 to address prior
11 period volumetric differences, as well as changes in the amortization of excess deferred
12 taxes due to the Average Rate Assumption Method ("ARAM"). The true-up will also
13 allow for the roll-in of any over or under credit balances from the prior calendar year in
14 the proposed new Calculation C credits. ARAM is more fully explained in the testimony
15 of witness Eric Nicolaus.

16 **Q. Could you explain Exhibit A-5 (DJM-3), please?**

17 **A.** Exhibit A-4 (DJM-3) shows the tariff sheet with the Calculation C unit refund. This is an
18 expansion of the current tariff sheet that has the Credit A and Credit B unit refunds as
19 well.

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

21 **A.** Yes.

UMERC Gas Calculation C TCJA Refunds

		UMERC Gas
1) Credit A Annual Total (from Case U-20110 Ex A-11)	\$	(27,083)
2) Credit C 2018 Deferral	\$	(15,114)
3) Credit C 2019 & On Going	\$	(14,976)

Note: the Credit C 2018 Deferral includes accrued interest.
Note: the Credit C 2019 On-going amount does not include accrued interest because refunds will be made as they occur.

- 1) From Exhibit A-11 (DJM-1) in Case U-20110
- 2) From Exhibit A-1 (RJM-2)
- 3) From Exhibit A-1 (RJM-2)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1															Case U-20314
2															Exhibit A-4 (DJM-2)
3															October, 2018
4															Page 1 of 3
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Calculation C Volumetric Credits Including Interest on 2018 Deferral
UMERC Gas

**Forecast
Volumes (Therms)**

1) Jan-19	1,161,985
Feb-19	1,021,383
Mar-19	827,168
Apr-19	483,595
May-19	246,551
Jun-19	154,207
Jul-19	120,717
Aug-19	112,407
Sep-19	151,029
Oct-19	332,384
Nov-19	604,391
Dec-19	987,706
Total	6,203,523

2) Credit A Rate \$0.00310

3) Preliminary Credit C 2018 Deferral Rate \$0.00243

4) Credit C Rate On - Going Rate \$0.00241

**Credit C 2018
Deferral**

5) Jan-19	\$2,824
Feb-19	\$2,482
Mar-19	\$2,010
Apr-19	\$1,175
May-19	\$599
Jun-19	\$375
Jul-19	\$293
Aug-19	\$273
Sep-19	\$367
Oct-19	\$808
Nov-19	\$1,469
Dec-19	\$2,400
Total	\$15,075

6) Interest \$147

7) P&I \$15,221

8) Final Credit C 2018 Deferral Rate \$0.00245

Calculation C Volumetric Credits Summary

	Effective Jan 1, 2019 to Dec 31, 2019	Effective Jan 1, 2020	Source
UMERC Gas	\$/Therm	\$/kWh	
All Customer Classes	\$0.00486	\$0.00241	Page 1

**SECTION D
RATE SCHEDULES**

D3. SUPPLEMENTAL CHARGES

NATURAL GAS

1. Each Rate Schedule may be subject to Rule C3, Customer Attachment Program.
2. Energy Waste Reduction (EWR) Surcharge – This surcharge is pursuant to Section 91(4) of 2008 PA 295, as amended by 2016 PA 342, the adjustment of distribution service rates, via the application of an Energy Waste Reduction Surcharge, to allow recovery of the energy waste reduction alternative compliance payment made by the Company in compliance with Section 91(1) of 2008 PA 295, as amended by 2016 PA 342. The EWR compliance payments and the associated surcharges are subject to a reconciliation mechanism.

The approved Energy Waste Reduction Surcharges are listed below:

<u>Customer Class</u>	<u>EWR Surcharge</u>	
Residential	\$0.0095/Therm	
	<u>Per Day/meter</u>	<u>Per Month/meter</u>
C & I Small-year round customers	\$0.0513	\$1.56
C & I Small-seasonal customers	\$0.1026	\$3.12
C & I Large	\$0.6086	\$18.51
Transportation Medium*	--	---
Transportation Large	\$0.4588	\$13.95
Transportation Super Large	\$9.2170	\$280.35

* No customers currently on this rate

3. Tax Cuts and Jobs Act of 2017 Credit(TCJA) - This surcharge allows the Company to refund to customers the impact of the Federal Tax Cuts and Jobs act of 2017

TCJA "Credit A" of \$0.00310 per Therm shall be applicable to all Rate Schedules.

TCJA "Credit B" Credit - This credit allows the Company to refund to customers the impact of the Federal Tax Cuts and Jobs act of 2017 for the period of January through June 2018. Customer's bills in all Rate Schedules shall be adjusted by \$0.00698 per Therm, effective October 1, 2018 through December 31, 2018.

TCJA "Calculation C" Credit – Effective Jan. 1, 2019 to Dec. 31, 2019 \$0.00486/Therm and effective Jan. 1, 2020 \$0.00241/Therm

Issued xx-xx-xx
T. T. Eidukas
Vice-President,
Milwaukee, Wisconsin

Effective for service rendered on and
after xx-xx-xx
Issued under authority of the
Michigan Public Service Commission
dated xx-xx-xx
in Case No. U-20314

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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to consider changes in the rates of all Michigan) Case No. U-20314
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for determination of Calculation C as described in orders)
U-18494 and U-20110.)

DIRECT TESTIMONY AND EXHIBITS OF

ERIC ALAN ROGERS

ON BEHALF OF

UPPER MICHIGAN ENERGY RESOURCES CORPORATION

1 **Q. Would you please state your name and your business address?**

2 A. My name is Eric Alan Rogers. My business address is 231 W. Michigan Street in
3 Milwaukee, Wisconsin 53201.

4 **Q. By whom are you employed?**

5 A. I am employed by WEC Business Services, which provides various services to Upper
6 Michigan Energy Resources Corporation (“UMERC” or the “Company”). WEC
7 Business Services and UMERC are both wholly-owned subsidiaries of WEC Energy
8 Group, Inc.

9 **Q. Would you please describe your educational background?**

10 A. I earned a Bachelor of Science degree in Civil and Environmental Engineering from the
11 University of Wisconsin – Madison in 1975 and a Master of Science degree in
12 Environmental Engineering from Stanford University in 1978. I also took course work
13 but did not complete a degree at the University of Washington Graduate School of
14 Business.

15 **Q. Are you registered as a Professional Engineer in the State of Wisconsin?**

16 A. Yes, I am.

17 **Q. Would you briefly describe your professional experience prior to joining WEC
18 Business Services?**

19 A. I worked for the United States Bureau of Reclamation in Denver, Colorado as a design
20 engineer for two years and for Battelle Pacific Northwest Laboratories in Richland,
21 Washington as a research engineer for three years prior to joining Wisconsin Electric
22 Power Company (“WEPCo”) in 1982.

1 **Q. Would you describe your responsibilities at WEC Business Services?**

2 A. I began in 1982 as a forecasting analyst and I developed the residential sales forecast for
3 several rate cases and advance plans for WEPCo. During the mid 1980s and early 1990s,
4 I was responsible for analyzing the cost effectiveness of proposed demand-side programs
5 and evaluating the performance of actual demand-side programs. In the early 1990s, I
6 became responsible for the load research group, and I have since performed numerous
7 analyses of load data. In 2001, I developed the load profiling and settlement methodology
8 which is now being used for Michigan customers who select alternate energy suppliers.
9 Around 2002, I assumed responsibilities for cost-of-service analysis and rate design. I am
10 currently a team leader in the Regulatory Affairs and Policy Department. My
11 responsibilities include class load analyses, revenue forecasts, cost-of-service studies and
12 rate design and I continue to work closely with the sales forecasting group.

13 **Q. Have you previously presented testimony in regulatory proceedings?**

14 A. Yes, I presented testimony on cost-of-service and rate design in previous rate cases before
15 the Michigan Public Service Commission (the "Commission"), Case Nos. U-15071, U-
16 15500, U-15981 and U-16830. I also presented testimony on energy optimization ("EO")
17 or energy waste reduction ("EWR") plans in Case Nos. U-15812, U-16677, U-17357, U-
18 17777 and U-18267 and on the reconciliation of the WEPCo EO/EWR surcharges for
19 2009 through 2017 in Case Nos. U-16368, U-16369, U-16743, U-17287, U-17607, U-
20 18019 and U-20034, respectively, and for the 2017 EWR reconciliation for UMERC in
21 Case No. U-20033. I also presented testimony on the impacts to the WEPCo's revenue
22 requirements of its proposed ownership exchange agreement with Wolverine Power
23 Supply Cooperative, Inc. for a portion of the Presque Isle Power Plant in Case No. U-

1 17213. I also presented testimony in Case No. U-17479 and Case No. U-17490. Most
2 recently I presented testimony on the Tax Cuts and Jobs Act (“TCJA”) Credit A
3 calculation in Case No. U-20110 and Credit B calculation in Case No. U-20183. I have
4 also presented testimony on cost-of-service and rate design in several cases before the
5 Public Service Commission of Wisconsin, including the 2004 and 2005 carve-out rate
6 cases (Docket 05-UR-101), the environmental trust financing case (Docket 6630-ET-
7 100), and the test-year 2006, 2008, 2010, 2013 and 2015 rate cases (Dockets 05-UR-102,
8 05-UR-103, 05-UR-104, 05-UR-106 and 05-UR-107, respectively). I also submitted
9 testimony to the Federal Energy Regulatory Commission (“FERC”) in three cases
10 involving power sales agreements with WEPCo’s Michigan wholesale customers
11 (Dockets ER06-997, ER06-998 and ER06-999) and FERC general rate case (Docket
12 ER06-1320).

13 **Q. What is the purpose of this testimony?**

14 A. The purpose of this testimony is to present UMERC’s electric Calculation C refund
15 calculations due to the TCJA, as contemplated in Order point C of the February 22, 2018
16 Order in Case U-18494.

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

18 A. Yes. I am sponsoring the following exhibit:

19 Exhibit A-6 (EAR-1): UMERC Electric Calculation C TCJA Refunds Split
20 Between WEPCo and WPS Rate Zones

21 Exhibit A-7 (EAR-2): Calculation C Volumetric Credits Including Interest on
22 2018 Deferral

23 Exhibit A-8 (EAR-3): Tariff sheets

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

25 A. Yes.

1 **Q. Could you explain Exhibit A-6 (EAR-1), please?**

2 A. Exhibit A-6 (EAR-1) shows the split of the Calculation C refunds between the WEPCo
3 rate zone and the WPS rate zone. The total Company values split between the 2018
4 deferral values and the 2019 and on-going values are from Exhibit A-1 (RJM-1). These
5 values are split into the WEPCo rate zone and the WPS rate zone based on the proportion
6 of the credit A annual total refunds, which are from Exhibit A-15 in Case No. U-20110.
7 Note that the 2019 and on-going Calculation C total value is based on the 2018 forecasted
8 values, the only difference being the accumulated interest on the 2018 value. When better
9 information becomes available in the future, the Company may update the on-going
10 values.

11 **Q. Could you explain Exhibit A-7 (EAR-2), please?**

12 A. Exhibit A-7 (EAR-2) is patterned after a worksheet provided by MPSC Staff in Case U-
13 20183 for the calculation of the Credit B refunds, including interest. The logic has been
14 expanded because we propose to return the 2018 deferral portion of Calculation C over
15 12 months in 2019, rather than over three months as was the case for the Credit B
16 refunds. It is appropriate to return the 2018 deferral over 12 months because they were
17 accrued over 12 months and they will be returned with a volumetric credit. This
18 worksheet is also modified from that provided by MPSC Staff because the Calculation C
19 refunds are split into the 2018 deferral portion and the 2019 and on-going portion. The
20 calculations for the WEPCo rate zone are shown on pages 1 and 2 of the exhibit and the
21 calculations for the WPS rate zone are shown on pages 3 and 4 of the exhibit.

22

1 The top of pages 1 and 3 show the 2019 forecasted monthly energy by rate class
2 (indicated by Line 1) because we propose to refund the 2018 deferral over these 12
3 months of 2019. The Credit A refunds (\$/kWh) are listed below the forecasted energy in
4 Line 2. The Credit A values are used to calculate the preliminary Calculation C (\$/kWh)
5 credits for the 2018 deferral in Line 3 and the on-going Calculation C (\$/kWh) credits in
6 Line 4. These values are proportional to the Credit A values (Line 2) multiplied by the
7 ratio of the total Calculation C to the total credit A from Exhibit A-6 (EAR-1). The total
8 refund resulting in cell O46 was substantially less than the total refund from Exhibit A-6
9 (EAR-1) because the Credit A values were calculated using the sales forecasts from the
10 most recent general rate cases (test-year 2012 for the WEPCo rate zone and test-year
11 2015 for the WPS rate zone) and the Calculation C values are being calculated using the
12 Company's current forecast for 2019; therefore, an adjustment factor is applied to make
13 the deferral balance close to zero at the end of 2019. The refunds by class and month for
14 the 2018 deferral portion of the Calculation C refund are shown in Line 5 with the totals
15 in row 46. This is the forecasted energy from Line 1 multiplied by the unit credit from
16 Line 3. Line 6 is the percentage of the total refund by class and is used to allocate the
17 total interest to the classes in Line 7. The total interest is added to the principal by class
18 in line 8, which is then used to calculate the final Calculation C credits (\$/kWh) for the
19 deferral portion in Line 9.

20 Pages 2 and 4 of Exhibit A-7 (EAR-2) show the calculation of interest for the 2018
21 deferral. The beginning balance for January 2019 in column C is derived from Exhibit
22 A-6 (EAR-1). The current month activity in column D is from the monthly total for Line
23 5. The monthly balance in column E is the beginning balance in column C minus the

1 current month activity in column D. The average balance in column F is the average of
2 the beginning balance in column C and ending balance in column E. The annual interest
3 rate in column G is an estimate of the Company's short-term rate for 2019 (based on the
4 August 2018 (the most recent month available) value of the 30-day AA Nonfinancial
5 commercial paper). The days in column H are the days in the month. The interest in
6 column I is calculated by the average balance in column F multiplied by the annual
7 interest rate in column G multiplied by the days in the month in column H divided by 365
8 days in the year. Note that the ending balance in December 2019 in cell E74 is close to
9 zero (due to the fact that the unit credits (\$/kWh) are rounded to five places to the right of
10 the decimal, zeroing out may not be possible).

11 Page 5 of Exhibit A-7 (EAR-2) shows a summary of the results. Many of the unit credits
12 are calculated on pages 1 or 3, but those calculations only address classes with customers.
13 The Calculation C unit credits for those classes without customers are calculated by
14 prorating the Credit A unit values. For those WEPCo classes with customers that are
15 addressed on Page 1, the ratios of the Calculation C unit values to the Credit A unit
16 values are all very close to 25%, so for those WEPCo classes without customers, the
17 Calculation C unit value was calculated as 25% of the Credit A unit value. Likewise, for
18 WPS, the ratios of the Calculation C unit values to the Credit A unit values are all very
19 close to 23%, so for those WPS classes without customers, the Calculation C unit value
20 was calculated as 23% of the Credit A unit value. The on-going Calculation C unit
21 values are half of the 2019 unit values.

1 **Q. Much of the analysis shown in Exhibit A-7 (EAR-2) addresses the interest on the**
2 **2018 deferral. Why is there no interest on the other component, the on-going**
3 **component of Calculation C?**

4 A. The on-going component of the Calculation C refund will be refunded to customers as it
5 occurs (or at least within a month of when it occurs); therefore, no interest will accrue for
6 it.

7 **Q. How will the Calculation C unit credits be implemented?**

8 A. Effective January 1, 2019 until December 31, 2019, the unit credits will be the sum of the
9 final 2018 deferral rate shown on line 9 (row 54) plus the on-going rate shown on Line 4
10 (row 30) of Exhibit A-7 (EAR-2) Pages 1 and 3. Effective January 1, 2020 the unit
11 credits will be the values for the on-going rate shown in Line 4 (row 30). As mentioned
12 earlier, the 2019 and on-going Calculation C total value used to calculate the unit credits
13 in Line 4 (row30) is based on the 2018 forecasted value. Until the effective date of rates
14 approved in the Company's next general rate case, the Company will adjust the
15 Calculation C unit credits which are effective January 1, 2020 on an annual basis.
16 Beginning with the 2020 calendar year and annually thereafter the Company will file an
17 application in Case No. U-20314 by March 31 to address prior period volumetric
18 differences, as well as changes in the amortization of excess deferred taxes due to the
19 Average Rate Assumption Method ("ARAM"). The true-up will also allow for the roll-in
20 of any over or under credit balances from the prior calendar year in the proposed new
21 Calculation C credits. ARAM is more fully explained in the testimony of witness Eric
22 Nicolaus.

23 **Q. Could you explain Exhibit A-8 (EAR-3), please?**

1 A. Exhibit A-8 (EAR-3) shows the tariff sheets with the Calculation C unit refunds. These
2 are simply expansions of the current tariff sheets that have the Credit A and Credit B unit
3 refunds as well.

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

5 A. Yes.

	A	B	C	D	E
1					Case No. U-20314
2					Exhibit A-6 (EAR-1)
3					October, 2018
4					Page 1 of 1
5					
6		UMERC Electric Calculation C TCJA Refunds			
7		Split Between WEPCo and WPS Rate Zones			
8					
9					
10			WEPCo Zone	WPS Zone	Total UMERC Electric
11	1)	Credit A Annual Total (from Case U-20110 Ex A-15)	\$ (1,384,745)	\$ (593,183)	\$ (1,977,928)
12					
13	2)	Credit A % of Total	70.0%	30.0%	
14					
15	3)	Credit C 2018 Deferral	\$ (157,788)	\$ (67,624)	\$ (225,412)
16					
17	4)	Credit C 2019 & On Going	\$ (156,555)	\$ (67,095)	\$ (223,651)
18					
19					
20		Note: the Credit C 2018 Deferral includes accrued interest.			
21		Note: the Credit C 2019 On-going amount does not include accrued interest			
22		because refunds will be made as they occur.			
23					
24	1)	From Exhibit A-15 (EAR-1) in Case U-20110			
25	2)	Percent of line 1			
26	3)	From Exhibit A-1 (RJM-1)			
27	4)	From Exhibit A-1 (RJM-1)			

Calculation C Volumetric Credits Including Interest on 2018 Deferral
 WEPCo Rate Zone

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
		Residential Flat Rg 1	Residential TOU Rg 2	Secondary Flat Cg 1	Secondary TOU Cg 5	Secondary Demand Cg 3	Primary Cp1, Cp2, Cp4	Primary Cp 3	Lighting Ms2,Ms3, G1, LED1, Mg1	Retail Access Secondary Cg 1	Secondary Cg 3	Primary Cp 1, Cp 4	Schedule A	Total	
		Forecast Volumes (kWH)	Forecast Volumes (kWH)	Forecast Volumes (kWH)	Forecast Volumes (kWH)	Forecast Volumes (kWH)	Forecast Volumes (kWH)	Forecast Volumes (kWH)	Forecast Volumes (kWH)	Forecast Volumes (kWH)	Forecast Volumes (kWH)	Forecast Volumes (kWH)	Forecast Volumes (kWH)	Forecast Volumes (kWH)	
1)	Jan-19	15,698,333	652,417	6,269,102	669,102	2,031,578	384,895	6,476,254	275,657	956,582	4,006,818	990,959	13,004,835	51,416,532	
	Feb-19	13,646,737	564,579	6,421,169	437,527	1,482,325	215,064	5,499,966	265,480	921,569	3,502,838	946,192	12,776,291	46,679,737	
	Mar-19	14,006,854	552,552	5,525,016	529,453	2,418,437	319,803	6,642,911	273,870	958,812	3,592,922	1,121,707	14,743,605	50,685,942	
	Apr-19	12,241,950	458,635	5,775,530	483,506	1,832,483	282,650	5,981,680	271,851	1,026,253	3,521,780	1,041,382	14,654,430	47,572,130	
	May-19	11,686,059	403,509	5,661,196	507,905	2,192,016	438,695	6,620,979	271,644	896,249	3,347,399	1,096,123	16,840,594	49,962,368	
	Jun-19	11,450,241	348,613	5,996,416	540,606	2,042,526	469,757	5,667,986	269,592	1,025,727	4,424,187	1,211,979	14,640,379	48,088,009	
	Jul-19	13,028,446	359,140	6,031,008	509,535	2,464,851	652,161	6,423,315	266,448	1,116,610	4,274,388	1,254,548	14,836,690	51,217,140	
	Aug-19	12,435,182	352,205	5,929,078	545,096	2,474,319	596,910	6,610,887	276,555	1,131,698	4,285,307	1,379,863	12,393,763	48,410,863	
	Sep-19	11,012,352	346,653	5,854,994	571,518	2,081,004	451,837	5,908,021	275,090	1,133,959	4,236,050	1,202,385	12,260,833	45,334,696	
	Oct-19	11,907,111	424,185	5,652,430	529,780	2,116,854	370,888	5,670,987	274,328	979,325	3,805,206	1,171,739	13,548,181	46,451,014	
	Nov-19	12,833,227	493,628	5,744,289	644,989	1,757,751	259,051	5,997,250	259,775	920,821	4,696,516	986,495	13,324,520	47,918,312	
	Dec-19	14,965,261	608,400	5,797,336	848,112	2,132,486	393,498	6,464,332	262,985	882,969	4,633,354	1,082,024	12,582,069	50,652,826	
	Total	154,911,753	5,564,516	70,657,564	6,817,129	25,026,630	4,835,209	73,964,568	3,243,275	11,950,574	48,326,765	13,485,396	165,606,190	584,389,569	
2)	Credit A Rate	\$0.00385	\$0.00348	\$0.00411	\$0.00252	\$0.00231	\$0.00179	\$0.00130	\$0.00624	\$0.00315	\$0.00144	\$0.00095	\$0.00012		
3)	Preliminary Credit C 2018 Deferral Rate	\$0.00049	\$0.00044	\$0.00052	\$0.00032	\$0.00029	\$0.00023	\$0.00016	\$0.00079	\$0.00040	\$0.00018	\$0.00012	\$0.00002		
4)	Credit C Rate On - Going Rate	\$0.00048	\$0.00044	\$0.00051	\$0.00032	\$0.00029	\$0.00022	\$0.00016	\$0.00078	\$0.00039	\$0.00018	\$0.00012	\$0.00002		
		Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	
5)	Jan-19	\$7,692	\$287	\$3,260	\$214	\$589	\$89	\$1,036	\$218	\$383	\$721	\$119	\$260	\$14,868	
	Feb-19	\$6,687	\$248	\$3,339	\$140	\$430	\$49	\$880	\$210	\$369	\$631	\$114	\$256	\$13,352	
	Mar-19	\$6,863	\$243	\$2,873	\$169	\$701	\$74	\$1,063	\$216	\$384	\$647	\$135	\$295	\$13,663	
	Apr-19	\$5,999	\$202	\$3,003	\$155	\$531	\$65	\$957	\$215	\$411	\$634	\$125	\$293	\$12,589	
	May-19	\$5,726	\$178	\$2,944	\$163	\$636	\$101	\$1,059	\$215	\$358	\$603	\$132	\$337	\$12,450	
	Jun-19	\$5,611	\$153	\$3,118	\$173	\$592	\$108	\$907	\$213	\$410	\$796	\$145	\$293	\$12,520	
	Jul-19	\$6,384	\$158	\$3,136	\$163	\$715	\$150	\$1,028	\$210	\$447	\$769	\$151	\$297	\$13,607	
	Aug-19	\$6,093	\$155	\$3,083	\$174	\$718	\$137	\$1,058	\$218	\$453	\$771	\$166	\$248	\$13,274	
	Sep-19	\$5,396	\$153	\$3,045	\$183	\$603	\$104	\$945	\$217	\$454	\$762	\$144	\$245	\$12,252	
	Oct-19	\$5,834	\$187	\$2,939	\$170	\$614	\$85	\$907	\$217	\$392	\$685	\$141	\$271	\$12,441	
	Nov-19	\$6,288	\$217	\$2,987	\$206	\$510	\$60	\$960	\$205	\$368	\$845	\$118	\$266	\$13,032	
	Dec-19	\$7,333	\$268	\$3,015	\$271	\$618	\$91	\$1,034	\$208	\$353	\$834	\$130	\$252	\$14,406	
	Total	\$75,907	\$2,448	\$36,742	\$2,181	\$7,258	\$1,112	\$11,834	\$2,562	\$4,780	\$8,699	\$1,618	\$3,312	\$158,454	
6)	percent	47.9%	1.5%	23.2%	1.4%	4.6%	0.7%	7.5%	1.6%	3.0%	5.5%	1.0%	2.1%	100.0%	
7)	Interest	\$729	\$24	\$353	\$21	\$70	\$11	\$114	\$25	\$46	\$84	\$16	\$32	\$1,521	
8)	P&I	\$76,635	\$2,472	\$37,095	\$2,202	\$7,327	\$1,123	\$11,948	\$2,587	\$4,826	\$8,782	\$1,634	\$3,344	\$159,975	
9)	Final Credit C 2018 Deferral Rate	\$0.00049	\$0.00044	\$0.00052	\$0.00032	\$0.00029	\$0.00023	\$0.00016	\$0.00080	\$0.00040	\$0.00018	\$0.00012	\$0.00002		

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
55															Case U-20314
56		Calculation C Volumetric Credits Including Interest on 2018 Deferral													Exhibit A-7 (EAR-2)
57		WEPCo Rate Zone													October, 2018
58															Page 2 of 5
59															
60			Beginning	Current	Ending	Average	Interest	Days	Monthly						
61			Balance	Month	Balance	Balance	Rate		Interest						
62				Activity											
63	10)	Jan-19	\$ 157,788	\$14,868	\$ 142,920	\$ 150,354	1.96%	31	\$ 250						
64	11)	Feb-19	\$ 142,920	\$ 13,352	\$ 129,569	\$ 136,244	1.96%	28	\$ 205						
65		Mar-19	\$ 129,569	\$ 13,663	\$ 115,906	\$ 122,737	1.96%	31	\$ 204						
66		Apr-19	\$ 115,906	\$ 12,589	\$ 103,317	\$ 109,611	1.96%	30	\$ 177						
67		May-19	\$ 103,317	\$ 12,450	\$ 90,867	\$ 97,092	1.96%	31	\$ 162						
68		Jun-19	\$ 90,867	\$ 12,520	\$ 78,346	\$ 84,607	1.96%	30	\$ 136						
69		Jul-19	\$ 78,346	\$ 13,607	\$ 64,739	\$ 71,543	1.96%	31	\$ 119						
70		Aug-19	\$ 64,739	\$ 13,274	\$ 51,465	\$ 58,102	1.96%	31	\$ 97						
71		Sep-19	\$ 51,465	\$ 12,252	\$ 39,213	\$ 45,339	1.96%	30	\$ 73						
72		Oct-19	\$ 39,213	\$ 12,441	\$ 26,772	\$ 32,992	1.96%	31	\$ 55						
73		Nov-19	\$ 26,772	\$ 13,032	\$ 13,740	\$ 20,256	1.96%	30	\$ 33						
74		Dec-19	\$ 13,740	\$ 14,406	\$ (666)	\$ 6,537	1.96%	31	\$ 11						
75															
76				<u>\$158,454</u>				<u>365</u>	<u>\$1,521</u>						
77															
78															
79		1) From most recent forecast.													
80		2) From Order dated May 30, 2018 in Case U-20110.													
81		3) Line 2 * Ex EAR-1 Line 3 / Ex EAR-1 Line 1 (Adjusted by factor of 1.108 to force close to zero balance at end of 2018).													
82		4) Line 2 * Ex EAR-1 Line 4 / Ex EAR-1 Line 1 (Adjusted by factor of 1.108 to force close to zero balance at end of 2018).													
83		5) Line 1 Monthly Value * Line 3													
84		6) Annual Credit C 2018 deferral as percent of total													
85		7) Total Interest in cell O50 * Line 6													
86		8) Line 5 Class Total + Line 7													
87		9) Line 8 / Line 1 Class Total													
88		10) Col C: From Ex EAR-1 Line 3. Col D From Line 5 Monthly Total. Col E: Col C - Col D. Col F: (Col C + Col E) / 2. Col F: Current short-term interest rate. Col H: Days in month. Col I: Col F * Col G * Col H / 365 Days in year.													
89		11) Col C: Col E from row above. Col D From Line 5 Monthly Total. Col E: Col C - Col D. Col F: (Col C + Col E) / 2. Col F: Current short-term interest rate. Col H: Days in month. Col I: Col F * Col G * Col H / 365 Days in year.													
90															
91															
92															

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1															
2		Calculation C Volumetric Credits Including Interest on 2018 Deferral													
3		WPS Rate Zone													
4															
5															
6			Residential	Residential	Secondary	Secondary	Secondary	Sec & Pri	Lighting			Retail Access	Retail Access		Total
7			Flat	TOU	Flat	TOU	Demand	CP-1M & CP-I	Ls-1M			Secondary	Primary		
8			Rg-1M	RG-OTOUT-1M	Cg-1M	Cg-OTOU-1M	Cg-3M			Mp-1M		Demand	Cp-1M, Cp-I		
9															
10			Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
11			Volumes (kWH)	Volumes (kWH)	Volumes (kWH)	Volumes (kWH)	Volumes (kWH)	Volumes (kWH)	Volumes (kWH)	Volumes (kWH)	Volumes (kWH)	Volumes (kWH)	Volumes (kWH)	Volumes (kWH)	Volumes (kWH)
12	1)	Jan-19	6,328,034	272,032	1,301,254	78,414	890,302	14,408,000	137,812	63,153	18,400	1,958,000	25,455,401		
13		Feb-19	5,459,124	232,694	1,185,616	70,418	852,757	14,045,000	116,502	55,886	17,520	2,248,000	24,283,517		
14		Mar-19	5,374,628	227,815	1,122,427	67,329	834,494	13,872,000	108,959	55,347	15,600	2,239,000	23,917,599		
15		Apr-19	4,618,256	188,909	1,050,657	60,423	814,810	13,961,000	92,786	58,157	17,084	2,273,000	23,135,082		
16		May-19	4,615,151	178,152	992,381	58,844	854,141	13,701,000	82,246	51,085	13,833	2,295,000	22,841,833		
17		Jun-19	5,004,902	169,941	1,111,183	70,648	924,743	13,883,000	76,235	53,347	13,132	2,336,000	23,643,131		
18		Jul-19	5,838,701	175,479	1,190,500	72,843	977,951	13,468,000	78,453	57,072	14,370	2,429,000	24,302,369		
19		Aug-19	5,549,972	169,864	1,108,885	73,349	922,344	14,640,000	87,064	51,522	16,520	2,545,000	25,164,520		
20		Sep-19	4,675,183	145,959	1,050,031	69,858	877,048	13,480,000	97,887	52,031	13,609	2,497,000	22,958,606		
21		Oct-19	4,586,337	144,720	1,006,163	65,224	832,560	12,693,000	110,996	48,999	14,640	2,381,000	21,883,639		
22		Nov-19	4,901,781	177,755	1,031,688	72,212	862,760	12,777,000	123,051	60,753	14,720	2,310,000	22,331,720		
23		Dec-19	5,915,816	236,536	1,172,420	74,276	950,920	13,220,000	133,349	56,682	16,480	2,244,000	24,020,479		
24		Total	62,867,885	2,319,856	13,323,205	833,838	10,594,830	164,148,000	1,245,340	664,034	185,908	27,755,000	283,937,896		
25															
26	2)	Credit A Rate	\$0.00455	\$0.00363	\$0.00363	\$0.00343	\$0.00361	\$0.00110	\$0.00800	\$0.00329	\$0.00055	\$0.00017			
27															
28	3)	Preliminary Credit C 2018 Deferral Rate	\$0.00052	\$0.00042	\$0.00042	\$0.00040	\$0.00042	\$0.00013	\$0.00092	\$0.00038	\$0.00006	\$0.00002			
29															
30	4)	Credit C Rate On - Going Rate	\$0.00052	\$0.00042	\$0.00042	\$0.00039	\$0.00041	\$0.00013	\$0.00092	\$0.00038	\$0.00006	\$0.00002			
31															
32															
33			Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral	Credit C 2018 Deferral
34	5)	Jan-19	\$3,291	\$114	\$547	\$31	\$374	\$1,873	\$127	\$24	\$1	\$39	\$6,421		
35		Feb-19	\$2,839	\$98	\$498	\$28	\$358	\$1,826	\$107	\$21	\$1	\$45	\$5,821		
36		Mar-19	\$2,795	\$96	\$471	\$27	\$350	\$1,803	\$100	\$21	\$1	\$45	\$5,710		
37		Apr-19	\$2,401	\$79	\$441	\$24	\$342	\$1,815	\$85	\$22	\$1	\$45	\$5,257		
38		May-19	\$2,400	\$75	\$417	\$24	\$359	\$1,781	\$76	\$19	\$1	\$46	\$5,197		
39		Jun-19	\$2,603	\$71	\$467	\$28	\$388	\$1,805	\$70	\$20	\$1	\$47	\$5,500		
40		Jul-19	\$3,036	\$74	\$500	\$29	\$411	\$1,751	\$72	\$22	\$1	\$49	\$5,944		
41		Aug-19	\$2,886	\$71	\$466	\$29	\$387	\$1,903	\$80	\$20	\$1	\$51	\$5,895		
42		Sep-19	\$2,431	\$61	\$441	\$28	\$368	\$1,752	\$90	\$20	\$1	\$50	\$5,243		
43		Oct-19	\$2,385	\$61	\$423	\$26	\$350	\$1,650	\$102	\$19	\$1	\$48	\$5,063		
44		Nov-19	\$2,549	\$75	\$433	\$29	\$362	\$1,661	\$113	\$23	\$1	\$46	\$5,293		
45		Dec-19	\$3,076	\$99	\$492	\$30	\$399	\$1,719	\$123	\$22	\$1	\$45	\$6,006		
46		Total	\$32,691	\$974	\$5,596	\$334	\$4,450	\$21,339	\$1,146	\$252	\$11	\$555	\$67,348		
47															
48	6)	percent	48.5%	1.4%	8.3%	0.5%	6.6%	31.7%	1.7%	0.4%	0.0%	0.8%			
49															
50	7)	Interest	\$317	\$9	\$54	\$3	\$43	\$207	\$11	\$2	\$0	\$5	\$653		
51															
52	8)	P&I	\$33,008	\$984	\$5,650	\$337	\$4,493	\$21,546	\$1,157	\$255	\$11	\$560	\$68,002		
53															
54	9)	Final Credit C 2018 Deferral Rate	\$0.00053	\$0.00042	\$0.00042	\$0.00040	\$0.00042	\$0.00013	\$0.00093	\$0.00038	\$0.00006	\$0.00002			

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
55															Case U-20314
56		Calculation C Volumetric Credits Including Interest on 2018 Deferral													Exhibit A-7 (EAR-2)
57		WPS Rate Zone													October, 2018
58															Page 4 of 5
59															
60			Beginning	Current	Ending	Average	Interest	Days	Monthly						
61			Balance	Month	Balance	Balance	Rate		Interest						
62				Activity											
63	10)	Jan-19	\$ 67,624	\$6,421	\$ 61,203	\$ 64,414	1.96%	31	\$ 107						
64	11)	Feb-19	\$ 61,203	\$5,821	\$ 55,382	\$ 58,293	1.96%	28	\$ 88						
65		Mar-19	\$ 55,382	\$5,710	\$ 49,673	\$ 52,527	1.96%	31	\$ 87						
66		Apr-19	\$ 49,673	\$5,257	\$ 44,415	\$ 47,044	1.96%	30	\$ 76						
67		May-19	\$ 44,415	\$5,197	\$ 39,218	\$ 41,817	1.96%	31	\$ 70						
68		Jun-19	\$ 39,218	\$5,500	\$ 33,718	\$ 36,468	1.96%	30	\$ 59						
69		Jul-19	\$ 33,718	\$5,944	\$ 27,775	\$ 30,747	1.96%	31	\$ 51						
70		Aug-19	\$ 27,775	\$5,895	\$ 21,880	\$ 24,827	1.96%	31	\$ 41						
71		Sep-19	\$ 21,880	\$5,243	\$ 16,637	\$ 19,259	1.96%	30	\$ 31						
72		Oct-19	\$ 16,637	\$5,063	\$ 11,574	\$ 14,106	1.96%	31	\$ 23						
73		Nov-19	\$ 11,574	\$5,293	\$ 6,281	\$ 8,928	1.96%	30	\$ 14						
74		Dec-19	\$ 6,281	\$6,006	\$ 276	\$ 3,279	1.96%	31	\$ 5						
75															
76				<u>\$67,348</u>				<u>365</u>	<u>\$653</u>						
77															
78															
79		1) From most recent forecast.													
80		2) From Order dated May 30, 2018 in Case U-20110.													
81		3) Line 2 * Ex EAR-1 Line 3 / Ex EAR-1 Line 1 (Adjusted by factor of 1.016 to force close to zero balance at end of 2018).													
82		4) Line 2 * Ex EAR-1 Line 4 / Ex EAR-1 Line 1 (Adjusted by factor of 1.016 to force close to zero balance at end of 2018).													
83		5) Line 1 Monthly Value * Line 3													
84		6) Annual Credit C 2018 deferral as percent of total													
85		7) Total Interest in cell M50 * Line 6													
86		8) Line 5 Class Total + Line 7													
87		9) Line 8 / Line 1 Class Total													
88		10) Col C: From Ex EAR-1 Line 3. Col D From Line 5 Monthly Total. Col E: Col C - Col D. Col F: (Col C + Col E) / 2. Col F: Current short-term interest rate. Col H: Days in month. Col I: Col F * Col G * Col H / 365 Days in year.													
89		11) Col C: Col E from row above. Col D From Line 5 Monthly Total. Col E: Col C - Col D. Col F: (Col C + Col E) / 2. Col F: Current short-term interest rate. Col H: Days in month. Col I: Col F * Col G * Col H / 365 Days in year.													
90															
91															
92															

	A	B	C	D	E
1					Case U-20314
2					Exhibit A-7 (EAR-2)
3					October, 2018
4					Page 5 of 5
5					
6					
7	Calculation C Volumetric Credits Summary				
8					
9					
10		Effective Jan 1, 2019 to Dec 31, 2019	Effective Jan 1, 2020		Source
11					
12	WEPCo Rate Zone	\$/kWh	\$/kWh		
13					
14	Full Service Rate Schedule				
15	Rg 1	\$0.00097	\$0.00048		Page 1
16	Rg 2	\$0.00088	\$0.00044		Page 1
17	Cg 1, Cg 2, TssM, TssU	\$0.00103	\$0.00051		Page 1
18	Cg 5	\$0.00064	\$0.00032		Page 1
19	Cg 3, Cg3C	\$0.00058	\$0.00029		Page 1
20	Cp 3	\$0.00032	\$0.00016		Page 1
21	Cp1, Cp 2, Cp 4, Special Contract	\$0.00045	\$0.00022		Page 1
22	Schedule A	\$0.00022	\$0.00011		Prorated from Credit A
23	CpLC	\$0.00018	\$0.00009		Prorated from Credit A
24	Ms2, Ms3, GL1, LED1, Mg1	\$0.00158	\$0.00078		Page 1
25					
26	Retail Access Rate Schedule				
27	Rg 1	\$0.00072	\$0.00036		Prorated from Credit A
28	Cg 1, TssM, TssU	\$0.00079	\$0.00039		Page 1
29	Cg 3	\$0.00036	\$0.00018		Page 1
30	Cp1 Cp4	\$0.00024	\$0.00012		Page 1
31	Schedule A	\$0.00004	\$0.00002		Page 1
32	CpLC	\$0.00000	\$0.00000		Prorated from Credit A
33					
34	WPS Rate Zone				
35					
36	Full Service Rate Schedule				
37	Rg-1M	\$0.00105	\$0.00052		Page 3
38	RG-OTOOUT-1M	\$0.00084	\$0.00042		Page 3
39	Cg-1M	\$0.00084	\$0.00042		Page 3
40	Cg-3M	\$0.00083	\$0.00041		Page 3
41	Cg-OTOU-1M	\$0.00079	\$0.00039		Page 3
42	Cp-1M, Cp-l	\$0.00026	\$0.00013		Page 3
43	Mp-1M	\$0.00076	\$0.00038		Page 3
44	Ls-1M	\$0.00185	\$0.00092		Page 3
45					
46	Retail Access Rate Schedule				
47	Rg-1M	\$0.00037	\$0.00019		Prorated from Credit A
48	RG-OTOOUT-1M	\$0.00026	\$0.00013		Prorated from Credit A
49	Cg-1M	\$0.00025	\$0.00013		Prorated from Credit A
50	Cg-3M	\$0.00012	\$0.00006		Page 3
51	Cg-OTOU-1M	\$0.00023	\$0.00012		Page 3
52	Cp-1M, Cp-l	\$0.00004	\$0.00002		Page 3
53	Mp-1M	\$0.00014	\$0.00007		Prorated from Credit A
54	Ls-1M	\$0.00131	\$0.00066		Prorated from Credit A

TAX CUTS AND JOBS ACT OF 2017 CREDIT (TCJA)

FULL REQUIREMENTS SERVICE

TCJA Credits are applicable to the rate schedules as indicated below for customers contracting for full requirements service. Customers shall receive Credit A until the Company is authorized new base rates in a general rate case proceeding. Customers shall receive Credit B for the period October 1, 2018 through December 31, 2018.

<u>Rate Schedule No.</u>	Credit A <u>\$/kWh</u>	Credit B <u>\$/kWh</u>	<i>Calculation C</i>	
			<i>Effective Jan. 1, 2019 to Dec. 31, 2019</i> <u>\$/kWh</u>	<i>Effective Jan. 1, 2020</i> <u>\$/kWh</u>
Rg 1	(.00385)	(.00761)	(.00097)	(.00048)
Rg 2	(.00348)	(.00716)	(.00088)	(.00044)
Cg 1, Cg 2, TssM, TssU	(.00411)	(.00835)	(.00103)	(.00051)
Cg 5	(.00252)	(.00349)	(.00064)	(.00032)
Cg 3, Cg3C	(.00231)	(.00503)	(.00058)	(.00029)
Cp 3	(.00130)	(.00285)	(.00032)	(.00016)
Cp 1, Cp 2, Cp 4, Special Contract	(.00179)	(.00313)	(.00045)	(.00022)
Schedule A	(.00086)	(.00158)	(.00022)	(.00011)
Cp LC	(.00072)	(.00144)	(.00018)	(.00009)
Ms2, Ms3, GL1, LED1, Mg 1	(.00624)	(.01292)	(.00158)	(.00078)

The following rate schedules shall receive a TCJA Credit as indicated above consistent with the rate schedule under which the customer is served. The TCJA credit is not prorated based on the level of participation selected under rate schedules ERER1, ERER2 or ERER3.

Rate Schedule No.
ERER1
ERER2
ERER3
DS1
CGS Category 1
CGS Category 2
CGS Biogas

RETAIL ACCESS SERVICE

TCJA Credits are applicable to the rate schedules as indicated below for customers contracting for retail access service. Customers shall receive Credit A until the Company is authorized new base rates in a general rate case proceeding. Customers shall receive Credit B for the period October 1, 2018 through December 31, 2018.

<u>Rate Schedule No.</u>	Credit A <u>\$/kWh</u>	Credit B <u>\$/kWh</u>	<i>Calculation C</i>	
			<i>Effective Jan. 1, 2019 to Dec. 31, 2019</i> <u>\$/kWh</u>	<i>Effective Jan. 1, 2020</i> <u>\$/kWh</u>
Rg 1	(.00289)	(.00609)	(.00072)	(.00036)
Cg 1, TssM, TssU	(.00315)	(.00609)	(.00079)	(.00039)
Cg 3	(.00144)	(.00265)	(.00036)	(.00018)
Cp 1, Cp 4	(.00095)	(.00189)	(.00024)	(.00012)
Schedule A	(.00012)	(.00022)	(.00004)	(.00002)
Cp LC	(.00001)	(.00002)	(.00000)	(.00000)

Issued mmddyy
T. T. Eidukas
Vice-President,
Milwaukee, Wisconsin

Effective for service rendered on and
after mmmddyyy

Issued under authority of the
Michigan Public Service Commission
dated mdy
in Case No. U-20314

D14. TAX CUTS AND JOBS ACT OF 2017 CREDIT (TCJA)

TCJA

TCJA Credits are applicable to the rate schedules as indicated below for customers that purchase power supply service from the Company. Customers shall receive Credit A until the Company is authorized new base rates in a general rate case proceeding. Customers shall receive Credit B for the period October 1, 2018 through December 31, 2018.

<u>Rate Schedule No.</u>	Credit A <u>\$/kWh</u>	Credit B <u>\$/kWh</u>	<i>Calculation C</i>	
			<i>Effective Jan. 1, 2019 to Dec. 31, 2019</i> <u>\$/kWh</u>	<i>Effective Jan. 1, 2020</i> <u>\$/kWh</u>
Rg-1M	(.00455)	(.00929)	(.00105)	(.00052)
RG-OTOU-1M	(.00363)	(.00794)	(.00084)	(.00042)
Cg-1M	(.00363)	(.00724)	(.00084)	(.00042)
Cg-3M	(.00361)	(.00729)	(.00083)	(.00041)
Cg-OTOU-1M	(.00343)	(.00679)	(.00079)	(.00039)
Cp-1M, Cp-I	(.00110)	(.00238)	(.00026)	(.00013)
Mp-1M	(.00329)	(.00692)	(.00076)	(.00038)
Ls-1M	(.00800)	(.01330)	(.00185)	(.00092)

The following rate schedules shall receive a TCJA Credit as indicated above consistent with the rate schedule under which the customer is served.

Rate Schedule No.
PG-1M
PG-1AM
PG-1BM

TCJA Credits are applicable to the rate schedules as indicated below for customers taking service under the Retail Access Service tariff (RAS-1). Customers shall receive Credit A until the Company is authorized new base rates in a general rate case proceeding. Customers shall receive Credit B for the period October 1, 2018 through December 31, 2018.

<u>Rate Schedule No.</u>	Credit A <u>\$/kWh</u>	Credit B <u>\$/kWh</u>	<i>Calculation C</i>	
			<i>Effective Jan. 1, 2019 to Dec. 31, 2019</i> <u>\$/kWh</u>	<i>Effective Jan. 1, 2020</i> <u>\$/kWh</u>
Rg-1M	(.00163)	(.00329)	(.00037)	(.00019)
RG-OTOU-1M	(.00111)	(.00240)	(.00026)	(.00013)
Cg-1M	(.00108)	(.00213)	(.00025)	(.00013)
Cg-3M	(.00055)	(.00154)	(.00012)	(.00006)
Cg-OTOU-1M	(.00090)	(.00176)	(.00023)	(.00012)
Cp-1M	(.00017)	(.00036)	(.00004)	(.00002)
Mp-1M	(.00062)	(.00129)	(.00014)	(.00007)
Ls-1M	(.00570)	(.00936)	(.00131)	(.00066)

Issued mmddyy
T. T. Eidukas
Vice-President,
Milwaukee, Wisconsin

Effective for service rendered on and
after mmmddyyy

Issued under authority of the
Michigan Public Service Commission
dated mdy
in Case No. U-20314

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 _____

Signature: _____

I am not an attorney

I am an attorney whose:

Michigan Bar # is P- _____

_____ Bar # is: _____
(state)

Save Form

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.

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Case / Company Name: _____ Docket No. _____

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

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

Name _____

Address _____

City _____ State _____

Zip _____ Phone (____) _____

Email _____

Date _____

I am not an attorney

I am an attorney whose:

Michigan Bar # is P- _____

_____ Bar # is: _____
(state)

Signature: _____

Save Form

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter on the Commission’s own motion,)
to consider changes in the rates of all the)
Michigan rate-regulated electric, steam and)
natural gas utilities to reflect the effects of the)
federal Tax Cuts and Jobs Act of 2017)
Cuts and Jobs Act of 2017: UPPER MICHIGAN)
ENERGY RESOURCES CORPORATION)
files an application for determination of)
Calculation C as described in orders U-18494)
and U-20110.)

Case No. U-20314

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss
COUNTY OF INGHAM)

Kimberly S. Fox, being first duly sworn, deposes and says that on October 1, 2018, she served the Application and Direct Testimony and Exhibit of Ricki J. Moras, Eric Nicolaus, Diane J. Mier, and Eric A. Rogers, and Appearances of Sherri A. Wellman and Paul M. Collins upon the parties listed below via electronic mail:

Jennifer U. Heston jheston@fraserlawfirm.com
John A. Janiszewski jjaniszewski@dykema.com
Michael E. Moody moodym2@michigan.gov

Kimberly S. Fox

Subscribed and sworn before me
on this 1st day of October, 2018.

Jennifer Joy Yocum, Notary Public
State of Michigan, Ingham County
My Commission Expires: 12/18/2019
Acting in the County of Ingham