

Founded in 1852
by Sidney Davy Miller



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June 24, 2015

Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
7109 W. Saginaw Hwy.
Lansing, MI 48917

Re: Upper Peninsula Power Company
2014 Renewable Energy Reconciliation
MPSC Case No. U-17807

Dear Ms. Kunkle:

Enclosed for electronic filing are the **Application, Testimony and Exhibit of Virgil E. Schlorke, P.E. and Appearance of Sherri A. Wellman.**

Please be advised that a marked-up Notice of Hearing has been provided to Ms. Gloria Jones.

Should you have any questions, please kindly advise.

Very truly yours,

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

By: _____
Sherri A. Wellman

Enclosures

cc: Susan Devon
Steve Serraino
Virgil E. Schlorke

SAW/tmb
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MICHIGAN DEPARTMENT OF LABOR AND ECONOMIC GROWTH
PUBLIC SERVICE COMMISSION

ENTRY OF APPEARANCE IN AN ADMINISTRATIVE HEARING

This form is issued as provided for by 1939 PA 3, as amended, and by 1933 PA 254, as amended. The filing of this form, or an acceptable alternative, is necessary to ensure subsequent service of any hearing notices, Commission orders, and related hearing documents.

General Instructions:

Type or print legibly in ink. For assistance or clarification, please contact the Public Service Commission at (517) 241-6170.

Please Note: The commission will provide service of documents in this proceeding to only one person for each party.

THIS APPEARANCE TO BE ENTERED IN ASSOCIATION WITH THE ADMINISTRATIVE HEARING:

Case / Company Name: Upper Peninsula Power Company Docket No. U-17807

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

1. (Name)	<u>Upper Peninsula Power Company</u>
2. (Name)	<u></u>
3. (Name)	<u></u>
4. (Name)	<u></u>
5. (Name)	<u></u>
6. (Name)	<u></u>
7. (Name)	<u></u>

Name Sherri A. Wellman

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Email wellmans@millercanfield.com

Date June 24, 2015

Signature: _____

☐ I am not an attorney

☒ I am an attorney whose:

Michigan Bar # is P- 38989

Bar # is:
(state)

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

In the matter of the application of)	
UPPER PENINSULA POWER COMPANY)	Case No. U-17807
for a reconciliation of renewable energy)	
revenues and expenses for 2014.)	
_____)	

APPLICATION

Upper Peninsula Power Company (“UPPCO” or the “Company”), hereby requests the Michigan Public Service Commission (“Commission”) to approve the Company’s 2014 Renewable Energy Annual Report (“Report”) and reconciliation of its revenues and expenses for the 2014 calendar year. In support thereof, the Company respectfully represents as follows:

1. UPPCO is a Michigan corporation, with its principal office located in Houghton, Michigan, and is engaged as a public utility in the generation, purchase, distribution and sale of electric energy in its service territory in the Upper Peninsula of Michigan.
2. UPPCO serves certain cities, villages and townships located in the counties of Alger, Baraga, Delta, Houghton, Iron, Keweenaw, Marquette, Menominee, Ontonagon and Schoolcraft. UPPCO’s Michigan retail electric business is subject to the jurisdiction of the Commission pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; 1909 PA 300, as amended, MCL 462.2 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; and 1939 PA 3, as amended, MCL 460.1 et seq.
3. The Michigan Legislature enacted the Michigan clean, renewable, and efficient energy act, 2008 PA 295 (“PA 295”), MCL 460.1001 et seq., effective October 6, 2008.

4. By Order Approving Settlement Agreement, dated August 13, 2013, in Case No. U-17305, the Commission approved the Company's biennial renewable energy plan. As approved, the renewable energy plan provides for meeting renewable energy standards through existing power supply resources, with the costs thereof to be addressed and accounted for through Power Supply Cost Recovery ("PSCR") proceedings, without a separate renewable energy surcharge. This Application presents UPPCO's annual renewable energy reconciliation proceeding pursuant to the requirements of PA 295.

5. UPPCO's actions with regard to renewable energy for the 2014 calendar year: (i) complied with the renewable energy standards; (ii) were consistent with UPPCO's renewable energy plan, as approved by the Commission; and (iii) were reasonable and prudent.

6. UPPCO's approved renewable energy plan for the 2014 calendar year did not include any renewable energy surcharge. Thus, there are no renewable energy surcharge revenues to be reconciled under Act 295.

7. UPPCO's 2014 Report is filed herewith as Exhibit A-1 (VES-1) to the prefiled direct testimony of Virgil E. Schlorke, which is filed contemporaneously herewith and in support of hereof.

WHEREFORE, Upper Peninsula Power Company requests that this Commission:

A. Find and determine that the Company's 2014 Renewable Energy Annual Report satisfies all applicable requirements;

B. Find and determine that UPPCO's actions in 2014 complied with renewable standard requirements and standards, and were reasonable and prudent;

C. Find and determine that UPPCO's reconciliation for 2014 does not result in any under-recovery or over-recovery of revenues; and

D. Grant such other relief as is just and reasonable.

Respectfully Submitted,

UPPER PENINSULA POWER COMPANY

Dated: June 24, 2015

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

Attorney for UPPER PENINSULA POWER COMPANY

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* * * * *

Case No. U-17807

8 A. I am the Director of Energy Supply and Environmental Services. I am
9 responsible for the oversight and management of UPPCO's generation assets
10 and environmental programs. This encompasses all aspects of operations and
11 license compliance along with employee & public safety around the assets, while
12 providing reliable and economic generation. I am also responsible for the
13 development and coordination of the operation ("O&M") and capital budgets
14 associated with the generation assets.

1 **Q. Please describe your educational and related work experience.**

2 A. I graduated from Michigan Technological University with a Bachelors and
3 Masters of Science in Civil Engineering. I am also a licensed Professional
4 Engineer in the states of Michigan and Wisconsin. I have over 20 years of
5 engineering and management experience. Nine of which are in managing
6 generation assets and over eleven years in structural engineering and design
7 and project/construction management for industrial building and restoration,
8 including three years of project/construction management of hydroelectric
9 project.

10

11 **Q. Have you previously testified before the Michigan Public Service**
12 **Commission (“MPSC”)?**

13 A. Yes, I caused to have testimony filed in Case No. U-17796 before the MPSC.
14

15 **Q. What is the purpose of your testimony in these proceedings?**

16 A. I am presenting UPPCO’s analysis and discussion as to the following:

- 17 1. UPPCO’s 2014 Renewable Energy Annual Report; and
18 2. Reconciliation of Renewable Energy Surcharge revenues and costs.

19

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

21 A. Yes, I am sponsoring Exhibit A-1 (VES-1), UPPCO’s 2014 Renewable Energy
22 Annual Report.

23

1 **Q. Was this exhibit prepared by you or under your direction and supervision?**

2 A. Yes.

3

4 **Q. Were UPPCO's actions and decisions in implementing its 2014 renewable**
5 **energy plan reasonable and prudent?**

6 A. Yes, they were reasonable and prudent and consistent with the plan approved by
7 the Commission in its August 13, 2013 Order in Case No. U-17305.

8

9 **Q. Did UPPCO recover any renewable energy cost through a renewable**
10 **energy surcharge?**

11 A. No. All of UPPCO's costs for its renewable energy are already included in its
12 base rates or in rates that are adjusted as part of the Power Supply Cost
13 Recovery proceedings. Thus, UPPCO does not have any Renewable Energy
14 surcharge revenues to reconcile against costs in this reconciliation proceeding.

15

16 **Q. Does UPPCO plan to change its method for recovering its renewable**
17 **energy costs?**

18 A. No.

19

20 **Q. Is UPPCO banking renewable energy credits for future use in Michigan?**

21 A. Yes.

1 **Q. Including incentive credits, how many renewable energy credits did UPPCO**
2 **procure in 2014 for its Michigan retail customers?**

3 A. Net of UPPCO's contractual renewable energy credit sale obligations, this value
4 totals 154,952 renewable energy credits.

5
6 **Q. At the end of 2014, how many renewable energy credits, including incentive**
7 **credits, does UPPCO have banked for future compliance?**

8 A. Net of 2014 renewable energy compliance obligations, UPPCO has banked a
9 total of 174,417 renewable energy credits for future compliance.

10

11 **Q. Does this conclude your testimony?**

12 A. Yes, it does.

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* * * *

Case No. U-17807

Renewable Energy Annual Report

Revised May 2015

Electric Provider:

Reporting Period: Calendar Year 2014

- Section 51(1) of 2008 PA 295 requires the filing of this document with the Michigan Public Service Commission.
- Many of the requested figures are available from MIRECS reports; names of which are noted within this template. If your figures agree with those within MIRECS, you may submit the MIRECS report as an attachment to this annual report. If your figures differ from those within MIRECS, please explain any discrepancies. Staff from the MPSC and MIRECS Administrator, APX, Inc., are available to help reconcile.

Section 51(1).

Within this section, list and describe actions taken by the electric provider to comply with the renewable energy standards.

a. Filings to the Commission (case numbers)

U-15810 UPPCO 2009 Biennial Renewable Energy Plan
U-16316 UPPCO 2009 Annual Renewable Reconciliation
U-16317 UPPCO 2010 Annual Renewable Reconciliation
U-16586 UPPCO 2011 Biennial Renewable Energy Plan
U-16660 UPPCO 2011 Annual Renewable Reconciliation
U-17325 UPPCO 2012 Annual Renewable Reconciliation
U-17305 UPPCO 2013 Biennial Renewable Energy Plan
U-17635 UPPCO 2013 Annual Renewable Reconciliation

b. Summary of actions taken during reporting period

On June 27, 2014, UPPCO filed in Case No. U-17635, the 2013 Renewable Energy Annual Report and reconciliation pursuant to the requirements of 2008 PA 295 and on May 26, 2015, UPPCO filed in Case No. U-17796, the 2015 biennial filing pursuant to the requirements of 2008 PA 295.

Section 51(2)(a).

Within this section, list the number of energy credits obtained and, if bundled credits, the MWh of electricity generated or otherwise acquired during the reporting period. This data may be found in MIRECS reports titled: My Generation Report and My Credit Transfers.

Credits From	Renewable Energy Credits	Incentive Credits	MWh Electricity Generated/Acquired
Generated (My Generation Report)	154,935	14,560	154,935
Purchased (My Credit Transfers)(1)	42,998	2,459	49,180
Total Credits	197,933	17,019	N/A

(1) Autrain (GEN108) purchases that are included in the My Generation Report in MIRECS but is represented as a purchase above. UPPCO is the Qualified Reporting Entity for the facility and is responsible for reporting the generation data to MIRECS, therefore is appears as generation in the My Generation Report.

Explain any differences between the data provided and MIRECS reports.

See footnote above.

Within this section, list the type of and number of energy credits sold, traded or otherwise transferred during the reporting period.

	Renewable Energy Credits	Incentive Credits
Sold, traded or otherwise transferred	2014 Vintage: 60,000	0
Expired (not in compliance sub-account)		

This data may be found in MIRECS reports titled: My Sub-Accounts (filtered by Michigan eligibility and its end date) and My Credit Transfers.

Section 51(2)(b).

Within this section, list the number of advanced cleaner energy credits obtained and, if bundled, the MWh of advanced cleaner energy generated or otherwise acquired during this reporting period. This data may be found in MIRECS reports titled: My Generation Report and My Credit Transfers.

	Advanced Cleaner Energy Credits	MWh Electricity Generated/Acquired
Generated (My Generation Report)	N/A	N/A
Purchased (My Credit Transfers)	N/A	N/A
Total Credits acquired	N/A	N/A

Did the percentage limits in Section 27(7) affect development of advanced cleaner energy by the electric provider? How so?

N/A

Section 51(2)(c).

Within this section, list each renewable energy system (RES) and advanced cleaner energy system (ACES) owned, operated or controlled by the electric provider. List the capacity of each system, the amount of electricity generated by each system and the percentage of electricity which was generated from renewable energy (RE) or advanced cleaner energy (ACE).

System Name¹	System Type (RES or ACES)	Nameplate Capacity (MW)	Electricity Generated (MWh) ²	% of Electricity generated by RE/ACE
Victoria	RES	12.0	38,448	100%
Prickett	RES	2.2	2,242	100%
McClure	RES	8.0	25,956	100%
Hoist	RES	3.4	8,088	100%
Escanaba Dam 1	RES	1.6	5,854	100%
Escanaba Dam 3	RES	2.5	5,755	100%
Boney Falls	RES	4.1	8,592	100%

¹System name should agree with the project name listed within MIRECS.

²Renewable information provided in the table is net of any renewable energy credit allocations or sales.

This data may be found in the Project Management module within MIRECS.

Within this section, list the renewable energy system (RES) and advanced cleaner energy systems (ACES) the electric provider is purchasing energy credits from. These include purchase power agreements. However, unbundled (credit only) purchases do not need to be listed here. Projects (generators) serving multijurisdictional electric providers should be listed here.

System Name	System Type (RES or ACES)	Electricity Purchased (MWh)	Energy Credits Purchased ¹	Allocation Factor and Method
Autrain	RES	6,760	6,182 RECS / 578 IRECS	100%
WPS Purchases	Multiple RES	38,697	36,816 RECS / 1,881 IRECS	Ratio based on percentage of system load

⁰¹Distinguish between different types of credits (REC or ACEC).

Allocation Factor and Method: For use if 100% of system output is not purchased. For instance, a system selling to multiple parties: list how the energy and credits are allocated – if by percentage, list the percentage as well.

Allocation Factor and Method: If used by multijurisdictional electric providers please include which percentage of energy and credits are to be distributed to Michigan (list allocation method as well, for example: system load).

Section 51(2)(d).

Within this section, list whether, during the reporting period, the electric provider entered into a contract for, began construction on, continued construction of, acquired, or placed into operation a renewable energy (RE) system or advanced cleaner energy (ACE) system.

System Name ¹	Resource (technology, RE/ACE)		Nameplate Capacity (MW)	Construction start date or acquisition date	Commercial operation date	Owned by electric provider?
N/A						

¹System name should agree with the project name listed within MIRECS.

Dates may be forecast.

Section 51(2)(e).

Within this section, list the expenditures incurred during the reporting period to comply with the renewable energy standards or the forecasted expenditures for the remaining plan period. Also, electric providers with an approved or planned renewable energy surcharge (as per Section 45), list the incremental cost of compliance (ICC) incurred during the reporting period.

Total Costs to Comply with Renewable Energy Standard in 2014
0

Forecast of total expenditures for the remaining plan period of 2015-2029
0

Total Expenditures: ICC + Transfer Cost

Total Transfer Cost for 2014 (if any)
0

Transfer Cost: The component of renewable energy and capacity revenue recovered from PSCR clause.

Total ICC for 2014 (if had an approved or planned renewable energy surcharge in 2014)
0

Forecast of the ICC for the remaining plan period (2015-2029)	Monthly residential surcharge (\$3 or less)
0	0

Capital Expenditures for 2014 (if any)
0

Capital Expenditure: An investment in a renewable energy capital asset.

Section 51(2)(f).

Within this section, list the method and the retail sales in MWh for the reporting period.

List the Method: either average of 2011-2013 retail sales or the 2013 weather normalized retail sales.

Average 2011-2013 Retail Sales

The method chosen should be consistent with the method approved in the initial plan case from 2009. All sales are retail (net of wholesale).

(A) List the sales in MWh based on the method selected above. Please show the calculation of this figure (including listing the sales of each year if the three year average method is used).

2011=826,188 2012=851,649 2013=863,475 Three Year Average = 847,104

(B) Compliance: List the energy credits used for compliance for the 2014 compliance year. This number should agree with the compliance requirement listed in the 2014 compliance subaccount in MIRECS. Take into account any energy optimization or advanced cleaner energy credit substitutions and limits on their use.

84,710

Calculate the compliance percentage. Energy credits above divided by sales in MWh above (B divided by A).

84,710 / 847,104 = 10%

Does the “energy credits used for compliance for the 2014 compliance year” figure above include any credits representing energy generated within 120 days after the start of the next calendar year? Yes/No.

No

If yes, how many credits from 2015 generation are included?

N/A

To be used for 2015 Compliance Year

Similar to (A) from Section 51(2)(f) above.

List the sales in MWh based upon the same method selected above. Sales should either be the average of 2012-2014 retail sales or the 2014 weather normalized retail sales. Please show the calculation of this figure (including listing the sales of each year if the three year average method is used).

2012=851,649 2013 = 863,475 2014=800,706 3 Year Average = 838,610
--