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June 14, 2021

Ms. Lisa Felice
Executive Secretary
Michigan Public Service Commission
P.O. Box 30221
Lansing, MI 48909

Via - E-Filing

Re: MPSC Case No.: U-21045

Dear Ms. Felice:

In light of Alpena Power Company's upcoming Rate Case filing, attached for your filing, you will find Alpena Power Company's Rate Case Summary.

Please let me know if you have any questions. Also, please let me now if you have received this filing, and when it has been filed.

Sincerely,

GILLARD, BAUER, MAZBUM, FLORIP, SMIGELSKI & GULDEN

James D. Florip
Attorney for Alpena Power Company

JDF/tsm
Enclosure

cc: **Via-E-Mail:**
K. Dragiewicz (w/enc.)

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
ALPENA POWER COMPANY)
for authority to increase its rates for the)
sale of electricity)
_____)

Case No. U-21045

ALPENA POWER COMPANY'S 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, Alpena Power Company ("Alpena Power" or the "Company") submits its Rate Case Summary. The Company's Rate Case Summary is being provided for informational purposes only, and in filing this summary, Alpena Power states that modification may be made to its upcoming rate case filing that could impact the information contained herein.

The Company's most recent electric rate case, Case No. U-18324, was primarily driven by reduced jurisdictional sales coupled with increasing operational expenses, including the incurrence of higher labor costs, and increased investment in utility plant required to provide service to its customers. In that case the Company requested an additional revenue of \$1,930,057, based upon a projected test year ending December 31, 2018. In its November 21, 2017 Order Approving Settlement Agreement in Case U-18324 the Commission authorized Alpena Power to revise its tariffs to reflect an annual revenue increase of approximately \$1,350,000 effective for service rendered on and after January 1, 2018. The agreed upon rates reflected an authorized rate of return on common equity of 10.10% and an overall rate of return of 5.81%.

The Company's upcoming rate case filing, Case No. U-21045, is being driven by a lack of sales growth coupled with increasing operational expenses including the

incurrence of higher internal and external labor costs, and increased investment in utility plant required to provide service to its customers. Based on the evidentiary support provided in its upcoming filing, Alpena Power requests that the Commission authorize the Company to adjust its retail electric rates as to provide additional revenue of \$2,277,122 annually based on a projected 12-month test year ending December 31, 2022. The Company is requesting a Return on Equity of 11.50%, and uses inflation factors of 2.70% for 2021 and 2.40% for 2022 as forecasted by Wells Fargo Securities U.S. Economic Forecast, March 2021.

A significant driver of the requested relief in this case are the costs associated with system reliability, including increased spending on vegetation management, increased operation and maintenance expenses including; distribution operation and maintenance, insurance costs and increased spending on cybersecurity.

For the projected test year, the Company's average overall rate increase will be approximately 6.58%. The Company's proposed rate increase/decrease by rate class is as follows:

| Summary of Present and Proposed Revenues by Rate Schedule | | | | | |
|---|---|---------------------|---------------------|------------------------------|--------------|
| Line No. | Description | Revenue | | Net Increase / (Decrease) | |
| | | Present | Proposed | Revenue | Percent |
| 1 | Residential | \$13,019,159 | \$14,239,701 | \$1,220,542 | 9.37% |
| 2 | General Service | \$4,349,285 | \$4,653,799 | \$304,514 | 7.00% |
| 3 | Standard Power | \$5,362,873 | \$5,688,216 | \$325,343 | 6.07% |
| 4 | Large Power | \$2,629,207 | \$2,784,584 | \$155,377 | 5.91% |
| 5 | Large Industrial | \$3,405,995 | \$3,642,988 | \$236,993 | 6.96% |
| 6 | Protective Lighting | \$189,940 | \$220,755 | \$30,815 | 16.22% |
| 7 | Street and Highway Lighting | \$17,341 | \$20,879 | \$3,538 | 20.40% |
| 8 | Experimental Primary Distribution | \$0 | \$0 | \$0 | 0.00% |
| 9 | Misc Operating Revenue | \$234,000 | \$234,000 | \$0 | 0.00% |
| 10 | Total Jurisdictional Revenues | \$29,207,800 | \$31,484,922 | \$2,277,122 | 7.80% |
| 11 | Special Contract | \$5,392, 498 | \$5,392,498 | \$0 | 0.00% |
| 12 | Total | \$34,600,298 | \$36,877,420 | \$2,277,122 | 6.58% |

The key drivers associated with the Company's revenue requirement are:

| Key Drivers: Revenue Requirements | | |
|--|---|----------------------------|
| | Drivers | Revenue Requirement Impact |
| a. | Change in Rate Base at 10.1% | \$629,400 |
| b. | Change in ROE from 10.1% to 11.5% | \$512,200 |
| c. | O&M Expense other than Power | \$559,800 |
| d. | Depreciation and Amortization | \$214,000 |
| e. | General Taxes | \$130,100 |
| f. | Other | \$231,600 |
| g. | Total Revenue Requirement Impact | \$2,277,100 |

The revenue requirement associated with rate base is as follows:

| Key Drivers: Rate Base | | | |
|-------------------------------|---|---------------------------------------|----------------------------|
| | Drivers | Rate Base Impact 13-month average) | Revenue Requirement Impact |
| a. | Last Rate Base Order | \$45,516,218 | \$3,997,435 |
| b. | Utility Plant | \$9,502,706 | \$834,569 |
| c. | Depreciation Reserve | \$-4,148,074 | \$-364,302 |
| d. | Working Capital | \$2,687,462 | \$236,025 |
| e. | Requested Rate Base | \$53,558,312 | \$4,703,727 |
| f. | Increase from Last Rate Base Order | \$8,042,094 | \$706,292 |

In addition to the requests described above, Alpena Power will be seeking Commission approval of four (4) new tariffs including; Residential Plug-In Electric Vehicle, General Service Plug-In Electric Vehicle, Efficient Electric Heat and Distributed Generation Tariff.

Alpena Power intends to file its upcoming rate case on June 18, 2021 which will allow for new rates to be effective no later than April 18, 2022.

Dated: June 11, 2021

Respectfully submitted,

ALPENA POWER COMPANY

By: _____

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