

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

| | | |
|--------------------------------------|---|------------------|
| In the matter of the application of |) | |
| UPPER PENINSULA POWER COMPANY |) | |
| for approval of depreciation rates. |) | Case No. U-21513 |
| <hr/> |) | |

At the May 23, 2024 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair
Hon. Katherine L. Peretick, Commissioner
Hon. Alessandra R. Carreon, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On December 6, 2023, Upper Peninsula Power Company (UPPCo) filed an application, along with supporting testimony and exhibits, seeking accounting approval of proposed new depreciation rates that would result in a decrease in annual depreciation expense.

A prehearing conference was held on February 8, 2024, before Administrative Law Judge Sally L. Wallace. UPPCo 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:

A. The settlement agreement, attached as Exhibit A, is approved.

B. Upper Peninsula Power Company is authorized to implement the new depreciation rates set forth in Attachment 1 to the settlement agreement effective on the date new general service rates are approved in Upper Peninsula Power Company's general rate case, Case No. U-21555.

C. Upper Peninsula Power Company shall file a new depreciation case with an updated depreciation study using year-end data of December 31, 2028. The application shall be filed no later than December 30, 2029.

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 LARA-MPSC-Edockets@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

Katherine L. Peretick, Commissioner

Alessandra R. Carreon, Commissioner

By its action of May 23, 2024.

Lisa Felice, Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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| In the matter of the application of |) | |
| UPPER PENINSULA POWER COMPANY |) | Case No. U-21513 |
| for accounting approval of depreciation rates. |) | |
| _____ |) | |

SETTLEMENT AGREEMENT

As provided in Section 78 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, R 792.10431, Upper Peninsula Power Company (“UPPCO” or the “Company”) and the Michigan Public Service Commission Staff (“Staff”) have resolved through settlement discussions the contested issues regarding this proceeding and hereby agree as follows:

1. On December 6, 2023, UPPCO filed its application, and supporting direct testimony and exhibits, with the Michigan Public Service Commission (“MPSC” or the “Commission”) seeking accounting approval of proposed depreciation rates.
2. On January 8, 2024, the Commission’s Executive Secretary issued a Notice of Hearing directing UPPCO to mail a copy of the Notice of Hearing to all cities, incorporated villages, townships, and counties in its service area, as well as to all intervenors in Case No. U-21286. Further UPPCO was directed to publish the Notice of Hearing in newspapers of general circulation throughout its service area.
3. On February 8, 2024, a prehearing conference was held. Administrative Law Judge (“ALJ”) Sally Wallace presided over the proceeding. UPPCO electronically submitted the requisite proofs of mailing and publication prior to the conference. UPPCO and Staff appeared at the hearing. There were no intervenors.

4. Following Staff's review, audit and audit inquiries, the parties have agreed to settle this case.

5. By this settlement agreement, the parties agree as follows:

- a. Based on Staff's review of UPPCO's filing and supporting documentation, the parties have agreed to new depreciation rates as shown on Attachment 1 hereto. These rates reflect a \$350,311.96 downward adjustment to depreciation expense for UPPCO when compared to its current depreciation rates. The parties agree that these new depreciation rates are to be approved and effective at the time new general service rates are approved and made effective in the Company's general rate case in U-21555.
- b. The parties also agree that UPPCO will file a new depreciation case using an updated depreciation study with year-end data of December 31, 2028, no later than December 30, 2029.

6. Except as otherwise provided herein, the parties agree that any order approving this settlement agreement shall not establish precedent for future proceedings and shall not be used as such. This settlement agreement is entered into for the sole and express purpose of reaching a compromise among the parties. All offers of settlement and discussions relating to this settlement are considered privileged under MRE 408. If the Commission approves this settlement agreement without modification, neither the parties to the settlement nor the Commission shall make any reference to, or use this settlement agreement or the order approving it, as a reason, authority, rationale or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided however, such references may be

made to enforce or implement the provisions of this settlement agreement and the order approving it.

7. If the Commission approves this settlement agreement, without modification, the undersigned parties agree not to appeal, challenge, or otherwise contest the Commission order approving this settlement agreement only.

8. This settlement agreement is not severable. Each provision of this settlement agreement is dependent upon all other provisions of this settlement agreement. Failure to comply with any provision of this settlement agreement constitutes failure to comply with the entire settlement agreement. If the Commission rejects or modifies this settlement agreement or any provision of this settlement agreement, this settlement agreement shall be deemed to be withdrawn, shall not constitute any part of the record in this proceeding or be used.

9. The parties agree that this settlement agreement is reasonable, in the public interest, and will aid in the expeditious conclusion of these proceedings.

10. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969 (MCL 24.281), as it applies to the issues in this proceeding if the Commission approves this settlement agreement without modification.

Dated: May 3, 2024

UPPER PENINSULA POWER COMPANY

Sherri A.

By: **Wellman**

Its Attorney

Sherri A. Wellman (P38989)

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

One Michigan Avenue, Suite 900

Lansing, MI 48933

Digitally signed by: Sherri A.

Wellman

DN: CN = Sherri A. Wellman email

= wellmans@millercanfield.com C =

AD O = Miller Canfield

Date: 2024.05.03 11:05:24 -04'00'

MICHIGAN PUBLIC SERVICE COMMISSION STAFF



Dated: May 3, 2024

By: __

Its Attorney

Michael J. Orris (P51232)

Assistant Attorney General

Public Service Division

7109 W. Saginaw Hwy., 3rd Floor

Lansing MI 48917

40500031.2/131120.00106

Upper Peninsula Power Company
Comparison of Present vs Proposed
Depreciation Accrual Rates at December 31, 2022

| Account | Description | | Plant | Existing | Accrual | Proposed | Proposed | Difference |
|---------------------------|--------------------------------------|----|---------------|----------|--------------|----------|--------------|--------------|
| | | | Balance | Accrual | at Existing | Annual | Annual | |
| | | | \$ | % | \$ | % | \$ | \$ |
| [1] | [2] | | [3] | [4] | [5] | [6] | [7] | [8] |
| Software | | | | | | | | |
| 303 Software - 5 yr | Software Licenses | \$ | 718,618.50 | 20.00% | 143,723.70 | 20.00% | 143,723.70 | - |
| 303 Software - 7 Yr | Upgrades and Enhancements ERP System | \$ | 6,595,879.51 | 20.00% | 1,319,175.90 | 14.29% | 942,268.50 | (376,907.40) |
| 303 Software - 15 yr | Enterprise Software | | 26,743,875.70 | 6.67% | 1,782,925.05 | 6.67% | 1,782,925.05 | - |
| | Total Software | | 34,058,373.71 | | 3,245,824.65 | | 2,868,917.25 | (376,907.40) |
| Hydro | | | | | | | | |
| 330 McClure | Land Rights | | 18.00 | 0.00% | 0.00 | 0.98% | 0.18 | 0.18 |
| 330 Hoist | Land Rights | | 101.00 | 0.00% | 0.00 | 1.03% | 1.04 | 1.04 |
| 330 Victoria | Land Rights | | 367,340.34 | 0.26% | 955.08 | 0.72% | 2,661.08 | 1,705.99 |
| 331-Bergland | Structures & Improvements | | 71,994.56 | 1.59% | 1,143.85 | 1.91% | 1,378.62 | 234.77 |
| 331-Bond Falls Recreation | Structures & Improvements | | 70,947.25 | 3.14% | 2,229.52 | 2.70% | 1,913.05 | (316.46) |
| 331-Hoist | Structures & Improvements | | 531,241.27 | 6.32% | 33,578.17 | 3.46% | 18,396.08 | (15,182.09) |
| 331-McClure | Structures & Improvements | | 540,433.42 | 1.67% | 9,003.62 | 2.04% | 11,000.88 | 1,997.26 |
| 331-Prickett | Structures & Improvements | | 167,596.20 | 7.26% | 12,161.28 | 2.05% | 3,443.01 | (8,718.27) |
| 331-Prickett-Recreation | Structures & Improvements | | 50,384.19 | 1.90% | 955.54 | 1.74% | 876.33 | (79.21) |
| 331-Victoria | Structures & Improvements | | 443,530.77 | 3.05% | 13,519.70 | 1.98% | 8,797.80 | (4,721.90) |
| 331-Victoria Fish | Structures & Improvements | | 57,044.92 | 1.20% | 683.51 | 1.74% | 992.86 | 309.35 |
| 332-Bergland | Reservoirs, Dams & Waterways | | 48,976.50 | 1.46% | 716.97 | 1.44% | 704.25 | (12.71) |
| 332-Bond Falls | Reservoirs, Dams & Waterways | | 9,498,758.14 | 3.28% | 311,264.81 | 2.62% | 249,082.36 | (62,182.45) |
| 332-Bond Falls-Recreation | Reservoirs, Dams & Waterways | | 2,387.00 | 2.08% | 49.56 | 0.59% | 14.20 | (35.36) |
| 332-Cisco | Reservoirs, Dams & Waterways | | 7,752.00 | 2.44% | 188.78 | 0.62% | 47.71 | (141.07) |
| 332-Hoist | Reservoirs, Dams & Waterways | | 6,554,478.23 | 2.25% | 147,705.17 | 2.15% | 140,774.40 | (6,930.76) |
| 332-McClure | Reservoirs, Dams & Waterways | | 20,228,326.04 | 1.55% | 313,539.05 | 1.92% | 388,447.84 | 74,908.79 |
| 332-Prickett | Reservoirs, Dams & Waterways | | 6,393,335.25 | 1.61% | 102,932.70 | 2.02% | 129,123.23 | 26,190.53 |
| 332-Silver Lake | Reservoirs, Dams & Waterways | | 10,905,115.49 | 3.15% | 343,511.14 | 1.79% | 195,707.79 | (147,803.35) |
| 332-Victoria | Reservoirs, Dams & Waterways | | 26,778,000.77 | 1.23% | 329,369.41 | 1.69% | 452,114.85 | 122,745.44 |
| 333-Hoist | Waterwheels, Turbines & Generators | | 388,636.79 | 5.21% | 20,237.09 | 3.96% | 15,393.17 | (4,843.92) |
| 333-McClure | Waterwheels, Turbines & Generators | | 174,260.32 | 0.17% | 302.69 | 1.33% | 2,322.58 | 2,019.89 |
| 333-Prickett | Waterwheels, Turbines & Generators | | 100,576.36 | 3.27% | 3,292.87 | 0.98% | 982.83 | (2,310.04) |
| 333-Victoria | Waterwheels, Turbines & Generators | | 321,937.52 | 1.48% | 4,779.48 | 0.63% | 2,018.02 | (2,761.47) |
| 334-Hoist | Accessory Electric Equipment | | 1,039,998.78 | 3.34% | 34,711.00 | 4.42% | 45,917.46 | 11,206.46 |
| 334-McClure | Accessory Electric Equipment | | 1,911,834.84 | 1.73% | 33,166.51 | 2.04% | 39,035.06 | 5,868.55 |
| 334-Prickett | Accessory Electric Equipment | | 916,263.63 | 2.01% | 18,379.33 | 2.30% | 21,066.47 | 2,687.14 |
| 334-Victoria | Accessory Electric Equipment | | 2,288,442.84 | 1.62% | 37,065.91 | 1.88% | 43,110.85 | 6,044.94 |
| 335-Bond Falls | Misc. Power Plant Equipment | | 90,424.04 | 3.86% | 3,487.20 | 1.85% | 1,672.15 | (1,815.05) |
| 335-Hoist | Misc. Power Plant Equipment | | 97,942.82 | 4.42% | 4,331.13 | 3.52% | 3,446.42 | (884.71) |
| 335-McClure | Misc. Power Plant Equipment | | 45,315.80 | 1.68% | 763.03 | 2.00% | 906.56 | 143.53 |
| 335-Prickett | Misc. Power Plant Equipment | | 96,546.69 | 1.46% | 1,408.23 | 2.08% | 2,010.22 | 601.99 |
| 335-Victoria | Misc. Power Plant Equipment | | 516,899.99 | 1.77% | 9,136.21 | 2.03% | 10,518.79 | 1,382.58 |

| | | | | | | | |
|---------------------------|----------------------------|---------------|--------|--------------|-------|--------------|------------|
| 336-Bond Falls | Roads, Railroads & Bridges | 2,055.00 | 21.90% | 450.13 | 0.13% | 2.60 | (447.53) |
| 336-Bond Falls Recreation | Roads, Railroads & Bridges | 26,164.00 | 3.62% | 947.27 | 3.27% | 855.23 | (92.03) |
| 336-Hoist | Roads, Railroads & Bridges | 18,889.80 | 3.46% | 654.00 | 2.39% | 452.13 | (201.87) |
| 336-McClure | Roads, Railroads & Bridges | 4,684.34 | 38.68% | 1,811.90 | 1.97% | 92.19 | (1,719.71) |
| 336-Prickett | Roads, Railroads & Bridges | 88,551.86 | 1.58% | 1,399.30 | 1.58% | 1,394.75 | (4.54) |
| 336-Prickett-Recreation | Roads, Railroads & Bridges | 1,591.79 | 1.90% | 30.19 | 2.19% | 34.87 | 4.69 |
| 336-Victoria | Roads, Railroads & Bridges | 758,625.41 | 1.33% | 10,058.61 | 1.96% | 14,850.50 | 4,791.89 |
| | Total Hydro | 91,607,403.96 | | 1,809,919.94 | 1.98% | 1,811,560.41 | 1,640.46 |

Other Production

| | | | | | | | |
|---------------|--|--------------|--------|-----------|--------|------------|------------|
| 341-Gladstone | Structures and Improvements | 110,211.57 | 0.00% | - | 15.72% | 17,322.98 | 17,322.98 |
| 342-Gladstone | Fuel Holders, Producers, and Accessories | 254,897.68 | 0.55% | 1,405.52 | 16.37% | 41,724.53 | 40,319.01 |
| 343-Gladstone | Prime Movers | 1,992,526.59 | 0.00% | 73.46 | 18.84% | 375,345.66 | 375,272.20 |
| 344-Gladstone | Generators | 436,488.00 | 14.49% | 63,247.11 | 15.44% | 67,389.76 | 4,142.65 |
| 345-Gladstone | Accessory Electrical Equipment | 162,927.68 | 8.54% | 13,914.02 | 19.09% | 31,110.82 | 17,196.80 |
| 346-Gladstone | Miscellaneous Power Plant Equipment | 1,293.56 | 0.24% | 3.10 | 15.77% | 203.99 | 200.89 |
| | Total other Production | 2,958,345.08 | | 78,643.22 | 18.02% | 533,097.75 | 454,454.53 |

DISTRIBUTION

| | | | | | | | |
|--------|--------------------------------------|----------------|-----|--------------|-------|--------------|--------------|
| 360.20 | Land Rights | 616,264.13 | [1] | 7,171.23 | 1.73% | 10,653.69 | 3,482.47 |
| 361.00 | Structures & Improvements | 1,431,075.54 | [1] | 19,446.28 | 2.14% | 30,611.09 | 11,164.81 |
| 362.00 | Station Equipment | 35,904,158.24 | [1] | 867,398.31 | 2.49% | 893,172.06 | 25,773.75 |
| 364.00 | Poles, Towers & Fixtures | 42,634,515.91 | [1] | 1,616,128.64 | 3.51% | 1,494,891.97 | (121,236.67) |
| 365.00 | Overhead Conductors and Devices | 21,858,000.13 | [1] | 702,411.98 | 3.41% | 744,403.77 | 41,991.79 |
| 367.00 | Underground Conductors & Devices | 37,029,383.73 | [1] | 1,078,367.39 | 2.89% | 1,068,550.57 | (9,816.82) |
| 368.00 | Line Transformers | 36,195,331.15 | [1] | 1,017,088.81 | 2.68% | 969,244.50 | (47,844.31) |
| 369.00 | Services | 19,460,907.04 | [1] | 779,478.12 | 3.20% | 622,368.78 | (157,109.35) |
| 370.00 | Meters | 12,422,942.93 | [1] | 544,885.14 | 6.92% | 859,875.74 | 314,990.60 |
| 371.00 | Installations on Customers' Premises | 565,826.67 | [1] | 91,176.26 | 4.54% | 25,670.67 | (65,505.59) |
| 373.00 | Street Lighting & Signal Systems | 3,297,265.08 | [1] | 151,036.92 | 5.73% | 188,943.45 | 37,906.53 |
| | Total Distribution | 211,415,670.55 | | 6,874,589.09 | 3.27% | 6,908,386.30 | 33,797.21 |

GENERAL

| | | | | | | | |
|--------|---------------------------|----------------|-----|---------------|-------|---------------|--------------|
| 389.00 | Land Rights | 1,432.49 | [1] | 0.00 | [2] | 0.00 | 0.00 |
| 390.00 | Structures & Improvements | 11,762,718.53 | [1] | 303,494.38 | 2.28% | 268,005.62 | (35,488.76) |
| 391.22 | Mainframe Equipment | 301,166.25 | [1] | 0.00 | [3] | 0.00 | 0.00 |
| 392.10 | Fleet - Heavy Trucks | 5,245,295.84 | [1] | 522,956.00 | 7.22% | 378,863.06 | (144,092.93) |
| 392.20 | Fleet - Light Trucks | 6,301,325.81 | [1] | 628,242.18 | 5.08% | 320,018.84 | (308,223.35) |
| 392.22 | Trailers | 781,575.73 | [1] | 18,005.86 | 4.50% | 35,164.85 | 17,158.99 |
| 396.00 | Power Operated Equipment | 2,150,275.14 | [1] | 78,030.74 | 3.97% | 85,380.03 | 7,349.29 |
| | Total General | 26,543,789.79 | | 1,550,729.15 | 4.10% | 1,087,432.40 | (463,296.75) |
| | Total UPPCO | 366,583,583.09 | | 13,559,706.06 | 3.60% | 13,209,394.10 | (350,311.96) |

- [1] Existing accrual amount composited from approved Integrated and Iron River approved rates
[2] Account is fully accrued. If additional additions occur, the proposed rates is 2.20%
[3] Account is fully accrued. If additional additions occur, the proposed rates is 16.67%


PROOF OF SERVICE

STATE OF MICHIGAN)

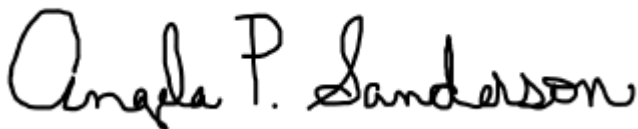
Case No. U-21513

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on May 23, 2024 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 23rd day of May 2024.



Angela P. Sanderson
Notary Public, Shiawassee County, Michigan
As acting in Eaton County
My Commission Expires: May 21, 2030

Service List for Case: U-21513

| Name | On Behalf Of | Email Address |
|--|--|-----------------------------|
| Alena M. Clark | MPSC Staff | clarka55@michigan.gov |
| Michael J. Orris | MPSC Staff | orrism@michigan.gov |
| Sally L. Wallace | ALJs - MPSC | wallaces2@michigan.gov |
| Sherri A. Wellman | Upper Peninsula Power Company (UPPCO) | wellmans@millercanfield.com |
| Upper Peninsula Power Company (UPPCO) | Upper Peninsula Power Company (UPPCO) | jlarsen@uppcoco.com |