

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-16417

DIRECT TESTIMONY AND EXHIBITS OF

JOHN G. GUNT LISBERGEN

FOR

UPPER PENINSULA POWER COMPANY

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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**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 Case No. U-15988 (and re-authorized
4 in Case No. U-16166), and the establishment of a new PSCR Loss Factor, for the
5 purpose of determining the PSCR Factors for future recovery of power supply costs
6 through the PSCR mechanism.

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

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

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

13 A. Yes, they were.

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

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

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

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

- 21 1. The forecasted Net PSCR Costs, which are equal to the PSCR costs of
22 generation, purchases, and transmission less
23 a. Opportunity sales revenues,
24 b. Real Time Market Price Tariff ("RTMP") sales revenues,
25 c. RTMP transmission revenues,
26 d. Capacity sales revenue, and
27 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 2012 test year.

The current PSCR Base Rate was established in Case No. U-15988, and re-authorized in Case No. U-16166. The current PSCR Loss Factor was established in Case No. U-16166.

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 2012 test year.

1 **Q. What is UPPCO's current estimate of the PSCR Factor for 2012?**

2 A. UPPCO has forecasted a PSCR Factor of negative (\$2.76)/MWh for 2012 based on
3 the current PSCR Base Rate, the current PSCR Loss Factor, and the forecast of fuel
4 and purchased power costs in this rate case as shown on line 28 of Exhibit A-10
5 (JGG-2).

6

7 **Q. What is UPPCO's current PSCR Factor approved in its 2011 PSCR Plan?**

8 A. UPPCO's current PSCR Factor approved in its 2011 PSCR Plan is negative
9 (\$5.56)/MWh.

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11 **Q. Does UPPCO expect to update its fuel and purchased power costs, as well as
12 its opportunity sales and revenues, for its 2012 PSCR Plan Case?**

13 A. Yes, we do. UPPCO expects to re-forecast fuel and purchased power costs, as well
14 as its opportunity sales and revenues, for its 2012 PSCR Plan Case. This will be
15 conducted closer to the time of the 2012 PSCR Plan Case filing in September 2011.
16 Any changes in the factors impacting the 2012 PSCR Factor will be considered at
17 that time. These updates will have no impact on UPPCO's revenue deficiency in the
18 instant general rate case proceeding, as any changes to UPPCO's PSCR related
19 costs or revenues would be off-set on a one-for-one basis via the PSCR mechanism.

20

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

22 A. Since the current PSCR Base Rate and the net PSCR cost per MWh are very close,
23 UPPCO proposes to maintain the current PSCR Base Rate established in Case No.
24 U-15988, and re-authorized in Case No. U-16166.

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26 UPPCO further proposes that all future PSCR Factors would be determined using
27 the proposed PSCR Base Rate until the PSCR Base Rate is re-established in a

1 subsequent general rate case.

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

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

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

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Q. What is the current PSCR Base Rate for the UPPCO system?

A. The current PSCR Base Rate for the UPPCO system is \$65.29/MWh as shown on
line 54 of Exhibit A-10 (JGG-2).

24

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

26 A. The proposed new PSCR Loss Factor for the UPPCO system is 1.0417 as shown on
27 line 56 of Exhibit A-10 (JGG-2).

28

29 **Q. What is UPPCO's proposed new PSCR Factor for 2012?**

30 A. Based on UPPCO's proposal to maintain the current PSCR Base Rate established in

1 Case No. U-15988, and re-authorized in MPSC Case No. U-16166, the PSCR Factor
2 would be negative (\$2.75)/MWh for 2012, as shown on line 58 of Exhibit A-10 (JGG-
3 2).

4

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

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

9

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

16

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

22

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

24 A. Yes, it does.