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by Sidney Davy Miller

MILLER CANFIELD

SHERRI A. WELLMAN
TEL (517) 483-4954
FAX (517) 374-6304
E-MAIL wellmans@millercanfield.com

Miller, Canfield, Paddock and Stone, P.L.C.
One Michigan Avenue, Suite 900
Lansing, Michigan 48933
TEL (517) 487-2070
FAX (517) 374-6304
www.millercanfield.com

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May 1, 2018

Ms. Kavita Kale
Executive Secretary
Michigan Public Service Commission
7109 W. Saginaw Highway, 3rd Floor
Lansing, MI 48917

Re: Wisconsin Electric Power Company
2017 EWR Reconciliation
Case No: U-20034

Dear Ms. Kale:

Enclosed for electronic filing in the above case please find Wisconsin Electric Power Company's Application requesting approval of its 2017 energy waste reduction reconciliation and the Direct Testimony and Exhibit of Eric A. Rogers.

Also enclosed also is the appearance of Sherri A. Wellman.

Finally, a draft notice of hearing has been e-mailed to Angela Sanderson.

Very truly yours,

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

By: _____
Sherri A. Wellman

SAW/clc

cc: Honorable Martin D. Snider
Robert Garvin
Ted Eidukas
Dennis Derricks
Eric Rogers
Richard Stasik
Amy Winkler

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
WISCONSIN ELECTRIC POWER COMPANY) Case No. U-20034
for authority to reconcile the 2017 energy waste)
reduction cost and revenues and related approvals.)
_____)

APPLICATION

WISCONSIN ELECTRIC POWER COMPANY (“WEPCo”), d/b/a We Energies requests the Michigan Public Service Commission (“Commission”) to approve WEPCo’s Energy Waste Reduction (“EWR”) reconciliation for the period ended December 31, 2017. In support thereof, WEPCo represents to the Commission as follows:

1. WEPCo is a public service corporation organized under the laws of Wisconsin with its principal offices located in Milwaukee, Wisconsin, and is engaged primarily in public utility operations. WEPCo is also authorized to do business in Michigan and, for the 2017 EWR Plan year, provided retail electric service to a special contract customer, Tilden Mining Company L.C. (“Tilden”), in Marquette County, Michigan.

2. On January 1, 2017, pursuant to a Settlement Agreement approved by the Commission on December 9, 2016 in Case No. U-18061 (“U-18061 Settlement Agreement”), Upper Michigan Energy Resources Corporation (“UMERC”) was established as a Michigan regulated utility providing service only to electric and natural gas customers in the Upper Peninsula of Michigan. Commencing January 1, 2017, WEPCo transferred all of its Michigan jurisdictional distribution substations, distribution lines, and other distribution assets used in providing retail electric service in Michigan, as well as its Michigan retail full requirements and

retail access full service customers, to UMEREC, except for one customer, Tilden. WEPCo provides electric service to Tilden pursuant to a special contract.

3. WEPCo's retail electric business in Michigan are subject to the Commission's jurisdiction 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.*

4. As provided by Act 295, WEPCo filed an application docketed as Case No. U-15812 requesting, among other things, approval of its initial Energy Optimization ("EO") plan (now known as EWR) and surcharges for 2010 and 2011. By order dated May 26, 2009, the Commission approved a settlement agreement approving WEPCo's EO plan and surcharges. The EO payments and surcharges for 2012 and 2013 were revised pursuant to the Commission's September 13, 2011 Order Approving Settlement Agreement in Case No. U-16677. The EO payments and surcharges for 2014 and 2015 were revised pursuant to the Commission's December 6, 2013 Order Approving Settlement Agreement in Case No. U-17357. WEPCo's 2015 EO payment was subsequently revised by an Amended Settlement Agreement in Case No. U-17607, and approved by Commission Order dated July 9, 2015. WEPCo's 2016 EO payment was approved by the Commission's Order Approving Settlement Agreement in Case No. U-17777 on October 27, 2015. WEPCo's 2017 Administrator payment was approved by the Commission's Order Approving Settlement Agreement in Case No. U-18019 on December 20, 2016.

5. Incorporated in WEPCo's 2017 rate schedules was an EWR surcharge as authorized by the Commission pursuant to its December 20, 2017 Order Approving Settlement Agreement in Case No. U-18019. Pursuant to § 91(3) of Act 295, WEPCo's EWR payments

were recovered from its customer by a per-meter charge. The EWR surcharge paid by Tilden is the EWR surcharge applicable to Rate CpLC, referred to herein as the “CpLC Class.” WEPCo’s EWR surcharge was designed to recover the proportionate share of the revenues on which WEPCo’s EWR payment is based.

6. In an Order dated February 5, 2018, the Commission established a May 1, 2018 filing date for WEPCo’s 2017 EWR reconciliation.¹

7. WEPCo represents that the reconciliation of the EWR payments and revenues for 2017 results in a net over-recovery (including interest through December 31, 2017) of \$17,451.89. WEPCo submits that the payments to the Administrator and surcharges for 2017 were lawful and were pursuant to the Commission’s orders.

8. WEPCo requests approval to roll over the net over-recovery of \$17,451.89 into its 2018 EWR reconciliation beginning balance.

9. WEPCo is not requesting any revision to the EWR surcharges in this case.

10. WEPCo is concurrently filing the testimony and exhibit of Eric Alan Rogers in support of this Application. WEPCo represents that its proposal is just and reasonable and in the public interest.

¹ This Application and the supporting testimony reflect a case caption which is more descriptive than that appearing on the February 5, 2018 Order. WEPCo has revised the description so as to facilitate public notice of the matters to be taken up in this case.

WHEREFORE, Wisconsin Electric Power Company requests that this Commission:

A. Approve the reconciliation of the 2017 EWR payments and revenues as presented by WEPCo;

B. Find and determine that WEPCo's net over-recovery of \$17,451.89, as of December 31, 2017, should be rolled into its 2018 EWR beginning reconciliation balance for its CpLC Class customer (Tilden); and

C. Grant WEPCo such other and additional relief as shall be lawful and proper.

Respectfully submitted,

WISCONSIN ELECTRIC POWER COMPANY

Dated: May 1, 2018

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

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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DIRECT TESTIMONY AND EXHIBIT OF
ERIC ALAN ROGERS
ON BEHALF OF
WISCONSIN ELECTRIC POWER COMPANY

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 Wisconsin
6 Electric Power Company (“WEPCo” or “Company”). WEC Business Services and
7 WEPCo are both wholly-owned subsidiaries of WEC Energy Group, Inc.

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

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

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

15 A. Yes, I am.

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

18 A. I worked for the United States Bureau of Reclamation in Denver, Colorado as a design
19 engineer for two years and for Battelle Pacific Northwest Laboratories in Richland,
20 Washington as a research engineer for three years prior to joining WEPCo in 1982.

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

22 A. I began in 1982 as a forecasting analyst and I developed the residential sales forecast for
23 several rate cases and advance plans for WEPCo. During the mid 1980s and early 1990s,
24 I was responsible for analyzing the cost effectiveness of proposed demand-side programs
25 and evaluating the performance of actual demand-side programs. In the early 1990s, I
26 became responsible for the load research group, and I have since performed numerous
27 analyses of load data. In 2001, I developed the load profiling and settlement methodology
28 which is now being used for Michigan customers who select alternate energy suppliers.
29 Around 2002, I assumed responsibilities for cost-of-service analysis and rate design. I am

1 currently a team leader in the Regulatory Affairs and Policy Department. My
2 responsibilities include class load analyses, revenue forecasts, cost-of-service studies and
3 rate design and I continue to work closely with the sales forecasting group.

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

5 A. Yes, I presented testimony on cost-of-service and rate design in previous rate cases before
6 the Michigan Public Service Commission (“Commission”), Case Nos. U-15071, U-
7 15500, U-15981 and U-16830. I also presented testimony on energy optimization (“EO”)
8 or energy waste reduction (“EWR”) plans in Case Nos. U-15812, U-16677, U-17357, U-
9 17777 and U-18267 and on the reconciliation of the EO surcharges for 2009 through
10 2016 in Case Nos. U-16368, U-16369, U-16743, U-17287, U-17607, U-18019 and U-
11 18337, respectively, and for the 2017 EWR reconciliation for UMERC in Case No. U-
12 20033. I also presented testimony on the impacts to the WEPCo’s revenue requirements
13 of its proposed ownership exchange agreement with Wolverine Power Supply
14 Cooperative, Inc. for a portion of the Presque Isle Power Plant in Case No. U-17213. I
15 also presented testimony in Case No. U-17479 and Case No. U-17490. Most recently I
16 presented testimony on the Tax Cut and Jobs Act credit calculation in Case No. U-20110.
17 I have also presented testimony on cost-of-service and rate design in several cases before
18 the Public Service Commission of Wisconsin, including the 2004 and 2005 carve-out rate
19 cases (Docket 05-UR-101), the environmental trust financing case (Docket 6630-ET-
20 100), and the test-year 2006, 2008, 2010, 2013 and 2015 rate cases (Dockets 05-UR-102,
21 05-UR-103, 05-UR-104, 05-UR-106 and 05-UR-107, respectively). I also submitted
22 testimony to the Federal Energy Regulatory Commission (“FERC”) in three cases
23 involving power sales agreements with WEPCO’s Michigan wholesale customers
24 (Dockets ER06-997, ER06-998 and ER06-999) and FERC general rate case (Docket
25 ER06-1320).

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

27 A. The purpose of this testimony is to present WEPCo’s annual EWR surcharge report and
28 reconciliation, covering the period from January 2017 through December 2017, as
29 specified in Paragraph 4.d of the Settlement Agreement in Case No. U-18267 approved
30 by the Commission on December 7, 2017. The filing date for this reconciliation was

1 determined by the Commission in its order in this case dated February 5, 2018. I will
2 address actual collections versus actual payments to Efficiency United (“Administrator”).

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

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

5 Exhibit A-1 (EAR-1): Comparison of EWR Surcharge Revenues Collected from
6 WEPCo Customer and Payments Made to the EWR
7 Administrator in 2017 & Month End Regulatory Asset
8 (Liability)

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

10 A. Yes.

11 **Q. Have you compared the actual revenue collected through the EWR surcharge in
12 2017 with actual 2017 payments made to the Administrator, for purposes of
13 determining interest on any over-recoveries and under-recoveries?**

14 A. Yes. The actual booked EWR surcharge revenue collected by month by WEPCo is
15 shown in Exhibit A-1 (EAR-1), page 1, lines 10 through 14 and the total payments made
16 to the Administrator are shown in line 17.

17 **Q. Do the amounts paid to the Administrator in 2017 equal the amounts to be paid as
18 set forth in the Settlement Agreement in Case No. U-18019?**

19 A. Yes, to within four cents. The Settlement Agreement in Case No. U-18019 was approved
20 by the Commission on December 20, 2016 and authorized an annual payment of
21 \$1,337,093. The actual total payment to the EWR Administrator in 2017 was
22 \$1,337,093.04, as indicated in line 17 of Exhibit A-1 page 1.

23 **Q. Have you calculated the revenue over-recovery or under-recovery in total and
24 included the interest at the short-term borrowing rate on any over-recoveries and
25 under-recoveries?**

26 A. Yes. The total over- or under-recovery is shown by month for 2017 in Exhibit A-1 (EAR-
27 1), page 1, on line 21, which is the month-end regulatory asset (or liability) balance. The
28 EWR surcharge revenue received by WEPCo less payments made by WEPCo to the
29 Administrator determines the total-company amount of over-recovery or under-recovery
30 for each month. WEPCo accrues a carrying cost on the prior month-end regulatory

1 balance at its short-term debt rate as required Paragraph 4.d of the Settlement Agreement
2 in Case No. U-18267. The regulatory asset (liability) shown in line 21 for each month is
3 calculated from the previous month's value minus the surcharge revenue collected from
4 customers in line 14 plus the payments made to the Administrator in line 17 plus the
5 monthly carrying cost in line 19. The regulatory liability (over-recovery) of \$17,451.89
6 shown as of the end of December 2017 on line 21 is the amount to be carried over to the
7 2018 EWR surcharge reconciliation.

8 **Q. What interest rate is used to represent WEPCo's short-term borrowing rate?**

9 A. To provide transparency and ease of audit/documentation, WEPCo is using the 30-day
10 AA commercial paper rate published monthly by the FDIC as a reasonable proxy for its
11 own short-term interest rate.

12 **Q. Are you proposing to modify the WEPCo EWR surcharge?**

13 A. No.

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

15 A. Yes.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
1																	Case No. U-20034
2																	Exhibit A-1 (EAR-1)
3																	Page 1 of 1
4																	Date: May 2018
5																	
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Note: Monthly carrying cost is based on monthly FDIC 30-day AA Grade commercial paper rate, which is proxy for the Company's short-term borrowing rate.

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: Wisconsin Electric Power Company Docket No. U-20034

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

1. (Name) Wisconsin Electric Power Company
2. (Name)
3. (Name)
4. (Name)
5. (Name)
6. (Name)
7. (Name)

Name Sherri A. Wellman
Address One Michigan Avenue, Ste. 900

City Lansing State MI
Zip 48933 Phone (517) 483-4954
Email wellmans@millercanfield.com
Date May 1, 2018

<input type="checkbox"/> I am not an attorney
<input checked="" type="checkbox"/> I am an attorney whose:
Michigan Bar # is P- <u>38989</u>
_____ Bar # is: _____
(state)

Signature: _____