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June 5, 2001

Dorothy Wideman
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, Michigan 48911

HAND DELIVERY
(e-file)

Re: Wisconsin Public Service Commission and
Upper Peninsula Power Company
MPSC Case No. U-12650

Dear Ms. Wideman:

Enclosed for filing are an original and four (4) copies of the testimony and exhibits of William L. Bourbonnais and Dennis M. Derricks. The testimony and exhibits of Mr. Derricks support the unbundling of existing rates. These unbundled rates are revenue neutral, and do not reflect an increase in the cost of service to any of the Companies' existing electric customers, and therefore, may be authorized without the time and expense of hearings.

Finally, enclosed for filing is an original Proof of Service.

Very truly yours,

LOOMIS, EWERT, PARSLEY,
DAVIS & GOTTING, P.C.

Sherri A. Wellman

Sherri A. Wellman

SAW/kkf
Enclosure
cc: Parties of Record

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of Wisconsin Public Service Corporation and Upper Peninsula Power Company For Approval of its Plan to Implement 2000 PA 141	))))	Case No. U-12650

Supplemental Testimony of
William L. Bourbonnais

On Behalf of:

Wisconsin Public Service Corporation
And Upper Peninsula Power Company

Filed: June 5, 2001

Q: Please state your name and business address.

A: My name is William L. Bourbonnais and my business address is Wisconsin Public Service Corporation, 700 North Adams, Green Bay Wisconsin, 54301.

Q: What is your position with Wisconsin Public Service Corporation?

A: I am the Manager of Rates and Economic Evaluation for Wisconsin Public Service Corporation and the Upper Peninsula Power Company, which will be referred to as the Company throughout this testimony.

Q: Did you submit written testimony earlier in this proceeding?

A. Yes. My initial written testimony was filed on February 20, 2001 and my rebuttal testimony was filed on April 27, 2001. My qualifications and experience are described in the earlier testimony. I have continued to oversee the process to implement the electric choice program in Michigan for the Company since filing that testimony.

Q: Please summarize the purpose and scope of this supplemental testimony.

A: In the earlier testimony, I stated that the preparation of the Company's retail access service tariff containing the terms and conditions of retail access is an ongoing process. This supplemental testimony provides a summary of the overall approaches in the tariff and the changes to the tariff since the Company filed the draft identified as Exhibit A- ____ (WLB-1) on February 20, 2001.

Q: Are you sponsoring any additional exhibits?

A: Yes. Exhibit A- __ (WLB-2) is an updated copy of the retail access service tariff which reflects the continued work and revisions resulting from the MEGA project team effort, testimony of the parties and Commission Staff and subsequent discussions with Staff on their concerns. The tariff in this exhibit supersedes the earlier version (Exhibit-A__(WLB-1)) as the Company's proposed tariff for retail access service. The tariff in this exhibit provides the terms and conditions for retail access service. The unbundled rates for Company services are addressed in the testimony and exhibits of Mr. Dennis M. Derricks. In addition, Exhibit A- __ (WLB-3) provides the Company-specific values for certain items left blank in the tariff, Exhibit A- ___ (WLB-2). This was prepared because the tariff was developed based on common terms and conditions, recognizing that each company might have different rates or values for the items left blank.

Q: In general, what are the changes from the draft tariff submitted in February?

A: Changes occur in each of the tariff's five major sections – Introduction, Customer section, Alternative Energy Supplier section, Dispute Resolution section and Liabilities section. In the Introduction, the Company has updated a few of the definitions, either to adopt suggestions by Staff witness Paul Carlson or to clarify the meaning. New defined terms were added for the settlements process, which was not part of the earlier version of this tariff.

In the Customer section, there were minor word changes and filling in of some blanks. Additional changes were made to Part 2.3, regarding the fee for customer information, Part 2.5 concerning metering and load profiling and Part 2.6 on the return of customers to full requirements service. The metering and load profiling section in the earlier draft was incomplete and the returning customer provisions have been the subject of further review, discussion and minor revisions.

In the Alternative Electric Supplier section, there is a complete new added Part 3.7, which was inserted to address the "settlements process" which refers to the reconciliation of the AES scheduled power and other services with the actual power used by the customers of the AES. This language was not ready for filing in February. The creditworthiness language has also been changed in consideration of the Staff position. There were also other minor changes as there were with the first two sections.

Finally, the Dispute Resolution and Liability sections contain only a few minor word changes. The liability provisions now appear in a separate section instead of being included in both the Supplier and Customer sections.

Q: Please explain the basic approach adopted in the Customer section of the tariff.

A: There is a general statement in Section 1.1 of the customer role. Existing and new customers for basic residential, commercial and industrial metered electric services will be eligible for customer choice for generation service on and after January 1, 2002. An AES chosen by the customer will submit the switch request by means of a defined transaction process. The Company will begin to process switch requests received from an AES on or after January 1, 2002, but not before that date. Most switches from the Company's full requirements service to an AES or from one AES to another will be effective on the first day of the next customer meter-reading cycle, provided there are at least 8 days between confirmation of the request and the next cycle.

Customers below the 25 kW threshold will have the option of requesting an interval demand meter, subject to a monthly charge, or using the Company's determination of load profile under the system residual method. Energy consumption and demand, for settlement purposes, will be determined using the interval demand meter data for those customers who have such meters or otherwise by using the company load profile.

If a customer taking generation service from an AES decides to return to the Full Requirements Service of the Company, then 6 months notice is required and the customer must remain on the company's Full Requirements Service for 12 months after return to Full Requirements Service. Those customers will pay the Company's standard rates for Full Requirements Service upon returning. Customers may return on shorter notice; however, upon returning they will be served under Default Service for the balance of the required 6-month notice period, at marginal rates for the generation service based on the Company's top incremental generation cost. These customers must also remain on the Company's Full Requirements Service for 12 months, starting with the date they move from Default Service to Full Requirements Service.

Q: Please explain the basic approach under the Supplier section of the tariff.

A: In order to enroll customers under the tariff, the AES must comply with applicable licensing, performance, legal and creditworthiness standards and enter into a written agreement with the Company. The AES must also have arrangements for transmission of electricity to the Company for delivery to AES customers. The Company will begin processing switch requests submitted by an AES on January 1, 2002.

The AES must have and maintain aggregate load of at least 1000 kw to serve customers in the Company's area. The AES obtains customer approval for the switch and submits its requests to the Company by means of a defined transaction. The AES is responsible for daily scheduling of power deliveries to the Company for distribution to the AES customers. The AES must satisfy the Company's creditworthiness standards and it is required to schedule enough power delivery to account for power losses associated with delivery.

An AES customer also remains a customer of the Company for distribution service. The AES must bill its customers separately for power delivered through the Company unless there is an agreement by the Company to bill for both services, subject to tariff requirements, a written billing service agreement between the parties and agreement on the charges for this service. The settlement process in the tariff allows for flexibility in periodic statements due to the involvement of the transmission service provider. Settlement invoices will be processed monthly.

Q: Do you have any comments on the remaining tariff language?

A: The dispute resolution process calls for efforts to resolve disputes informally at first, with optional arbitration to follow. The Liabilities section provides standard limitations of liability for the Company.

My summaries of the general approaches and changes of each section from the February tariff do not include every item changed or updated, but for the most part, the tariff speaks for itself. In addition, the Company continues to support those parts of my rebuttal testimony filed on April 27, 2001, which are not inconsistent with my Exhibit A-__(WLB-2).

Q: What procedure will the Company follow to complete the tariff in time for the January 1, 2002 implementation date?

A. The final tariff will be modified to put it in the proper Commission format for approved tariffs of the Company. This would not involve any changes in the terms and conditions, other than identification of the Company. To the extent that issues remain to be resolved in this proceeding, the final tariff will reflect the determination reached by the Commission through its review and approval of various positions and/or settlement among the parties.

Q: Does this complete your testimony?

A: Yes.

Exhibit No. A - ____ (WLB-2)

RETAIL ACCESS SERVICE TARIFF

June 5, 2001

RETAIL ACCESS SERVICE TARIFF

1.0 INTRODUCTION AND DEFINITIONS

This tariff is intended to provide the terms and conditions associated with Retail Access Service as well as provide information regarding the roles of the various market participants. This tariff includes the following sections:

In cases where a Customer chooses to participate in Retail Access Service and obtain Generation Service from an Alternative Electric Supplier (AES), the Company will maintain a relationship and interact with two separate participants -- the Customer and the AES.

1.1 The Customer Role

The Customer is the end-user of Power at one or more locations in the State of Michigan who has facilities connected to the Company's Distribution System. Under Retail Access Service, the Customer will conduct transactions with at least two participants - the Company and an AES. The decision to choose an AES or to remain on Company service will be made by the Customer.

The Customer must already be connected to the Company's Distribution System as a Full Requirements Service Customer or meet the requirements for new Customers connecting to the Company's Distribution System as defined in the Company's applicable tariffs and service rules.

1.2 The Supplier Role

An Alternative Electric Supplier (AES) is a Person that has been licensed to sell retail electricity in Michigan. AESs take title to Power and sell Power in Michigan's retail electric market.

An AES makes necessary arrangements to provide Power to Customers, assembles products and/or services, and sells the products and/or services to Customers. AESs must meet all applicable statutory and regulatory requirements of Michigan and federal law.

Market participation responsibilities of the AES include: scheduling energy, obtaining and paying for transmission and ancillary services (including energy imbalance charges), and payment or provision of energy for losses incurred on the Transmission System and the

Distribution System to deliver Power. The AES is responsible for assuring power supply, arranging deliveries to the Company's Distribution System and managing its own retail sales.

1.3 Definitions

"Alternative Electric Supplier" or "AES" means a Person properly licensed by the Commission to sell electric Generation Service to retail Customers in the state of Michigan. AES does not include the Person who physically delivers electricity from the AES directly to retail Customers in Michigan.

"Commission" means the Michigan Public Service Commission.

"Company" means __________________________ or its agent.

"Customer" means, for purposes of Retail Access Service, a Person with electrical load facilities connected to the Company's Distribution System and to whom Power is delivered to its Location(s) pursuant to this tariff. All Customers, regardless of the voltage level of the service, are considered to be connected to the Company's Distribution System.

"Default Service" means Generation Service provided by the Company to Customers who are no longer being served by an AES for any number of reasons, in situations where the Customer is not eligible for Full Requirements Service.

"Demand" means the amount of Power required to meet the Customer's load at a given instant or averaged over any designated interval of time, expressed in kilowatts or megawatts.

"Distribution Point of Delivery" means the point of interconnection between the Company's Distribution System and the Customer's service Location.

"Distribution Point of Receipt" means the point of interconnection between the Company's Distribution System and the Transmission System or other facilities where electric Energy is received for delivery to a Customer.

"Distribution System" means facilities operated by the Company for the purpose of distributing electric power within the Company's electric service territory, which are subject to the jurisdiction of the Commission.

"Drop Request" means a request by an AES to terminate Generation Service to a Customer.

"Energy" means the capacity for doing work. In the context of this tariff the word energy refers to "electrical energy". Energy is usually measured in kilowatt-hours (kWh).

"Energy Meter" means a meter capable of measuring and recording energy on a kWh basis.

"Full Requirements Service" means the provision of retail regulated electric service including generation, transmission, distribution and ancillary services all provided by the Company.

"Generation Service" means the provision of electric Power and related ancillary services.

"Interval Demand Meter" means a meter capable of measuring and recording kW demands and kVAR demands on a sub-hour time interval and hourly integrated basis and measuring energy in kWh on a cumulative basis.

"Load" means any end-use device drawing energy from the electric system.

"Load Profile" means an allocation of a Customer's electricity usage to discrete time intervals over a period of time, based on individual Customer data or class averages, used to estimate electric supply requirements and to determine cost of service to the Customer.

"Location" means each Customer facility whether owned or leased.

"Maximum Demand" means the highest ____-minute integrated demand created during the current and previous 11 billing months at each voltage level, whether the Customer received service under this tariff or another Company retail tariff. For Customers that do not have an Interval Demand Meter installed, the Company will determine the Maximum Demand utilizing the average load factor of the rate class of the Customer.

"Open Access Transmission Tariff (OATT)" means Open Access Transmission Tariff of a Person owning or controlling the Transmission System, on file with the Federal Energy Regulatory Commission, as amended from time to time.

"Person" means an individual, governmental body, corporation, partnership, association, or other legal entity.

"Power" means a combination of the electric Demand and Energy requirements of the Customer.

"Retail Access Service" means the service offered by the Company under applicable laws, regulations, tariffs and agreements, which allows the Customer to purchase Generation Service and transmission service from a licensed AES, with Power delivered through the Company's Distribution System.

"Regulated Electric Service" means the services offered by the Company under terms and conditions approved by the Commission.

"Settlement Invoice" means a detailed bill of all energy and ancillary services provided to an AES by the transmission service provider, control area operator, or the Company, as appropriate.

"Settlement Statement" means a reconciliation of the energy and ancillary services scheduled by the AES with those actually consumed or used by the AES and its Retail Access Service customers. The energy and ancillary services will be quantified in units generally accepted by the utility industry, e.g., energy will be measured in kilowatt-hours or megawatt-hours. Contents of the Settlement Statement will be suitable for the preparation of the Settlement Invoice, i.e., energy and ancillary services scheduled and used will be presented for discreet time periods such as hourly or 15-minute intervals.

"Slamming" means the act of changing the Customer's chosen AES, or changing the Customer from Full Requirements Service to Generation Service from an AES, without the Customer's consent.

"Switch" means a Customer move from one provider of Generation Service and transmission service to another.

"Switch Date" means the date on which the Customer is actually assigned to a new AES for purposes of Energy supply responsibility.

"Switch Request" means a request by an AES to switch a Customer from the Company or another AES to the requesting AES, for Generation Service.

"Switch Response" means a response sent by the Company to an AES which submitted a Switch Request that confirms the requested Customer switch as pending and provides certain Customer information or, if the Switch Request is denied, provides a reason or invalidation code explaining why the request was denied.

"Transition Charge" is a surcharge for the recovery of costs associated with the implementation of Retail Access Service and/or the Company's stranded costs arising from implementation of Retail Access Service.

"Transmission System" means facilities operated by a Person used for transmitting electric Power to the Distribution Point of Receipt, and subject to the jurisdiction of the Federal Energy Regulatory Commission.

"Uniform Data Transaction" means specific technical arrangements for trading information, initiating business requests and executing other common transactions. These arrangements may encompass a number of electronic media and use specified transport protocols.

2.0 CUSTOMER SECTION

2.1 Availability

Retail Access Service is available on and after January 1, 2002 to all existing or new Customers that meet the terms and conditions of this Retail Access Service tariff and other applicable Company tariffs, subject to contracting with an AES. The Company will begin to accept and process Switch Requests on and after January 1, 2002.

2.2 Eligibility

A Customer's eligibility to take Retail Access Service is subject to the full satisfaction of any terms or conditions imposed by pre-existing contracts with or tariffs of the Company. Customers must have satisfied any past due amounts for Regulated Electric Service owed to the Company under any other arrangements or provisions for Regulated Electric Service before taking service under this tariff

2.3 Customer Information

An AES must obtain written authorization from the Customer before the Company will provide an AES with a Customer's currently available usage and billing information. Customers will be provided their own usage and billing information upon request. No fee shall be charged for the first request per calendar year related to a specific Customer account. Subsequent requests will require a fee of $_____/account that will be billed to the Customer.

2.4 Customer Enrollment and Switching

2.4.1 A Customer will specify only one AES at any given time for the supply of Power to each Customer account or Customer Location.

2.4.2 The AES shall submit to the Company a Switch Request via a Uniform Data Transaction. The information required in the Switch Request for validation purposes shall be defined by the Company.

2.4.3 The Company will process one (1) valid Switch Request per Customer per meter reading cycle. Where multiple Switch Requests for the same Customer are received during the same meter reading cycle, the Company will process the first valid switch request received during a meter read cycle. A Switch Response for each rejected Switch Request will be sent to the appropriate AES via a Uniform Data Transaction within 3 business days.

2.4.4 Where the Customer has legal rights of rescission, the AES shall hold the Switch Request until the legal rescission period has expired. The Company's processing will not start until the legal rescission period is over.

2.4.5 The Company will normally validate a Switch Request within three (3) business days of the receipt of the Switch Request and will transmit a Switch Response to the AES. For valid Switch Requests, the Company will at the same time send to the AES currently serving the Customer, via the appropriate Uniform Data Transaction, notice that the AES's service is to be terminated, including the scheduled Customer Switch Date. In the event that the Customer or the new AES cancels the Switch before the Switch Date, the Company will send to the current AES, via appropriate Uniform Data Transaction, notice reinstating the current AES's service unless the current AES has submitted a valid Drop Request. Cut-off time for the receipt of Switch Requests is eight (8) business days in advance of the Customer's Switch Date. In the case of errors or omissions, final disposition of exceptions may take up to five (5) business days.

2.4.6 Customers shall be permitted to change AESs. The changes will become effective at the completion of their normal billing cycle. Customers will be assessed a fee of $_______ processing charge per Customer account for each change beyond 1 within a calendar year. The change will be submitted to the Company by the Customer's newly chosen AES as a Switch Request.

2.4.7 Other than in situations where Customers require new meter installations as part of a Switch, Customer Switches will be scheduled to take place on the scheduled meter reading date, and will be effective on the actual meter reading date or the date of an estimated meter reading for billing purposes. The Switch Date shall be effective on the next scheduled meter read date that is not less than eight (8) calendar days after a valid Switch Request has been confirmed by the Company. The AES change shall occur at midnight (00:00) local time at the beginning of the effective date.

2.4.8 The Company shall process Drop Requests submitted by AESs in the same manner as it processes Switch Requests. AESs shall be subject to the same timing and validation requirements for Drop Requests as for Switch Requests. An AES shall inform the Customer of the Drop Request.

2.4.9 For Customers required to have Interval Demand Meters, Retail Access Service will be subject to the Company installing an Interval Demand Meter at the Customer's expense and at the service location(s) designated for Retail Access Service. If the Customer is not required to have an Interval Data Meter, Retail Access Service is contingent upon the Customer agreeing to be subject to the load profiling method used by the Company to determine the Customer's interval load data or having the Company install an Interval Demand Meter at the Customer's expense.

2.5 Metering and Load Profiling

2.5.1 Metering equipment for Customers taking Retail Access Service shall be furnished, installed, read, maintained and owned by the Company. Customer accounts with a threshold of ____________ or more that receive service under Retail Access Service shall be required to have an Interval Demand Meter and associated incremental costs will be assessed to the Customer through a standard monthly fee by rate class.

The Company reserves the right to require the installation of an Interval Demand Meter for a Customer not meeting the criteria in Section 2.5.1 of this tariff at the Company's expense, for the purpose of determining the Customer's hourly load for settlement. The Customer will not be subject to a monthly fee for this service unless the growth in the Customer's load reaches or surpasses the criteria in Section 2.5.1 of this tariff.

2.5.2 For Customers required or who elect to have an Interval Demand Meter, the Company may require that the meter be read via telephone. In such cases, Customers may be required to provide telephone connection for purposes of meter interrogation by the Company. The Customer shall be responsible for all costs of the telephone connection.

If a Customer is not able to allow sharing of a telephone connection, the Customer may be required to obtain a separate telephone connection for such purposes and Customer shall pay all charges therewith. The Customer is responsible for assuring the performance of the telephone connection.

2.5.3 In cases where a telephone connection used by the Company for meter interrogation is out of service, the Company may retrieve the data manually for a nominal monthly fee of $______ payable by the Customer. In the event that the telephone connection is out for three consecutive billing months, the Customer's Retail Access Service may be terminated and the Customer will be returned to service under the Company's Full Requirements Service tariffs subject to the provisions of Section 2.6, unless said outage is due to non-performance by the telecommunication service provider.

2.5.4 For Customers not required to have an Interval Demand Meter installed, i.e., subject to Load Profiling per section 2.5.7, when monthly metered Energy data is not available due to metering errors, malfunctions, or otherwise, the usage will be estimated by the Company using the procedure approved by the Commission under applicable rules and practices.

2.5.5 For Customers with Interval Demand Meters installed, i.e., not subject to Load Profiling requirements, where monthly metered Energy data is not available due to metering errors, malfunctions, or otherwise, the billing quantities will be estimated by the Company using the available historical data and other relevant information for the Customer.

2.5.6 Customers who choose Retail Access Service and who have Interval Demand Meters will have their Energy consumption and Demand for settlement purposes based on the data from the Interval Demand Meters. This method to calculate Energy consumption and Demand does not apply to those Customers who have an Interval Demand Meter installed by the Company solely for load research purposes.

2.5.7 Customers who choose Retail Access Service but do not meet the criteria in Section 2.5.1 of this tariff, will have, unless the Company has exercised its right to require an Interval Demand Meter under Section 2.5.1, the option to use a calculated Load Profile to estimate Energy consumption patterns. If a Customer chooses to install an Interval Demand Meter, that Customer will be assessed a standard monthly fee for the cost of the Interval Demand Meter and its installation.

2.5.7.1 The Company will determine the Load Profiles utilizing the system residual method. The Company reserves the right to modify or change the Load Profiling method after proper review and consideration by the Commission.

2.5.7.2 The system residual Load is calculated for each one (1) hour interval as the difference between the total measured or estimated system Load and the sum of the Interval Demand Metered Loads including losses and the deemed Loads including losses.

2.5.7.3 The Company may apply a deemed profile to some Loads with simple predictable use patterns, such as street lighting or irrigation. Deemed profiles are calculated by assuming on- and off-times each day and assuming constant Load when on.

2.6 Return to Full Requirements Service

2.6.1 A Customer may return to Full Requirements Service by providing at least six (6) months written notice of intent to do so and except as otherwise provided in this tariff may return on the same terms as any new Customer applying for Full Requirements Service. A Customer returning to Full Requirements Service must then remain on such service for a minimum term of twelve (12) months commencing with the end of Default Service. A Customer providing less than six (6) months written notice of its intent to return to Full Requirements Service will receive Default Service.

2.6.2 The six-month notice period commences with the beginning of the Customer's billing cycle following receipt of the Customer's written notice of intent to return to Full Requirements Service. Therefore, Default Service will only apply for the period before the Customer actually returns to Full Requirements Service. For example, if the Customer provided four months written notice of intent to return to Full Requirements Service, then the Customer will be served according to Default Service for the remaining two months of the required six-month notice period.

2.6.3 Subsequent to this six-month notice period, the applicable Full Requirements Service schedule would apply.

2.6.4 In the event that a Customer is slammed by an AES from Full Requirements Service and desires to return to Full Requirements Service, the Company will waive the six month notice and the twelve month minimum term requirements. The Company's Default Service does not apply to such Customers.

2.6.5 In the event a Customer is returned to Company service after being dropped by the AES or due to the bankruptcy of the AES, or upon the AES's complete withdrawal from the market, the Customer will be served under the Company's Default Service tariff. The Customer may return to Full Requirements Service under the provisions of 2.6.1 to 2.6.3 above.

2.7 Billing and Payment

2.7.1 The Company will bill the Customer for Retail Access Service as outlined in section 3.3 of this tariff.

2.7.2 The Customer shall pay the Company the amount billed by the Company on or before a due date established by Customer billing rules approved by the Commission in accordance with the Commission's consumer standards and billing practices, MAC R 460.2101 et seq., as amended, for residential customers, and MAC R 460.3901 et seq., as amended, for nonresidential customers.

2.7.3 Where incorrect billing results from a calculation error discovered by either the Company, the AES or the Customer, the error will be corrected and revised bills for the Customer and the AES will be calculated and settled on the next billing period after the error is discovered. Billing errors discovered by the Company shall be adjusted as provided for in the residential and commercial and industrial billing rules.

2.8 Disconnection of Service

2.8.1 The Company is the only Person allowed to physically shut off service to a Customer.

2.8.2 The Company will not disconnect a Customer who is current on the Company's bill for distribution services or who has executed a payment plan agreement with the Company but is delinquent on the AES's bill for Generation Service supplied to the Customer.

Disconnection of service to a Customer for nonpayment of the Company's bill or for any violation of the Company's tariffs shall be in accordance with applicable Commission rules and Company tariffs. The Company will provide notice to the AES of the intent to disconnect, and the date/time of actual disconnection. The Company shall not be liable for any losses to the AES due to disconnection.

3.0 ALTERNATIVE ELECTRIC SUPPLIER SECTION

3.1 Availability

The Company will not process and switch Request from an AES unless and until:

3.1.1 The AES has been granted a license as an electric Power provider by the Commission.

3.1.2 The AES has demonstrated creditworthiness as described in Section 3.5.

3.1.3 AES has complied with all applicable statutory and administrative requirements.

3.1.4 The AES has demonstrated Uniform Data Transaction capability, which meets the Company's defined standards and protocols.

3.1.5 The AES has executed a Retail Access Service agreement (which may include, but is not limited to, a portfolio of Customers, negotiated services, etc.) with the Company and complied with the Company's Customer enrollment requirements to prevent Slamming of Customers.

3.1.6 The AES has obtained a valid agreement form the Customer, indicating that the Customer has chosen to Switch to the AES for Generation Service.

3.1.7 The AES has executed agreements with the appropriate transmission provider(s), control area(s) and ancillary services provider(s) as applicable.

3.2 Switch Requests

Service availability shall be on and after January 1, 2002 for all eligible Customers. All Switch Requests will be handled in accordance with Section 2.4 of this tariff, and will be accepted for processing by the Company on or after January 1, 2002.

3.3 Billing

3.3.1 Unless otherwise agreed, the Company and the AES will separately bill the Customer for the respective services provided by each. The Customer will receive two separate bills and is responsible for making payments to the Company for service provided in accordance with requirements of the Company as set forth in the applicable billing rules and Commission approved tariffs.

3.3.2 The Company may elect to offer a service where it bills the Customer for services that the Company provides as well as the services provided by an AES. When the Company bills for charges on behalf of an AES, the following conditions will apply:

A. The Company and the AES must have entered into a billing agreement which specifies the terms, conditions and charges under which such billing will occur.

B. Any discrepancies in charges collected and remitted will be corrected and reflected in the subsequent billing cycles.

C. Payments received from or on behalf of a Customer shall be applied in the following order:
   1. To the Company's past due and current distribution and distribution related charges,
   2. To the AES's past due and current Generation Service and transmission supply charges,
   3. To the Company's other charges, and
   4. To the AES's other charges.

D. Optional Services (i.e., billing and remittance processing, credit and collections, meter read information, Customer information, etc.) may be provided by the Company pursuant to terms negotiated with the AES, and shall be offered on a non-discriminatory basis.

E. Amounts owed to the Company by an AES may be deducted from the AES's Customer payments received by the Company prior to remittance to the AES.

F. The Company will not pursue collections action for any AES unless mutually agreed upon as an optional billable service.

3.3.3 Unless otherwise specified by the Company, all payments made to the Company by the AES will be made by electronic funds transfer to the Company's account.

3.4 Terms and Conditions of Service

3.4.1 The AES is responsible for providing Power to be transmitted by the appropriate transmission provider(s) to the Company's Distribution Point of Receipt. The AES shall meet all obligations necessary to schedule Power to match the Customer's Load, subject to energy imbalance charges and penalties in accordance with the terms of the OATT of the transmission provider(s). The AES shall comply with all applicable requirements of NERC and any regional reliability council or their successor organization(s) associated with the AES's deliveries to the Company's facilities and will meet all applicable requirements according to the transmission provider(s)' OATT.

3.4.2 An AES must obtain and maintain a minimum aggregate load of 1,000 kW of Maximum Demand of Customers in Company's service territory to provide Retail Access Service to Customers.

3.4.3 Retail Access Service may not commence until metering has been installed as specified in this Tariff as outlined in section 2.5.

3.4.4 The AES will provide the Company, daily energy schedules for all services including losses associated with use of the Distribution System. The AES will provide verification that it has arranged for and scheduled transmission service to deliver Energy and that the energy schedule has been approved by the transmission provider(s), and that the AES has covered energy losses on the Transmission System(s).

3.4.5 The AES will pay the Company for all applicable ancillary services, emergency energy services and backup services provided by the Company to the AES for the AES's Customer(s) from the service commencement date to the service termination date under applicable tariffs.

3.4.6 The Company shall bill the AES for all associated switching fees incurred as a result of Slamming by the AES plus the actual administrative cost incurred for switching a Slammed Customer from one rate service to another.

3.4.7 An AES shall not resell Customer account information or transfer it to other parties for any purpose.

3.5 Creditworthiness

3.5.1 The AES must demonstrate and maintain current creditworthiness in an amount sufficient to cover anticipated charges for all services provided by [Company Name]. Absent previous business interactions between the AES and Company or where the business interactions between the AES and Company span a time period less than three (3) years, the AES must provide to Company a historical record, of up to three (3) years, documenting prompt and timely payment for all charges previously incurred with other business entities involved in the delivery of Power to a Customer whether in Michigan or another jurisdiction. The AES may provide alternative security or credit enhancement, such as a letter of guarantee, letter of credit or prepayment. Affiliates of the Company are subject to these same requirements and must provide proof of creditworthiness consistent with the code of conduct approved by the Commission.

3.5.2 In order to avoid duplication of effort, if the Company has another electric tariff approved by the Commission or FERC that includes creditworthiness standards applicable to AESs, the AES may demonstrate and maintain creditworthiness under those standards.

3.5.3 The AES will notify the Company immediately of any material adverse change in the AES's financial condition that prevents the AES from meeting the creditworthiness conditions of this tariff.

3.6 Real Power Losses (Distribution)

The AES is responsible for replacing losses associated with the delivery of Power to the Customer's meter. The amount of Power to be delivered to the Company's distribution system will be the amount of power to be delivered at the customer meter plus an amount to reflect the distribution system loss factors as listed in the table below.

3.7 Settlement

3.7.1 The Company may produce a periodic preliminary Settlement Statement for the transmission service provider or control area operator, as appropriate, and each AES operating in the Company's distribution service territory. Periodic preliminary Settlement Statements may be issued every 1 to 7 days.

3.7.2 The Company shall produce a final monthly Settlement Statement for the transmission service provider or control area operator, as appropriate, and each AES operating in the Company's distribution service territory.

3.7.3 Final monthly Settlement Statements will be issued fifteen (15) calendar days following the completion of all scheduled meter reads for each billing cycle that begins in the calendar month of the settlement. In the event the fifteenth (15^{th}) calendar day falls on a weekend or holiday, the final monthly Settlement Statement will be issued on the following business day.

3.7.4 The periodic and final monthly Settlement Statements may be issued in paper format or electronically.

3.7.5 The transmission service provider, control area operator, or Company, as appropriate, shall prepare a monthly Settlement Invoice for each AES operating in the Company's distribution service territory based on items listed in the final monthly Settlement Statement and other services that may be provided by the transmission service provider, control area operator, or the Company.

3.7.6 Payment process for the Settlement Invoice shall be comprised of the following two-step process.

A. All Settlement Invoices with net funds owed by the AES are paid to the transmission service provider, control area operator, or the Company, as appropriate, by 1000 ____ Prevailing Time (PT) on the payment date, and

B. All Settlement Invoices with net funds owed to an AES shall be paid by 1400_______PT on the payment date.

3.7.7 In the event the AES does not remit full payment for the monthly Settlement Invoice, the transmission service provider, control area operator, or the Company, as appropriate, will initiate the following procedure:

3.7.7.1 The transmission service provider, control area operator, or the Company, as appropriate, will draw on any available line of credit or security posted by the AES to cover payment shortages.

3.7.7.2 The transmission service provider, control area operator or the Company, as appropriate, may cease scheduling additional energy deliveries for the AES and petition the Commission to de-certify the AES if, after executing any available line of credit or security posted, there is still insufficient funds available to pay in full the monthly Settlement Invoice.

3.7.8 Disputes between the transmission service provider, the control area operator, or the Company, where appropriate, and the AES regarding the final monthly Settlement Statement or the Settlement Invoice shall be resolved utilizing the procedure outlined in section 4.0 of this document.

A revised final monthly Settlement Statement and/or a revised Settlement Invoice will be issued when disputes are resolved or when data errors are corrected that result in a two (2) percent change or greater from the initial final Settlement Statement or initial Settlement Invoice. Resolved disputes or data errors that result in a change to the final monthly Settlement Statement or Settlement Invoice of less than two (2) percent shall be addressed in the next monthly Settlement Statement.

4.0 DISPUTE RESOLUTION

4.1 The Company shall have no duty or obligation to resolve any complaints or disputes between AESs and their Customers.

4.2 In the event the Customer or AES has a dispute over the implementation service provided under the transmission service provider's OATT, the dispute shall be resolved using the dispute resolution procedures as described in the appropriate transmission service provider's OATT section.

4.3 In the event the AES has a dispute over the implementation of the Company's Retail Access Service, then the AES shall provide the Company with a statement of the dispute and the proposed resolution to the designated Company contact. Upon receipt of the statement of dispute, the Company shall attempt to resolve the dispute according to the following process:

4.3.1 The Company will investigate the dispute and attempt to resolve the dispute informally in a manner that is satisfactory to both parties within 5 business days of initial receipt of the statement of dispute.

4.3.2 If the dispute is not resolved in five business days, the parties shall attempt to resolve the dispute by promptly appointing a senior representative of each party to attempt to mutually agree upon a resolution. The two senior representatives shall meet within ten (10) business days. If the two senior representatives cannot reach a resolution within a 30-day period, the dispute may, on demand of either party, be submitted to arbitration as provided in this section.

4.3.3 The dispute, if mutually agreed by the parties, may be submitted for resolution in accordance with the American Arbitration Association ("AAA") commercial arbitration rules. The judgement rendered by the arbitrator may be enforced in any court having jurisdiction of the subject matter and the parties.

4.3.4 The arbitrator may be determined by AAA.

4.3.5 The findings and award of the arbitrator shall be final and conclusive and shall be binding upon the parties, except as otherwise provided by law. Any award shall specify the manner and extent of the division of the costs between the parties.

4.3.6 Nothing in this section shall restrict the rights of any party to seek resolution of the dispute with the appropriate regulatory agency with jurisdiction.

5.0 LIABILITY

5.1 In no event will the Company, its affiliates, or its suppliers be liable under any cause of action relating to the subject matter of this tariff, whether based on contract, warranty, tort (including negligence), strict liability, indemnity or otherwise for any incidental or consequential damages including but not limited to loss of use, interest charges, inability to operate full capacity, lost profits or claims of AES or Customers.

5.2 The Company will not be liable to an AES or Customer for damages caused by interruption of service, voltage or frequency variations, single-phase supply to three-phase lines, reversal of phase rotation, or carrier-current frequencies imposed by the Company for system operations or equipment control except such as result from the failure of the Company to exercise reasonable care and skill in furnishing the service.

5.3 In no event will the Company be liable to the AES or Customer for loss of revenue or other losses due to meter or calculation errors or malfunctions. The Company's sole obligation and the AES and Customer's sole remedy will be for the Company to repair or replace the meter and prepare revised bills as described above.

Case # U-12650
Exhibit A-___(WLB-3)
Witness – William L. Bourbonnais

Wisconsin Public Service Corporation and
Upper Peninsula Power Company
Retail Access Service Tariff
Company-Specific Entries

This chart identifies the Retail Access Service Tariff sections where blanks occur for company-specific values to be inserted. The third column shows the variable entry for Wisconsin Public Service Corporation.

Tariff Section	Description	Entry
1.3	Company Name	Wisconsin Public Service Corporation
1.3	Maximum Demand Value	15 (minute)
2.3.1	Information Request Fee	$20
2.4.6	Switch Processing Change	$5
2.5.1	Threshold	25 kw
2.5.3	Data Retrieval Fee	$28
3.6	Real Power Factors	Primary 1.017 Secondary 1.040
3.7.6.A.	Prevailing Time	Central
3.7.6.B.	Prevailing Time	Central

This chart identifies the Retail Access Service Tariff sections where blanks occur for company-specific values to be inserted. The third column shows the variable entry for the Upper Peninsula Power Company.

Tariff Section	Description	Entry
1.3	Company Name	Upper Peninsula Power Company
1.3	Maximum Demand Value	15 (minute)
2.3.1	Information Request Fee	$20
2.4.6	Switch Processing Change	$5
2.5.1	Threshold	25 kw
2.5.3	Data Retrieval Fee	$28
3.6	Real Power Factors	Primary 1.072 Secondary 1.18
3.7.6.A.	Prevailing Time	Eastern
3.7.6.B.	Prevailing Time	Eastern

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

(In the matter of the application of Wisconsin Public Service Corporation And Upper Peninsula Power Company for approval to unbundle electric rates for implementation of 2000 PA 141)	Case No. U-12650

Direct Testimony of
Dennis M. Derricks

On Behalf of:

Wisconsin Public Service Corporation
And
Upper Peninsula Power Company

Filed: June 5, 2001

DIRECT TESTIMONY OF DENNIS M. DERRICKS

Q. Please state your name, address, and position with Wisconsin Public Service Corporation.

A. My name is Dennis M. Derricks. My office address is P.O. Box 19001, Green Bay, Wisconsin 54307-9001. I am the Electric Rates Supervisor in the Rates and Economic Evaluation Department for Wisconsin Public Service Corporation.

Q. Please describe briefly your education, professional and utility background.

A. I graduated from Michigan Technological University in 1988 with a Bachelor of Science Degree in Electrical Engineering. My engineering education was concentrated in Electric Power Systems. I graduated from the University of Wisconsin - Oshkosh in 1998 with a Masters Degree in Business Administration. Prior to joining the Company, I was employed as a distribution engineer for another electric utility and as a project engineer for a large paper company. In 1991, I was employed by the Company in the Rates Department. I held the position of Rates Engineer from 1991 to 1995. Currently I hold the position of Electric Rates Supervisor and have been involved in rate related engineering studies, service rule administration, financial analyses, and rate development and administration.

Q. Have you previously testified before this Commission?

A. Yes.

PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to sponsor the Wisconsin Public Service Corporation (WPSC) and Upper Peninsula Power Company's (UPPCo) (The "Companies") submission for approval of proposed commercial and industrial unbundled service schedules in compliance with Sec.10b. (2) of PA 141 of 2000. In conjunction with the proposed unbundled commercial and industrial tariffs, the Companies are also proposing unbundled residential service schedules. All of these proposed unbundled service schedules, in concert with the tariff sheets presented by Mr. Bourbonnais, are designed to implement Retail Open Access Service for the Companies' retail electric Michigan customers, beginning on January 1, 2002.

Q. Please summarize your testimony?

A. My testimony presents the Companies' proposed unbundled Service Schedules and the underlying rate development including the supporting analysis performed using the unbundled customer class cost of service study (COSS). For UPPCo, the COSS is based upon a 1999 Test Year that was filed in the pending rate case, Case No. U-12675. Since WPSC has not filed a rate case with the Michigan Public Service Commission (Commission) since 1985, WPSC performed a COSS utilizing 2001 forecasted test year data. These COSSs were used to calculate the unbundled cost responsibilities for the retail customer classes. The cost analysis provides the basis for the split of revenue requirements between the two general categories: 1) power supply and 2)distribution services. This split is incorporated in the unbundled tariffs proposed for the 2002 calendar year.

Q. Since the UPPCo rate case is still pending, will the rates contained in this exhibit be required to be changed?

A. Yes, upon receipt of an order for the rate case (Case No. U-12675), UPPCo proposes to submit to the Commission new unbundled rates based on the rates approved in Case No. U-12675.

ORDER OF TESTIMONY

Q. In what order will you present the remainder of your testimony?

A. The order is as follows:

1) Description of the proposed Unbundled Service Schedules
2) Results of the Unbundled Class Cost of Service Study
3) Description of the proposed Unbundled Electric rate design

Q. Are you sponsoring Exhibits in this proceeding?

A. Yes, I am sponsoring 6 exhibits. Exhibit A-___(DMD-1) contains the proposed electric Unbundled Service Schedules for implementing open access in the WPSC service territory. Exhibit A- _____ (DMD-2) contains the proposed electric Unbundled Service Schedules for implementing open access in the UPPCo service territory. Exhibit A- _____ (DMD-3) contains a summary of the WPSC cost of service study and the costs allocated to distribution and power supply service by rate schedule. Exhibit A- _____ (DMD-4) contains a summary of the UPPCo cost of service study and the costs allocated to distribution and power supply service by rate schedule. Exhibit A-___(DMD-5), contains a summary of the present rate levels and proposed unbundled rate levels as well as billing units and revenues generated under both present (bundled) and proposed (unbundled) rate levels for WPSC. Exhibit A-___(DMD-6), contains a summary of the present rate levels and proposed unbundled rate levels as well as billing units and revenues generated under both present (bundled) and proposed (unbundled) rate levels for UPPCo.

Q. Were these exhibits prepared by you or under your supervision?

A. Yes, they were.

PROPOSED UNBUNDLED SERVICE SCHEDULES

Q. Please describe the service schedules in your Exhibit A-____(DMD-1) and Exhibit A - _____ (DMD-2).

A. The proposed service schedules are listed in the Table of Contents of my Exhibit A-___ (DMD-1) and Exhibit A-____(DMD-2). The schedules contain the unbundled rate levels and terms and conditions of service to provide customers with distribution service. Power Supply is an optional service and can be provided by an Alternative Electric Supplier (AES) or by the Companies. Generally we have modified the bundled or traditional service schedules so that they now contain distribution charges separated from power supply charges. We are also including proposed distribution service extension rule changes to recognize unbundled distribution rates.

Q. Do these service schedules provide for customers who choose to have power supply provided by either an AES or the Company?

A. Yes, they do. Both sources of power supply are supported in these service schedules. For example, if a WPSC residential customer receiving service according to schedule Rg-1M chooses an AES, the Customer will receive distribution service from WPSC at the distribution service rates contained in the Rg-

1M rate schedule. If a customer chooses to purchase power supply service from WPSC, the customer would be subject to both the distribution service and optional power supply service rates contained in the Rg-1M rate schedule. This methodology is also used in the UPPCo rate schedules.

Q. **Do the Companies propose an effective date for the proposed service schedules?**

A. Yes, we are proposing the service schedules become effective January 1, 2002 to coincide with the requirements of P. A. 141.

Q. **For which customer classes are the Companies proposing customer choice of an AES?**

A. Generally, we are proposing customer choice for Residential, Small Commercial, Large Commercial, Industrial and Municipal Pumping customers. In addition, we have developed proposed unbundled service schedules for optional WPSC Cp-I2 load management services under which only Company-provided power supply is available.

Q. **Is WPSC proposing unbundled distribution service schedules for optional load management services?**

A. Yes, although the load management services do not provide for a customer to select an AES, these unbundled optional load management services are proposed to indicate the unbundled rate levels to customers who have opted for the load management services. Power Supply for the load management customers is only available with Company-provided power supply according to the applicable tariffs.

Providing this information enables these customers to compare their rate levels to rate levels of customers opting for customer choice.

Q. Can customers choose to continue to receive their power supply from the Companies?

A. Yes, for Customers who do not choose power supply from an AES, WPSC and UPPCo are obligated to serve these customers. WPSC and UPPCo provide this optional power supply service for these Customers according to the applicable rate schedules.

Q. Can these customers switch from AES-provided power supply service to Company-provided power supply service?

A. Yes, according to certain conditions as specified in the tariffs in Exhibit A-_______(WLB-2). If the customer's power supply service from the AES terminates such that the Company, without proper prior notice, must provide Customer with power supply service, then WPSC or UPPCo provides service under Power Supply Default Service schedule PSDS. If the Customer provides proper prior notice for returning to Company-provided power supply service, then WPSC or UPPCo provides power supply service to the customer according to applicable rate schedule.

Q. Do the Companies make special provisions for a customer who is slammed by an AES for power supply service?

A. Yes, the Companies make special provision to protect Customers who are being served power supply by one of the Companies under an applicable rate schedule and who discover that they have been slammed by an AES for power supply service. As indicated in the tariffs in Exhibit A-_____(WLB-2), such Customer may request immediate return to the applicable Companies' rate schedule for power supply service, without the requisite proper prior notice and without penalty.

Q. After the proposed implementation date of January 1, 2002, will customers who choose to continue to receive their power supply from either WPSC or UPPCo see a change in their total rate levels?

A. As compared to present rates, customers will see no change in their total rate levels. The monthly customer charges are the same. Also, the proposed unbundled rate levels total to an amount equal to the bundled rate levels that are in effect prior to January 1, 2002. For example, under Residential Service Rg-1M contained in my Exhibit A- ______ (DMD-1), the bundled energy charge is 6.199 ¢ per kWh. The proposed unbundled charge levels for schedule Rg-1M total to the bundled rate level as shown below:

Charge Component	Rate Level (¢ per kWh)
Distribution Charge	2.137
Power Supply	4.062
Bundled Energy Charge	6.199

Q. Will customers who choose an AES, see a change in their total rate levels?

A. Yes, those customers will see a change to the extent their AES's rate levels for power supply service differ from those of the Company.

NEW TERMS AND CONDITIONS OF SERVICE

Q. Are the Companies proposing changes for distribution facility extensions to accommodate unbundling rates?

A. The Companies propose to modify the annual revenue tests for service extensions to recognize annual distribution service revenues as compared to the existing total bundled revenues. This consideration accommodates circumstances where a customer has or will choose at a later date power supply from an AES and where the applicable Company provides only distribution delivery service. The proposed service schedules that incorporate these modifications are presented in my Exhibit A- _____(DMD-1) and Exhibit A- _______(DMD-2).

UNBUNDLED ELECTRIC COST OF SERVICE STUDY

Q. What categories are costs grouped into for allocating costs to customer classes?

A. The unbundled cost analysis groups the revenue requirements into 5 functional categories as follows: (1) customer, (2) transmission, (3) production demand (4) distribution, and (5) energy.

Q. Generally, how are the plant, plant related and Operation &Maintenance (O&M) accounts separated into the five functions listed above?

A. Generally, the FERC account numbers provide guidance for the functional separation of plant, plant related and O&M accounts.

Q. Do the revenues projected in the Companies' cost of service studies equal the exact revenues projected by the use of the given billing units?

A. No, there are slight differences due to the treatment of unbilled revenues and buy out revenues from interruptible customers (WPSC). However these differences are not significant and do not impact the overall unbundling of the rates.

ALLOCATION OF "SHARED OR COMMON" COSTS

Q. The Administrative and General O&M expenses and the General and Common plant are a "shared or common" category of costs. How are these costs assigned to the five major functional use categories?

A. In general, the majority of these shared costs are allocated, rather than directly assigned.

Q. What method is used to allocate those "shared or common" cost components that cannot easily be directly assigned?

A. Where possible, components with an easily identifiable functional use are directly assigned to one of the five functional cost categories. Costs that cannot be directly assigned to a functional category are allocated, using a functional cost allocator. Shared expenses such as income taxes, property insurance, property taxes, administrative and general (A&G) expenses, and general and common (G&C) plant related revenue requirements are spread amongst the five functional categories, based upon using the appropriate allocation process. For example, income taxes are spread to the five functions, based upon functional rate base. Administrative salaries, office supplies and employee pensions are spread based upon the employee labor distribution among the five functional cost categories. Electric common and general plant revenue requirements receive a similar spread to the five functional cost categories, based upon employee labor. For property insurance expense included in FERC account No. 924, some detail information is available to classify the expense as being either production, transmission or other related. The production and transmission components are directly assigned to their respective categories and the other component is allocated to the remaining functional categories, based upon plant values.

Q. How has WPSC allocated the nuclear decommissioning costs associated with the nuclear generation facility it owns?

A. These costs were allocated to distribution service.

COSS SUMMARY RESULTS

Q. Where are the results of this functional cost allocation process described?

A. The results are shown on page 1 of my Exhibit A-______ (DMD-3) for WPSC and Exhibit A-_____ (DMD-4) for UPPCo. The results show the split of revenue requirements for rate design purposes for each rate class into two major rate design groups for the applicable FERC accounts and return. These two major groups are called Distribution and Power Supply.

Q. How are these costs used to develop the proposed unbundled rate levels developed in the unbundled service schedules included in your Exhibit A-____ (DMD-1) and Exhibit A-____(DMD-2)?

A. The rate design process uses these cost levels and compares them to the existing revenue levels of the customer class. Since the objective of unbundling was to unbundle existing rates with no rate increases to any customer, the unbundled rate must equal the existing rate in total. Due to differences in the total cost levels of the

Companies vs. revenues as well as differences at the individual rate class level, the Companies calculated the ratio of revenue and costs for each customer class. This ratio was then applied to both the distribution and power supply costs of service totals for each customer class to determine the unbundled distribution and power supply rate levels. This methodology applies to over and under-collections of each rate class on an equal basis. These ratios are shown on page 2 of Exhibit A-____(DMD-3) for WPSC and Exhibit A-______(DMD-4) for UPPCo.

Q. Could you please provide an example of the determination of the ratio used by the Companies?

A. Yes. For example, the WPSC cost of service has allocated $1,009,554 of distribution related costs and $1,319,753 of power supply related costs, or a total of $2,329,307 to the Rg-1M rate schedule. This is shown page 1 of Exhibit A-____ (DMD-3). However, the current revenue for the Rg-1M class, using existing rate levels, is approximately $2,207,433. The unbundled rate levels must also produce this revenue level. A ratio of the existing revenues and allocated costs was calculated to be 0.94768 ($2,207,433/2,329,307). This ratio was then applied to both the distribution and power supply costs to determine the appropriate unbundled rate levels. Thus, for the Rg-1M rate class, approximately $956,732 ($1,009,554 * 0.94768) is to be recovered through the unbundled distribution charges and $1,250,701 ($1,319,753*0.94768) is to be recovered through the unbundled power supply charges. This calculation is shown on page 2 of Exhibit A-_____(DMD-3) for WPSC and Exhibit A-_____(DMD-4) for UPPCo.

UNBUNDLED ELECTRIC RATE DESIGN

Q. Could you please describe Exhibit A-____ (DMD-5) and Exhibit A-____(DMD-6)?

A. Page 1 and 2 of Exhibit A- _____ (DMD-5) provides a comparison of the present and proposed unbundled rate levels for each service schedule of WPSC. Pages 1 and 2 of Exhibit A- _____ (DMD-6) provide the same information for UPPCo.

Q. What is the general development process that was followed in designing the unbundled rates?

A. The Companies utilized prudent rate design practices to the extent possible. The principle of having prices reflect cost causation was a primary driver. Utilizing this principle, for customer classes with only a customer and an energy charge, the customer charge was assigned to the distribution service. This is appropriate since the majority of distribution related costs are fixed in nature and do not vary with the amount of consumption of a customer. For customer classes with a demand charge, to the extent possible, the demand charge was assigned at least in part to distribution. The Companies attempted to minimize using an energy charge to collect distribution costs.

Q. Could you please provide an example of this determination?

A. Yes. I will use the WPSC Rg-1M rate as an example. The forecasted revenues from the year round and seasonal customer charges is approximately $215,841. The total distribution service revenue has been determined to be approximately $956,732. Thus, approximately $740,891 ($956,732-$215,841) of distribution service revenue is to be recovered via the energy charge. Dividing the $740,891 by the forecasted energy consumption of 34,674,480 kWh for the Rg-1 M rate class, yields an energy charge level of $0.02137/kWh for distribution service. To determine the energy charge level for power supply service, the energy charge for distribution service ($0.02137/kWh) was subtracted from the existing energy charge for the Rg-1M rate ($0.06199/kWh). This yields an energy charge of $0.04062/kWh for the power supply service for Rg-1M customers.

Q. Do the costs of service studies utilized by the Companies and the rates submitted by the Companies include the customer choice education costs?

A. No they do not. The Companies expect to address the customer choice costs in accordance with the Commission order on this issue in Case U-12313.

Q. What rate classes are not being unbundled at this time?

A. For WPSC, the rates for the Gy private lighting, Ms street lighting, and the Gw-1 water heating rate classes were not unbundled. For UPPCo, the Z-1, Z-2, Z-3, Z-4 (private lighting), W-1 and W-2 (water heating customer classes), and street lighting customer classes were not unbundled.

Q. WPSC has optional time of use rate schedules that it has unbundled. How does WPSC propose to treat these customers that choose to be supplied by an AES?

A. WPSC is unbundling the optional time of use rates for information only for customers that do not choose an AES. For a customer that chooses to be served by an AES, WPSC proposes to provide distribution service to residential and small C&I customers on the standard residential and small C&I customer rate schedules only and not the optional time of use customer rate schedules. Thus, an existing customer taking service under one of the optional time of use rates would be required to take distribution service under the standard energy rate schedule. For example, a customer taking service under the WPSC Rg-OTOUM customer rate schedule that desires to obtain power supply service from an AES, will be required to take distribution service from WPSC under the Rg-1M rate schedule.

Q. **The P-1, P-2, WP-1, WP-2 and Schedule A rate classes for UPPCo contain a power factor adjustment clause. How is UPPCo proposing to assess the power factor charges?**

A. We propose that a customer served according to schedule P-1, P-2, WP-1, WP-2 and Schedule A, receive a power factor charge whether the customer receives service from an AES or the Company. Under the proposed treatment, a 250 kW WP-1 customer, with an 80% power factor, and served according to schedule WP-1 for AES service, would be assessed a monthly System Power Factor Charge of $131.70. This is the same charge that the customer would receive if they purchased POWER SUPPLY SERVICE from the Company.

Q. **What is the basis for charging customers who purchase power supply from UPPCo or an AES the same amounts for low power factor?**

A. We propose the same treatment because the power factor charges provide customers with the price signal related to distribution system power factor improvement. At the same time, the system benefits of power factor correction improve not only the distribution system performance adjacent to the customer's location, but generally provide system benefits to the adjacent interconnected transmission and distribution system. These benefits of power factor improvement are shared by both customers that purchase POWER SUPPLY SERVICE from the Company as well as an AES.

Q. **What are the present provisions for System Power Factor Charges?**

A. Under present rates, for P-1, P-2, WP-1, WP-2 and Schedule A customers a system power factor charge are assessed when the customer has a monthly power factor below 85 %. These charges are assessed through upward adjustment of the billing demand, which is then applied to the monthly demand charge(s).

Q. **Are you proposing to maintain these System Power Factor Charge provisions for customers served according to the proposed P-1, P-2, WP-1, WP-2 and Schedule A services?**

A. Yes, we proposed to maintain the low power factor charges for this same set of customers whether or not they are served by the Company or an AES. The proposed system power factor charge is mainly related to distribution system power factor improvement. Furthermore, incorporating these penalty charges will preserve the revenue neutrality principle of this filing and continue to provide the same price signal to these customers.

Q. **Please provide an example of how a customer served according to proposed Schedule WP-1 is charged for low power factor?**

A. The power factor adjustment is similar for the P-1, P-2, WP-1, WP-2 and Schedule A customer classes. The following example is for a 250 kW, WP-1 customer, with a 80 % power factor, and served according to the WP-1 schedule. The System Power Factor Adjustment to the monthly billing demand is the ratio of 85 % divided by 80 % or approx. 1.06. The power factor adjustment provides for an additional 15 kW of billing demand, which, when multiplied by the total of monthly demand charges of $ 8.78 per kW provides an additional $ 131.70. This treatment is similar for P-1, P-2, WP-1, WP-2, and Schedule A customers served from the Company or an AES.

Q. Does this conclude your testimony?

A. Yes it does.