



Upper Peninsula Power Company

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www.UPPCO.com

Written Comments:

House Bill 5145

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Upper Peninsula Power Company

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Good morning Chairman Bellino, Vice-Chair Wendzel, Vice-Chair Lasinski and members of the House Energy Committee. My name is Brett French and I am Vice President of Business Development and Communications for Upper Peninsula Power Company. Thank you for providing this opportunity to share our experiences with Net Metering and our perspectives on House Bill 5145.

UPPCO serves approximately 52,000 customers throughout 10 of the 15 counties that are located in Michigan's Upper Peninsula. We serve approximately 12 customers per square mile across 4,460 square miles of rugged Upper Peninsula terrain. Despite the rugged terrain, limited customer density and challenging environment, UPPCO and its predecessors have excelled at providing dependable service and safe, reliable energy to our valued customers for more than 100 years.

Earlier this year, we formally announced our commitment to transition our energy portfolio to more than 50% renewable energy by the year 2025. This announcement reflects the commitments we have made under the Settlement Agreement that was approved by the Michigan Public Service Commission in Case No. U-20350 pertaining to our Integrated Resource Plan. Cost-competitive, utility scale renewable energy is a key attribute of our vision for the future. We still have much work to do before this lofty goal will be achieved, but the stage is set and our resolve is unwavering.

Now I would like to share some of our experiences with Net Metering and Distributed Generation, considering these topics are the focus of House Bill 5145.

Between 2006 and mid-2016, 139 customer-owned Category 1 systems, defined as being 20 kilowatts (kW) or less, were installed and enrolled in UPPCO's Net Metering program. These systems accounted for 794 kilowatts of customer owned generation and our Category 1 Net Metering cap of 650 kW was reached on July 23, 2016.

Under the program, Net Metering customers received as much as 20.5¢/kilowatt-hour (kWh) for the excess energy they produced and exported to our distribution system. By comparison, the Company's average annual Power Supply cost was less than 4.0¢/kWh for 2019. As a result, our non-participating customers have been directly subsidizing Net Metering customers since the inception of the program by paying as much as 5 times more for the energy that is being produced by their neighbors relative to the energy that UPPCO is able to procure through various other sources, including wholesale energy markets.



After the Net Metering Cap was reached, customers were still permitted to install, and benefit from, customer-owned systems as long as they followed the Company's interconnection guidelines and processes. In fact, 28 customer-owned Category 1 systems were installed while the Net Metering moratorium was in effect. These customers received "detent meters" that allowed them to generate energy for their own needs, but prevented them from receiving a Net Metering credit for any excess energy they produced.

In June 2019, UPPCO's Distributed Generation Rider was approved by the MPSC as part of the Settlement Agreement that was reached in Docket U-20276. Under the Settlement Agreement, UPPCO's cap was increased from 1% to 2% of the Company's average peak demand for the preceding 5 years – twice the amount required by statute. Since June 2019, forty (40) additional Category 1 systems have been installed and enrolled in the Distributed Generation program.

Under the MPSC approved Distributed Generation Rider, UPPCO is currently applying a credit of 7.4¢/kWh for the excess energy that a participating customer exports to the distribution system following the MPSC-approved In-flow/Out-flow method. This is approximately double the Company's average annual Power Supply cost for 2019.

I would like to address another aspect of Net Metering that tends to get overlooked. The fixed monthly charge that a rate-regulated utility assesses its customers is insufficient to recover the true cost of constructing, operating, and maintaining the poles, wires, electrical devices, equipment, service centers and other resources necessary to run the utility. UPPCO's fixed monthly charge for a residential customer is only \$15/month per meter. This cost allocation model actually shields Net Metering customers from some of the utility's operating expenses, while burdening the non-participating customers through cross-subsidization. This is particularly true when Net Metering customers are credited the full retail rate. By way of comparison, a number of member-regulated cooperatives and municipally owned utilities have set higher fixed monthly charges in an attempt to distribute the true cost of delivering electric utility service in a more equitable manner.

In closing, we remain committed to providing all of our customers with the very best service possible at lowest possible rates. We oppose House Bill 5145 in its present form.


Thank you again for the opportunity to testify. I'm happy to take any questions you may have.




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SERVICE OVERVIEW


AREA SERVED




HYDRO ELECTRIC PLANT



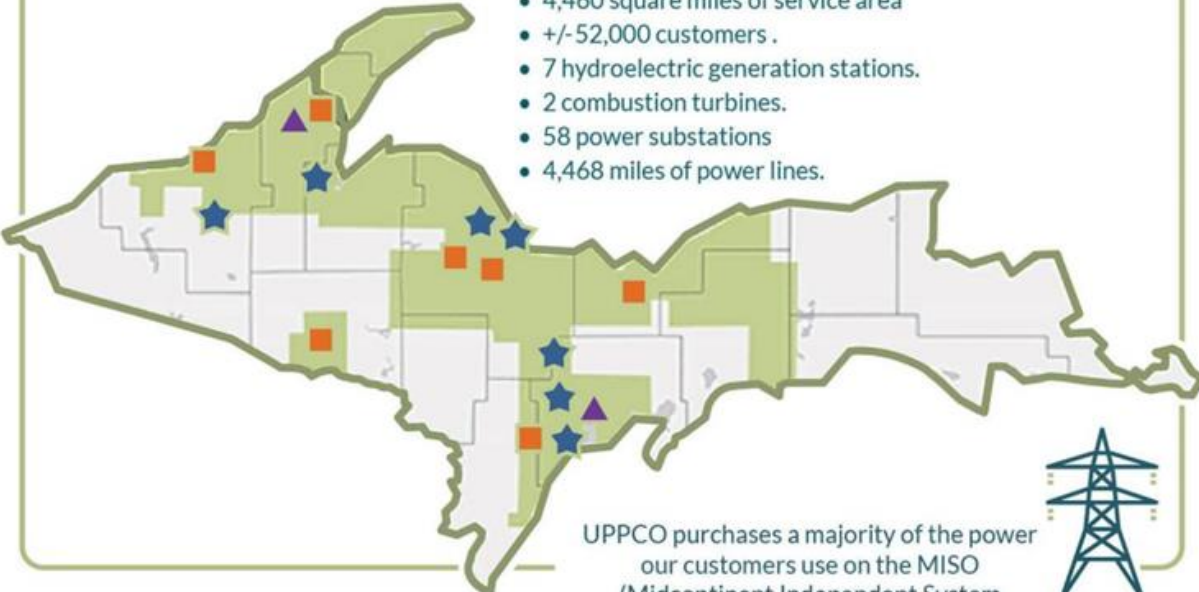
COMBUSTION TURBINE



SERVICE CENTER



- 10 Upper Peninsula counties
- 4,460 square miles of service area
- +/- 52,000 customers .
- 7 hydroelectric generation stations.
- 2 combustion turbines.
- 58 power substations
- 4,468 miles of power lines.



UPPCO purchases a majority of the power our customers use on the MISO (Midcontinent Independent System Operator) market.

