

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
UPPER MICHIGAN ENERGY RESOURCES)	
CORPORATION for approval of an annual review)	Case No. U-21222
of its state reliability mechanism charge to comply)	
with the requirements of Section 6w of 2016 PA 341.)	
_____)	

At the September 8, 2022 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair
Hon. Tremaine L. Phillips, Commissioner
Hon. Katherine L. Peretick, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On November 18, 2021, the Commission issued an order approving a settlement agreement in Case No. U-21103 authorizing Upper Michigan Energy Resources Corporation (UMERC) to continue to implement a state reliability mechanism (SRM) capacity charge of \$229,533 per megawatt-year, or \$629 per megawatt-day, for full-service customers who take service from an alternative electric supplier operating in UMERCE's service area that fails to make a satisfactory demonstration regarding its forward capacity obligations.

On March 17, 2022, UMERCE filed its application and direct case requesting that the Commission extend its approval to allow for the existing SRM capacity charges to remain in effect until the final order in UMERCE's next general rate case.

On June 2, 2022, a prehearing conference was held before Administrative Law Judge Sharon L. Feldman. UMERL and the Commission Staff participated in the proceeding. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

The Commission has reviewed the settlement agreement and finds that the public interest is adequately represented by the parties who entered into the settlement agreement. The Commission further finds that the settlement agreement is in the public interest, represents a fair and reasonable resolution of the proceeding, and should be approved.

THEREFORE, IT IS ORDERED that the settlement agreement, attached as Exhibit A, is approved.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of Attorney General – Public Service Division at pungpl@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General – Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Daniel C. Scripps, Chair

Tremaine L. Phillips, Commissioner

Katherine L. Peretick, Commissioner

By its action of September 8, 2022.

Lisa Felice, Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
UPPER MICHIGAN ENERGY RESOURCES)	Case No. U-21222
CORPORATION for approval of an annual review of its)	
state reliability mechanism charge to comply with the)	
requirements of Section 6w of 2016 PA 341.)	
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SETTLEMENT AGREEMENT

As provided in Section 77 of the Administrative Procedures Act of 1969 (“APA”), as amended, MCL 24.278, and Rule 431 of the Michigan Administrative Hearing System’s Administrative Hearing Rules, Mich Admin Code, R 79210431, Upper Michigan Energy Resources Corporation (“UMERC” or the “Company”) and the Michigan Public Service Commission Staff (“Staff”) hereby agree as follows:

1. On November 18, 2021, the Michigan Public Service Commission (“Commission”) issued its order approving settlement agreement in Case No. U-21103 authorizing UMERC to continue to implement a State Reliability Mechanism (“SRM”) capacity charge of \$229,533 per megawatt-year, or \$629 per megawatt-day, for full-service customers initially approved in Case No. U-18253 and extended in Case No. U-20751, and for those who take service from an alternative electric supplier operating in the Company’s service area who fail to make a satisfactory demonstration regarding its forward capacity obligations. The SRM capacity charge as extended by order in Case No. U-21103 was to remain in effect until UMERC’s next general rate case, but in the event that a general rate case was not filed or is significantly delayed, the next annual review of the Company’s SRM capacity charge was to occur in a standalone case commenced in 2022.

2. On March 17, 2022, UMEREC filed its application for the annual review with the Commission along with the supporting direct testimony of Richard Stasik which requested a continuation of the SRM charge initially approved in Case No. U-18253 and as recently extended in Case No. U-21103.

3. On May 2, 2022, the Commission's Executive Secretary issued a Notice of Hearing and a correspondence directing UMEREC to mail and publish the Notice of Hearing. On May 24, 2022, UMEREC caused to have filed in this docket affidavits of mailing and publication.

4. On June 2, 2022, Administrative Law Judge Dennis Mack presided over the prehearing conference. The Staff appeared at the prehearing and there were no intervenors.

5. Staff reviewed UMEREC's annual review of its SRM capacity charge in this case and concluded that the \$229,533 per megawatt-year charge—\$629 per megawatt-day—and associated rates continue to be reasonable. In addition, on August 4, 2022, Stephanie Haney filed testimony on behalf of Staff, recommending that the current application in Case No. U-21222 be approved on the basis that UMEREC's SRM capacity charge has not changed since the order in Case No. U-18253 and UMEREC did not file a general rate case by February 1, 2022.

6. Subsequently, the parties engaged in settlement discussions and agreed that the current SRM capacity charge, as established by the Commission in its order in Case No. U-18253 and as recently extended in Case No. U-21103, shall remain in effect.

7. The parties further agree that UMEREC's SRM capacity charges will be subject to review in the Company's next general rate case, and UMEREC, as part of its application and direct testimony in that case, will do the following:

- a. Split power supply costs between fuel, power purchased pursuant to contract, and power obtained from the market, and provide any supporting

information necessary to show how the split was conducted and why it is reasonable;

- b. Split the above categories of costs further between demand and energy and provide any supporting information necessary to show how the split was performed and why it is reasonable;
- c. Separately provide the market value of all purchases in the market, Company generation, and purchases pursuant to contract, calculated as hourly LMP times the energy in question;
- d. Continue separately identifying fuel and non-fuel power supply expenses and plant and provide any supporting information necessary to show how the split was conducted and why it is reasonable;
- e. Identify revenues from ancillary services, and any other of the offsets identified by the Commission in U-18253 not previously addressed;
- f. Make a proposal on the appropriate calculation of the SRM capacity charges pursuant to the Commission's prior direction; notwithstanding it is understood that the Company may as well make an alternative proposal; and
- g. Fulfill the directive made in the November 30, 2017 order issued in Case No. U-18253 (pp 41-42) and file a COSS and rate design as related to the SRM capacity charges in a manner similar to that approved in Case Nos. U-18239 and U-18248, unless otherwise directed by future Commission order or precedent.

8. The next annual review of the Company's SRM capacity charge will be in UMER's next general rate case. In the event a general rate case is not filed or is significantly

delayed, the next annual review of the Company's SRM capacity charge will occur in a standalone case commenced in 2023.

9. It is the opinion of the parties that this Settlement Agreement is reasonable, will promote the public interest, will aid the expeditious conclusion of this case, and will minimize the time and expense which would otherwise have to be devoted to this matter by the parties. This Settlement Agreement is not severable, and all provisions of the same are dependent upon all other provisions contained herein.

10. This Settlement Agreement has been made for the sole and express purpose of settling this case. All offers of settlement and discussions relating hereto are, and shall be considered, privileged under MRE 408 and shall not be used in any manner, or be admissible for any other purpose in connection with this proceeding or any other proceeding hereof.

11. Neither the parties to the settlement nor the Commission shall use this Settlement Agreement or the order approving it, as precedent in any other case or proceeding, except as necessary to carry out its terms.

12. This Settlement Agreement is intended to be a final disposition of this proceeding, and the parties join in respectfully requesting that the Commission grant prompt approval. The parties agree not to appeal, challenge, or contest the Commission's Order accepting and approving this Settlement Agreement without modification. If the Commission does not accept the Settlement Agreement without modification, the Agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

13. All signatories waive Section 81 of the APA of 1969, as amended, MCL 24.281, as it applies to the issues in this proceeding if the Commission approves this Settlement Agreement without modification.

UPPER MICHIGAN ENERGY RESOURCES
CORPORATION

Sherri Wellman

Digitally signed by: Sherri Wellman
DN: CN = Sherri Wellman email =
wellmans@millercanfield.com C = AD O =
Miller Canfield
Date: 2022.08.10 09:05:32 -04'00'

Dated: August 10, 2022

By: _____

Its Attorney
Sherri A. Wellman (P38989)
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.
One Michigan Avenue, Suite 900
Lansing, Michigan 48933
(517) 487-2070

MICHIGAN PUBLIC SERVICE COMMISSION STAFF



Dated: August 10, 2022

By: _____

One of Its Attorney
Daniel E. Sonneveldt (P58222)
Monica M. Stevens (P73782)
Assistant Attorneys General
Public Service Division
7109 W. Saginaw Highway, 3rd Floor
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PROOF OF SERVICE

STATE OF MICHIGAN)

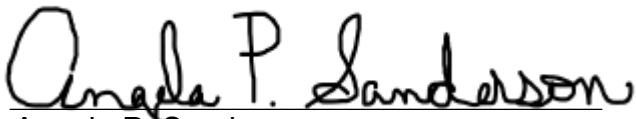
Case No. U-21222

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on September 8, 2022 A.D. she electronically notified the attached list of this **Commission Order via e-mail transmission**, to the persons as shown on the attached service list (Listserv Distribution List).


Brianna Brown

Subscribed and sworn to before me
this 8th day of September 2022.



Angela P. Sanderson
Notary Public, Shiawassee County, Michigan
As acting in Eaton County
My Commission Expires: May 21, 2024

Service List for Case: U-21222

Name	Email Address
Daniel E. Sonneveldt	sonneveldtd@michigan.gov
Dennis Mack	mackd2@michigan.gov
Monica M. Stephens	stephensm11@michigan.gov
Sherri A. Wellman	wellmans@millercanfield.com
Upper Michigan Energy Resources Corporation (UMERC)	colleen.sipiorski@wecenergygroup.com