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 to implement a power supply cost recovery plan for the 12 months ending December 31, 2025.	)	Case No. U-21600

At the April 24, 2025 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 September 26, 2024, Upper Michigan Energy Resources Corporation (UMERC) filed an application, with supporting testimony and exhibits, seeking authority to implement a power supply cost recovery (PSCR) plan pursuant to MCL 460.6j for the 12-month period ending December 31, 2025.

A prehearing conference was held on November 12, 2024, before Administrative Law Judge Lesley C. Fairrow. UMERC and the Commission Staff participated in the proceeding. Subsequently, the parties filed 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.

However, while approving the settlement agreement in this case, the Commission cautions that it reserves judgment on the overall reasonableness of contingent adjusted maximum PSCR factor mechanisms for electric utilities that are calculated based upon changes to forecasted natural gas prices traded on the New York Mercantile Exchange and that, to date, it has only approved the use of such mechanisms for electric utilities in the context of all-party settlement agreements. *See*, July 26, 2023 order in Case No. U-21265 and February 8, 2024 order in Case No. U- 21431.

While the Commission has approved and continues to see benefit to such adjustment mechanisms for natural gas utilities, electric utilities have a broader range of generation options to meet customer needs, and the Commission notes its concern that the adjustment mechanisms could potentially influence a utility's analysis when comparing natural gas generation resources with alternatives that have less fuel cost volatility, both in terms of the overall generation resource mix and in dispatch decisions, even as the appropriateness of the utility's decisions are subject to review in integrated resource planning and other proceedings. As such, there is a balance between the benefits to customers in avoiding bill shocks tied to unrecovered natural gas price increases used for electric generation and the benefits to customers of a more diversified generation mix that would serve as a hedge against such volatility. That said, the Commission has approved settlement agreements in each of UMERC's last two PSCR plan cases that included an adjusted maximum PSCR factor mechanism, and in the present case, it finds that the settlement agreement represents a fair and reasonable resolution of the proceeding on the whole. The approved contingent adjustment mechanism is a means of collecting increased PSCR costs within the plan year they were incurred, thus sending timely, accurate, and gradual price signals to customers, while avoiding potential large underrecoveries and associated interest. The Commission notes that given UMERC's current generation portfolio, there is a correlation between generation cost and natural gas prices, but that in all cases with contingent adjustment requests, the appropriateness of current and subsequent approvals will be reviewed each year. Furthermore, all costs are reviewed for reasonableness in the associated PSCR reconciliation case regardless of whether the costs were collected through a PSCR factor or an adjusted maximum PSCR factor.

THEREFORE, IT IS ORDERED that:

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

B. Within 30 days of the date of this order, Upper Michigan Energy Resources Corporation shall file with the Commission tariff sheets substantially in conformity with Attachment 1 to the settlement agreement. After the tariff sheets have been reviewed and accepted by the Commission Staff for inclusion in Upper Michigan Energy Resources Corporation's tariff book, Upper Michigan Energy Resources Corporation shall promptly file the final tariff sheets in this docket and serve all parties.

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 the Attorney General – Public Service Division at sheac1@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 April 24, 2025.

Lisa Felice, Executive Secretary

EXHIBIT A

S T A T E O F M I C H I G A N

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of **UPPER MICHIGAN ENERGY RESOURCES CORPORATION** for approval to implement a power supply cost recovery plan for the twelve months ending December 31, 2025.	)	Case No. U-21600

SETTLEMENT AGREEMENT

As provided in § 78 of the Administrative Procedures Act of 1969 ("APA"), as amended, MCL 24.278, and Rule 431 of the Michigan Administrative Hearing Systems Administrative Rules, R 792.10431, Upper Michigan Energy Resources Corporation ("UMERC") and the Michigan Public Service Commission Staff ("Staff") hereby agree as follows:

1. On September 26, 2024, UMERC filed with the Michigan Public Service Commission ("MPSC" or the "Commission") its application in this docket, along with the testimony and exhibits of its witness James M. Beyer, seeking approval to implement a 2025 Power Supply Cost Recovery ("PSCR") plan, authority to continue its existing contingency matrix mechanism (Adjustment Mechanism), and sponsored a five-year forecast pursuant to MCL 460.6j(4). At the time of that filing, UMERC's request for an increase in electric base rates, which included a request for a new PSCR Base and loss factor, was pending before the MPSC in Case No. U-21541. Therefore, the Company's PSCR filing in this case sought approval of alternative PSCR factors for the 2025 plan period based on: (i) the then current PSCR Base and loss factor, and alternatively, (ii) the proposed new PSCR Base and loss factor.

2. On October 11, 2024, the Commission's Executive Secretary issued a Notice of Hearing directing UMERC to mail a copy of the Notice of Hearing to all cities, incorporated villages, townships, and counties in its Michigan electric service areas, and to all intervenors in Case Nos. U-18061, U-21541, U-21265 and U-21431 and to publish the Notice of Hearing in newspapers of general circulation throughout its Michigan electric service areas. On November 6, 2024, UMERC filed its proofs of mailing and publication in this docket.

3. On November 12, 2024, Administrative Law Judge ("ALJ") Lesley C. Fairrow presided over a prehearing conference in this matter. Staff entered its appearance. There were no intervenors.

4. On October 10, 2024, the Commission issued its Order Approving Settlement Agreement in Case No. U-21541 (with an Erratum issued October 11, 2024), wherein, among other things, UMERC's proposed new PSCR Base at sales level and loss factor were approved as $57.10 per MWH and 0.010391, respectively, effective on and after January 1, 2025.

5. The Staff conducted discovery and an analysis of the PSCR plan and the decisions underlying that plan. Staff's review found UMERC's PSCR plan for the 12-month period ending December 31, 2025, is consistent with past Commission approvals, is based on reasonable projections, and results in a reasonable PSCR factor as based on the new PSCR Base and loss factor approved in Case No. U-21541.

6. The parties have discussed the issues in this case, negotiated the terms of this Settlement Agreement, and agree as follows:

A. UMERC's 2025 PSCR Plan, for its WEPCo Rate Zone and the WPSC Rate Zone, is reasonable and should be approved by the Commission by adopting this Settlement Agreement.

B. The Commission should approve and authorize UMERC to implement: (i) a 2025 Maximum PSCR factor of $0 per KWh in its WEPCo and WPSC Rate Zones. Attachment 1 to this Settlement Agreement shows the tariff sheets reflecting these factors.

C. The Commission should approve and authorize UMERC to adjust on a monthly basis the Maximum PSCR factors for its WEPCo and WPSC Rate Zones pursuant to the Adjustment Mechanism as set forth in the tariff sheets attached as Attachment 1 hereto.

D. Based on the present evidence in this case, UMERC's 5-year forecast of power supply requirements meets the statutory mandates of 1982 PA 304.

7. It is the opinion of the signatories 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 same are dependent upon all other provisions contained herein.

8. 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.

9. Neither the parties to the case nor the Commission shall use this Settlement Agreement or the order approving it, as precedent in any case or proceeding; provided however, reference to Paragraph 6 may be made to enforce or implement the provisions thereof.

10. 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 to the case 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.

11. 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

Dated: March 5, 2025

By: Sherri A. Wellman

Digitally signed by: Sherri A. Wellman
DN: CN = Sherri A. Wellman email = wellmans@millercanfield.com C = US O = Miller Canfield
Date: 2025.03.05 11:06:28 -05'00'

Its Attorney
Sherri A. Wellman (P38989)
Miller, Canfield, Paddock and Stone, P.L.C.
123 West Allegan Street, Suite 200
Lansing, MI 48933

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

Dated: March 5, 2025

By: Anna B. S

Its Attorney
Anna B. Stirling (P84919)
Assistant Attorney General
Public Service Division
7109 W. Saginaw Hwy., 3rd Floor
Lansing, MI 48917

Attachment 1
to Settlement Agreement
(MPSC Case No. U-21600)

POWER SUPPLY COST RECOVERY

PSCR FACTORS

All rates for metered electric service shall include an amount up to the Adjusted Maximum Power Supply Cost Recovery (PSCR) Factor for the specified billing period as set forth below. The Maximum PSCR Factor includes an increase or decrease of 0.010391 mills per kWh for each full 0.01 mill increase or decrease in the projected annual power supply costs above or below a cost base of 54.95 mills per kWh, rounded to the nearest one-hundredth of a mill per kWh or 57.10 mills per kWh. The projected power supply costs per kWh shall equal the total projected annual net power cost divided by the projected annual net system energy requirements. Net system energy requirements shall be the sum of net generation and net purchased and interchange power. An amount not exceeding the Adjusted Maximum PSCR Factor for each month shall be placed into effect in the first billing cycle of that month and shall continue in effect until the first billing cycle of a subsequent month for which a subsequent PSCR Factor becomes operative.

The PSCR Factor shall be applicable to all Power Supply charges for the following Rate Schedules:

Class of Service	Rate Schedule No.
Residential	Rg1, Rg2, Rg-1M and Rg-OTOU-1M
General Secondary	Cg1, Cg2, Cg3, Cg3C, Cg5, TssM, TssU, Cg-1M, Cg-3M, Cg-OTOU-1M, Mp-1M
General Primary	Cp1, Cp2, Cp3, Cp4, Schedule A, CpLC and Cp-1M
Lighting	Ms2, Ms3, GL1, LED1, Ls-1M
Other	Mg1, Ds1
ERER 1, ERER 3	
100% Renewable power	No adjustment for PSCR
50% Renewable power	PSCR factor applicable to rate schedule customer is served under applied to 50% of the kWh for the billing period.
25% Renewable power	PSCR factor applicable to rate schedule customer is served under applied to 75% of the kWh for the billing period.
ERER 2	
Kilowatt-hour in excess of nominated block	PSCR factor applicable to rate schedule customer is served under.
Customer Generating System	CGS Category 1, CGS Category 2, CGS Biogas and DG-1

Power Supply Cost Recovery Factors

Billing Month	2025 Plan Year PSCR Factor $/kWh	Prior Period PSCR Reconciliation Factor $/kWh	Maximum 2025 PSCR Factor $/kWh	Adjusted Maximum 2025 PSCR Factor $/kWh	Actual Factor Billed $/kWh
Jan 2025	$0.00000	$0.00000	$0.00000	$0.00000	$0.00000
Feb 2025	$0.00000	$0.00000	$0.00000	$0.00000	$0.00000
Mar 2025	$0.00000	$0.00000	$0.00000	***($0.00174)***	***($0.00174)***
Apr 2025	$0.00000	$0.00000	$0.00000		
May 2025	$0.00000	$0.00000	$0.00000		
Jun 2025	$0.00000	$0.00000	$0.00000		
Jul 2025	$0.00000	$0.00000	$0.00000		
Aug 2025	$0.00000	$0.00000	$0.00000		
Sep 2025	$0.00000	$0.00000	$0.00000		
Oct 2025	$0.00000	$0.00000	$0.00000		
Nov 2025	$0.00000	$0.00000	$0.00000		
Dec 2025	$0.00000	$0.00000	$0.00000		

Parentheses indicate a credit factor. Should the Company apply lesser factors than those above or if the factors are later revised pursuant to commission orders or 1982 PA 304, the Company will notify the commission if necessary and file a revision of the above list. The Maximum PSCR Factor is subject to adjustment as shown on Sheet No. D-3.01

(Continued on Sheet No. D-4.00)

POWER SUPPLY COST RECOVERY
(Continued from Sheet No. D-3.00)

ADJUSTED MAXIMUM PSCR FACTORS

The Maximum PSCR Factor is subject to adjustment. The Adjusted Maximum PSCR Factor is calculated based upon changes to the PSCR Plan's forecasted NYMEX Price for the specified billing period as set forth in the table below. The Adjusted Maximum PSCR Factors are the maximum PSCR Factors the Company may charge. The actual PSCR factor charged in any month may be less than the Adjusted Maximum PSCR Factor.

No less than fifteen days before the beginning of each month, the Company shall file with the Michigan Public Service Commission a worksheet reflective of the calculation below and an updated tariff sheet reflecting the adjustment.

ADJUSTMENT MECHANISM (SAMPLE)

Base PSCR Factor from Plan \$/MWh	***\$0.00***
Jan-Dec NYMEX Average Forecast \$/Dth (X)	***\$3.25***
Jan-Dec NYMEX Average from Plan \$/Dth (X_{plan})	***\$3.44***
Difference	***(\$0.19)***
Adjusted Maximum PSCR Factor \$/kWh	***\$0.00000***

2025 NYMEX Increase

Greater than or Equal to	But less than	Adjusted Maximum PSCR Factor (\$/kWh)	Greater than or Equal to	But less than	Adjusted Maximum PSCR Factor (\$/kWh)
\$0.00	\$0.25	***\$0.00000***	\$2.50	\$2.75	***\$0.00400***
\$0.25	\$0.50	***\$0.00040***	\$2.75	\$3.00	***\$0.00440***
\$0.50	\$0.75	***\$0.00080***	\$3.00	\$3.25	***\$0.00480***
\$0.75	\$1.00	***\$0.00120***	\$3.25	\$3.50	***\$0.00520***
\$1.00	\$1.25	***\$0.00160***	\$3.50	\$3.75	***\$0.00560***
\$1.25	\$1.50	***\$0.00200***	\$3.75	\$4.00	***\$0.00600***
\$1.50	\$1.75	***\$0.00240***	\$4.00	\$4.25	***\$0.00640***
\$1.75	\$2.00	***\$0.00280***	\$4.25	\$4.50	***\$0.00680***
\$2.00	\$2.25	***\$0.00320***	\$4.50	\$4.75	***\$0.00720***
\$2.25	\$2.50	***\$0.00360***	\$4.75	\$5.00	***\$0.00760***
				>\$5.00	***\$0.00800***

DEFINITIONS:

NYMEX Increase = $(X – X_{plan})$

X = the average NYMEX price (\$/Dth) for the remaining months of the PSCR plan year averaged over the first five trading days of the month prior to implementation of the proposed PSCR factor.

X_{plan} = NYMEX average price for the remaining months of the PSCR plan as incorporated into the current year PSCR Plan.

(Continued on Sheet No. D-4.00)

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of **UPPER MICHIGAN ENERGY RESOURCES CORPORATION** for approval to implement a power supply cost recovery plan for the 12-months ending December 31, 2025.	)	Case No. U-21600

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss
COUNTY OF INGHAM)

Elizabeth H. Kunc, being first duly sworn, deposes and states that on March 11, 2025 she served a Settlement Agreement and this Proof of Service upon those listed below via electronic mail.

Honorable Lesley C. Fairrow	fairrowl1@michigan.gov
Anna B. Stirling	stirlinga@michigan.gov

Elizabeth H. Kunc Digitally signed by: Elizabeth H. Kunc DN: CN = Elizabeth H. Kunc email = kunc@millercanfield.com C = AD O = Miller Canfield OU = Legal Secretary Date: 2025.03.11 11:59:18 -04'00'

Elizabeth H. Kunc

Subscribed and sworn to before me
on this 11th day of March, 2025.

Kacey O'Neill Digitally signed by: Kacey O'Neill DN: CN = Kacey O'Neill email = oneill@millercanfield.com C = AD Date: 2025.03.11 11:59:31 -04'00'

Kacey O'Neill, Notary Public
State of Michigan, County of Livingston
My Commission Expires: 12/26/2026
Acting in the County of Ingham

P R O O F   O F   S E R V I C E

STATE OF MICHIGAN)

Case No. U-21600

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on April 24, 2025 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 24th day of April 2025.

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

Service List for Case: U-21600

Name	On Behalf Of	Email Address
Anna B. Stirling	MPSC Staff	stirlinga1@michigan.gov
Lesley C. Fairrow	ALJs - MPSC	fairrowl1@michigan.gov
Sherri A. Wellman	Upper Michigan Energy Resources Corporation (UMERC)	wellmans@millercanfield.com
Upper Michigan Energy Resources Corporation (UMERC)	Upper Michigan Energy Resources Corporation (UMERC)	colleen.sipiorski@wecenergygroup.com