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by Sidney Davy Miller

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September 18, 2018

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

Re: Upper Peninsula Power Company
Case No. U-20276

Dear Ms. Kale:

Enclosed for electronic filing is Upper Peninsula Power Company's **Rate Case Summary**. Also enclosed is a Proof of Service showing electronic service upon the parties to Case No. U-17895.

Very truly yours,

Miller, Canfield, Paddock and Stone, P.L.C.

By: _____
Sherri A. Wellman

SAW/kf
Enclosures

cc w/enc: Parties of Record
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STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
UPPER PENINSULA POWER COMPANY) Case No. U-20276
for authority to increase retail electric rates.)

RATE CASE SUMMARY

In accordance with the Michigan Public Service Commission's ("MPSC" or the "Commission") July 31, 2017 Order in Case No. U-18238, Upper Peninsula Power Company ("UPPCO" or the "Company") submits its required Rate Case Summary. The Company's Rate Case Summary is being provided for informational purposes only, and in filing this summary, UPPCO states that modification may be made to its upcoming rate case filing that could impact the information contained herein.

The Company's most recent general rate case, Case No. U-17895, was primarily driven by the Company's infrastructure investments associated with transitioning from its former parent company to a stand-alone Michigan company. In Case No. U-17895, UPPCO requested the Commission authorize the Company to adjust its retail electric rates so as to provide additional revenue in the amount of \$13.156 million annually. This was based on the utilization of a projected test year commencing January 1, 2016 and ending December 31, 2016. In its final Order in Case No. U-17895, the Commission authorized UPPCO to increase its retail electric rates on September 23, 2016 by \$4.648 million annually, with a Rate of Return on Equity ("ROE") of 10.00%.

The Company's upcoming rate case filing, Case No. U-20276, is being driven by declining sales requirements and continuing investment in reliability infrastructure, including

advanced metering infrastructure (AMI). Also, UPPCO is proposing to pass cost savings through to customers regarding (1) Tax Cut and Jobs Act (TCJA) savings of approximately \$0.9 million pursuant to the Company's Calculation C filing requirement, and (2) lower depreciation and amortization expense of approximately \$1.8 million consistent with the Company's proposal in the concurrent depreciation rate proceeding in Case No. U-18467.

Based on the evidentiary support provided in its upcoming filing, UPPCO requests that the Commission authorize the Company to adjust its retail electric rates so as to provide additional revenue in the amount of \$9.983 million annually based on a projected 12-month test year ending December 31, 2019. The Company is requesting a ROE of 10.5% and uses an inflation factor of 2.66% for 2019.

The Company has updated its cost-of-service study and its methodological approach. Regarding rate design, the Company is proposing to (1) consolidate the residential rate schedules A-1 and A-2 classes of the Integrated and Iron River Zones; (2) consolidate the dusk to dawn outdoor security lighting service rate Schedules Z-3 and Z-4; (3) add a new Distribution Generation Rider tariff pursuant to the Order in Case No. U-18383; (4) modify its current Parallel Generation (i.e., net metering) tariffs pursuant to the Order in Case No. U-18383; and (5) establish a new Power Supply Cost Recovery (PSCR) base rate.

For the projected test year, the Company's average overall retail rate increase will be approximately 9.7%. The Company's proposed rate increase/decrease by rate class and rate schedule is as follows:

Rate Schedule	Rate Class	% Change
A-1	Residential (Integrated)	4.8%
AH-1	Residential Heating	1.7%
C-1	Small Commercial	33.3%
H-1	Small Commercial Heating	25.3%
P-1	Medium Commercial	15.0%

Cp-U	Industrial	14.5%
WP-3	Industrial	18.9%
RTMP	Real-Time Market Pricing	111.7%
RTMP-D	Real-Time Market Pricing (Distribution)	0.0%
Z-3 & Z-4	Dusk to Dawn Security Lighting	-35.7%
SL	Street Lighting	-32.1%
A-2	Residential (Iron River)	8.3%

The key drivers associated with the Company's revenue requirements are:

Key Drivers: Retail Revenue Requirements (Millions)		
	Drivers	Revenue Requirement Impact
a.	Sales / Revenue	\$ 5.365
b.	Operating Expenses	\$ (0.977)
c.	Income Adjustments	\$ (0.371)
d.	Infrastructure Investment & Related Costs	\$ 3.495
e.	Revenue Offset	\$ 1.444
f.	Capitalization Structure	\$ 1.027
h.	Total Revenue Requirements	\$ 9.983

The revenue requirement associated with rate base is as follows:

Key Drivers: Rate Base (Millions)			
	Drivers	Rate Base Impact (rate base 13-month average)	Revenue Requirement Impact
a.	Last Rate Base Order (U-17895)	\$ 242.344	\$ 23.173
b.	Total Utility Plant	\$ 376.956	\$ 36.045
c.	Depreciation Reserve	\$ (146.948)	\$ (14.051)
d.	Net Utility Plant	\$ 230.008	\$ 21.994
e.	Allowance for Working Capital	\$ 48.881	\$ 4.674
f.	Requested Rate Base (U-20276)	\$ 278.889	\$ 26.668
g.	Increase from Last Rate Base Order	\$ 36.545	\$ 3.495

UPPCO intends to file its upcoming rate case on September 21, 2018, and proposes to implement its revised rates no later than July 21, 2019, after the Commission issues an order approving UPPCO's request.

Respectfully submitted,

UPPER PENINSULA POWER COMPANY

Dated: September 18, 2018

By: _____

One of its Attorneys
Sherri A. Wellman (P38989)
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PROOF OF SERVICE

Kimberly S. Fox, being first duly sworn, deposes and says that on September 18, 2018 she served **Upper Peninsula Power Company's Rate Case Summary** upon the persons listed on the attached Service List via electronic mail.

Kimberly S. Fox

Subscribed and sworn before me
on this 18th day of September, 2018.

Jennifer Joy Yocum, Notary Public
State of Michigan, Ingham County
My Commission Expires: December 17, 2018
Acting in Ingham County

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