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MPSC approves UPPCO rate increase; most residential bills will drop

LANSING, Mich. – The Michigan Public Service Commission today approved a settlement that lowers electric rates for most residential customers of Upper Peninsula Power Co.

Rates will decrease starting in June for approximately 40,000 customers. That means a savings of 1.55 percent, or \$1.76 per billing period, for those who use 500 kilowatt hours a month. About 3,300 other residential customers will see their rates increase since UPPCO is combining its two residential rate schedules and eliminating the Iron River District. Customers who live in Iron River, Stambaugh, Caspian, Gaastra, Mineral Hills, and the surrounding areas and use 500 kilowatt hours a month will see their bills go up 2.3 percent, or \$2.51, beginning next month.

Commission approval of the settlement allows UPPCO to raise its rates by \$1.8 million ([Case No. U-20276](#)), which is just 18 percent of the \$9,982,604 the company sought when it filed its request with the MPSC in September 2018. UPPCO is also ending a [\\$3.324 million refund](#) from the federal Tax Cuts and Jobs Act's lower corporate tax structure, which has now been reflected in its new rates.

Residential customers will see base rates decline up to 5.18 percent, commercial rates will increase 14.11 percent, and industrial rates will rise 9.34 percent. In UPPCO's rate application, the utility proposed rebalancing costs between residential and business customers, which benefits U.P. families. Overall, the new rates are 1.97 percent higher than those approved in UPPCO's most recent rate case in September 2016 ([Case No. U-17895](#)).

All parties to the settlement – UPPCO, Commission Staff, the Department of Attorney General, Citizens Against Rate Excess, Calumet Electronics Corp., Verso Corp., Energy Michigan Inc., and the Association of Businesses Advocating Tariff Equity -- signed the agreement May 6. There was no opposition to the settlement.

Under the settlement, UPPCO has agreed to spend at least \$4.9 million this year on advanced metering infrastructure to increase meter reading accuracy and operational efficiencies. If less is spent, the difference will be refunded to customers. The utility must file with the Commission an annual report on project benefits including meter reading and services, outage management, and customer care. Once all meters are installed, UPPCO must perform a system load study.

In a future filing, UPPCO is to request a six-month extension of the monthly meter reading and testing waiver the MPSC granted in [Case No. U-20271](#). The current waiver is due to expire March 31, 2020, and the company is requesting the deadline be extended to Sept 30, 2020.

UPPCO has agreed to expand the size of its net metering and distributed generation program to 2 percent of its average in-state peak load for the preceding five years. Under distributed generation, customers produce their own electricity using renewable resources and can receive a credit from their local utility for the power they produce but don't use onsite. A customer's outflow credit, how much UPPCO will pay for the energy not used on location, will equal the power supply component of the customer's rates. Customers participating in the distributed generation program will not pay a system access contribution charge.

To improve service reliability, the company must spend \$13.7 million annually to clear vegetation from around at least 372 miles of wires on its distribution network. If the mileage goal is not reached, the company must refund to customers the difference between how much was spent and the targeted spending amount. UPPCO also must file an annual report with the MPSC on tree trimming expenses and how many miles of lines were cleared.

Upper Peninsula Power Company Co. Case No. U-20276 Fact Sheet

- Revenue increase granted: \$1.8 million.
- Return on common equity (ROE): 9.9 percent.
- Capital mix: 54 percent equity to 46 percent debt.
- Overall rate of return: 6.91 percent.
- The power supply cost recovery base rate is set at 42.90 mills per kilowatt hour at the generation level, or 45.57 mills per kilowatt hour at the sales level and the maximum authorized 2019 PSCR factor will be zero mills per kilowatt hour.
- UPPCO will perform a minimum distribution system study that looks at what's needed to serve its customers and it will include the study results in its next general rate case filing.
- The company must spend at least \$13.5 million annually on distribution system capital expenditures.
- The state reliability mechanism capacity charge of \$90,810 per megawatt year, or \$249 per megawatt day, as established by the Commission in November 2017 ([Case No. U-18254](#)), will remain in effect. The charge is the amount that would be collected from customers of alternative electric suppliers if those suppliers don't have enough power to serve anticipated needs.

To look up cases from today's meeting, access the eDockets filing system [here](#).

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