Frequently Asked Questions
Presque Isle Power Plant & Impacts on UPPCO Customers

What is behind all the news lately about the Presque Isle Power Plant?

We Energies, owner of the Presque Isle Power Plant in Marquette, announced its intention in 2013 to close the coal-fired generation facility. Presque Isle is the biggest source of power in the Upper Peninsula. The Midcontinent Independent System Operator (MISO) is the organization responsible for maintaining the reliability of the electric grid in the Midwest. MISO determined that Presque Isle was needed to operate the transmission system within applicable reliability standards and designated it a System Support Resource (SSR).

Presque Isle will likely retain this SSR designation until either new transmission reinforcements or generation facilities are built that will address transmission system issues requiring the need for the Presque Isle SSR. MISO also determined that the beneficiaries of the Presque Isle SSR were customers in the Upper Peninsula.

Every energy provider serving Upper Peninsula customers will pay for the costs to keep Presque Isle in service. The amount that energy providers and their customers will pay will differ based on projected benefits of the SSR to the energy providers and the energy provider's use of the transmissions system.

What are the costs associated with the Presque Isle SSR designation?

The owner of a SSR facility like Presque Isle is allowed to recover costs to remain open and operational. The cost of the original SSR agreement between MISO and the SSR owner was $52 million from March 2014 through February 2015. The annual cost of a proposed replacement SSR agreement for Presque Isle is $97 million ($52 million referenced above plus an additional $45 million).

What is UPPCO's share of the Presque Isle SSR costs?

MISO originally allocated only 1.4% of the costs of the Presque Isle SSR to UPPCO. The Public Service Commission of Wisconsin (PSCW) petitioned the Federal Energy Regulatory Commission (FERC), the entity charged with oversight of the electric industry, claiming that this allocation methodology was unfair because it resulted in Wisconsin customers paying a disproportionate share of the Presque Isle SSR costs. FERC agreed and MISO was forced to change its allocation methodology. This resulted in UPPCO being required to pay 5.66% of the Presque Isle SSR costs.

Are there other SSRs that impact UPPCO?

There are two other SSR-designated generation facilities in the Upper Peninsula for which UPPCO is assigned costs – White Pine and Escanaba. UPPCO is being assigned approximately 94% of the $3.5 million for Escanaba SSR costs and approximately 12% of the $4.5 million for White Pine SSR costs. Costs from these SSRs (Presque Isle, White Pine and Escanaba) are currently being collected under the Power Supply Cost charge on customer bills. However, this charge will likely increase in 2015 as these costs were not included in determining this charge in 2014.

Why am I being billed for SSR costs concerning Presque Isle, White Pine and Escanaba?

Like other companies supplying energy to customers in the Upper Peninsula, UPPCO is required to pay these SSR costs. These costs are similar in nature to other costs UPPCO incurs by participating in the MISO market in order to procure energy for its customers. Like all other costs charged by MISO, these SSR costs are included as part of the Power Supply Cost Recovery Adjustment that UPPCO files with the Michigan Public Utility Commission every year. It should also be noted that UPPCO is not seeking and has not filed for a general rate case.

What is the cost impact of the three SSRs on a typical UPPCO residential customer?

Under the current MISO methodology and what we know today, and assuming no changes to the status quo is made, UPPCO estimates that the SSR costs for Presque Isle, White Pine and Escanaba, taken together, will result in an increase of approximately $0.011/kWh (or roughly 1.1 cents). Therefore, the average residential customer using 500 kilowatt-hours of electricity per month would see an increase of approximately $5.50 per month beginning January 1, 2015. Numerous parties, including UPPCO, have intervened asking FERC to reconsider its decision to allocate these costs solely to Upper Peninsula customers.

In light of additional evidence presented, FERC is reviewing the cost allocation issue. However, no further decision has been made yet. The best case scenario is that FERC could reverse its decision and require costs for all three SSRs to be allocated as MISO originally proposed (UPPCO would pay only 1.4% of the cost associated with Presque Isle, White Pine, and Escanaba), resulting in UPPCO customers seeing a minimal increase. If no changes are made to the status quo, all three SSR payments will continue into the foreseeable future until new transmission and or generation is built.

UPPCO is monitoring this situation closely and evaluating its options to minimize the impact to customers.

Policymakers and regulators need to continue discussing this situation with all stakeholders to determine the best solution for the Upper Peninsula's energy needs. UPPCO will continue working with all parties on this very challenging issue.

In the meantime, as a regulated electric utility generating renewable energy, UPPCO will continue providing safe and reliable electricity, dedicated customer service and reducing costs and showing our customers how to save money on their energy bills.

For more information on this issue, please visit our website at **www.uppco.com**.

How can I make my views known on this issue?

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(Reference Docket EL14-34)