



Upper Peninsula Power Company

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UPPCO Officials Discuss Impacts of U.P. SSRs on Utility

Ishpeming – Upper Peninsula Power Company (UPPCO) officials released today information to help its customers and the public further understand the projected impacts from the Presque Isle Power Plant and two other U.P. generation facilities on the utility.

“There have been a lot of predictions regarding how much of an impact keeping the Presque Isle Power Plant open will have on customers of U.P. energy providers,” said Barb Siehr, chief executive officer of UPPCO. “What has been lost in the dialogue is how the impact will vary by utility. This is a complex issue with a lot of moving parts and sure to change. We will continue expressing our concerns about the charges being mandated to UPPCO.”

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 grid within applicable reliability standards and subsequently designated it a System Support Resource (SSR). Presque Isle will likely retain its SSR designation until either new transmission reinforcements or new generation facilities are built. Every company providing electric service to U.P. customers will pay for the costs to keep Presque Isle in service. The amount an electric company and its customers pay will differ based on projected benefits of the Presque Isle SSR and use of the transmission system.

As has been reported, the cost of the original SSR agreement between MISO and the owner of Presque Isle was \$52 million from March 2014 through February 2015. The annual cost of a recently-approved replacement SSR agreement for Presque Isle is \$97 million (\$52 million plus an additional \$45 million). However, the \$97 million amount could be reduced through a future order by the Federal Energy Regulatory Commission (FERC), which is the entity charged with oversight of the electric industry.

MISO originally allocated only 1.4 percent of the costs of the Presque Isle SSR to UPPCO. The Public Service Commission of Wisconsin petitioned FERC, claiming that this allocation methodology was unfair because it resulted in Wisconsin customers paying a disproportionate share of Presque Isle SSR costs. FERC agreed and MISO was

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forced to change its allocation methodology. This resulted in UPPCO being required to pay 5.66 percent of the Presque Isle SSR costs.

Keith Moyle, chief operating officer of UPPCO, said another fact that has been overlooked in discussions on this issue is the company being assigned costs for not only Presque Isle but also two other MISO-designated SSR generation facilities in White Pine and Escanaba. UPPCO is being assigned approximately 94 percent of the \$3.5 million for Escanaba SSR costs and approximately 12 percent of the \$4.5 million for White Pine SSR costs. Costs from the Presque Isle, White Pine and Escanaba SSRs are now being collected through the Power Supply Cost Recovery factor on customer bills.

Moyle stressed that the current MISO allocation can change based on further action by FERC and stakeholders. Assuming no changes to the status quo are made, UPPCO projects that that costs for the Presque Isle, White Pine and Escanaba SSRs -- taken together -- will likely result in a projected increase of approximately \$0.011/kWh (or roughly 1.1 cents). 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.

“Out of concern for all our customers, UPPCO will continue to make its voice heard before FERC,” said Moyle. “UPPCO has been recognized as a key stakeholder, most notably by being granted intervener status in the dockets concerning this issue before FERC. UPPCO is monitoring this situation closely and constantly evaluating options to minimize the impact of the three SSR generation facilities on our customers.”

A recent FERC ruling determined that SSR compensation under the Presque Isle replacement SSR agreement “has not been shown to be just and reasonable.” UPPCO expects further FERC action on this matter.

In the meantime, Siehr said UPPCO will continue providing safe and reliable electricity, dedicated customer service while reducing costs and showing customers how to save money on their energy bills. She also said UPPCO will continue being a proud community supporter in communities the company serves.