

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

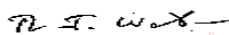
In the matter of the application of	)	
EDISON SAULT ELECTRIC COMPANY for	)	Case No.: U-14703
authority to implement a power supply cost	)	PAPERLESS FILING
recovery plan for the 12-month period	)	
ending December 31, 2006.	)	
_____	)	

**PRE-FILED TESTIMONY OF INTERVENOR,
CITY OF MACKINAC ISLAND**

Now Comes the City of Mackinac Island and offers the attached testimony of Thomas
P. Lorden from MPSC Case No. U-14707 as testimony in this matter.

Respectfully submitted,

FRASER TREBILCOCK DAVIS & DUNLAP, P.C.
Attorneys for The City of Mackinac Island


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Dated: May 19, 2006

By: _____
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1 STATE OF MICHIGAN
 2 BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION
 3 In the matter of the application of
 4 Wisconsin Electric Power Company Case No. U-14707
 5 d/b/a We Energies for approval of a power supply cost recovery plan and
 6 authorization of monthly power supply cost factors for the calendar year 2006 Volume 3
 _____/

7 CROSS-EXAMINATION

8 Proceedings held in the above-entitled matter
 9 before Daniel E. Nickerson, Jr., J.D., Administrative
 10 Law Judge, at the Michigan Public Service Commission,
 6545 Mercantile Way, Room C, Lansing, Michigan, on
 Wednesday, April 26, 2006, at 9:24 a.m.

11 APPEARANCES:

12 THOMAS J. WATERS, J.D.
 13 ROBERT B. NELSON, J.D.
 DAVID E. S. MARVIN, J.D.
 Fraser, Trebilcock, Davis & Dunlap, P.C.
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 15 (517) 482-5800
 On behalf of the Tilden Mining Company
 16
 RONALD W. BLOOMBERG, J.D.
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 Miller, Canfield, Paddock & Stone, PLC
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 19 (517) 483-4972
 On behalf of Wisconsin Electric Power Company
 20
 EMMANUEL ODUNLAMI, J.D.
 21 Assistant Attorney General
 6545 Mercantile Way, Suite 15
 22 Lansing, Michigan 48911
 On behalf of Michigan Public Service
 23 Commission Staff

24 - - -

25 REPORTED BY: Erin Stilman (CSR-3588)

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I N D E X

1		
2	WITNESS:	PAGE
3	Thomas P. Lorden	
4	Direct Examination by Mr. Bloomberg	43
	Cross-Examination by Mr. Waters	98
5	Cross-Examination by Mr. Odunlami	130
	Redirect Examination by Mr. Bloomberg	135
6	Recross-Examination by Mr. Marvin	139
7	PAUL D. SCHUMACHER	
8	Direct Examination by Mr. Bloomberg	142
	Cross-Examination by Mr. Waters	168
9	Cross-Examination by Mr. Odunlami	173
10		
11		
12		
13		
14		
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16		
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18		
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21		
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23		
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1 ~~Exhibits LP-1 through LP-24 are admitted, as well as~~
2 ~~Exhibit A-20 16 and A-17.~~

3 MR. BLOOMBERG: Thank you, your Honor.

4 At this time the Company would like to call Thomas
5 Lorden to the stand.

6 - - -

7 T H O M A S L O R D E N

8 was called as a witness on behalf of Wisconsin Electric
9 Power Company and, having been duly sworn to testify
10 the truth, was examined and testified as follows:

11 DIRECT EXAMINATION

12 BY MR. BLOOMBERG:

13 Q. Good morning. Could you please state your name for the
14 record.

15 A. Thomas P. Lorden.

16 Q. And by whom are you employed?

17 A. Wisconsin Electric Power Company.

18 Q. Did you cause to be prepared in this matter a document
19 entitled, "The Direct Testimony Of Thomas P. Lorden On
20 Behalf Of Wisconsin Electric Power Company," consisting
21 of a cover page and 47 numbered pages?

22 A. Yes, I did.

23 Q. Did you also cause to be filed in this matter a
24 document entitled, "The Rebuttal Testimony Of
25 Thomas P. Lorden On Behalf Of Wisconsin Electric Power

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- 1 Company," consisting of a cover page and two pages?
- 2 A. Yes, I did.
- 3 Q. Do you have those documents in front of you?
- 4 A. Yes, I do.
- 5 Q. Do you have any revisions or corrections to those
- 6 documents?
- 7 A. Yes, I have corrections to my direct testimony.
- 8 First correction is on page 36.
- 9 JUDGE NICKERSON: Excuse me. Off the
- 10 record.
- 11 (Discussion off the record.)
- 12 JUDGE NICKERSON: Back on the record.
- 13 Thank you, Mr. Bloomberg.
- 14 Q. (Continuing): Could you state the first correction for
- 15 me.
- 16 A. Yes, the first correction on page 36, line 8; the first
- 17 number there 2005 should be 2004.
- 18 Q. Okay. And do you have another correction?
- 19 A. Yes, I have correction on page 45, line 28, and the
- 20 amount under column PSCR Cost should be .00317.
- 21 Q. On line 27 or line 28?
- 22 A. Line 28.
- 23 Q. And the description on that line is?
- 24 A. Fuel.
- 25 Q. Thank you.

1 A. And the final correction is on page 46, line 1,
2 Purchased Power, the amount there should be a
3 positive .00070.

4 Q. Okay. Were these last two corrections you just
5 described a result of a change in the input items
6 underlying these numbers or in the calculation of these
7 numbers?

8 A. No, just a correction of the calculation.

9 Q. Do you have before you what's been marked by the court
10 reporter as proposed Exhibits A through A-15?

11 Excuse me, your Honor.

12 A. A-1 through 12?

13 Q. I'm sorry, A-1 through A-12?

14 A. Yes, I do.

15 Q. Were those prepared by you or under your direction?

16 A. Yes, they were.

17 Q. Do you have any, do those, do you have any revisions to
18 those?

19 A. Yes, I do. The first revision is to Exhibit A-1,
20 TPL-1, page 1 of 4.

21 Q. Is that revised page included in the documents before
22 you?

23 A. Yes, it is.

24 Q. Were there any other revisions to your pre-filed
25 exhibits?

1 A. Yes, there are corrections to A-2, Exhibit A-2, TPL-2,
2 page 1 and page 2.

3 Q. And are those revisions incorporated in the pages
4 marked by the court reporter?

5 A. Yes.

6 Q. If I were to ask you today the questions that were
7 included in your pre-filed direct and rebuttal
8 testimony would your answers today be the same as
9 included in there?

10 A. Yes, they would.

11 Q. Are those true and correct, to the best of your
12 knowledge?

13 A. Yes, they are.

14 MR. BLOOMBERG: Your Honor, I move for
15 the binding in of the pre-filed Direct and Rebuttal
16 Testimony of Thomas P. Lorden and move for the
17 admission of proposed Exhibits A-1 through A-12, and
18 tender the witness for cross-examination.

19 JUDGE NICKERSON: Okay. Well, any
20 objection to binding in the Direct Testimony?

21 MR. WATERS: No, your Honor.

22 MR. ODUNLAMI: No, your Honor.

23 JUDGE NICKERSON: It may be bound into
24 the record.

25

S T A T E O F M I C H I G A N
B E F O R E T H E M I C H I G A N P U B L I C S E R V I C E C O M M I S S I O N .

In the matter of the application of
WISCONSIN ELECTRIC POWER COMPANY
d/b/a We Energies for approval of a power
supply cost recovery plan and authorization
of monthly power supply cost recovery factors
for the calendar year 2006

Case No. U-14707

D I R E C T T E S T I M O N Y O F T H O M A S P . L O R D E N

O N B E H A L F O F

W I S C O N S I N E L E C T R I C P O W E R C O M P A N Y

September, 2005

WISCONSIN ELECTRIC POWER COMPANY

Before the Michigan Public Service Commission

Direct Testimony of Thomas P. Lorden

1 Q. Please state your name and business address.

2 A. Thomas P. Lorden, 231 West Michigan Street, Milwaukee,
3 Wisconsin 53203.

4 Q. What is your present employment?

5 A. I am employed by Wisconsin Electric Power Company, d/b/a We
6 Energies ("Wisconsin Electric" or "Company") as a Senior
7 Project Specialist in the Regulatory Affairs and Policy
8 Department. In this position, I am responsible for fuel
9 filing and reporting to the various regulatory agencies.

10 Q. Please describe your qualifications and background.

11 A. I earned a Bachelor of Arts Degree in Business Administration
12 from the Marquette University with a specialization in finance
13 in 1980.

14 I joined Wisconsin Electric in 1968. From 1968 to 1975, I
15 worked in the Plant Accounting Division. From 1975 until
16 1980, I held various positions in the Load Research area of
17 the Corporate Planning Department.

18 From 1980 to 1998, I was in the Rates Section. While in
19 the Rates Section, I was involved in the development of
20 numerous cost-of-service studies to support the Company's rate

1 and regulatory needs. In my previous position, as Team Leader
2 for Fossil Fuel, Nuclear and Purchase Power Accounting, I was
3 responsible for fuel accounting and reporting. I have
4 previously testified before the Michigan Public Service
5 Commission ("MPSC" or "Commission") on cost-of-service in Case
6 Nos.U-7592, U-10000 and U-10183. I have also provided
7 testimony for the 2005 Power Supply cost Recovery ("PSCR")
8 plan in Case No. U-14264, 2004 PSCR reconciliation in Case No.
9 U-13907-R, 2004 PSCR plan in Case No. U-13907, 2003 PSCR plan
10 in Case No.U-13556, 2003 PSCR reconciliation in Case No.U-
11 13556-R, 2002 PSCR plan in Case No.U-13107, 2002 PSCR
12 reconciliation in Case No.U-13107-R, 2001 PSCR plan in Case
13 No.U-12615, 2001 PSCR reconciliation in Case No.U-12615-R, the
14 1995 PSCR plan in Case No.U-10707 and the 1994 PSCR
15 reconciliation Case No.U-10428-R.

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

17 A. The purpose of my testimony is to develop the power supply
18 cost recovery factors for the period covered by the Company's
19 2006 power supply cost recovery plan. To do this, I developed
20 the average power supply costs using the projected costs for
21 January through December, 2006. The factors were calculated
22 using the base power supply costs from the generation and
23 purchased power requirements and costs as ordered by the
24 Commission in its Opinion and Order issued in Case No. U-
25 12725, on September 16, 2002. In addition, my testimony
26 describes the procurement of fossil fuel, nuclear fuel and
27 related fuel cycle services and the components involved in the
28 calculation of nuclear fuel expense.

~~economy will allow. Wisconsin Electric strongly supports a permanent national disposal facility at the Yucca Mountain site and continues to work with the Nuclear Energy Institute and the Nuclear Management Company towards the licensing and development of this site. The Company has also filed for damages in the U.S. Court of Claims for DOE's failure to begin accepting spent nuclear fuel in 1998 in accordance with the Standard Contract.~~

POWER THE FUTURE (PTF)

Q. What is the Company's PTF proposal?

A. On November 29, 2000, Wisconsin Energy Corporation ("WEC") filed an application with the PSCW regarding its PTF proposal to assure reliable, economical and environmentally responsible electric power. Based on input from customer groups and others, WEC withdrew its original PTF proposal on February 23, 2001, and replaced it with a modified proposal that employs innovative "leased generation contracts" instead of traditional PPAs. This modified proposal was filed because the crisis in the California power market and other problems involving electric power market deregulation had raised grave concerns about excessive reliance on PPAs, which are subject to federal rather than PSCW regulation. Using the lease model, instead of PPAs, allows WEC to proceed with the construction of approximately 2,900 megawatts of new generation projects, while ensuring oversight by the PSCW to protect customers' interests. The plants will include two 545-megawatt combined cycle natural gas-fired units identified as the Port Washington Generation Station ("PWGS") at the Port Washington Power Plant site. And

1 three 600-megawatt coal-fired power units identified as the Elm
2 Road Generation Station ("ERGS") are planned for the Oak Creek
3 Power Plant site.

4 Q. Why is the Company proposing to build new power plants?

5 A. In order to assure adequate generation is built to meet the
6 projected load growth on its system, the Company will need to
7 either build new power plants or continue to purchase
8 increasing amounts of power each year. The Company recognizes
9 that using a diverse fuel mix of nuclear, coal, gas, hydro and
10 renewable sources, along with purchased power will ensure
11 adequate, reliable and affordable power. Diverse fuel sources
12 for power plants enhance long-term fuel price stability and
13 provide customers with a stable, less costly electricity
14 supply.

15 Q. What is the status of the Company's PTF proposal?

16 A. The PWGS portion of the PTF initiative received approval from
17 the PSCW on December 20, 2002 in Docket No. 05-CE-117. PWGS
18 will be an intermediate load plant, providing electricity
19 during periods of heavy demand. Earlier this year, Units 4, 5
20 and 6 of the Port Washington Power Plant were demolished to
21 make room for the first new PWGS unit. Groundbreaking for the
22 first unit took place in July 2003, and the unit achieved
23 commercial operation on July 16, 2005. Demolition of units 1,
24 2, and 3 of the Port Washington power plant is underway to make
25 room for the second PWGS unit. Construction of the second unit
26 is scheduled to commence in earnest in early 2006. This unit
27 will be ready for service by the summer of 2008.

MPSC

- 43 -

Thomas P. Lorden

1 The ERGS portion of the PTF initiative received approval from
2 the PSCW for two supercritical pulverized coal ("SCPC")
3 generating units on November 10, 2003 in Docket No. 05-CE-130
4 and received an Air Pollution Control Construction Permit from
5 the Wisconsin Department of Natural Resources on January 14,
6 2004. Approval for the Integrated Gasification Combined Cycle
7 (IGCC) generating unit was not received. The CPCN for the SCPC
8 units was vacated by a Circuit Court on November 29, 2004. On
9 June 28, 2005 the Supreme Court of Wisconsin reinstated the
10 CPCN. All major permits and approvals needed to commence
11 construction were obtained by June 28, 2005. A Mobilization
12 Notice was issued to Bechtel Power Corporation on June 29, 2005
13 and site activities commenced on the same day. Full Notice to
14 Proceed was issued to Bechtel on July 29, 2005. The first SCPC
15 unit is expected to be in service in 2009 and the second unit
16 in service in 2010. Therefore the SCPC units will contribute
17 fuel costs towards system energy costs starting in 2009.

18 Q. Are the projected fuel costs of the new units associated with
19 PTF included in the PSCR forecast?

20 A. Yes. The projected system fuel costs for 2006 - 2010
21 incorporate the cost of natural gas and coal associated with
22 the new PTF units in the same manner as the cost of fuel at
23 existing Company power plants. With the advent of the PTF
24 units, power supply costs starting in 2006 will increase at
25 lower rates than if the Company met its increasing load serving
26 obligations through additional purchase of power from IPP
27 facilities, as the PTF units provide more cost effective supply
28 of power to serve load. Lower projected fuel costs are driven

MPSC _____

- 44 -

Thomas P. Lorden

1 by the PTF design basis for adding fuel diverse, efficient and
2 low overall cost of new sources of generation. To illustrate
3 this impact, as shown on Exhibit A-6 (TPL-6), total system
4 energy costs actually decrease by about \$2.77/MWh in 2008
5 (decrease from 2007) reflecting operation of the second unit at
6 PWGS for half a year.

7 Q. Is there any additional information available regarding PTF?

8 A. Yes. Additional information is available on the Web site at
9 www.wepowerthefuture.com.

10 ~~TRANSMISSION COSTS~~

11 ~~Q. Will the Company's participation in ATC improve transmission~~
12 ~~access and reliability?~~

13 ~~A. Yes. The transfer of the Company's transmission facilities to~~
14 ~~ATC, together with ATC's participation in the MISO, will~~
15 ~~benefit customers by improving reliability through the~~
16 ~~institution of a comprehensive, long-term planning process for~~
17 ~~making needed transmission enhancements and upgrades on a~~
18 ~~regional basis.~~

19 ~~Q. Is the Company active in reviewing transmission service rate~~
20 ~~proceedings by ATC and MISO?~~

21 ~~A. Yes. The Company is active in reviewing transmission rate~~
22 ~~proceedings and where/when appropriate files intervention at~~
23 ~~FERC.~~

24 ~~Q. What is the amount of transmission costs the Company is~~
25 ~~proposing to include in its 2006 PSCR plan costs?~~

26 ~~A. The 2006 PSCR plan includes the 2006 transmission costs for ATC~~
27 ~~and MISO of \$152,123,000. Exhibit A-6 (TPL-6) contain the~~
28 ~~forecasted ATC and MISO costs for the period 2006 through 2010.~~

C E R T I F I C A T E

I, Erin Stilman (CSR-3588), do hereby
certify that I reported in stenotype the proceedings had in
the above-entitled matter, being Case No. U-14707, before
Daniel E. Nickerson, Jr., J.D., Administrative Law Judge, at
the Michigan Public Service Commission, 6545 Mercantile Way,
Lansing, Michigan, on Wednesday, April 26, 2006; and do
further certify that the foregoing transcript, consisting of
145 pages, (Pages 34-178), is a true and correct transcript
of my stenotype notes.

**Erin
Stilman**

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Dated: May 8, 2006

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of	)	
EDISON SAULT ELECTRIC COMPANY for	)	Case No.: U-14703
authority to implement a power supply cost	)	PAPERLESS FILING
recovery plan for the 12-month period	)	
ending December 31, 2005.	)	
_____	)	

PROOF OF SERVICE

The undersigned certifies that a copy of **City of Mackinac Island's Pre-Filed Direct Testimony** was served on the attorneys for the parties hereto, referenced on the attached Service List, by electronically mailing the same to said attorneys at their appropriate e-mail addresses.

Doreen
Bowerman



Digitally signed by Doreen Bowerman
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Doreen Bowerman

Dated: May 19, 2006

SERVICE LIST
CASE NO. U-14703

Administrative Law Judge

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