NEWS RELEASE

Michigan Public Service Commission

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FOR IMMEDIATE RELEASE

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Michigan Public Service Commission sets avoided costs for UPPCO

LANSING, Mich. – The Michigan Public Service Commission (MPSC) today ruled on the process it will use to set the avoided costs that Upper Peninsula Power Co. (UPPCO) will pay to buy power from qualified facilities under PURPA contracts.

The Public Utilities Regulatory Policies Act (PURPA) requires the Commission to establish how much a utility is obligated to pay a small power production or cogeneration facility's owner for the power it produces. The payment is known as the avoided cost, which is how much a utility would have to pay to produce the energy itself, and is the sum of capacity and energy costs.

The Commission ruled (Case No. U-18094) that UPPCO can establish a new capacity avoided cost after May 31, 2020, when current contracts expire. The new rates can be based on either the locational marginal price (LMP) of the energy bought at the time of delivery or a 20-year LMP projection. The MPSC asked stakeholders to file their 20-year forecasts by Oct. 16.

UPPCO's capacity and energy avoided costs requirements will be re-evaluated when its biennial avoided cost case is considered Feb. 1, 2019.

Other MPSC decisions

More frequent gas line checks ordered: The Commission rescinded a partial waiver it had granted to Consumers Energy Co. in 2000 that allowed the utility to conduct inspections of underground gas service lines on customer property every five years (Case No. U-12103). After an increase in leak rates of bare copper lines compared to coated and wrapped steel lines from 2004-14, the Commission ordered Consumers to justify inspecting the lines every five years instead of every three. Consumers agreed to return to the three-year inspection intervals, beginning Sept. 29.

Energy waste reduction plans OK'd: The Commission approved four energy waste reduction (EWR) plan settlement agreements. Under Alpena Power Co.'s proposed 2018 and 2019 EWR plans (Case No. U-18260), a residential customer using 500 kilowatt hours (kWh) per month will see their bills decline by five cents beginning in January 2018 and increase by three cents beginning in January 2019. Consumers Energy Co.'s 2016 reconciliation (Case No. U-18331) will mean a decrease of 1 cent a month beginning in January for residential customers using 500 kWh of electricity and 12 cents a month for those using 10 MCF of natural gas. Northern

States Power Co.'s (Case No. U-18334) residential customers who use 500 kWh of electricity monthly will pay 25 cents less each month beginning in January and gas customers will pay 57 cents more per month under its 2016 cost reconciliation. Customers of Upper Michigan Energy Resources Corp. (Case No. U-18337) won't see any change in their bills as the utility reconciles 2016 costs. Finally, the City of Wakefield (Case No. U-17419) was granted a deadline extension to Oct. 31 to file its EWR plan.

Power line will serve Consumers Service Center: Consumers Energy was given approval to build a three-phase electric distribution line to serve its proposed new Coldwater Service Center at 521 Jonesville Road in Coldwater (Case No. U-18391). The line will replace part of a single-phase line along Jonesville and Old U.S. Highway 27. The Coldwater Board of Public Utilities did no object to the plan.

Court sends cases back to PSC: The MPSC will include in an open docket (Case No. U-18333) an issue that was remanded back to the Commission by the Michigan Court of Appeals. At dispute is an attempt by Indiana Michigan Power Co. (I&M) to win approval to recover costs under a net lost revenue tracker (NLRT) mechanism. Recovery was denied in I&M cases (Nos. U-17283 and U-17603) in 2014 and 2015 prompting the utility to appeal the Commission's rulings to the Court of Appeals. At the same time, the Court invalidated a revenue decoupling mechanism (RDM) in an electric case involving Enbridge Energy Ltd. and Upper Peninsula Power Co. based on questions about the PSC's authority in approving a settlement agreement in the case. The court questioned whether the definition of an RDM can include an NLRT. The Enbridge ruling must now be considered in deciding the two I&M cases, the court ruled.

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