

Founded in 1852
by Sidney Davy Miller

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September 2, 2022

Ms. Lisa Felice
Executive Secretary
Michigan Public Service Commission
7109 West Saginaw Highway
Lansing MI 48917

Re: Upper Peninsula Power Company
Case No. U-21286

Dear Ms. Felice:

Enclosed for electronic filing is Upper Peninsula Power Company's **Rate Case Summary**. Should you have any questions, please kindly advise.

Very truly yours,

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

By: _____
Paul M. Collins

cc w/enc: Gradon Haehnel
Eric Stocking
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STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
UPPER PENINSULA POWER COMPANY)	Case No. U-21286
for authority to increase its rates for)	
the generation and distribution of)	
electricity and other relief.)	

RATE CASE SUMMARY

In accordance with the Michigan Public Service Commission’s (“MPSC” or the “Commission”) July 31, 2017 Order in Case No. U-18238, Upper Peninsula Power Company (“UPPCO” or the “Company”) submits its required Rate Case Summary. The Company’s Rate Case Summary is being provided for informational purposes only, and in filing this summary, UPPCO states that modifications may be made to its upcoming rate case filing that could impact the information contained herein.

In the Company’s most recent electric rate case, Case No. U-20276, UPPCO requested jurisdictional rate relief of \$9.982 million annually based on a projected 12-month test year ending on December 31, 2019. Through a final order approving settlement agreement issued on May 23, 2019, the Commission authorized a 9.9% Return on Equity along with jurisdictional rate relief of \$1.8 million, which excluded any Tax Cut and Job Act (TJCA) impacts while continuing the imposition of certain revenue offsets first authorized in Case Nos. U-17895 for a finite period that has since expired.

In addition to the removal of the expired revenue offsets, the Company's upcoming electric rate case filing, Case No. U-21286, is primarily driven by UPPCO's continued infrastructure investments and associated operating expenditures needed to improve the reliability and resiliency of UPPCO's distribution system. Based on the evidentiary support provided in its upcoming filing, UPPCO requests that the Commission authorize the Company to adjust its retail electric generation and distribution rates so as to result in a total revenue increase of \$25.3 million annually based on a projected 12-month test year ending June 30, 2024. The Company is requesting a Return on Equity of 10.8% and uses inflation factors of 3.51% for 2021 through the projected test year, as forecasted by the Congressional Budget Office ("CBO"). The Company's filing will also request the approval of: (i) a Residential Low-Income tariff and (ii) a Residential and Small Commercial electric heat pump rebate program.

As noted above, a significant driver of the increased operating expenses in the projected test year is infrastructure investments and associated operating expenditures needed to ensure the continued reliability and resiliency of UPPCO's distribution system. As noted in Table 1 below, UPPCO's operating expenses (excluding operation & maintenance expense) are anticipated to grow at an average annual rate of 1.5%, while operations & maintenance expense are anticipated to grow at an annual rate of 1.8%, since approval of the Case No. U-20276 in 2019 through the projected test year. In contrast, inflation for the same period is expected to grow at 3.51% annually, as defined in the CBO's May 2022 report.

For the projected test year, excluding the impacts of previously ordered revenue offsets of approximately \$8.0 million, the Company demonstrates jurisdictional rate relief totaling \$17.3 million. The Company's proposed rate adjustments represented by rate class and rate schedule are attached to this Rate Case Summary as Attachment A. UPPCO proposes to ease the

immediate impacts of this rate relief by implementing the requested adjustment over a two-year period; as such, Attachment A includes a summary of the rate class and rate schedule impacts separately for each year of the implementation period.

The key drivers associated with the Company's revenue requirement and rate base are demonstrated in Tables 1 and 2, below:

Key Drivers of Revenue Requirement	Total	% Annual Change Since Last Case*
Investment	\$ 7.9	
Cost of Capital	\$ 0.0	
Operating Expenses (excluding O&M)	\$ 5.3	1.5%
O&M Expenses	\$ 4.2	1.8%
Sales / Revenue	\$ (0.1)	
Jurisdictional Rate Relief	\$ 17.3	
Accounting for Expired Revenue Credits	\$ 8.0	
Total Revenue Requirement Impact	\$ 25.3	

* compound annual growth rate

Key Drivers: Rate Base	Rate Base Impact	Revenue Requirement Impact
Last Rate Case Order (U-20276)		
Rate Base	\$ 267.7	\$ 25.0
Current Rate Case (U-21286)		
Utility Plant	\$ 85.7	\$ 8.0
Depreciation Reserve	\$ (44.0)	\$ (4.1)
Working Capital	\$ 42.9	\$ 4.0
Requested Rate Base	\$ 352.3	\$ 32.9
Increase from Last Rate Base Order	\$ 84.6	\$ 7.9

Upper Peninsula Power Company intends to file its upcoming electric rate case on September 8, 2022, which will allow for new rates to be effective on July 8, 2023.

Respectfully submitted,

Upper Peninsula Power Company

Dated: September 2, 2022

By: _____

Schedule F-2

Michigan Public Service Commission

Upper Peninsula Power Company

Summary of Present and Proposed Revenue by Rate Schedule

COSS - Year 1

Line No.	(a) Description	(b) Total Present Revenue	(c) Total Proposed Revenue	(d) Total Net Increase/ (Decrease)	(e) Total Net Increase/ (Decrease) (%)
1	<u>UPPCO RETAIL SYSTEM</u>				
2	A-1	\$53,561,266	\$60,148,963	\$6,587,698	12.30%
3	AH-1	\$4,553,959	\$4,890,910	\$336,951	7.40%
4	C-1	\$12,292,705	\$15,555,908	\$3,263,203	26.55%
5	H-1	\$1,013,191	\$1,120,067	\$106,876	10.55%
6	P-1	\$11,918,654	\$12,002,489	\$83,835	0.70%
7	Cp-U	\$12,179,253	\$14,052,362	\$1,873,110	15.38%
8	WP-3	\$2,767,441	\$3,562,621	\$795,181	28.73%
9	RTMP	\$145,938	\$180,499	\$34,561	23.68%
10	RTMP-D	\$0	\$0	\$0	0.00%
11	Z-3	\$416,665	\$248,263	(\$168,402)	-40.42%
12	SL	\$1,601,244	\$981,052	(\$620,192)	-38.73%
13					
14					
15	MPSC JURISDICTIONAL	\$100,450,315	\$112,743,135	\$12,292,820	12.24%

Schedule F-2

Michigan Public Service Commission

Upper Peninsula Power Company

Summary of Present and Proposed Revenue by Rate Schedule

COSS - Year 2

Line No.	(a) Description	(b) Total Present Revenue	(c) Total Proposed Revenue	(d) Total Net Increase/ (Decrease)	(e) Total Net Increase/ (Decrease) (%)
1	<u>UPPCO RETAIL SYSTEM</u>				
2	A-1	\$60,148,963	\$69,216,951	\$9,067,988	15.08%
3	AH-1	\$4,890,910	\$5,606,780	\$715,870	14.64%
4	C-1	\$15,555,908	\$19,155,567	\$3,599,659	23.14%
5	H-1	\$1,120,067	\$1,380,135	\$260,069	23.22%
6	P-1	\$12,002,489	\$14,444,095	\$2,441,605	20.34%
7	Cp-U	\$14,052,362	\$14,694,118	\$641,756	4.57%
8	WP-3	\$3,562,621	\$3,662,448	\$99,826	2.80%
9	RTMP	\$180,499	\$207,249	\$26,750	14.82%
10	RTMP-D	\$0	\$0	\$0	0.00%
11	Z-3	\$248,263	\$248,263	\$0	0.00%
12	SL	\$981,052	\$981,052	\$0	0.00%
13					
14					
15	MPSC JURISDICTIONAL	\$112,743,135	\$129,596,658	\$16,853,524	14.95%