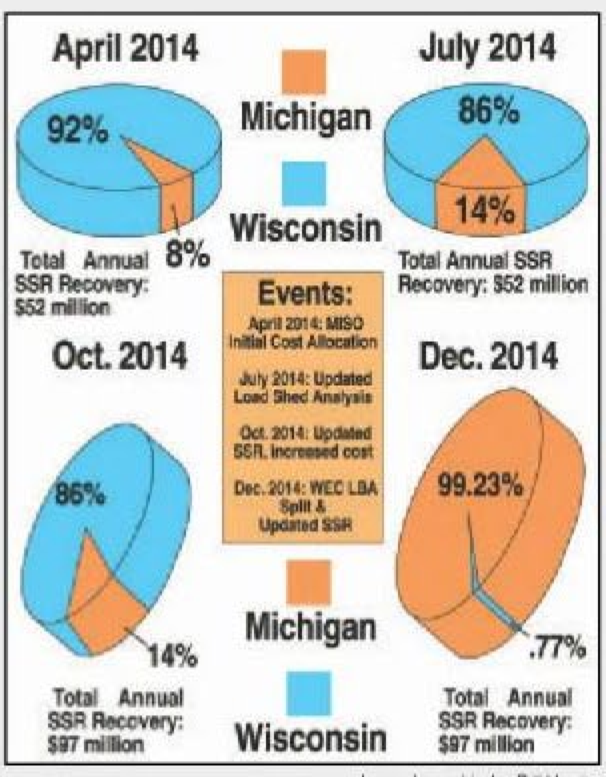
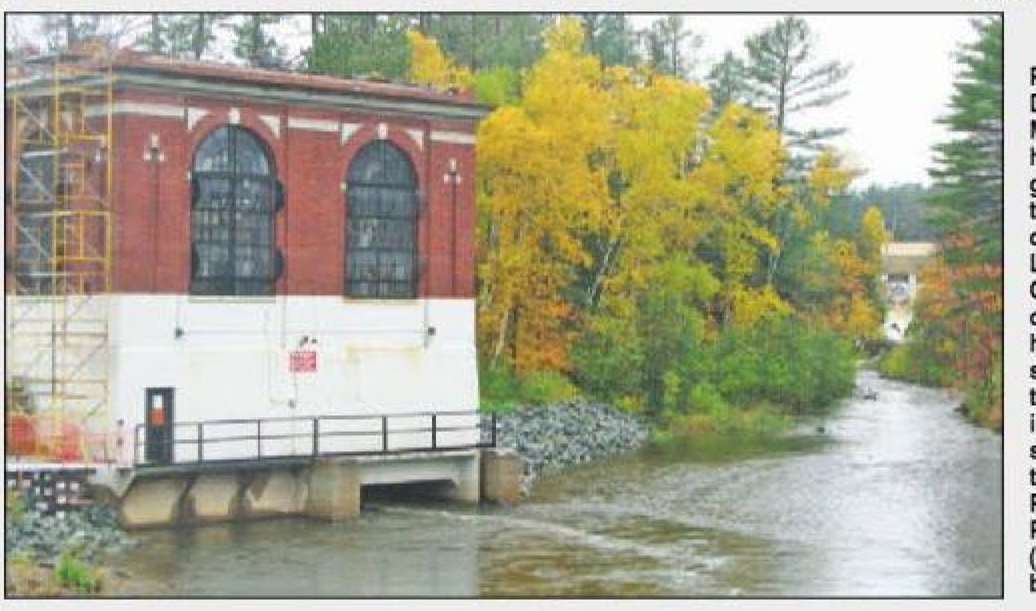
Agency leads charge on rates

Michigan Public Service Commission opposes Wisconsin moves to shift cost to U.P. businesses, residents



Journal graphic by Bill Harris



The Tourist Park Dam on the Dead River in Marquette shown here is one of the generating facilities of the Marquette Board of Light and Power. Generating its own power has helped the utility shelter its customers from rising costs of subsidizing operations at the Presque Isle Power Plant. (Journal photo by John Pepin)

EDITOR'S NOTE: Today is the second day of a five-day series of articles on critical electricity cost issues facing the Upper Peninsula.

By JOHN PEPIN
Journal Staff Writer

MARQUETTE — The Michigan Public Service Commission has been leading the Michigan challenge to several proposed Wisconsin-related actions before the Federal Energy Regulatory Commission that are slated to dramatically hike bills of Upper Peninsula electricity customers.

Several parties have numerous claims, counter-claims and protests waiting for FERC rulings, which leave several key issues hanging in the balance that will affect U.P. consumer electric bills.

The Michigan and Wisconsin public service commissions have the authority to argue before the FERC that proposed changes would not be in the best interest of their ratepayers.

"We're feverishly making comments in a lot of these different dockets," said Michigan Public Service Commission Chairman John Quackenbush. "We're trying to make the right arguments in the right places to have a better outcome here."

Among the docket issues, the Michigan commission has asked for a rehearing of a recent FERC decision that found in favor of the Wisconsin Public Service Commission. The Wisconsin complaint argued allocation of costs to keep the Presque Isle Power Plant operating should be changed from 92 percent for Wisconsin ratepayers and 8 percent for Michigan to better reflect which ratepayers benefit from operation of the plant.

The Michigan commission has a complaint against Presque Isle plant owner We Energies and the North American Electric Reliability Council arguing We Energies used a federal loophole to create a new local balancing authority to impose cost allocation without due process.

The Michigan commission wants the NERC approved creation of the LBA — which would segregate Presque Isle operation costs almost exclusively to U.P. ratepayers — overruled or clarified to instruct that the split has no cost allocation applications.

The Michigan commission is also challenging a We Energies request to retire, rather than suspend operations of, the remaining five operating units at the Presque Isle plant. An associated proposed agreement increases the amount of subsidies paid to the utility to operate the plant.

"The two main things going on is the Wisconsin parties are wanting to take Michigan's share of the cost allocation share from 8 percent to 14 percent to 99 percent. Then, on top of that is the whole request by WepCo (We Energies) to change the suspension of Presque Isle to a retirement of Presque Isle," Quackenbush said. "Because that, in and of itself, takes the $52 million System Support Resource (subsidy) number and it increases it to $97 million. So when we're talking about 99 percent, the 99 percent of $52 million, if you take that up to 99 percent of $97 million, that's even worse."

The new We Energies agreement is slated to take effect today, pending a FERC ruling.

Quackenbush said FERC could issue an order approving the request or if it wants to delay a decision, could schedule a hearing on the matter.

"We've asked them to set it for hearing because we say there are certain issues at stake," Quackenbush said. "Because if you look at what drives the $52 million to $97 (million), the biggest chunk of it is costs that the company already recovers through their rates that we set here in Michigan."

Quackenbush said We Energies is permitted to recover depreciation and a return on the net book value of the plant, which are already recovered in Wisconsin and Michigan rates set by state regulators.

"It's like $30 million is related to depreciation and the return on the plant," Quackenbush said. "What WepCo is asking is to collect those costs through the SSR payment and that would be double-counting, it's like double-dipping. At the least, we think the states have the rights to do rate-making. It's already recovered the way we think it should be. So we

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U.P. electric customers could pay up to $180 to subsidize power plants

By JOHN PEPIN
Journal Staff Writer

MARQUETTE — The Michigan Public Service Commission estimates customers in the Upper Peninsula could pay up to an additional $180 each year on their electric bills to cover proposed subsidy costs to continue operating the We Energies Presque Isle Power Plant and two other power plants in Escanaba and White Pine.

Anticipated increases in electric bills depend on decisions pending before the Federal Energy Regulatory Commission. The Michigan commission estimated the effect of the three System Support Resource subsidy agreements negotiated for the power plants in the U.P. would be to increase customer bills from $6 to $15 monthly, with an average increase of $9.

Those figures were based on customers using 500 kilowatt hours of electricity each month.

"It's not just limited to WepCo (We Energies) customers, which is maybe something that not everybody understands," Michi-

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Rates from 1A

don't think the feds should step in and take away our authority there."

Quackenbush said if FERC does rule that way that will probably precipitate filings at the state level to remove from rates some of the charges to prevent double-dipping.

Complaints from others at the FERC involve SSR subsidy cost allocations for operations at the Escanaba and White Pine power plants, with much smaller dollar amounts involved.

Cliffs Natural Resources has complaints against the Midcontinent Independent System Operator and We Energies arguing the MISO tariff involved with cost allocations should be altered. The mining company is aligned with the Michigan commission requesting a rehearing of the Wisconsin Public Service Commission decision.

"For any regulatory decision, there's kind of a prescribed legal regulatory path to appeal and we're pursuing all of those," said Dale Hemmila, Cliffs Natural Resources' director of public affairs for North America.

Cloverland Electric Cooperative in the eastern U.P. is protesting MISO's allocating costs of Presque Isle operation to itself and other entities that do not benefit from operation of the plant.

Meanwhile, We Energies asked the FERC to hold the MISO cost allocation plan in abeyance until it can be determined whether MISO's use of LBA's to allocate costs of the Presque Isle SSR units is appropriate.

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U.P. ELECTRIC CUSTOMERS COULD PAY UP TO SUBSIDIZE POWER PLANTS, CONT'D

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gan Public Service Commission Chairman John Quackenbush said.

Among several other utilities affected are the Upper Peninsula Power Co., the Marquette Board of Light and Power and Cloverland Electric Cooperative. The commission said the number of affected residential and business customers in the U.P. totals roughly 166,000.

If proposed increases and cost allocations are approved by FERC, the cost of the Presque Isle subsidy payments would total $97 million each year, with 99 percent of that amount paid by U.P. ratepayers.

We Energies estimated Cloverland Electric would see an increased annual cost of $20 million for 2015.

Erik Booth, manager of planning and utility compliance with the Marquette BLP, said the issue is "huge" and "will significantly impact electric rates throughout the Upper Peninsula."

"Fortunately, the Marquette Board of Light and Power generates almost all of the community's electric needs. We buy very little power from the grid. BLP customers have been largely insulated from the SSR (subsidy) payments," Booth said. "In July, for example, the BLP was charged less than $2,000 in SSR payments for the month, based on the coincidental peak load. For our customers, that amount won't even be noticeable on their bill, which illustrates the importance of relying on locally-controlled, locally-owned generation."

Booth said it wasn't possible to forecast how the reallocation of costs would affect the SSR charges since they are based on the amount of power drawn from the grid at the same time the Wisconsin Electric Company Load Balancing Authority reaches its peak load in any given month.

In addition, Booth said FERC is reviewing the new subsidy agreement for Presque Isle that would alter the costs incurred.

"At the BLP our efforts will be focused on minimizing these impacts by dispatching our additional generating assets," Booth said. "Our community has a huge advantage in avoiding the brunt of these SSR charges with the Marquette Board of Light and Power.

"We (have) been good stewards of the electrical system the community has entrusted us with. The Shiras generating station has a lot of life left in it and is well-positioned to meet the upcoming environmental regulations. The one thing this sitution is bringing to the forefront is the importance of owning and maintaining community-owned electric generating resources."

Dave Forsberg, manager of community, government and public relations for the Upper Peninsula Power Company, said an average UPPCO customer — using 500 kWh a month — now pays 46 cents a month for the Presque Isle subsidy and a penny each for the Escanaba and White Pine plants.

Under an allocation of costs for Michigan at 14 percent and 86 percent for Wisconsin, the cost for an average UPPCO customer increases to $1.68 per month attributable to Presque Isle; 32 cents more for White Pine and $2 extra for Escanaba. The total subsidy cost would be $4 each month.

"A scenario with Michigan paying 99.23 percent of costs and Wisconsin paying .77 percent, as is the case with the WEC LBA split and updated SSR agreement for the Presque Isle Power Plant, that same average residential customer would pay an extra $3.15 per month attributable to Presque Isle," Forsberg said.

With costs of 32 cents extra for White Pine and $2 additional for Escanaba, the average UPPCO customer would pay an additional $5.47 each month, or $65.64 each year to subsidize operation of the three power plants.

"Policymakers and regulators need to continue discussing the 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," Forsberg said. "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."

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