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April 1, 2019

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

Re: Upper Michigan Energy Resources Corporation
Case No. U-20511

Dear Ms. Kale:

Pursuant to the Commission's directive made in its November 30, 2017 Order issued in Case No. U-18253 (p 51, ¶ E), enclosed for electronic filing in the above case please find Upper Michigan Energy Resources Corporation's Application with supporting testimony and Appearances of Sherri A. Wellman Paul M. Collins.

If you should have any questions, please kindly advise.

Very truly yours,

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

By: _____
Sherri A. Wellman

SAW/kf
Enclosures
cc w/enc: Dennis M. Derricks
Theodore Eidukas
Koby A. Bailey

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
UPPER MICHIGAN ENERGY RESOURCES)	Case No. U-20511
CORPORATION for approval of an annual review of its)	
state reliability mechanism charge to comply with the)	
requirements of Section 6w of 2016 PA 341.)	
_____)	

APPLICATION

Upper Michigan Energy Resources Corporation (“UMERC” or the “Company”) files this Application pursuant to order point E of the Michigan Public Service Commission’s (“MPSC” or the “Commission”) November 30, 2017 Order issued in Case No. U-18253 (“November 30th Order”). Consistent with the Commission’s directive, UMERC states as follows:

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

2. On January 1, 2017, pursuant to a Settlement Agreement approved by the Commission on December 9, 2016, in Case No. U-18061, UMERC was established as a Michigan regulated utility providing service only to electric and natural gas customers in the Upper Peninsula of Michigan. As of January 1, 2019, UMERC serves approximately 36,500 full

requirements electric customers, as well as distribution-only electric customers who qualify for retail access service.

3. UMERC's retail electric business is subject to the Commission's jurisdiction pursuant to 1909 PA 106, as amend; MCL 460.551 et seq, as amended; 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., as amended.

4. Pursuant to its November 30th Order, the Commission, among other things, authorized UMERC, beginning June 1, 2018, to implement a state reliability mechanism ("SRM") capacity charge of \$229,533 per megawatt-year, or \$629 per megawatt-day, for full-service customers. According to the terms of the November 30th Order, UMERC shall impose the SRM charge on a pro rata basis on an alternative electric supplier operating in the Company's service territory who fails to make a satisfactory demonstration regarding its forward capacity obligations.

5. The November 30th Order also directed UMERC to file a standalone contested case for the annual review of its SRM capacity charge by April 1, 2018 (and annually thereafter) (at p 51, ¶E). Additionally, MCL 460.6w(5) provides that "not less than once every year, the commission shall review or amend the capacity charge... ."

6. On March 27, 2018, pursuant to the directive made in the November 30th Order, the Company filed its application for its first annual review of the SRM capacity charge. Following due notice and hearing, UMERC and the Commission Staff entered into a settlement agreement providing for the SRM capacity surcharge to remain in effect until the final order in UMERC's next general rate case. The Commission in its August 28, 2018 Order in Case No. U-20130, approved the settlement agreement ("August 28th Order").

7. By this Application, and the concurrently filed supporting direct testimony of Dennis M. Derricks, UMERC files its application for its second annual review.

8. UMERC represents that because the approved SRM capacity charge is still new, UMERC has no basis on which to seek or propose any change to the approved charge, and respectfully requests that the Commission continue its approval granted in its August 28th Order and allow for the SRM capacity charge to remain in effect until the final order in UMERC's next general rate case.

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

A. Approve UMERC's Application and find that the Company has satisfied the directives of the November 30, 2017 order (at p 51, ¶E) in Case No. U-18253;

B. Authorize the continuation of the approval granted in its August 28, 2018 Order in Case No. U-20130; and

C. Grant UMERC's such other and further relief as is just and reasonable.

UPPER MICHIGAN ENERGY RESOURCES
CORPORATION

Dated: April 1, 2019

By: _____

One of Its Attorneys
Sherri A. Wellman (P38989)
Paul M. Collins (P69719)
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.
One Michigan Avenue, Suite 900
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(517) 487-2070

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, of the application of)
UPPER MICHIGAN ENERGY RESOURCES)
CORPORATION for approval of an annual review)
of its state reliability mechanism charge to comply)
with the requirements of Section 6w of 2016 PA 341.)
_____)

Case No. U-20511

DIRECT TESTIMONY

OF

DENNIS M. DERRICKS

ON BEHALF OF

UPPER MICHIGAN ENERGY RESOURCES CORPORATION

April 2019

**DIRECT TESTIMONY OF
DENNIS M. DERRICKS**

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

2 A. My name is Dennis M. Derricks. My office address is P.O. Box 19001, Green Bay,
3 Wisconsin 54307-9001.

4 **Q. On whose behalf are you testifying?**

5 A. I am testifying on behalf of Upper Michigan Energy Resources Corporation (“UMERC”).

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

7 A. I am Director of Regulatory Affairs at WEC Energy Group, Inc. (“WEC Energy Group”).
8 UMERC is a wholly owned subsidiary of Wisconsin Energy Group.

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

10 A. Regarding my educational background, I graduated from Michigan Technological
11 University in 1988 with a Bachelor of Science degree in Electric Engineering, with an
12 emphasis on Electric Power Systems. In 1998, I received a Master’s degree in Business
13 Administration from the University of Wisconsin Oshkosh.

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

**DIRECT TESTIMONY OF
DENNIS M. DERRICKS**

1 (“TEG”). Effective with the acquisition of TEG by Wisconsin Energy Corporation
2 (“WEC”) in June 2015, now known as WEC Energy Group, my title is Director of
3 Regulatory Affairs.

4 **Q. Have you ever testified in any regulatory proceedings before the Michigan Public**
5 **Service Commission (“Commission”)?**

6 A. Yes, I have. I have testified before this Commission, the Public Service Commission of
7 Wisconsin, the Federal Energy Regulatory Commission, and the Illinois Commerce
8 Commission in various rate case, fuel, and policy dockets on behalf of WPS Corp, Upper
9 Peninsula Power Company, The Peoples Gas Light and Coke Company, and the North
10 Shore Gas Company.

11 **Q. Are you sponsoring any exhibits in connection with your direct testimony in this**
12 **case?**

13 A. No.

14 **Q. Before you begin your testimony, can you please provide a brief description of**
15 **UMERC?**

16 A. Yes. Pursuant to the Commission’s December 9, 2016 approval of the settlement
17 agreement signed by all parties in Case No. U-18061 (regarding the acquisition of TEG
18 by WEC), UMERC was established as a Michigan jurisdictional regulated utility
19 providing service only to electric and natural gas customers in Michigan that were
20 previously served by either Wisconsin Electric Power Company (“WEPCo”) or WPS
21 Corp. UMERC is engaged as a public utility in the business of purchasing, distributing
22 and selling electric energy to approximately 36,500 full service customers, as well
23 providing electric distribution service only to approximately 80 customers that qualify for

**DIRECT TESTIMONY OF
DENNIS M. DERRICKS**

1 Retail Access Service. Currently, UMERC does not own any generation, and obtains
2 power supply pursuant to agreement from both WEPCo and WPS Corp. On October 25,
3 2017, UMERC received approval from the Commission in Case No. U-18224 to
4 construct 183 Mw of natural gas fired generation. UMERC anticipates this generation to
5 be placed in service by June 1, 2019, at which time the electric purchase power
6 agreements with WEPCo and WPS Corp would be terminated.

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

8 A. The purpose of my testimony is to comply with Order Point E of the Commission order
9 dated November 30, 2017, issued in Case No. U-18253 which states:

10 E. Upper Michigan Energy Resources Corporation is directed to file a
11 standalone contested case for the annual review of its state reliability
12 mechanism capacity charge by April 1, 2018, and annually thereafter, unless
13 the utility expects that the annual review will be taking place in a rate case
14 or power supply cost recovery case that will conclude by December 1 of
15 each year. If Upper Michigan Energy Resources Corporation does not file a
16 standalone contested case by April 1 2018, it shall notify the Commission in
17 this docket of the expected approval path and timing for the annual review
18 of the state reliability mechanism capacity charge.

19
20 **Q. Did the Commission approve capacity charges in Case No. U-18253 to comply with
21 MCL 460.6w regarding a State Reliability Mechanism (“SRM”)?**

22 A. Yes. The Company initially filed for capacity charges based on the capacity charges
23 contained in the FERC approved purchase power agreements that UMERC receives
24 power from WEPCo and WPS Corp. However MPSC Staff calculated capacity charges
25 based on WEPCo’s and WPS Corp’s most recent Michigan rate case filings.

26 **Q. Have the SRM charges approved in Case No. U-18253 been implemented by
27 UMERC?**

28 A. Yes, as of June 1, 2018.

**DIRECT TESTIMONY OF
DENNIS M. DERRICKS**

1 **Q. Is the Company proposing any changes to the approved SRM capacity charges?**

2 A. Not at this time. Because the SRM capacity charge is newly implemented, and there is
3 no basis to change the charge, UMERC respectfully requests the Commission to continue
4 its approval granted in Case No. U-20130, and direct the Company's SRM capacity
5 charge to remain in effect until the final order in UMERC's next general rate case in
6 accordance with the terms of the settlement agreement therein.

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

8 A. Yes it does.

MICHIGAN DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
PUBLIC SERVICE COMMISSION

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

Name _____

Address _____

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Zip _____ Phone (____) _____

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Date _____

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(state)

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