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September 28, 2018

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

Re: Wisconsin Electric Power Company
2019 PSCR Plan
MPSC Case No. U-20231

Dear Ms. Kale:

Enclosed for filing is the Application supported by the Direct Testimonies and Exhibits (Public Version) of Joel R. Gaughan, John G. Guntlisbergen and Kim M. Keller on behalf of Wisconsin Electric Power Company. Also enclosed for filing is Wisconsin Electric Power Company's Motion for Protective Order, along with the draft Protective Order, and Notice of Hearing on Motion. Finally, enclosed is my appearance.

A draft proposed Notice of Hearing is being e-mailed to Angela Sanderson at sandersona2@michigan.gov.

Very truly yours,
Miller, Canfield, Paddock and Stone, P.L.C.

By: _____
Sherri A. Wellman

cc: Koby Bailey John Guntlisbergen Vickie Nugent
Theodore Eidukas Joel Gaughan Amy Winkler
Dennis Derricks Richard Stasik Kim M. Keller

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
WISCONSIN ELECTRIC POWER COMPANY)	
d/b/a We Energies for approval of a power)	
supply cost recovery plan and authorization)	Case No. U-20231
of monthly power supply cost recovery factors)	
<u>for the calendar year 2019.</u>)	

APPLICATION

WISCONSIN ELECTRIC POWER COMPANY d/b/a We Energies (“Wisconsin Electric,” “WEPCo,” or “the Company”) applies for approval, pursuant to § 6j of 1982 PA 304 (“Act 304”), of its Power Supply Cost Recovery (“PSCR”) plan and five-year forecast, and for authority to implement PSCR factors for the calendar year 2019. In support thereof, Wisconsin Electric respectfully represents to the Michigan Public Service Commission (“Commission”) as follows:

1. Wisconsin Electric 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. Wisconsin Electric is also authorized to do business in Michigan.

2. On December 9, 2016, the Commission approved a settlement agreement in Case No. U-18061 (“U-18061 Settlement Agreement”), pursuant to which, effective January 1, 2017, Upper Michigan Energy Resources Corporation (“UMERC”) was formed as a Michigan jurisdictional regulated utility to provide retail service to the former Michigan electric customers of Wisconsin Electric (except, initially, Tilden Mining Company L.C. (“Tilden”) and the Empire Iron Mining Partnership (“Empire”) (collectively the “Mines”)) and the former Michigan electric and natural gas customers of Wisconsin Public Service Corporation (“WPS Corp”). The U-

18061 Settlement Agreement states that Wisconsin Electric will continue to serve the Mines until termination of both of the 2015-2019 Large Curtailable Special Contracts between Wisconsin Electric and the Mines that were approved by the Commission's April 23, 2015 Order in Case No. U-17862 ("Mines' Special Contracts"), at which time the Mines would be transferred as customers of UMERC.

3. In a signed letter appended as Attachment B to Wisconsin Electric's September 1, 2016 Application Requesting Approval of Amendment in Case No. U-17862, Wisconsin Electric and Empire agreed that Empire's special contract would terminate no later than October 15, 2016. The Commission approved the termination letter in its December 9, 2016 Order in Case No. U-17862. As such, Tilden is WEPCO's only PSCR customer.

4. Wisconsin Electric's retail electric business in Michigan is 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.

5. Incorporated in Wisconsin Electric's rate schedules is a PSCR clause as authorized by the Commission pursuant to § 6j(2) of Act 304 in its Opinion and Order, dated March 20, 1984, in Case No. U-7635. Paragraph 5.h. of the U-18061 Settlement Agreement provides:

For purposes of serving the Mines, WEPCo will continue to have a PSCR Clause, and for 2017 and subsequent years for as long as the Mines are a customer of WEPCo, WEPCo shall file annual PSCR plans and reconciliations for its service to the Mines.

6. Pursuant to § 6j(3) of Act 304, and consistent with ¶ 5.h. of the U-18061 Settlement Agreement, Wisconsin Electric seeks to implement its PSCR clause for the calendar year of 2019 by filing its 2019 PSCR plan and factors for its service to Tilden. Wisconsin

Electric is seeking approval of maximum authorized 2019 PSCR factors of \$0.00191 per kWh. The proposed factors are calculated based upon: (i) the cost base of power supply included in base rates of \$45.47 per MWh at the customer level; (ii) a 2019 PSCR factor of \$0.00191/kWh; and (iii) a prior year's true-up factor of \$0.00000/kWh. Wisconsin Electric proposes to implement for its customer's bills a uniform monthly amount not to exceed the maximum authorized. The 2019 PSCR plan and factors are described in and supported by the direct testimony and exhibits of Joel R. Gaughan, John G. Guntlisbergen and Kim M. Keller.

7. Consistent with the U-18061 Settlement Agreement, once the UP generation solution is in service, Wisconsin Electric's Michigan retail service will terminate, and the Mines will become customers of UMEREC. Because it is anticipated that the UP generation project will be in service June 1, 2019, and WEPCo will cease providing electric services, the Company is not submitting a 5-year forecast of power supply requirements, and requests a waiver from the filing requirement established in MCL 460.6j(4).

8. Wisconsin Electric represents that its proposed 2019 PSCR plan and factors reflect the anticipated termination of service effective June 1, 2019, while also meeting the statutory 12-month PSCR plan required, are reasonable, prudent and in the public interest.

9. Pursuant to MCL 460.6j(9) and effective January 1, 2019, Wisconsin Electric will self-implement the PSCR factor of \$0.00191 per kWh.

WHEREFORE, Wisconsin Electric prays that this Commission:

- A. Determine that decisions underlying Wisconsin Electric's PSCR plan are reasonable and prudent;
- B. Approve the PSCR plan as proposed by Wisconsin Electric;
- C. Approve the PSCR factors of \$0.00191 per kWh based upon: (i) a current base cost of power supply included in base rates of \$45.47 per MWh at customer level;

(ii) a proposed 2019 PSCR factor of \$0.00191 per kWh; and (iii) the prior year reconciliation credit of \$0.00000 per kWh;

D. Grant a waiver from the five-year forecast requirement; and

E. Grant Wisconsin Electric such other and further authority as may be lawful and proper.

Respectfully submitted,

WISCONSIN ELECTRIC POWER COMPANY
d/b/a We Energies

Dated: September 28, 2018

By: _____

Its Attorney
Sherri A. Wellman (P38989)
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Lansing, MI 48933
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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
WISCONSIN ELECTRIC POWER COMPANY)
d/b/a We Energies for approval of a power)
supply cost recovery plan and authorization)
of monthly power supply cost recovery factors)
for the calendar year 2019.)

Case No. U-20231

DIRECT TESTIMONY AND EXHIBITS OF

JOEL R. GAUGHAN

ON BEHALF OF

WISCONSIN ELECTRIC POWER COMPANY

September 2018

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

2 A. My name is Joel R. Gaughan. My business address is 231 W. Michigan Street,
3 Milwaukee, WI 53203. I am a Principal Analyst in the Finance department of WEC
4 Business Services LLC (“WBS”), a wholly owned subsidiary of WEC Energy Group
5 (“WEC”). Respective to this testimony, I am testifying on behalf of the applicant,
6 Wisconsin Electric Power Company (“Wisconsin Electric” or “the Company”) which is a
7 wholly owned subsidiary of WEC.

8 **Q. Please describe your educational and business experience.**

9 A. I have a Bachelor of Science Degree in Economics from the University of Wisconsin -
10 Madison and a Master of Science Degree in Economics from the University of Illinois at
11 Urbana - Champaign. I was employed in the Information Systems Department of
12 Wisconsin Gas Company from January 1986 to May 1989, specializing in statistical
13 analysis and planning model support. In May 1989, I was hired by the Wisconsin
14 Electric where my responsibilities have included various aspects of the development of
15 long-term and short-term forecasts. I testified before the Michigan Public Service
16 Commission (“MPSC” or “the Commission”) in Wisconsin Electric’s 2015, 2016, 2017,
17 and 2018 power supply cost recovery (PSCR) plan cases (Case Nos. U-17674, U-17912,
18 U-18148, and U-18407 respectively). In addition, I submitted testimony on behalf of
19 Upper Michigan Energy Resources Corporation (“UMERC”) in support of its application
20 for a Certificate of Necessity to construct generation capacity in the Upper Peninsula of
21 Michigan in Case U-18224. I have also testified before the Public Service Commission
22 of Wisconsin in several rate cases and dockets to determine the need for generation
23 capacity.

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

2 A. The purpose of my testimony is to present and provide support for the Company's 2019
3 PSCR plan as regarding energy forecasts.

4 **Q. Are you sponsoring any exhibits to accompany your testimony?**

5 A. Yes, I am sponsoring Exhibits A-1 (JRG-1) and A-2 (JRG-2) [Confidential] which relate
6 to the Company's forecasts of electric sales, company use, and line losses for the period
7 of January through December of 2019. Exhibit A-1 (JRG-1) relates to forecasts of the
8 Company's sales, company use, and line losses for its System, *i.e.* Michigan and
9 Wisconsin together. Exhibit A-2 (JRG-2) relates to forecasts of the Company's retail
10 sales in Michigan for service to its customer.

11 **Q. Please provide background on the Company's retail customer in Michigan.**

12 A. On December 9, 2016, the Commission issued its Order in Case No. U-18061,
13 authorizing, among other things, the commencement of operation of UMERC, and the
14 transfer of the Company's Michigan retail full-requirements and distribution-only retail
15 access service ("RAS") customers, except for Empire Iron Mining Partnership
16 ("Empire") and Tilden Mining Company, LC. ("Tilden"), to UMERC effective January
17 1, 2017. The Settlement Agreement approved in Case No. U-18061 provides that Empire
18 and Tilden will remain customers of Wisconsin Electric until termination of both 2015-
19 2019 Large Curtailable Special Contracts approved in Case No. U-17862. On September
20 1, 2016, Wisconsin Electric filed a Notice of Termination of Special Contract Between
21 Wisconsin Electric Power Company and Empire Iron Mining Partnership, which
22 provided that the Empire Special Contract would terminate no later than October 15,
23 2016. The Commission approved the Notice of Termination in its December 9, 2016

1 Order in Case No. U-17862. Therefore, currently, Tilden is the only customer taking
2 electric service from the Company in the state of Michigan. Consistent with the
3 Settlement Agreement approved in Case No. U-18061,, once the UP generation solution
4 is in service then the Company's Michigan retail sales will terminate, and Tilden will
5 become a customer of UMEREC. That is expected to occur at the end of May 2019 and
6 the sales forecast in this case reflects that expectation while also meeting the statutory 12-
7 month PSCR plan requirement.

8 **Q. What does Exhibit A-1 (JRG-1) show?**

9 A. The exhibit shows monthly forecasts of the Company's System energy obligation and its
10 components for January through May of 2019.

11 **Q. What does Exhibit A-2 (JRG-2) show?**

12 A. This confidential exhibit shows monthly forecasts of the Company's Michigan retail sales
13 for January through December of 2019.

14 **Q. Were these exhibits prepared by you or under your direction and supervision?**

15 A. Yes.

16 **Q. When was this forecast developed?**

17 A. The underlying detailed forecast used in this docket was developed in the summer of
18 2017. Over the ensuing year, several specific revisions were incorporated. Wisconsin
19 retail rate class forecasts were re-benchmarked to reflect recent sales experience, first in
20 early 2018 and again in the summer of 2018. Modifications to expectations for two
21 wholesale contracts were also incorporated. Most significant for purposes of this case,
22 up-to-date information regarding the transfer of load responsibility from Wisconsin

1 Electric to UMERC was incorporated. Final forecast results of this process were issued
2 in July 2018.

3 **Q. Please describe generally how a sales forecast is put together.**

4 **A.** The first step in any sales forecast is to extract the source (billed or booked energy sales)
5 data and transform this data into a series of data files that are ready for forecasting.
6 These files will generally contain monthly (time series) data about electric, gas, and
7 steam energy sales by forecastable customer groupings. This data is further validated
8 with errors and anomalies “scrubbed”. Once the historic energy sales data sets have been
9 created, additional explanatory variables are identified and data collected. These data
10 sets will contain both historical values and future values of the explanatory (weather,
11 price, economic, energy efficiency, etc.) variables. After transformation and merging of
12 all of the data, the forecaster will utilize a set of tools (*e.g.* SAS, MetrixND, EXCEL, or
13 other statistics package) that allow in-depth analysis and modelling of the data. The
14 forecaster will investigate alternative modelling techniques and assess the results. These
15 processes are iterated to improve forecast accuracy, as measured by a variety of statistics
16 and forecaster knowledge. Once the forecast(s) have been finalized, they are
17 disaggregated into various forecast hierarchies for revenue projections, fuel cost
18 estimation, and demand forecasts, as required.

19 **Q. Please describe some sales forecast modelling techniques.**

20 **A.** Sales forecasting is the process of estimating future sales based on past and present data
21 using one or more valid forecasting techniques. Three widely used classifications of
22 forecasting techniques are time series analysis, causal or associative modelling, and
23 simulation.

1 Time series models include simple arithmetic averages, moving averages, exponential
2 smoothing, trend projections, and autoregressive integrated moving average (“ARIMA”)
3 models. All of the aforementioned time series (sequence of data points over a time
4 interval) forecasting models are essentially attempting to predict future values based on
5 previously observed values.

6 An alternative quantitative modelling technique involves the use of causal or associative
7 models, whereby the forecasted (dependent) variable is related to another (independent)
8 explanatory variable. In this approach, linear regression is used to develop a “line” that
9 quantifies the historical relationship between the variables and then forecasts the
10 dependent variable based on values of the independent variable(s). For example,
11 historical energy sales (dependent variable) are correlated with historical weather,
12 economic or demographic quantities (independent, explanatory variables), and future
13 values of the weather and economic or demographic variables are fed into the model to
14 project or forecast future energy sales.

15 Another approach can be described as engineering or simulation modelling. In a simple
16 application of this approach, the forecaster estimates the maximum size of a given load
17 and then applies load factors to represent how much of that maximum load is expected to
18 be employed over specific time periods.

19 **Q. Would you please describe the steps involved in the development of the energy**
20 **forecasts shown in your exhibits?**

21 **A.** We used a hierarchical approach made possible by employing the SAS Forecast Studio
22 software system in developing our forecast of retail energy sales. The most detailed level
23 of the hierarchy is the customer account. Accounts comprise rate codes, rate codes

1 comprise rate schedules, and rate schedules comprise rate classes. Our general approach
2 was to construct forecast models for a given jurisdiction and rate class that statistically
3 relate sales to weather, economic data (*e.g.* income, employment, industrial production),
4 calendar data, and trend variables. The models come in a variety of forms, but may be
5 generally described as regression-based econometric models or more statistically based
6 (*e.g.* ARIMA, exponential smoothing) time series models. The models are evaluated on
7 their ability to replicate historical sales (using the mean absolute percentage error or
8 MAPE as the primary criteria) and their ability to produce forecasts which reflect
9 expected seasonal and longer term trends.

10 Once the jurisdiction and rate class forecast is completed, it is disaggregated to the lower
11 levels of the hierarchy using one of the statistical methods such as ARIMA or exponential
12 smoothing.

13 Once the retail forecasts of sales were completed and company use was added, rate
14 schedule and voltage based distribution and transmission loss factors were applied to
15 produce a forecast of total generation and purchase requirements.

16 Forecasts for the Company's Wisconsin Municipal (wholesale) customers were
17 developed using an engineering simulation approach.

18 **Q. How was the commencement of UMERC's commercial operation reflected in your**
19 **forecast?**

20 **A.** To reflect the commencement of UMERC's commercial operation (which occurred on
21 January 1, 2017), Wisconsin Electric's retail sales, excluding sales to Tilden (and
22 Empire), as well as its Company Use in the Michigan jurisdiction, were reclassified into
23 the Municipal (wholesale) category. Upon the expected completion of UMERC's UP

1 generation solution at the end of May, 2019, UMERC's purchase power agreement with
2 Wisconsin Electric will terminate. At the same time, the 2015-2019 Large Curtailable
3 Special Contracts between Wisconsin Electric and Tilden will end, and UMERC will
4 supply its customers, including Tilden, from its own power supply sources which will be
5 addressed in Case no. U-20227.

6 **Q. Are deliveries to customers participating in Michigan's RAS program included in**
7 **the forecasts shown in your exhibits?**

8 A. As indicated earlier, all distribution-only retail access service ("RAS") customers were
9 transferred to UMERC. Further, Wisconsin Electric wholesale sales to UMERC under the
10 purchase power agreement do not include load supplied by Alternative Energy Suppliers
11 ("AES").

12 **Q. Do you consider these forecasts to be reasonable?**

13 A. Yes.

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

15 A. Yes.

16

WISCONSIN ELECTRIC POWER COMPANY
 Annual System Energy Obligation
 January-May 2019 (Megawatthours)

Line No.	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>Total</u>
Booked Sales						
1. Residential	733,570	598,619	584,581	538,545	585,613	3,040,929
2. General Secondary	761,479	714,076	716,709	688,281	723,018	3,603,563
3. General Primary	677,717	633,342	686,433	662,934	691,290	3,351,716
4. Public Authority	14,931	12,157	12,197	12,130	12,082	63,498
5. Ultimate Retail Sales	2,187,697	1,958,195	1,999,921	1,901,890	2,012,003	10,059,706
6. Municipal Sales	33,403	29,181	31,132	27,997	28,470	150,182
7. Company Use	6,037	5,595	5,738	5,296	5,251	27,916
8. Calendar - Customer Level	2,227,137	1,992,970	2,036,791	1,935,183	2,045,724	10,237,805
9. Losses: Distribution	77,461	68,047	68,123	64,177	68,203	346,011
10. Losses: Transmission	44,018	39,365	40,204	38,188	40,376	202,151
11. Total Native System Energy	2,348,616	2,100,382	2,145,118	2,037,548	2,154,303	10,785,967
12. Firm Wholesale Sales	99,345	92,627	93,933	91,585	94,819	472,307
13. Total Energy Obligation	2,447,961	2,193,009	2,239,050	2,129,133	2,249,121	11,258,274

STATE OF MICHIGAN
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supply cost recovery plan and authorization)	Case No. U-20231
of monthly power supply cost recovery factors)	
<u>for the calendar year 2019.</u>)	

DIRECT TESTIMONY AND EXHIBITS OF
JOHN G. GUNT LISBERGEN
ON BEHALF OF
WISCONSIN ELECTRIC POWER COMPANY

September 2018

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

2 A. My name is John G. Guntlisbergen. My business address is WEC Energy Group
3 (“WEC”), 700 North Adams Street, P.O. Box 19001, Green Bay, WI 54307-9001. I am
4 the Manager of Electric Fuel Cost Recovery in the State Regulatory Affairs Department
5 of WEC. Wisconsin Electric Power Company (“Wisconsin Electric”, “WEPCo” or “the
6 Company”) is a wholly owned subsidiary of WEC.

7 **Q. Please describe briefly your education, professional, and utility background.**

8 A. In 1981, I graduated from St. Norbert College - De Pere, Wisconsin, with a Bachelor of
9 Business Administration Degree in Accounting. After completing college I was
10 employed by Wisconsin Public Service Corporation (“WPS Corp”) as a Depreciation
11 Analyst and later as the Depreciation Supervisor in the Corporate Tax Department.
12 While in the Corporate Tax Department, I performed depreciation studies on utility plant
13 property, and determined book depreciation, tax depreciation and deferred taxes on an
14 actual and forecasted basis. In 1993, I moved to the Rates and Economic Evaluation
15 Department as a Rates Planner. I performed cost studies and rate impact studies for
16 generation planning and long-range corporate planning. I participated in the analysis of
17 transmission costs and the development of the transmission tariffs for filing with the
18 Federal Energy Regulatory Commission. I performed electric and gas cost of service
19 studies for the Michigan and Wisconsin jurisdictions. I have also worked with the power
20 supply areas for WPS Corp, Upper Peninsula Power Company and Wisconsin Electric to
21 develop Power Supply Cost Recovery (“PSCR”) plans and in the reconciliation of the
22 PSCR costs to revenues.

23 **Q. Have you testified before a regulatory agency?**

1 A. Yes. I have testified in numerous proceedings before the Public Service Commission of
2 Wisconsin ("PSCW") and the Michigan Public Service Commission ("MPSC" or " the
3 Commission").

4 **Q. Please briefly describe the Settlement Agreement approved by the Commission in**
5 **Case No. U-18061 and what impact it has on this proceeding.**

6 A. On December 9, 2016, a Settlement Agreement was approved by the Commission in
7 Case No. U-18061 ("U-18061 Settlement Agreement") which established UMERC as a
8 Michigan jurisdictional regulated utility providing service only to electric and natural gas
9 customers in the Upper Peninsula of Michigan. Pursuant to the U-18061 Settlement
10 Agreement, Wisconsin Electric transferred all of its Michigan jurisdictional distribution
11 substations, distribution lines, and other distribution assets used in providing retail
12 electric service in Michigan, as well as its Michigan retail full requirements and retail
13 access full service customers to UMERC, except, initially, Tilden Mining Company L.C.
14 ("Tilden") and the Empire Iron Mining Partnership ("Empire") (collectively the
15 "Mines").

16 The U-18061 Settlement Agreement states that Wisconsin Electric will continue to serve
17 the Mines until termination of both of the 2015-2019 Large Curtailable Special Contracts
18 between Wisconsin Electric and the Mines that were approved by the Commission's
19 April 23, 2015 Order in Case No. U-17862 ("Mines' Special Contracts"), at which time
20 the Mines would be transferred as customers of UMERC. In a signed letter appended as
21 Attachment B to Wisconsin Electric's September 1, 2016 Application Requesting
22 Approval of Amendment in Case No. U-17862, Wisconsin Electric and Empire agreed
23 that Empire's special contract would terminate no later than October 15, 2016. The

1 Commission approved the termination letter in its December 9, 2016 Order in Case No.
2 U-17862. As a result, Tilden is Wisconsin Electric's only PSCR customer in 2019.

3 In addition, as part of this 2019 PSCR Plan, UMEREC's UP generation solution, currently
4 being installed, is expected to be in-service by June 1, 2019, resulting in the termination
5 of the 2015-2019 Large Curtailable Special Contracts between Wisconsin Electric and
6 Tilden and the transfer of Tilden to UMEREC at that time. Therefore the Wisconsin
7 Electric PSCR Plan for 2019 reflects the expected June 1st transfer of service, while also
8 meeting the statutory 12-month PSCR plan requirement.

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

10 A. The purpose of my testimony is to: (1) provide Wisconsin Electric's estimated PSCR
11 true-up factor for the prior period, (2) propose the monthly PSCR factor for Wisconsin
12 Electric's 2019 PSCR plan, (3) compare Wisconsin Electric's 2019 PSCR Plan costs to
13 the first 5 months of the 2018 approved PSCR Plan costs, and (4) discuss how the 2019
14 PSCR Plan relates to the Company's currently approved RE Plan (MPSC Case No. U-
15 18237).

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

17 A. Yes, I am sponsoring Exhibits A-3 (JGG-1) through A-6 (JGG-4). Exhibit A-3 (JGG-1)
18 is confidential.

19 **Q. Were these exhibits prepared by you?**

20 A. Yes.

21 **Prior Year's PSCR True-up Factor**

22 **Q. Have you provided an estimate of the prior year's PSCR under/over-recovered**
23 **amount and related factor?**

1 A. Yes. Exhibit A-3 (JGG-1) shows the calculation of the estimated prior year's PSCR true-
2 up amount and factor.¹

3 **Q. Please briefly describe the Large Curtailable Special Contract between Wisconsin**
4 **Electric and Tilden as it relates to this proceeding.**

5 A. The April 23, 2015 Order in Case No. U-17862 approved the Mines' Special Contracts
6 between Wisconsin Electric and Tilden. The Mines' Special Contracts (Attachments A
7 and B to the April 23, 2015 Order) set forth charges to the Mines for electric services and
8 state, at page 1: "For 2016-2019 the Energy Charge per kWh will be set, adjusted and
9 reconciled per Wisconsin Electric's PSCR clause; provided that such Energy Charges
10 shall not include any charges or adjustments related to costs incurred prior to 2016." As
11 such, any over- or under-recovery in 2018 will apply. Adjustments related to the
12 complaint seeking to reduce the base return on equity ("ROE") used in the Midcontinent
13 Independent System Operator, Inc. Transmission Owners' ("MISO TOs") and American
14 Transmission Company's ("ATCs") formula transmission rates² will apply to Tilden as
15 set forth in the settlement agreement approved by the Commission in its April 28, 2017
16 Order in Case No U-18148.

17 **Q. Please describe Exhibit A-3 (JGG-1).**

18 A. The prior year's PSCR true-up factor is based on a projected 2018 under-recovery of
19 (\$855,504), and accrued interest of \$133,439, for a net under-recovery of (\$722,065),
20 based on seven months actual and five months estimated. The prior period reconciliation

¹ The Company redacted information in line 2 due to confidentiality issues surrounding having a single customer. The Company will make such information available for review pursuant to an arrangement that protects this information.

² Federal Energy Regulatory Commission Docket No. EL14-12.

1 over-recovery was \$722,065 (as filed in the 2017 PSCR Reconciliation in Case No. U-
2 17912-R), resulting in a net projected over/under-recovery of \$0.

3 **2019 PSCR Factors**

4 **Q. Please describe Exhibit A-4 (JGG-2).**

5 A. Exhibit A-4 (JGG-2) shows the development of the 2019 PSCR factor using the projected
6 monthly power supply costs for January through May 2019 (reflective of service to be
7 rendered until May 31) and then zero for June through December 2019 from Company
8 witness Kim Keller's Exhibit A-7 (MMC-1). The calculations demonstrate the monthly
9 PSCR factor for 2019 using a base power supply cost of \$45.47 per MWh. This base cost
10 represents the 2012 test year power supply cost, adjusted for distribution losses, which
11 was authorized by the Commission in Case No. U-16830. Exhibit A-4 (JGG-2) shows
12 that Wisconsin Electric's power supply cost recovery factors for 2019 equal \$0.00191 per
13 kWh.

14 **Q. Have you compared the change in power supply costs from the approved 2018
15 PSCR plan?**

16 A. Yes. Exhibit A-5 (JGG-3) shows the power supply plan costs for both 2018 and 2019, as
17 well as the difference in cost and MWh. For comparison purposes, the following table
18 shows the contribution by category to the difference between the 2018 plan and 2019
19 projected power supply costs:

<u>Description</u>	<u>PSCR Cost per kWh</u>
2018 PSCR Plan	\$0.00022
Fuel	(\$0.01204)
Purchased Power	\$0.00286

Opportunity Sales	\$0.01139
Transmission	(\$0.00052)
Total Change	\$0.00169
2019 PSCR Plan Year Factor	<u>\$0.00191</u>

1

2 **Application of Proposed PSCR Factors**

3 **Q. How does Wisconsin Electric propose to apply the proposed PSCR factors?**

4 A. The Company proposes to apply a uniform monthly factor not to exceed a Maximum
5 Authorized 2019 PSCR Factor of \$0.00191 per kWh, which consists of a 2019 Plan Year
6 PSCR Factor of \$0.00191 per kWh and a Prior Year’s True-Up Factor of \$0.00000 per
7 kWh in 2019. Exhibit A-6 (JGG-4) shows the proposed factors by month. However, as
8 noted, it is expected that after May 31, 2019, Wisconsin Electric will cease providing
9 electric service to Tilden, as in accordance with the Settlement Agreement approved in
10 Case No. U-18061, Wisconsin Electric’s customers (Tilden and Empire) will transition to
11 U MERC.

12 **Renewable Energy**

13 **Q. How does the Company’s proposed treatment of system-wide RE in its RE Plan**
14 **filing relate to the 2019 PSCR Plan?**

15 A. Consistent with the Company’s current RE Plan, as approved on January 23, 2018 in
16 Case No. U-18237, RE resources and the associated Renewable Energy Credits (“RECs”)
17 are grouped into three categories.

18 **Q. Please describe the first category.**

1 The first category is “RE from Existing Renewables.” This category includes existing
2 pre-Act 295 RE primarily purchased from customers under the Company’s Customer
3 Generating System (“CGS”) tariffs. The December 19, 2013 Commission Order in Case
4 No. U-17072 ruled that pre-Act 295 RE costs allocated to Michigan should be collected
5 through traditional rate mechanisms. Therefore, the energy and cost of “RE from
6 Existing Resources” (*see* Exhibit A-5 (JGG-3), line 30) has been included in the
7 determination of the average system-wide power supply costs used to calculate PSCR
8 costs for Michigan. Additionally, in prior PSCR proceedings, Wisconsin Electric has
9 presented testimony that such costs were reasonably and prudently incurred. In each case,
10 the Commission order has approved the PSCR costs, which included the costs of “RE
11 from Existing Resources.”

12 **Q. Please describe Wisconsin Electric’s CGS tariffs included in “RE from Existing**
13 **Resources”.**

14 A. Wisconsin Electric has tariffs for small (20kW or less) and intermediate to large (over
15 20kW) customer generating systems in which the Company purchases output in excess of
16 the customers' usage. The sources of energy for these generators include landfill gas,
17 wind, hydro, solar photovoltaic, agricultural waste and municipal waste. These purchases
18 represent less than 2% of the system requirements.

19 **Q. Please describe the second category of RE.**

20 A. The second category is “RE from System-wide Allocation.” This category includes new,
21 post-Act 295 RE that the Company purchased under PPAs to meet system-wide needs.
22 The costs of “RE from System-wide Allocation” allocated to Michigan are not
23 incremental costs of compliance with Act 295 RE requirements to be recovered via Act

1 295 rate mechanisms and shall continue to be recovered via traditional rate mechanisms
2 consistent with the Commission's December 19, 2013 Order in Case No. U-17072.
3 Therefore, the energy and cost of "RE from System-wide Allocation" (*see* Exhibit A-5
4 (JGG-3), line 31) has been included in the determination of the average system-wide
5 power supply costs used to calculate PSCR costs for Michigan.

6 This category also includes post-Act 295 generation from company-owned facilities,
7 specifically the Glacier Hills Wind Park ("Glacier Hills"), the Montfort Wind Energy
8 Center ("Montfort"), and the Rothschild Biomass Cogeneration Plant ("Rothschild").
9 Consistent with the Company's current RE Plan approved by the Commission's January
10 23, 2018 Order in Case No. U-18237, the costs of RE generated at these facilities
11 allocated to Michigan are recovered through the PSCR factors at the approved transfer
12 price and the incremental costs are recovered through the RE surcharge. The non-
13 incremental portion of the costs of Glacier Hills (*see* Exhibit A-5 (JGG-3), line 16)
14 proposed to be recovered through the PSCR is \$80.41/MWh, using the transfer price as
15 approved by Commission Order in the Initial RE plan in Case No. U-15812 and affirmed
16 in its October 11, 2012 Order in Case No. U-16367, page 8, December 19, 2013 Order in
17 Case No. U-17072, and the Company's current approved RE Plan. The non-incremental
18 portion of the costs of Montfort (*see* Exhibit A-5 (JGG-3), line 17) and Rothschild (*see*
19 Exhibit A-5 (JGG-3), line 18) to be recovered through the PSCR is \$73.46/MWh, using
20 the transfer price schedule developed by the MPSC Staff and approved in the
21 Commission's December 19, 2013 Order in Case No. U-16662 and the Company's
22 current approved RE Plan.

1 **Q. Are the RE purchases for Wisconsin Electric's "Energy for Tomorrow" program**
2 **included in PSCR costs?**

3 A. No. The energy and costs associated with the purchase of RE for use by customers that
4 are participating in the "Energy for Tomorrow" program in both Michigan and Wisconsin
5 are not included in PSCR costs. As such, the "Energy for Tomorrow (EFT) Premium"
6 costs and associated energy are an offset to purchases (*see* Exhibit A-5 (JGG-3), line 35).

7 **Q. Please describe the third category of RE.**

8 A. The third category is RECs-only purchases obtained solely to achieve compliance with
9 the Michigan RPS and Act 295 requirements.

10 **Q. Are the costs of the RECs-only purchases included in the proposed PSCR Plan and**
11 **factors?**

12 A. No. Consistent with the Commission's Order Approving Settlement Agreement, page 4,
13 in Case No. U-17562, the costs of RECs-only purchases incurred for purposes of
14 complying with Act 295 requirements are to be recovered via RE surcharges.

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

16 A. Yes, it does.

Wisconsin Electric Power Company
 PSCR Plan Cost Comparison

Line No.	Jan through May 2018 PSCR Plan as Approved			Jan through May 2019 PSCR Plan			Change in Plan from Prior Year		
	Cost (\$)	Generation MWH	Cost \$/MWH	Cost (\$)	Generation MWH	Cost \$/MWH	Cost (\$)	Generation MWH	Cost \$/MWH
1	40,202,416	1,956,491	20.55	28,431,316	1,310,489	21.70	(11,771,100)	(646,003)	1.15
2	54,307,035	2,645,607	20.53	-	-	-	(54,307,035)	(2,645,607)	(20.53)
3	51,814,745	2,554,829	20.28	49,397,401	2,458,676	20.09	(2,417,343)	(96,153)	(0.19)
4	21,771,584	758,596	28.70	19,916,955	672,550	29.61	(1,854,629)	(86,046)	0.91
5	9,656,632	128,105	75.38	9,571,339	139,931	68.40	(85,293)	11,826	(6.98)
6	177,752,411	8,043,629	22.10	107,317,012	4,581,646	23.42	(70,435,400)	(3,461,983)	1.32
7									
8	51,974,299	2,131,003	24.39	45,702,617	2,071,280	22.06	(6,271,682)	(59,723)	(2.33)
9	286,523	-	-	528,407	-	-	241,884	-	-
10	18,250	-	-	33,606	-	-	15,356	-	-
11	158,165	-	-	186,484	-	-	28,319	-	-
12	52,437,238	2,131,003	24.61	46,451,114	2,071,280	22.43	(5,986,124)	(59,723)	(2.18)
13									
14	-	158,310	-	-	181,119	-	-	22,809	-
15	-	161,524	-	-	171,222	-	-	9,698	-
16	16,495,018	205,137	80.41	16,290,623	202,594	80.41	(204,395)	-	-
17	2,228,203	30,908	72.09	1,939,272	26,399	73.46	(288,931)	(4,509)	1.37
18	3,901,801	54,124	72.09	3,206,195	43,645	73.46	(695,606)	(10,479)	1.37
19	22,625,022	610,004	37.09	21,436,090	624,980	34.30	(1,188,932)	17,519	(2.79)
20	252,814,671	10,784,636	23.44	175,204,216	7,277,906	24.07	(77,610,455)	(3,504,188)	0.63
21									
22	11,050,464	370,228	29.85	10,648,038	411,846	25.85	(402,426)	41,618	(4.00)
23	8,069,990	-	-	9,622,622	-	-	1,552,632	-	-
24	156,512,138	3,718,564	42.09	164,497,607	3,688,665	44.60	7,985,469	(29,899)	2.51
25	1,271,392	37,522	33.88	15,880,577	551,155	28.81	14,609,186	513,632	(5.07)
26	(1,503,014)	-	-	(3,705,248)	-	-	(2,202,235)	-	-
27	1,577,225	-	-	1,910,839	-	-	333,614	-	-
28	(1,960,998)	-	-	(988,229)	-	-	972,769	-	-
29	1,303,984	-	-	948,922	-	-	(355,062)	-	-
30	3,491,050	143,230	24.37	3,378,627	142,963	23.63	(112,423)	(267)	(0.74)
31	6,590,659	116,477	56.58	5,720,341	106,159	53.88	(870,318)	(10,318)	(2.70)
32	2,395,438	-	-	2,302,374	-	-	(93,065)	-	-
33	137,334	6,437	21.33	97,993	3,638	26.93	(39,341)	(2,799)	5.60
34	188,935,662	4,392,458	43.01	210,314,464	4,904,426	42.88	21,378,801	511,967	(0.13)
35	(1,066,497)	(54,302)	19.64	(950,373)	(48,390)	19.64	116,123	5,913	-
36	(6,769,247)	(253,724)	26.68	(9,831,632)	(380,792)	25.82	(3,062,385)	(127,068)	(0.86)
37	181,099,919	4,084,432	44.34	199,532,459	4,475,245	44.59	18,432,540	390,813	0.25
38									
39	(102,588,323)	(4,088,495)	25.09	(26,073,158)	(1,118,561)	23.31	76,515,166	2,969,934	(1.78)
40	-	-	-	-	-	-	-	-	-
41	(4,120,844)	-	-	(3,211,802)	-	-	909,042	-	-
42	(1,697,917)	-	-	(5,729,167)	-	-	(4,031,250)	-	-
43	(433,116)	(4,636)	93.42	(393,752)	(3,954)	99.59	39,364	683	6.17
44	(108,840,200)	(4,093,131)	26.59	(35,407,879)	(1,122,515)	31.54	73,432,322	2,970,617	4.95
45									
46	325,074,389	10,775,937	30.17	339,328,796	10,630,636	31.92	14,254,407	(142,758)	1.75
47									
48	107,793,062	-	-	102,865,245	-	-	(4,927,817)	-	-
49	40,540,686	-	-	42,112,126	-	-	1,571,440	-	-
50	148,333,748	10,775,937	13.77	144,977,371	10,630,636	13.64	(3,356,377)	(145,301)	(0.13)
51									
52	473,408,137	10,775,937	43.93	484,306,167	10,630,636	45.56	10,898,030	(142,758)	1.63
53									
54			1.04			1.04			1.04
55			45.69			47.38			1.69
56			45.47			45.47			
57			0.22			1.91			

POWER SUPPLY COST RECOVERY

PSCR Factors:

All rates for metered electric service shall include an amount up to the Power Supply Cost Recovery (PSCR) Factor for the specified billing period as set forth below. The PSCR Factor includes an increase or decrease of 0.0104 mills per kWh for each full 0.01 mill increase or decrease in the projected annual power supply costs above or below a cost base of 45.47 mills per kWh, rounded to the nearest one-hundredth of a mill per kWh. The projected power supply costs per kWh shall equal the total projected annual net power cost divided by the projected annual net system energy requirements. Net system energy requirements shall be the sum of net generation and net purchased and interchange power.

An amount not exceeding the PSCR Factor for each month shall be placed into effect in the first billing cycle of that month and shall continue in effect until the first billing cycle of a subsequent month for which a subsequent PSCR Factor becomes operative.

The PSCR Factor applicable to all Power Supply charges for the Mines' Special Contracts and Rate Schedule CpLC shall be as indicated below:

<u>Month</u>	<u>2019 Plan Year PSCR Factor (\$ per kWh)</u>	<u>Prior Period PSCR Reconciliation Factor (\$ per kWh)</u>	<u>Maximum 2019 PSCR Factor (\$ per kWh)</u>	<u>Actual Factor Billed (\$ per kWh)</u>
Jan 2019	0.00191	0.00000	0.00191	
Feb 2019	0.00191	0.00000	0.00191	
Mar 2019	0.00191	0.00000	0.00191	
Apr 2019	0.00191	0.00000	0.00191	
May 2019	0.00191	0.00000	0.00191	
Jun 2019	0.00191	0.00000	0.00191	
Jul 2019	0.00191	0.00000	0.00191	
Aug 2019	0.00191	0.00000	0.00191	
Sep 2019	0.00191	0.00000	0.00191	
Oct 2019	0.00191	0.00000	0.00191	
Nov 2019	0.00191	0.00000	0.00191	
Dec 2019	0.00191	0.00000	0.00191	

Parentheses indicate a credit factor. Should the Company apply lesser factors than those above or if the factors are later revised pursuant to Commission orders or 1982 PA 304, the Company will notify the Commission if necessary and file a revision of the above list.

(Continued on Sheet No. D-4.00)

Issued December 15, 2018
T. T. Eidukas
Vice-President,
Milwaukee, Wisconsin

Effective for bills rendered for
the 2019 Plan year

Issued under authority of
Section 6j(9) of 1982 PA304
For self-implementing
in Case No. U-20231

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
WISCONSIN ELECTRIC POWER COMPANY)
d/b/a We Energies for approval of a power)
supply cost recovery plan and authorization) Case No. U-20231
of monthly power supply cost recovery factors)
for the calendar year 2019.)

**DIRECT TESTIMONY AND EXHIBITS OF
KIM M. KELLER
ON BEHALF OF
WISCONSIN ELECTRIC POWER COMPANY**

September 2018

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

2 A. My name is Kim M. Keller. My business address is 333 West Everett Street, Milwaukee,
3 Wisconsin 53203. I am the Manager of Fuel Cost Planning for Wisconsin Electric Power
4 Company (“Wisconsin Electric” or “the Company”), Wisconsin Public Service
5 Corporation (“WPSC”) and Upper Michigan Energy Resources Corporation
6 (“UMERC”).

7 **Q. Please describe your education and business experience.**

8 A. I received a Bachelor of Science Degree with a major in Finance from the University of
9 Wisconsin – Madison in 1989.

10 I have been employed by Wisconsin Electric for 17 years, working in a number of
11 positions in Finance (Closing, Consolidations, External Reporting and Accounting
12 Research, and Finance – Power Generation) before joining Wholesale Energy and Fuels.
13 For the last several years, I was an Accounting Manager for the External Reporting and
14 Accounting Research Group. I became the Manager of Fuel Cost Planning in May 2018.
15 In this position I am responsible for supporting all of Wisconsin Electric’s, WPSC’s and
16 UMERC’s fuel cost filings in the Wisconsin and Michigan jurisdictions.

17 **Q. Do you have previous experience testifying before a regulatory agency?**

18 A. Yes. I have provided testimony on behalf of Wisconsin Electric and WPSC to the
19 Wisconsin Public Service Commission in the 2019 fuel case.

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

21 A. The purpose of my testimony is to support Wisconsin Electric’s 2019 power supply cost
22 recovery (“PSCR”) plan costs and net system output.

23 **Q. Are you sponsoring any exhibits to accompany your testimony?**

1 A. Yes. I am sponsoring Exhibits A-7 (KMK-1) through A-13 (KMK-7) which relate to the
2 Company's procurement of fossil fuels, projected fuel costs, the operation of the
3 Company's generating units, and the estimates of purchased power and energy, for the
4 2019 plan year. Exhibit A-7, Exhibit A-9, Exhibit A-10, and Exhibit A-12 are
5 confidential.

6 **Q. Were these exhibits prepared by you or under your direction and supervision?**

7 A. Yes.

8 **Q. Please identify the customer that Wisconsin Electric will provide retail electric
9 service to in Michigan during the 2019 PSCR plan period.**

10 A. On December 9, 2016, a Settlement Agreement was approved by the Michigan Public
11 Service Commission ("MPSC" or "the Commission") in Case No. U-18061 ("U-18061
12 Settlement Agreement") which provided the Michigan regulatory approvals needed to
13 establish UMERC as a Michigan regulated utility providing service only to electric and
14 natural gas customers in the Upper Peninsula of Michigan. Pursuant to the U-18061
15 Settlement Agreement, effective January 1, 2017, Wisconsin Electric transferred all of its
16 Michigan jurisdictional distribution substations, distribution lines, and other distribution
17 assets used in providing retail electric service in Michigan, as well as its Michigan retail
18 full requirements and retail access full service customers to UMERC, except, initially,
19 Tilden Mining Company L.C. ("Tilden") and the Empire Iron Mining Partnership
20 ("Empire") (collectively the "Mines").

21 The U-18061 Settlement Agreement states that Wisconsin Electric will continue to serve
22 the Mines until termination of both of the 2015-2019 Large Curtailable Special Contracts
23 between Wisconsin Electric and the Mines that were approved by the Commission's

1 April 23, 2015 Order in Case No. U-17862 (“Mines’ Special Contracts”), at which time
2 the Mines will be transferred as customers of UMERC. In a signed letter appended as
3 Attachment B to Wisconsin Electric’s September 1, 2016 Application Requesting
4 Approval of Amendment in Case No. U-17862, Wisconsin Electric and Empire agreed
5 that Empire’s special contract would terminate no later than October 15, 2016. The
6 Commission approved the termination letter in its December 9, 2016 Order in Case No.
7 U-17862. As a result, for the first five months of 2019, Wisconsin Electric’s only PSCR
8 customer will be Tilden. After May of 2019¹, UMERC will assume jurisdictional
9 responsibility for the power supply to Tilden from its own generation.
10

11 OVERVIEW

12 **Q. What types of electric generating facilities does the Company own or lease?**

13 A. Wisconsin Electric has a diversified portfolio of generation capacity which includes coal,
14 natural gas, nuclear, hydro, wind, and biomass. Much of this capacity is owned or leased
15 by Wisconsin Electric, while some is obtained via power purchase agreements (“PPAs”)
16 with other parties.

17 **Q. Does the Company operate a steam utility system in addition to its electric 18 generation?**

19 A. Yes, the Company operates a steam utility system in downtown Milwaukee. Steam is
20 supplied to the system from the Valley Power Plant. Fuel costs applicable to the steam
21 utility are calculated on a cost per million BTUs basis and allocated from the electric
22 utility to the steam utility.

¹ UMERC’s generation units are expected to begin commercial operation by June 2019.

1 **Q. Please provide an overview of the process by which the fuel and purchase power**
2 **expenses were projected for this PSCR plan.**

3 A. The first step in the process was to forecast the electrical energy and demand
4 requirements of Wisconsin Electric customer. Company witness Mr. Joel Gaughan
5 addresses this process in his testimony. The second step in the process was to develop
6 both the unit generation projections and the fuel cost projections using these sales
7 forecasts.

8 **Q. How were the generation and cost projections developed from the sales forecasts?**

9 A. The Company used the PROMOD security-constrained production cost model to project
10 how its generating resources could be utilized economically and reliably under
11 Midcontinent Independent System Operator (“MISO”) dispatch given the generating unit
12 operating characteristics, fuel costs, planned outage schedules, and transmission
13 availability. The PROMOD scheduling simulation is, in turn, used to estimate coal, gas
14 and fuel oil commodity costs, energy costs from PPAs, generator revenue and associated
15 margin, projected Locational Marginal Prices (“LMPs”), and the cost of hourly net
16 energy purchases from and sales to MISO. The use of PROMOD has been accepted in
17 past Michigan PSCR and Wisconsin fuel cases. The Company believes that PROMOD
18 provides a reasonable projection of unit utilization within its modeling footprint.

19 **Q. Would you please identify and describe the exhibits you are sponsoring which**
20 **contain the generation and cost projections for the PSCR plan year?**

21 A. Yes.

- 1 • Exhibit A-7 (KMK-1) [confidential] reflects the projected monthly output and fuel
2 cost for each generating facility on the Wisconsin Electric system for the 2019 PSCR
3 plan year.
- 4 • Exhibit A-8 (KMK-2) shows the monthly summary of projected megawatt hour
5 production and fuel consumption and cost by various fuel types as well as the
6 summary of these factors for the 2019 PSCR plan year.
- 7 • Exhibit A-9 (KMK-3) [confidential] itemizes the capacity and reserve requirement
8 forecast for the peak month of July 2019.
- 9 • Exhibit A-10 (KMK-4) [confidential] provides PPA and sales agreement estimates for
10 the 2019 PSCR plan year.
- 11 • Exhibit A-11 (KMK-5) identifies Wisconsin Electric's as-burned coal costs by
12 generating plant.
- 13 • Exhibit A-12 (KMK-6) [confidential] identifies annual interchange purchases.
- 14 • Exhibit A-13 (KMK-7) provides the projected MWH, Fuel and Purchase Energy
15 Expense.

16 **Q. Is the cost of renewable energy included in your exhibits?**

17 A. Yes. Mr. John Guntlisbergen addresses this issue in his direct testimony.

18

19 **BULK POWER OPERATIONS**

20 **Q. Please describe the responsibility of the Company's Power Traders in the Wholesale
21 Energy & Fuels Department.**

22 A. The Power Traders forecast Day-Ahead and Real-Time system loads, evaluate generation
23 availability and market opportunities, and develop generation resource offers and demand

1 bids to reliably meet, at minimal system costs, the real time electric load requirements of
2 the Company.

3 **Q. How do the Power Traders project what load conditions will occur over the next 24-**
4 **hour period?**

5 A. The Power Traders use a variety of load-forecasting programs that integrate forecasted
6 weather and historic data and simulate and calculate the various factors and conditions
7 which affect load levels. The programs produce hour-by-hour projections of system load
8 levels for the next seven days. The Power Traders develop load forecasts using the
9 output of these programs along with adjustments based on current conditions, weather
10 expectations and experience.

11 **Q. Please describe how the energy forecasts are utilized in the MISO Energy Market**
12 **and the role these transactions play in Wisconsin Electric's overall cost of power**
13 **supply.**

14 A. Per MISO Energy Market requirements, the Company offers all available generation into
15 both Day-Ahead and Real-Time energy and operating reserve markets and bids the
16 majority of its load into the Day-Ahead market. MISO pays the Company for energy and
17 operating reserves at the applicable hourly market pricing for each product and charges
18 the Company hourly for energy consumed at each load node. The MISO financial
19 settlement for each operating day nets these payments and charges along with other
20 charges and credits. The net of hourly generation revenue and load cost represents short-
21 term energy purchases or sales within the MISO energy market.

22 **Q. How do the Power Traders minimize the cost of meeting electric load requirements?**

1 A. This is done by effectively and continuously assessing and utilizing available resources,
2 including company-owned or contracted generating assets, load assets, MISO energy
3 market transactions, transmission resources, and load management programs. The Power
4 Traders are supported by sophisticated computer hardware and software programs that
5 produce updated generator offer price matrices using recent fuel cost data and perform
6 analysis on large amounts of market operations data. These programs consider such
7 factors as unit heat rates, unit fuel costs, ramp rates, maximum and minimum operating
8 levels, and historic market operations data. Power Traders use these programs and tools
9 to create demand bids in each of the Wisconsin Electric load zones (currently MIUP and
10 WEC South) and develop and adjust generation resource offers for each generator owned
11 or under contract to Wisconsin Electric. This information is submitted to the MISO
12 Market, a bid/offer-based energy market using security constrained economic dispatch to
13 produce LMPs for the MISO market footprint.

14 **Q. You have described how the Power Traders plan for the Day-Ahead operation. How**
15 **do they operate in the Real-Time?**

16 A. The Power Traders monitor current and projected generation status, load, and market
17 conditions, along with the operating plan represented by the Day-Ahead schedule,
18 modifying resource offers or, in some cases, utilizing load management programs as
19 necessary to minimize the overall cost to serve load. Aided by the computerized,
20 automatic generation control system, the Power Traders work with Electric System
21 Operations personnel to schedule the generating units both on- and off-line according to
22 actual and anticipated MISO energy market results. In response to increases and
23 decreases in load, and changes in the MISO generator setpoint instructions, the automatic

1 generation control system adjusts loading on generating units consistent with the MISO
2 energy market and reliability standards in order to achieve minimum system production
3 costs while maintaining the reliability of the electric power grid.

4 **Q. Is it your evaluation that the Company's decisions to provide power supply in the**
5 **manner described in your testimony are reasonable and prudent?**

6 A. Yes, in my opinion such decisions are reasonable and prudent.

7
8 MISO ENERGY MARKET TRANSACTIONS

9 **Q. What is the Company's projection for the net of MISO generation revenue and load**
10 **cost for 2019?**

11 A. Exhibit A-7 (KMK-1) [confidential] provides the Company's fuel run, which is a
12 monthly forecast of generation and energy market transactions necessary to meet the load
13 requirements of our customers. As mentioned earlier in my testimony, the fuel run is
14 developed using the PROMOD security-constrained production cost model. This exhibit
15 shows, by plant, how much generation will be required by MISO each month plus how
16 much additional energy the Company will purchase from MISO at market prices in order
17 to meet the forecasted load requirements.

18 **Q. Please describe any other impacts on power supply costs related to the MISO**
19 **Energy Market in the PSCR plan.**

20 A. In addition to energy transactions (sales and purchases) with MISO, other MISO costs
21 and revenues associated with operating in the energy and ancillary service markets are
22 included in Exhibit A-7 (KMK-1). Those elements include Day-Ahead and Real-Time
23 Revenue Sufficiency Guarantee ("RSG") uplift charges and Make-Whole Payment

1 (“MWP”) revenues, Financial Transmission Rights and Auction Revenue Rights
2 (“FTR/ARR”) sales revenues, and Ancillary Services Market (“ASM”) charges and
3 revenues, to name a few.

4 **Q. How did the Company project these charges and credits for 2019?**

5 A. With the exception of FTR and MWP revenues, the Company used 12 months of actual
6 MISO charges and credit amounts for the period July 1, 2017 through June 30, 2018 to
7 establish monthly and annual amounts for 2019.

8 **Q. How are the FTR and MWP revenues calculated?**

9 A. FTR and MWP revenues are calculated based upon the specific hourly congestion and
10 dispatch predicted by the PROMOD model. This ensures that the same transmission topology
11 and transmission events used to calculate the plan year dispatch and pricing are used to value
12 the FTRs and make-whole payments. It also matches the LMPs used to calculate generator
13 revenue and load costs to the LMPs used to calculate the plan year FTR and make-whole
14 payment revenues. Specifically, the marginal congestion component of the hourly LMPs
15 calculated in the PROMOD dispatch forecast is used to determine the value of each specific
16 FTR path. Applying the estimated value of each specific FTR path to the actual FTR
17 quantities obtained in the most recent FTR auction provides the total FTR revenue estimate
18 for the test year. For units offered as economic, make-whole payment revenues are assumed
19 to be realized for any dispatch hours in which the unit cost exceeds the hourly LMP.

20
21 CAPACITY AND RESERVE REQUIREMENTS

22 **Q. Have you performed a calculation of the Company’s total capacity and reserve**
23 **requirements for the PSCR plan year?**

24 A. Yes. The detailed calculation is provided in Exhibit A-9 (KMK-3).

1 **Q. Based on the projected peak demand for the PSCR plan year and the resource**
2 **supply plan in place to meet that peak demand, does the Company have capacity in**
3 **excess of the Minimum Reserve Requirement?**

4 A. No, as demonstrated on Exhibit A-9 (KMK-3), the Company expects to have 152 MW of
5 capacity below the Minimum Reserve Requirement in the 2019 PSCR plan year. This has
6 decreased from 872 MW in 2018. This decrease in capacity is primarily driven by the
7 retirement of the Pleasant Prairie Power Plant in 2018.

8 **Q. What are the Company's plans regarding capacity below the Minimum Reserve**
9 **Requirement?**

10 A. The Company plans to participate in the Resource Adequacy Auction (capacity auction)
11 which, for the 2019 Plan Year, started June 1, 2018 and ends May 31, 2019.

12 **Q. What has the Company assumed for revenue related to all 2019 projected capacity**
13 **sales?**

14 A. The Company has projected that the capacity sold under short-term contracts will yield
15 \$5.7M of revenues to offset 2019 power supply costs. Those revenues are included in
16 Exhibit A-7 (KMK-1) as "Capacity Sales."

17 **Q. What did you assume for MISO Resource Adequacy Auction for the 2019-2020 Plan**
18 **Year, particularly as it relates to June through December 2019?**

19 A. After May of 2019², UMERC will assume jurisdictional responsibility for the power
20 supply to Tilden from its own generation and Wisconsin Electric will no longer supply
21 power in Michigan.

² UMERC's generation units are expected to begin commercial operation by June 2019.

1 PLANNED OUTAGES

2 **Q. Does the Company plan any generating unit outages of more than 90 days in**
3 **duration during 2019?**

4 A. No, not for the period that Wisconsin Electric will be supplying power in Michigan.

5
6 COAL PROCUREMENT

7 **Q. Have the Company's methods and procedures for coal procurement changed from**
8 **those described in the 2018 PSCR filing?**

9 A. No, overall the methods and procedures for coal procurement have not changed.

10 **Q. How do the 2019 coal cost projections compare to those in the 2018 PSCR plan?**

11 A. Projected costs for coal generation have increased approximately \$0.85/MWh for the
12 2019 plan year as compared to the 2018 PSCR plan³. This is due primarily to increases
13 in delivered coal costs.

14 **Q. Are there any other costs driving the increase in coal costs?**

15 A. Yes, there are additional operational costs associated with dust mitigation at site bulk
16 material handling.

17 **Q. How are the fuel surcharges determined by the railroads?**

18 A. Existing coal transportation agreements with Union Pacific, BNSF, and Norfolk Southern
19 include provisions which allow a fuel surcharge on transportation rates for delivery of
20 coal to power plants and/or to rail/boat coal transportation transfer points. The Union
21 Pacific and BNSF rail transportation contracts have surcharge rates that are driven by
22 changes in the price of diesel fuel, the fuel used in the locomotives. The Norfolk

³ See Exhibit A-08 (KMK-2), The Total Coal cost divided by MWH on page 1.

1 Southern rail transportation contract for the Elm Road Generating Station (ERGS) has a
2 surcharge rate that is driven by changes in the price of crude oil.

3 **Q. Does the Company project any costs for fuel not taken during 2019?**

4 A. No.

5
6 NATURAL GAS AND OIL PROCUREMENT

7 **Q. What is the Company's forecast for natural gas in 2019?**

8 A. As demonstrated in Exhibit A-8 (KMK-2), the Company forecasts the use of 21.5 million
9 MBTU of natural gas in 2019 at \$3.30/MBTU, for a total estimated cost of approximately
10 \$66.6 million. This includes the use of natural gas as auxiliary fuel at the Company's coal
11 plants, gas used for the Company's combined cycle and combustion turbine generating
12 facilities, Valley Power Plant, and gas used at LSP-Whitewater under the purchase power
13 agreement. Price estimates were based upon the June 27, 2018 closing NYMEX natural
14 gas futures price.

15 **Q. How does the Company procure natural gas for generation at its facilities?**

16 A. The Company procures natural gas for use at its combined cycle units (e.g., Port
17 Washington Generating Station) and at Wisconsin Electric's peaking facilities (e.g.,
18 Paris). There can be significant uncertainty regarding the timing and quantity of natural
19 gas consumption for electric generation, especially for the peaking units.

20 Based upon the plan developed by the Power Traders, the Gas Supply group acquires
21 natural gas through the combination of spot purchases and monthly term/baseload
22 purchases. The Company solicits pricing proposals from multiple suppliers when seeking

1 additional gas purchases and selects the lowest cost option, taking into consideration
2 counterparty credit issues and reliability concerns.

3 **Q. How does the Company procure oil for generation?**

4 A. Oil is acquired through the use of spot purchases and bulk purchases stored in local
5 terminals.

6 **Q. Does the Company utilize a risk management hedging program in order to mitigate
7 and protect against price spikes in its natural gas and oil procurement plans?**

8 A. Yes. Given historic volatility in natural gas and oil prices and concerns about storage and
9 supply/demand imbalances, the Company believes it is prudent to seek to protect
10 customers from future price swings. While managing price risk does not equate to
11 guaranteed savings, financially settled hedging can act like insurance and protect
12 customers from the negative effects of price spikes. In its 2019 PSCR plan, the Company
13 has included risk management hedging costs for natural gas for gas-fired generation and
14 for oil for coal transportation.

15 **Q. What is the basis for including hedging program costs in the PSCR plan?**

16 A. The Wisconsin Administrative Code (PSC 116, Electric fuel rules) provides that utilities
17 in Wisconsin may include the costs and benefits of fuel price risk management hedging
18 tools in their fuel costs provided the PSCW has approved a risk management plan. The
19 Company's most recent integrated risk management plan was approved in PSCW Docket
20 No. 6630-RM-102, effective through December 31, 2021. The cost of the risk
21 management hedging program is equivalent to an insurance premium against higher price
22 spikes, and has accordingly been approved for inclusion in previous Michigan PSCR
23 cases as well.

1 **Q. What is the amount for risk management program costs that the Company is**
2 **requesting to be included in its 2019 PSCR plan?**

3 A. The Company has projected \$0.4 million for risk management costs for 2019.
4

5 TRANSMISSION COSTS

6 **Q. How does the Company’s participation in American Transmission Company, LLC**
7 **(“ATC”) impact transmission access and reliability?**

8 A. The transfer of the Company’s transmission facilities to ATC, together with ATC’s
9 participation in MISO’s expansion planning process, benefits customers by improving
10 reliability through the institution of a comprehensive, long-term planning process for
11 making needed transmission enhancements and upgrades on a regional basis.

12 **Q. Is the Company active in reviewing transmission service rate proceedings by ATC**
13 **and MISO?**

14 A. Yes. The Company is active in reviewing transmission rate proceedings and, when
15 appropriate, the Company intervenes in proceedings before FERC. Company personnel
16 also participate in and monitor committee activities within MISO.

17 **Q. What is the amount of transmission costs the Company is proposing to include in its**
18 **2019 PSCR plan costs?**

19 A. As demonstrated in Exhibit A-7 (KMK-1), the PSCR plan includes network transmission
20 costs of \$102.8 million and non-network transmission costs of \$42.1 million. The
21 increase in non-network charges are primarily related to increases in Schedule 26 (MISO
22 Transmission Expansion Charge-Regional Expansion Criteria and Benefits) and Schedule
23 26A (MISO Multi-Value Projects).

1 **Q. Do those projected non-network transmission costs include any PIPP SSR “uplift”**
2 **or fixed cost components of SSR charges or SSR revenues?**

3 A. No, the PIPP SSR Agreement was terminated on January 31, 2015.

4 **Q. Does the 2019 fuel plan assume the amortization of any outstanding deferred**
5 **balances in Michigan with respect to the PIPP SSR?**

6 A. No, it does not.

7

8 PSCR FORECAST

9 **Q. Have you provided the Company's generation, fuel cost, and capacity and energy**
10 **projections for the extended forecast period of 2019?**

11 A. Yes. This forecast is included in the following exhibits:

- 12 • Exhibit A-12 (KMK-6) [confidential] – Annual Interchange Purchases and Sales
- 13 • Exhibit A-13 (KMK-7) – Projected MWH, Fuel, Purchases Energy Expense

14 **Q. Do you consider these exhibits to represent a reasonable forecast for 2019?**

15 A. Yes, I do. The forecast techniques are consistent with those utilized in preparing the
16 estimates for the 2018 plan year and only include the first five months of 2019. As a
17 result, of UMEREC’s UP generation solution going into service UMEREC will assume
18 jurisdictional responsibility for the power supply to Tilden from its own generation.

19 **Q. Referring to Exhibit A-12 (KMK-6), please describe the terms "Firm Purchases –**
20 **Specific”, “Existing and System Wide Renewable Energy”, "Net Purchases from**
21 **MISO Market", and “NextEra Energy Point Beach, LLC.”**

22 A. The term "Firm Purchases - Specific" refers to signed contracts in place in the designated
23 years for power purchases from others. The term “System Wide Renewable Energy”

1 refers to the purchase of energy which comes from natural resources that do not diminish
2 with use, and includes purchases from customer-owned generation. The term "Net
3 Purchases from MISO Market" refers to energy purchased from the MISO Energy
4 Market on an hourly basis. Finally, "NextEra Energy Point Beach, LLC" refers to the
5 purchased power contract for the output from the Point Beach power plant that was
6 approved by the MPSC in Case No. U-15220 on September 25, 2007.

7 **Q. Are the power supply costs addressed in your testimony and exhibits incurred**
8 **pursuant to reasonable and prudent management and actions?**

9 A. Yes.

10 **Q. Does this complete your testimony?**

11 A. Yes.

**2019
 GENERATION BY FUEL TYPE**

	<u>Fuel Type</u>	<u>MWh</u>	<u>Quantity(1)</u>	<u>\$/MBtu (2)</u>	<u>Total Cost (2)</u>
January	Coal	1,070,401	632,644	2.22 \$	23,010,860
	Gas/Prop.	649,698	5,307,355	3.67 \$	18,251,260
	Oil	0	0	0.00 \$	-
	Wood	14,073	30,496	73.46 \$	1,033,778
	Hydro	29,763	0	0.00 \$	-
	Wind	86,353	0	0.00 \$	4,201,723
	SYSTEM		1,850,288		
February	Coal	842,771	502,063	\$ 2.24	\$ 18,443,823
	Gas/Prop.	478,475	4,027,460	\$ 3.71	\$ 13,734,923
	Oil	0	0	\$ -	\$ -
	Wood	8,755	21,678	\$ 73.46	\$ 643,133
	Hydro	28,773	0	\$ -	\$ -
	Wind	76,510	0	\$ -	\$ 3,162,004
	SYSTEM		1,435,282		
March	Coal	704,338	426,330	\$ 2.26	\$ 15,725,327
	Gas/Prop.	489,488	4,072,690	\$ 3.39	\$ 12,893,303
	Oil	0	0	\$ -	\$ -
	Wood	12,240	28,906	\$ 73.46	\$ 899,145
	Hydro	35,027	0	\$ -	\$ -
	Wind	87,451	0	\$ -	\$ 4,127,681
	SYSTEM		1,328,543		
April	Coal	925,526	535,028	\$ 2.25	\$ 20,375,477
	Gas/Prop.	461,426	3,869,898	\$ 2.92	\$ 10,655,786
	Oil	0	0	\$ -	\$ -
	Wood	4,258	11,205	\$ 73.46	\$ 312,793
	Hydro	40,864	0	\$ -	\$ -
	Wind	76,467	0	\$ -	\$ 3,496,418
	SYSTEM		1,508,541		
May	Coal	898,679	523,140	\$ 2.25	\$ 20,190,185
	Gas/Prop.	543,971	4,261,303	\$ 2.73	\$ 11,135,220
	Oil	0	0	\$ -	\$ -
	Wood	4,320	10,082	\$ 73.46	\$ 317,347
	Hydro	46,693	0	\$ -	\$ -
	Wind	73,435	0	\$ -	\$ 3,242,068
	SYSTEM		1,567,099		
Total	Coal	4,441,715	2,619,205	\$ 2.24	\$ 97,745,672
	Gas/Prop.	2,623,057	21,538,707	\$ 3.30	\$ 66,670,491

REDACTED
 CAPACITY AND RESERVE REQUIREMENTS
 FOR PEAK MONTH JULY 2019

<u>Line No.</u>	<u>Description</u>	<u>2019 (MW)</u>
1	Demand (a)	5,155
2	Capacity Sales Including Reserves	671
3	Minimum Reserve Requirement (b)	511
4	Demand w/Reserves (1 + 2 + 3)	<u>6,337</u>
5	Company Generation	2,203
6	Company Leased Capacity (c)	2,353
7	Committed Long-term Capacity Purchases	
8	Appleton Hydro	
9	LSP-Whitewater	
10	Ameren	
11	NextEra Energy Point Beach, LLC (Point Beach PPA)	
12	Total Committed Capacity Purchases	1,488
13	Load Management	142
14	Total Resources (5 + 6 + 12 + 13)	<u>6,185</u>
15	Capacity above/(below) Minimum Reserve Requirement -	
16	Long-Term Capacity Purchases (14 - 4)	-152
17	Notes:	
18	(a) Based on 7/18/2018 System Demand Forecast including mine load	
19	(b) Minimum Planning reserves at 8.4% based on MISO 2016 LOLE Study Report	
20	(c) The Company leases the Port Washington Generating Station and Elm Road from WE Power.	

WISCONSIN ELECTRIC POWER COMPANY

REDACTED
Power Purchase Agreements

Supplier	2019 During Year	MW	2019 CAPACITY \$	\$/kw -mo	MWh	2019 ENERGY \$	\$/MWh	Total Capacity and Energy \$
<u>Long-term Capacity & Energy Agreements (1)</u>								
LS Power Whitewater LP	5 Months	[REDACTED]						
Existing and System Wide Renewable Energy	5 Months	[REDACTED]						
Total Long-Term Capacity & Energy Agreements		[REDACTED]						
NextEra Energy Point Beach, LLC		[REDACTED]						
Net Energy Purchase from MISO Market (Net of energy sales)		[REDACTED]						
Total Purchase Power Costs \$		[REDACTED]						
Auxiliary Load Cost		[REDACTED]						
RSG - Make Whole Payments- \$		[REDACTED]						
MISO Market Other Costs/Revenues		[REDACTED]						
MISO Ancillary Services Market Costs/Revenues		[REDACTED]						
Total Purchases \$		[REDACTED]						
Total Purchase Power Costs \$/MWh		[REDACTED]						

(1) Agreements under contract or planned

WISCONSIN ELECTRIC POWER COMPANY

REDACTED
Sales Agreements

BUYER	Duration During Year	2019 CAPACITY		MWh	2019 ENERGY		Total Capacity and Energy \$
		May MW	\$ /kW -mo		\$	\$/MWh	
Capacity Sale Contracts							
Contract A							
Total Capacity Sales Contracts							
Net Energy Sales to MISO (Net of energy purchases)							
MISO Market Other Costs/Revenues							
MISO Ancillary Services Market Costs/Revenues							
Montfort							
Total Sales \$							
Total Sales \$/MWh							

WISCONSIN ELECTRIC POWER COMPANY

COAL PRICING

2019

<u>Plant</u>	<u>2019 As-Burned Price \$/Mmbtu</u>
Oak Creek	\$ 2.161
Elm Road	\$ 2.211
Presque Isle	\$ 2.416

REDACTED
ANNUAL INTERCHANGE PURCHASES FOR 2019
 Dollars in (000)

<u>DESCRIPTION</u>	<u>2019</u>
Firm Purchases - Specific	
LSP Whitewater LP	
GWh	412
Total Cost	\$ 20,271
Existing and System Wide Renewable Energy	
GWh	249
Total Cost	\$ 9,099
Net Purchases from MISO Market	
GWh	551
Total Cost	\$ 15,881
Aux Load cost	\$ 2,302
NextEra Energy Point Beach, LLC	
GWh	[REDACTED]
Total Cost	[REDACTED]
MISO Make Whole Payments- \$	\$ (3,705)
MISO Energy Market Costs/Revenues - \$	\$ 923
MISO - Ancillary Services Market \$	\$ 949
Incremental Market-Priced Tariff Energy & EFT	
GWh	(429)
Total Cost	\$ (10,782)
Other Purchases (CGS non-renewable)	
GWH	4
Cost	\$ 98
Total Purchases	
GWh	4,475
Total Cost	\$ 199,532

ANNUAL INTERCHANGE SALES FOR 2019
Dollars in (000)

<u>DESCRIPTION</u>	<u>2019</u>
Non-firm Sales	
Net MISO Sales Transactions	
GWh	(1,119)
Total Cost	\$ (29,285)
Montfort	
GWh	(4)
Total Sales	\$ (394)
Capacity Sales	
Contracted - \$	\$ (5,729)
Undesignated - \$	-
Total Capacity Sales	\$ (5,729)
Total Sales	
GWh	(1,123)
Total Sales	\$ (35,408)

WISCONSIN ELECTRIC POWER COMPANY
Projected MWH, Fuel, and Purchase Energy Expense

For Year 2019

<u>PLANT</u>	<u>FUEL</u>	<u>GWH</u>	<u>GBTU</u>	<u>Cost</u> (\$000)	<u>\$/MWh</u>	<u>\$/MMBTU</u>
Oak Creek 5-8	Coal	1,310	13,154	\$ 28,431	\$ 21.70	2.16
Elm Road Generating Station 1-2	Coal	2,459	22,347	\$ 49,397	\$ 20.09	2.21
Port Washington 1-2	Gas	2,071	14,492	\$ 45,703	\$ 22.06	3.15
Valley Unit 1-2	Gas	140	2,583	\$ 9,571	\$ 68.40	3.71
Presque Isle 5-9	Coal	673	8,243	\$ 19,917	\$ 29.61	2.42
Combustion Turbine	Gas	0	0	\$ 748	\$ -	-
Hydro		181	0	\$ -	\$ -	-
Wind Generation BSGF		171	0	\$ -	\$ -	-
System Wide Renewable Resources (Wind)		229	0	\$ 18,230	\$ 79.61	-
System Wide Renewable Resources (Wood)		44	1,014	\$ 3,206	\$ 73.46	3.16
TOTAL GENERATION		7,278	61,833	\$ 175,204	\$ 24.07	2.83
Purchase Energy		4,655		\$ 191,124	\$ 41.06	
Existing and System-Wide Renewable Energy Purchases		249		\$ 9,099	\$ 36.52	
Auxiliary Load cost				\$ 2,302		
Purchase Capacity				\$ 9,623		
Open Market (MISO costs)				\$ (2,783)		
Ancillary Services Market				\$ 949		
Incremental Market-Priced Tariff Energy		(429)		\$ (10,782)	\$ 25.12	
Sales Energy		(1,123)		\$ (29,679)	\$ 26.44	
Sales Capacity				\$ (5,729)		
NET OUTPUT		10,631		\$ 339,329	\$ 31.92	
Non-Network Transmission Service				\$ 42,112		
Network Transmission Service				\$ 102,865		
Other Adjustments		0		\$ -		
TOTAL POWER SUPPLY COSTS		10,631		\$ 484,306	\$ 45.56	

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
WISCONSIN ELECTRIC POWER COMPANY)	
d/b/a We Energies for approval of a power)	
supply cost recovery plan and authorization)	Case No. U-20231
of monthly power supply cost recovery factors)	
<u>for the calendar year 2019.</u>)	

MOTION OF WISCONSIN ELECTRIC POWER COMPANY
FOR ENTRY OF A PROTECTIVE ORDER

Wisconsin Electric Power Company (“WEPCo”), by its attorneys, pursuant to Rule 432 of the Michigan Administrative Hearing System’s Administrative Hearing Rules, R 792.10432, and MCR 2.302(C)(8), respectfully requests entry of a Protective Order to govern the release, use, and disclosure of confidential information, in any matter or form, in this proceeding. In support of its Motion, WEPCo states as follows:

1. WEPCo, a wholly-owned subsidiary of WEC Energy Group, Inc., is a public service corporation organized under the laws of the state of Wisconsin, with its principal office located in Milwaukee, Wisconsin. WEPCo is authorized to do business in the State of Michigan and provides 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. WEPCo requests a Protective Order to protect confidential information identified in its pre-filed exhibits, including, but not limited to: (1) Exhibits A-2 (JRG-2) and A-3 (JGG-1), which reflect confidential projected sales for its only customer, Tilden Mining Company L.C.;

(2) Exhibit A-7 (KMK-1), which reflects the confidential projected monthly output and fuel cost for each generating facility on the WEPCo system for the 2019 PSCR Plan year; (3) Exhibit A-10 (KMK-4), which reflects confidential sales agreement estimates for the 2019 PSCR Plan year; (4) Exhibit A-12 (KMK-6) which contains confidential information regarding annual interchange purchases; (5) Exhibit A-9 (KMK-3) containing confidential information on the Company's capacity and reserve requirements; and (6) any testimony discussing these items. Additional confidential information may be provided in discovery or filed in this docket. Although the Michigan Public Service Commission's ("MPSC" or "Commission") rules do not expressly address the issuance of protective orders, Rule 403(1) of the Michigan Administrative Hearing System's Administrative Hearing Rules, R 792.10403, states that "[t]hese rules govern practice and procedure in all proceedings before the commission, except as otherwise provided by statute or these rules. In areas not addressed by these rules, the presiding officer may rely on appropriate provisions of the currently effective Michigan court rules." MCR 2.302(C)(8) states:

"On motion by a party or by the person from whom discovery is sought, and on reasonable notice and for good cause shown, the court in which the action is pending may issue any order that justice requires to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense, including one or more of the following orders:

(8) that a trade secret or other confidential research, development, or commercial information not be disclosed or be disclosed only in a designated way;"

Also, Section 80 of the Michigan Administrative Procedures Act specifically provides that a presiding officer may "[r]egulate the course of the hearings..." MCL 24.280.

3. The appropriateness of the issuance of protective orders in Commission proceedings for documents which are confidential, proprietary, or involve trade secrets is well established. For example, protective orders have been issued in Case Nos. U-9322 and U-9611 (July 18, 1990), U-10335 (Nov. 29, 1993), U-10491 and U-10492 (July 19, 1992), U-13221

(March 20, 2002), U-14040 (May 11, 2004), U-15988 (August 3, 2009), U-16166 (July 23, 2010), U-16417 (August 5, 2011), U-17672 (November 19, 2014), and U-18148 (November 23, 2016). In its Opinion and Order dated June 30, 1994, Case No. U-10282, the Commission discussed the standards that it applies when considering whether to issue a protective order. The Commission stated that before it will enter a protective order, the moving party must show “(1) that the information at issue is a trade secret or otherwise confidential, and (2) that disclosure would work a clearly defined and serious injury.”

4. The documentation which is identified in paragraph 2 herein, contains confidential customer information and information which if publicly disclosed would result in a serious injury to future power supply negotiations and the ability to secure reasonable supply agreements and, thereby, affect WEPCo’s power supply costs to its customers.

5. WEPCo represents that the documentation identified in paragraph 2 herein is not in the public domain and is treated as confidential by other regulatory agencies that have jurisdiction over WEPCo.

6. The proposed Protective Order (Exhibit A hereto) is modeled after other MPSC orders which protected information. The proposed Protective Order identifies the documentation in paragraph 2 as “Protected Material” and provides that any document filed with the Commission that contains Protected Material shall be placed in a sealed envelope with a copy of the Protective Order attached and maintained in the Commission’s files. The proposed Order also provides that materials which WEPCo contends are confidential will be marked as “Protected Material.” The proposed Order prohibits distribution or dissemination of the protected documentation by MPSC Staff (“Staff”) or any properly admitted party except according to the terms of the Protective Order. Further, the proposed Order dictates the use of

the documentation in the discovery and litigation phases of this case, and requires that WEPCo be given notice of any Freedom of Information Act request filed with the Commission (or Attorney General's ("AG") office) seeking access to the documents. Such notice must be given at least five (5) business days prior to the MPSC, Staff or AG, responding to the request so as to provide WEPCo with an opportunity to take whatever legal actions it deems appropriate to protect the documents from disclosure.

7. The proposed Protective Order will not hinder the Commission's, the Administrative Law Judge's, Staff's or any properly admitted party's review of the Application, testimony and exhibits in MPSC Case No. U-20231, because all will continue to have full access to the confidential information.

WHEREFORE, for the reasons stated herein, WEPCo respectfully requests the Commission to grant this Motion and enter the proposed Protective Order, attached as Exhibit A.

Respectfully submitted,

WISCONSIN ELECTRIC POWER COMPANY

Dated: September 28, 2018

By: _____

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STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
WISCONSIN ELECTRIC POWER COMPANY)
d/b/a We Energies for approval of a power)
supply cost recovery plan and authorization) Case No. U-20231
of monthly power supply cost recovery factors)
for the calendar year 2019.)

PROTECTIVE ORDER

This Protective Order governs the use and disposition of Protected Material (as defined herein) disclosed by Wisconsin Electric Power Company (“WEPCo”) or any other Party (as defined below) in this case, as set forth herein. The intent of this Protective Order is to protect non-public confidential information and materials, which information and materials contain confidential, proprietary, or commercially sensitive information, and confidential customer information, including confidential information provided in discovery, and any witness’s related testimony and exhibits and arguments of counsel referring to such confidential information (“Protected Material”). This Protective Order describes the manner in which Protected Material is to be identified and treated, and governs its ultimate disposition. Accordingly, IT IS HEREBY ORDERED:

1. This Protective Order shall govern the use of all Protected Material, so identified in paragraph 2 and marked as required by Paragraph 11, that is filed in this case on a confidential basis and/or made available for review, or produced, by or on behalf of any Party to any Party, Reviewing Representative, the Administrative Law Judge (“ALJ”) assigned to this case, or members of the Michigan Public Service Commission (“MPSC”) assigned to assist the MPSC in

Case No. U-20231. Protected Material shall be used and disclosed by the recipient thereof solely in accordance with the terms and conditions of this Protective Order.

2. This Protective Order protects: (1) the Protected Material; (2) any copy or reproduction of the Protected Material made by any person; and (3) any memoranda, handwritten notes, or any other form of information that copies, contains or discloses Protected Material. This Protective Order protects not only the documents described in the preceding paragraph herein, but also protects from disclosure the information contained therein in any form including, but not limited to, affidavits, testimony, exhibits, workpapers, studies, discovery inquiries and responses, and all other data and documentation to the extent provided to the parties or filed with the MPSC in connection with these proceedings.

3. The information subject to this Protective Order does not include:

- a. Information lawfully known by the Party or Reviewing Representative at the time of disclosure that is not subject to a confidentiality agreement or arrangement; and
- b. Information that is or becomes available to the general public through no fault of a Party or Reviewing Representative.

4. “Party” shall mean any party to this proceeding, including the Staff and Attorney General, who produces, requests or receives access to the Protected Material, subject to the requirement that each Reviewing Representative must sign a Nondisclosure Certificate.

5. “Reviewing Representative” shall mean a person who has signed a Nondisclosure Certificate and who is:

- a. an attorney who has entered an appearance in this proceeding for a Party;

- b. an attorney, paralegal, or other employee associated for purposes of this case with an attorney described in Paragraph 5a;
- c. an expert or employee of an expert retained by a Party for purposes of advising, preparing for, or testifying in this proceeding; or
- d. an employee or other representative of a Party with significant responsibility for this docket.

A Reviewing Representative is responsible for assuring that persons under his or her supervision and control comply with this Protective Order.

6. “Nondisclosure Certificate” shall mean a certificate substantially in the form of the certificate attached to this Protective Order by which a Reviewing Representative who has been granted access to Protected Material certifies his or her understanding that such access is provided pursuant to the terms of this Protective Order and that he or she agrees to be bound by it.

7. A Party may authorize access to and use of Protected Material by a Reviewing Representative identified by the Party as being necessary in order to analyze the Protected Material, including consultants employed by the Party, but only for the purposes of analyzing the issues, presenting evidence, and preparing testimony, cross-examination, argument, pleadings, briefs, exceptions or other motions or filings in Case No. U-20231. Such persons may not release or disclose the content of Protected Material to any other person or use such information for any other purpose.

8. All persons authorized to review Protected Material, including copies or reproductions, and copies of notes of Protected Material, must, before reviewing any Protected Material, sign a copy of the Nondisclosure Certificate, which evidences an agreement by such

person to be bound by the terms of this Protective Order. A copy of the executed Nondisclosure Certificate shall be provided to all Parties.

9. Protected Material shall remain the property of the producing Party and shall only remain available to the Party until no later than the conclusion of any appeal of any final order issued in this Case No. U-20231. A Party in Case No. U-20231 who has signed a Nondisclosure Certificate and who is participating in an appeal from a final order in this Case No. U-20231 may retain copies of Protected Material until the date the final order in this Case No. U-20231 is no longer subject to judicial review. On or before the date specified by the preceding sentence, with the exception of the provision made in the second to the last sentence of this paragraph, the Party shall return all Protected Material in its possession or in the possession of its Reviewing Representatives, including all copies thereof and notes of Protected Material or certify in writing that the Protected Material has been destroyed. The Party shall submit to the producing Party written certification stating that all Protected Material and all copies thereof and all notes of Protected Material in its possession, care, custody or control have been returned or destroyed. Notwithstanding, the attorney for a Party may retain copies of non-public pleadings, orders, transcripts, briefs, comment, and exhibits, which contain Protected Material in Case No. U-20231; provided, a list of retained documents, which identifies the documents containing the Protected Materials, is given to the producing Party within 30 days from the date on which the final order in Case No. U-20231 is no longer subject to judicial review. To the extent Protected Material is not returned by a Party or destroyed pursuant to this Protective Order, it shall remain subject to this Protective Order.

10. The Parties to Case No. U-20231 retain the right to seek further restrictions on the dissemination of Protected Material to Parties or to persons who have or may subsequently seek to intervene in this proceeding.

11. Protected Material made available by the producing Party shall be clearly marked as Protected Material subject to this Protective Order, including by labeling such items as “Confidential.” Any copies of Protected Material shall be physically designated as Protected Material by the Party or the person authorized by the Party to make the copy. Notes of Protected Material shall be physically marked as Protected Material by the person making the notes. All Protected Material in the possession of the Party shall be maintained in a secure place. Access to Protected Material shall be limited to persons authorized to have such access subject to the provisions of this Protective Order.

12. Even if no longer engaged or active in this proceeding, every person who has signed a Nondisclosure Certificate shall continue to be bound by the provisions of this Protective Order. The obligations under this Protective Order shall not be extinguished or nullified by entry of a final order in this case and shall be enforceable before the MPSC or in a court of competent jurisdiction.

13. If a Party with access to Protected Material desires to incorporate, utilize, refer to, or otherwise use Protected Material in pre-filed testimony, pleadings, direct or cross-examination, briefs, oral argument, comments or in some other form in this proceeding, such Party shall only do so pursuant to procedures that will maintain the confidentiality of the Protected Material. For purposes of this order, the following procedures are established:

- a. Written submissions using Protected Material shall be filed in a sealed record, to be maintained by the Docket Section of the MPSC in envelopes

clearly marked on the outside, “CONFIDENTIAL – SUBJECT TO PROTECTIVE ORDER ISSUED IN CASE NO. U-20231.”

Simultaneously, identical documents and materials, but with the Protected Material redacted, shall be filed, offered, introduced, or otherwise disclosed in the usual manner for the submissions of evidence or briefs.

- b. Furthermore, with regard to proceedings before the MPSC or presiding officers designated by it, oral testimony, examination of witnesses, or argument on the Protected Material shall be conducted on a separate record to be maintained by the Docket Section of the MPSC. These separate record proceedings shall be closed to all persons except those furnishing the Protected Material and Parties otherwise subject to this Protective Order. The Party presenting the information during the course of the proceeding shall advise the presiding officer receiving testimony of the terms of this Protective Order on sufficient notice to allow the presiding officer an opportunity to take measures within the presiding officer’s control to protect the confidentiality of the Protected Material, and suggest that a separate, protected record be made of all testimony concerning the protected information.
- c. Copies of documents filed with the MPSC that contain Protected Material, including the portions of the exhibits, transcripts, and brief that refer to Protected Material, must be sealed and maintained in the MPSC’s files with a copy of the Protective Order attached.

14. It is intended that the Protected Material subject to this Protective Order should be shielded from disclosure by the Party to the extent permitted by law. If any person files a Freedom of Information Act Request seeking access to documents subject to this Protective Order, the MPSC's Executive Secretary shall immediately notify the producing Party, and the producing Party may take whatever legal actions it deems appropriate to protect the Protected Material from disclosure. In accordance with Section 5 of the Freedom of Information Act, MCL 15.235, the notice must be given at least five (5) business days prior to the MPSC, its Staff, and/or Attorney General responding to the request. This Protective Order does not prohibit disclosure to the extent, but only to the extent, and for the purpose, but only for the purpose, that such disclosure is: (i) required by law; or (ii) in response to a valid order of a court of competent jurisdiction or governmental body; provided that in all instances above, the Party first provides reasonable written advance (at least five (5) business days prior) notice to the producing Party of the proposed disclosure.

15. The provisions of this Protective Order shall not apply to a particular document or portion of a document described in Paragraph 2 if a Party can demonstrate that it has been previously disclosed on a non-confidential basis or meets the criteria set forth in Paragraph 3a or 3b. Before disclosing a particular document or portion of a document described in Paragraph 2, however, the Party must first provide reasonable notice to the producing Party of its conclusion that the document or portion of a document is not subject to this Protective Order because of prior disclosure. The provisions of this Protective Order shall terminate as to the Protected Material described in Paragraph 2 to the extent that the content of such Protected Material are filed with a state, provincial or federal agency and are not subject to protection from public disclosure, or are otherwise lawfully disclosed.

16. If a Party violates this Order by an improper disclosure or use of Protected Material, then that Party shall take all necessary steps to remedy the improper disclosure or use. This includes immediately notifying the MPSC, the presiding officer, and the producing Party, in writing, of the identity of each person known or reasonably suspected to have obtained the Protected Material. Parties that violate this Protective Order remain subject to this paragraph regardless of whether the producing Party could have discovered the violation earlier than it was discovered. This paragraph of this Protective Order applies to both inadvertent and intentional violations. Nothing in this Protective Order limits the producing Party's rights and remedies, at law or in equity, against Parties or persons using Protected Material in a manner not authorized by this Protective Order, including the right to obtain injunctive relief to prevent violations of this Protective Order.

17. Upon motion filed by any Party to Case No. U-20231, the MPSC or any presiding officer designated by it may subsequently declare that the protected status of Protected Material should not be continued and immediately communicate that declaration to the producing Party. Thereafter, this Protective Order shall cease to apply to such Protected Material unless, within twenty-one (21) days, the producing Party files a pleading asserting that the information should continue to be protected and setting forth the basis for that assertion. The producing Party shall bear the burden of proving that the asserted Protected Material is entitled to continuing protection from disclosure. If the MPSC or presiding officer finds that an asserted Protected Material no longer qualifies for treatment as Protected Material, it shall remain subject to the protection afforded by this Protective Order for twenty-one (21) days following the issuance of the MPSC's order or the presiding officer's ruling.

18. The obligations of this Protective Order shall not apply if the Protected Material is approved for release by written authorization of the producing Party, but only to the extent of such authorization.

19. The ALJ and members of the MPSC assigned to assist the MPSC in Case No. U-20231 may review Protected Materials that are a part of confidential pleadings, and Protected Materials that are admitted into the record, for purposes of analyzing the issues, issuing rulings, preparing the proposal for decision, and issuing MPSC orders. Such persons may not release or disclose the Protected Material inconsistent with the terms and conditions of this Protective Order.

Dated: _____, 2018

Administrative Law Judge

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
WISCONSIN ELECTRIC POWER COMPANY)
d/b/a We Energies for approval of a power)
supply cost recovery plan and authorization) Case No. U-20231
of monthly power supply cost recovery factors)
for the calendar year 2019.)

NONDISCLOSURE CERTIFICATE

I hereby certify my understanding that access to Protected Material is provided to me pursuant to the terms and restrictions of the Protective Order issued in Case No. U-20231, that I have been given a copy of and have read the Protective Order, and that I agree to be bound by the terms of the Protective Order. I am aware that the Joint Applicants and any other producing Party assert that Protected Material, as defined in the Protective Order, includes information that is confidential, proprietary, and commercially sensitive. I understand that the substance of the Protected Material, any notes or other memoranda, or any other form of information that copies or discloses Protected Material, shall be maintained as confidential, shall not be disclosed to anyone other than in accordance with that Protective Order, and shall not be used for any purpose other than in connection with Michigan Public Service Commission Case No. U-20231.

Reviewing Representative

Date: _____

Title:
Representing:

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
WISCONSIN ELECTRIC POWER COMPANY)	
d/b/a We Energies for approval of a power)	
supply cost recovery plan and authorization)	Case No. U-20231
of monthly power supply cost recovery factors)	
<u>for the calendar year 2019.</u>)	

NOTICE OF HEARING ON MOTION

PLEASE TAKE NOTICE that the scheduling of an initial hearing on the Motion of Wisconsin Electric Power Company for Entry of a Protective Order will be taken up with the assigned Administrative Law Judge at the prehearing conference in this matter at the Michigan Public Service Commission, 7109 West Saginaw Highway, Lansing, Michigan.

Respectfully submitted,

WISCONSIN ELECTRIC POWER COMPANY

Dated: September 28, 2018

By: _____
Its Attorney
Sherri A. Wellman (P38989)
MILLER, CANFIELD, PADDOCK and STONE, P.L.C.
One Michigan Avenue, Suite 900
Lansing, Michigan 48933
(517) 483-4954

Attorney for Wisconsin Electric Power Company

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: _____ Docket No. _____

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

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

Name _____

Address _____

City _____ State _____

Zip _____ Phone (____) _____

Email _____

Date _____

I am not an attorney

I am an attorney whose:

Michigan Bar # is P- _____

_____ Bar # is: _____
(state)

Signature: _____

Save Form

EAHR1 - 09/29/2016