

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
UPPER PENINSULA POWER COMPANY)
for authority to increase retail electric rates.)
_____)

Case No. U-16166

DIRECT TESTIMONY AND EXHIBITS OF

JOHN G. GUNT LISBERGEN

FOR

UPPER PENINSULA POWER COMPANY

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
UPPER PENINSULA POWER COMPANY)
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Case No. U-16166

**QUALIFICATIONS
OF
JOHN G. GUNT LISBERGEN
PART I**

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

2 A. My name is John G. Guntlisbergen. My business address is Integrys Business
3 Support, LLC ("IBS"), 700 North Adams Street, P.O. Box 19001, Green Bay, WI
4 54307-9001. I am Manager – Electric Fuel Cost Recovery in the Regulatory Affairs
5 Department of Integrys Energy Group, Inc ("Integrys"). Both IBS and Upper
6 Peninsula Power Company ("UPPCO") are wholly-owned subsidiaries of Integrys.

7

8 **Q. For whom are you providing testimony?**

9 A. I am providing testimony on behalf of UPPCO.

10

11 **Q. Please describe briefly your educational, professional, and utility background.**

12 A. In 1981, I graduated from St. Norbert College - De Pere, Wisconsin, with a Bachelor
13 of Business Administration Degree in Accounting. After completing college I was
14 employed by Wisconsin Public Service Corporation ("WPS Corp") as a Depreciation
15 Analyst and later as the Depreciation Supervisor in the Corporate Tax Department.
16 While in the Corporate Tax Department, I performed depreciation studies on utility
17 plant property, and determined book depreciation, tax depreciation and deferred
18 taxes on an actual and forecasted basis. In 1993, I moved to the Rates and

1 Economic Evaluation Department as a Rates Planner. I performed cost studies and
2 rate impact studies for generation planning and long-range corporate planning. I
3 participated in the analysis of transmission costs and the development of the
4 transmission tariffs for filing with the Federal Energy Regulatory Commission
5 (“FERC”). I performed electric and gas cost of service studies for the Michigan and
6 Wisconsin jurisdictions. I have also worked with the power supply areas for UPPCO
7 and WPS Corp to develop Power Supply Cost Recovery (“PSCR”) plans and in the
8 reconciliation of the PSCR costs to revenues.

9

10 **Q. Have you previously testified before any regulatory agency?**

11 A. Yes, I have. I have testified before the Public Service Commission of Wisconsin and
12 the Michigan Public Service Commission (“MPSC”) in numerous PSCR cases and
13 general rate cases.

**JOHN G. GUNT LISBERGEN
DIRECT TESTIMONY
PART II**

1 **Q. What is the purpose of your pre-filed direct testimony?**

2 A. The purpose of my pre-filed direct testimony is to propose the continuation of the use
3 of the current PSCR Base Rate established in MPSC Case No. U-15988, and the
4 establishment of a new PSCR Loss Factor, for the purpose of determining the PSCR
5 Factors for future recovery of power supply costs through the PSCR mechanism.
6

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

8 A. Yes, I am. I am sponsoring Schedule F5.1 of Exhibit A-6 (JGG-1), consisting of 2
9 pages, and Exhibit A-10 (JGG-2), consisting of 1 page.
10

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

12 A. Yes, they were.
13

14 **Q. Please describe Schedule F5.1 of Exhibit A-6 (JGG-1).**

15 A. Schedule F5.1 of Exhibit A-6 (JGG-1) consists of proposed tariff sheets reflecting the
16 proposed PSCR Base Rate and PSCR Loss Factor.
17

18 **Q. Please describe Exhibit A-10 (JGG-2).**

19 A. Lines 1 through 30 of Exhibit A-10 (JGG-2) show:

- 20 1. The forecasted Net PSCR Costs, which are equal to the PSCR costs of
21 generation, purchases, and transmission less
22 a. Opportunity sales revenues,
23 b. Real Time Market Price Tariff ("RTMP") sales revenues,
24 c. RTMP transmission revenues,
25 d. Capacity sales revenue, and
26 e. Renewable Energy Certificate ("REC") sales revenue,
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2. Megawatt hours of Generation plus purchased power less,
 - a. Opportunity sales, and
 - b. RTMP sales,
3. The MWhs of System Requirement Sales subject to a PSCR Factor,
4. The average PSCR cost per MWh,
5. The current PSCR Base Rate,
6. The current PSCR Loss Factor, and
7. The resulting PSCR Factor.

as forecasted for the UPPCO system for the 2011 test year.

The current PSCR Base Rate and the current PSCR Loss Factor were determined in Case No. U-15988, UPPCO's last general rate case.

Lines 31 through 60 of Exhibit A-10 (JGG-2) show:

1. The forecasted Net PSCR Costs, which are equal to the PSCR costs of generation, purchases, and transmission less
 - a. Opportunity sales revenues,
 - b. RTMP sales revenues,
 - c. RTMP transmission revenues,
 - d. Capacity sales revenues, and
 - e. REC sales revenues,
2. Megawatt hours of Generation plus purchased power less,
 - a. Opportunity sales, and
 - b. RTMP sales,
3. The MWhs of System Requirement Sales subject to a PSCR Factor,
4. The average PSCR cost per MWh,
5. The proposed PSCR Base Rate, and
6. The new proposed PSCR Loss Factor

as forecasted for the UPPCO system for the 2011 test year.

Q. What is UPPCO's current estimate of the PSCR Factor for 2011?

A. UPPCO has forecasted a PSCR Factor of negative (\$0.58)/MWh for 2011 based on

1 the current PSCR Base Rate and the forecast of fuel and purchased power costs in
2 this rate case as shown on line 28 of Exhibit A-10 (JGG-2).

3

4 **Q. What is UPPCO's current PSCR Factor approved in its 2010 PSCR Plan?**

5 A. UPPCO's current PSCR Factor that is being billed in 2010 is positive \$0.63/MWh.

6

7 **Q. Does UPPCO expect to update its fuel and purchased power costs, as well as
8 its opportunity sales and revenues, for its 2011 PSCR Plan Case?**

9 A. Yes, we do. UPPCO expects to re-forecast fuel and purchased power costs, as well
10 as its opportunity sales and revenues, for its 2011 PSCR Plan Case. This will be
11 conducted closer to the time of the 2011 PSCR Plan Case filing in September 2010.
12 Any changes in the factors impacting the 2011 PSCR Factor will be considered at
13 that time. These updates will have no impact on UPPCO's revenue deficiency in the
14 instant general rate case proceeding, as any changes to UPPCO's PSCR related
15 costs or revenues would be off-set on a one-for-one basis via the PSCR mechanism.

16

17 **Q. What does UPPCO propose for the PSCR Base Rate for the UPPCO system?**

18 A. Since the current PSCR Base Rate and the net PSCR cost per MWh are very close,
19 UPPCO proposes to maintain the current PSCR Base Rate established in Case No.
20 U-15988.

21

22 UPPCO further proposes that all future PSCR Factors would be determined using
23 the proposed PSCR Base Rate until the PSCR Base Rate is re-established in a
24 subsequent general rate case.

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26 **Q. How does UPPCO propose to determine the new PSCR Loss Factor for the
27 UPPCO system?**

1 A. UPPCO proposes to establish a new PSCR Loss Factor for the UPPCO system that
2 includes the line losses and company use, as calculated on lines 50 through 56 of
3 Exhibit A-10 (JGG-2).

4

5 The loss factor is equal to the MWhs of generation plus purchased power less:

6

7 a. Opportunity sales, and

8

9

10 divided by the MWhs of System Requirement Sales subject to a PSCR Factor, as
11 forecasted for the UPPCO system for the 2011 test year.

12

13 UPPCO further proposes that all future PSCR Factors would be determined using
14 the proposed PSCR Loss Factor in this case until the PSCR Loss Factor is re-
15 established in a subsequent general rate case.

16

17 **Q. What is the proposed PSCR Base Rate for the UPPCO system?**

18 A. The proposed PSCR Base Rate for the UPPCO system is \$65.29/MWh as shown on
19 line 54 of Exhibit A-10 (JGG-2), which is the current PSCR Base Rate established in
20 MPSC Case No. U-15988.

21

22 **Q. What is the proposed new PSCR Loss Factor for the UPPCO system?**

23 A. The proposed new PSCR Loss Factor for the UPPCO system is 1.0463 as shown on
24 line 56 of Exhibit A-10 (JGG-2).

25

26 **Q. What is UPPCO's proposed new PSCR Factor for 2011?**

27 A. Based on UPPCO's proposal to maintain the current PSCR Base Rate established in
28 MPSC Case No. U-15988, the PSCR Factor would be negative (\$0.58)/MWh for
29 2011 as shown on line 58 of Exhibit A-10 (JGG-2).

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Q. Please describe Schedule F5.1 of Exhibit A-6 (JGG-1).

A. Schedule F5.1 of Exhibit A-6 (JGG-1), pages 1 and 2 are the proposed PSCR tariff sheets reflecting the PSCR Base Rate, the new PSCR Loss Factor, and the resulting PSCR Factor, as proposed in this case.

UPPCO requests to implement the new proposed PSCR Loss Factor starting with the beginning of the first business month after the effective date of new base rates in this case. If the PSCR Base Rate is revised, UPPCO requests to implement the new PSCR Base Rate and the new proposed PSCR Loss Factor starting with the beginning of the first business month after the effective date of new base rates in this case.

UPPCO requests to implement a revised PSCR Factor starting with the first business month after the effective date of new base rates in this case, consistent with the PSCR Base Rate and the PSCR Loss Factor approved in this case, and based on the PSCR plan sales and PSCR plan costs used to establish the PSCR Factor in rates at that time.

Q. Does this complete your pre-filed direct testimony?

A. Yes, it does.

D1. Power Supply Cost Recovery**PSCR**

A. PSCR Factors:

All rates for electric service shall include an amount up to the Power Supply Cost Recovery Factor (the PSCR Factor) for the specified billing period as set forth below.

The PSCR Factors for a given month will consist of an increase or decrease of ~~0.010476~~ 0.010463 mills per kWh for all customers in the Integrated System and in the Iron River System for each full 0.01 mill increase or decrease in the projected power supply costs for that month above or below a cost base of 65.29 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 net power cost in that month divided by the sum of that month's projected net system kWh requirements. Net system kWh requirements shall be the sum of net kWh generation and net kWh purchased and interchanged.

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

B. Monthly Reports:

Not more than 45 days following the last day of each billing month in which a PSCR Factor has been applied to customers' bills, the Company shall file with the Commission a detailed statement for that month of the revenues recorded pursuant to the PSCR Factor and the allowance for cost of power supply included in the base rates established in the latest Commission order for the Company and the cost of power supply.

C. Annual Reconciliation:

All fuel cost and purchased and net interchanged power revenues received by the Company, whether included in base rates or collected pursuant to a fuel and purchased power cost adjustment clause or a power supply cost recovery clause, shall be subject to annual reconciliation with the cost of fuel and purchased and net interchanged power. Such annual reconciliations shall be conducted in accordance with the reconciliation procedures described in Section 6j (12) to (18) of 1939 PA 3, as amended, including the provisions for refunds, additional charges, deferral and recovery, and shall include consideration by the Commission of the reasonableness and prudence of expenditures charged pursuant to any fuel and purchased power cost adjustment clause in existence during the period being reconciled.

Continued on Sheet No. D-2.00

Issued:
By J F Schott
VP External Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No. U-16166

MPSC Vol No 8-ELECTRIC
 (2011 PSCR Plan Case No. U-)

Replaces

Revised Sheet No. D-2.00
 Revised Sheet No. D-2.00

D1. Power Supply Cost Recovery **PSCR**

Continued from Sheet No. D-1.00

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 and file a revision of the following list.

ALL CLASSES

Power Supply Cost Recovery Factors

R R	Billing Months	Authorized 2011 Plan Year PSCR Factor \$/kWh	Prior Years Over/Under Recovery Factor \$/kWh	Maximum Authorized 2011 PSCR Factor \$/kWh	Actual Factor Billed \$/kWh
R	January 2011	(\$0.00058)	\$0.00000	(\$0.00058)	
R	February 2011	(\$0.00058)	\$0.00000	(\$0.00058)	
R	March 2011	(\$0.00058)	\$0.00000	(\$0.00058)	
R	April 2011	(\$0.00058)	\$0.00000	(\$0.00058)	
R	May 2011	(\$0.00058)	\$0.00000	(\$0.00058)	
R	June 2011	(\$0.00058)	\$0.00000	(\$0.00058)	
R	July 2011	(\$0.00058)	\$0.00000	(\$0.00058)	
R	August 2011	(\$0.00058)	\$0.00000	(\$0.00058)	
R	September 2011	(\$0.00058)	\$0.00000	(\$0.00058)	
R	October 2011	(\$0.00058)	\$0.00000	(\$0.00058)	
R	November 2011	(\$0.00058)	\$0.00000	(\$0.00058)	
R	December 2011	(\$0.00058)	\$0.00000	(\$0.00058)	

Continued on Sheet No. D-3.00

Issued
 By J F Schott
 VP External Affairs
 Green Bay, Wisconsin

Effective Jan - Dec
 2011, Billing Months
 Issued Under Auth. of
 Mich Public Serv Comm
 In Case No. U-16166

UPPER PENINSULA POWER COMPANY
 DETERMINATION OF NEW PSCR BASE RATE FACTOR AND NEW PSCR LOSS FACTOR
 PROJECTED TEST YEAR ENDED DECEMBER 31, 2011

PRELIMINARY 2011 PSCR Plan		Total UPPCO
FERC Account		
501 (Fuel Costs)		\$0
547 (Fuel Costs)		\$1,850,776
555 (Purchased Power)		\$47,133,383
561, 565, 567, 575 (Transmission Costs)		<u>\$7,721,405</u>
Total Fuel, Purchased Power & Transmission O&M		\$56,705,564
447 (Opportunity sales)		(\$1,170,841)
442 (RTMP sales)		(\$8,543,704)
442 (RTMP Transmission)		(\$414,972)
447 (Capacity Sales)		\$0
447 (REC Sales)		<u>(\$952,222)</u>
Total Opportunity, RTMP, Capacity Sale & REC Revenues		(\$11,081,739)
Net PSCR Costs		\$45,623,825
Generation plus Purchases less Opportunity Sales and RTMP Sales (Mwhs)		704,758
System Requirement Sales subject to PSCR Factor (Mwhs)		673,596
Average PSCR Cost (\$/Mwh)		\$64.74
Current PSCR Base Rate (\$/Mwh)		\$65.29
Average PSCR Cost less PSCR Base Rate		-\$0.55
Current PSCR Loss Factor		1.0476
PSCR Factor with CURRENT PSCR Base Rate & Loss Factor (\$/Mwh)		-\$0.58
PSCR Base Rate on Sales excluding losses (\$/Mwh)		\$68.40

PROPOSED NEW PSCR BASE RATE, PSCR LOSS FACTOR, AND PSCR FACTOR		Total UPPCO
FERC Account		
501 (Fuel Costs)		\$0
547 (Fuel Costs)		\$1,850,776
555 (Purchased Power)		\$47,133,383
561, 565, 567, 575 (Transmission Costs)		<u>\$7,721,405</u>
Total Fuel, Purchased Power & Transmission O&M		\$56,705,564
447 (Opportunity sales)		(\$1,170,841)
442 (RTMP sales)		(\$8,543,704)
442 (RTMP Transmission)		(\$414,972)
447 (Capacity Sales)		\$0
447 (REC Sales)		<u>(\$952,222)</u>
Total Opportunity, RTMP, Capacity Sale & REC Revenues		(\$11,081,739)
Net PSCR Costs		\$45,623,825
Generation plus Purchases less Opportunity Sales and RTMP Sales (Mwhs)		704,758
System Requirement Sales subject to PSCR Factor (Mwhs)		673,596
Average PSCR Cost (\$/Mwh)		\$64.74
PROPOSED PSCR BASE RATE (\$/Mwh)		\$65.29
Average PSCR Cost less PSCR Base Rate		-\$0.55
PROPOSED PSCR Loss Factor		1.0463
PSCR Factor with PROPOSED PSCR Base Rate & Loss Factor (\$/Mwh)		-\$0.58
PROPOSED PSCR Base Rate on Sales excluding losses (\$/Mwh)		\$68.31

