STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of )
UPPER PENINSULA POWER COMPANY ) Case No. U-16660
for a reconciliation of renewable energy revenues )
and expenses for 2011. )

At the October 31, 2012 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT:  Hon. John D. Quackenbush, Chairman
           Hon. Orjiakor N. Isiogu, Commissioner
           Hon. Greg R. White, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On June 28, 2012, Upper Peninsula Power Company (UPPCo) filed an application, with supporting testimony and an exhibit, for authority to reconcile its renewable energy revenues and expenses associated with its renewable energy plan for the 12-month period ended December 31, 2011.

A prehearing conference was held July 30, 2012, before Administrative Law Judge Mark D. Eyster. UPPCo and the Commission Staff participated in the proceedings. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that UPPCo’s 2011 renewable energy annual report satisfies the requirements of Section 51 of Public Act 295 of 2008, MCL 460.1001 et seq., and that UPPCo is in compliance with the renewable energy standards. The parties further agree that for the 12-month period ended
December 31, 2011, UPPCo was not authorized to charge, nor did it collect, a renewable energy surcharge, and thus there are no renewable energy surcharge revenues to be reconciled.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. Upper Peninsula Power Company’s application for authority to reconcile its renewable energy plan revenues and expenses for the 12-month period ended December 31, 2011 is approved.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

________________________________________
John D. Quackenbush, Chairman

By its action of October 31, 2012.

Orjiakor N. Isiogu, Commissioner

________________________________________
Mary Jo Kunkle, Executive Secretary

Greg R. White, Commissioner
STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

In the matter of the application of
UPPER PENINSULA POWER COMPANY Case No. U-16660
for a reconciliation of renewable energy
revenues and expenses for 2011.

SETTLEMENT AGREEMENT

Pursuant to MCL 24.278 and Rule 333 of the Rules of Practice and Procedure before the
Michigan Public Service Commission ("Commission"), R 460.17333, Upper Peninsula Power
Company ("UPPCO" or the "Company") and the Commission Staff ("Staff") agree as follows:

1. On June 28, 2012, the Company filed with the Commission its Renewable Energy
reconciliation application, including its Renewable Energy Annual Report ("Report") for 2011
and direct case.

2. In its direct case, UPPCO represents that for the 12-month period ending
December 31, 2011, its renewable energy plan, as approved by the Commission in Case No.
U-16586, did not include a renewable energy surcharge. Therefore, as no renewable energy
surcharges were applied to UPPCO’s customers in 2011, UPPCO reported no related collections.
Instead, the 2011 renewable energy plan provided for the Company to meet renewable energy
standards through existing power supply resources, with the costs thereof to be addressed and
accounted for through Power Supply Cost Recovery proceedings, without a separate renewable
energy surcharge.
3. On July 3, 2012, the Commission’s Executive Secretary issued the Notice of Hearing in this proceeding directing the Company to mail a copy of the Notice of Hearing to all cities, incorporated villages, townships and counties in its service area. Further, the Company was directed to publish the Notice of Hearing in daily newspapers of general circulation throughout its service area. On July 23, 2012, the Company electronically filed its affidavit of mailing and proofs of publication.

4. On July 30, 2012, Administrative Law Judge Mark D. Eyster conducted the prehearing conference. The Company and Staff attended the prehearing conference. There were no intervenors.

5. Subsequent to the prehearing conference, the parties participated in settlement discussions and agree as follows:

   a. UPPCO’s 2011 Renewable Energy Annual Report satisfies the requirements of Section 51 of Act 295, MCL 460.1001 *et seq.*, and UPPCO is in compliance with the renewable energy standards.

   b. For the 12-month period that ended December 31, 2011, UPPCO was not authorized to charge, nor did it collect, a renewable energy surcharge. Thus, there are no revenues to reconcile under Act 295 in this proceeding.

6. All the parties are of the opinion that this Settlement Agreement is reasonable, in the public interest, and will aid in the expeditious conclusion of this case.

7. This Settlement Agreement is entered into for the sole and express purpose of reaching a compromise among the parties. All offers of settlement and discussions relating to this settlement are considered privileged under Michigan Rules of Evidence, Rule 408. If the Commission approves this Settlement Agreement without modification, neither the parties to the
Settlement Agreement or the Commission shall make any reference to, or use this Settlement Agreement or the order approving it, as a reason, authority, rationale or example for taking any action or position or making any subsequent decision in any other case or proceeding, however, such references may be made to enforce or implement the provisions of this Settlement Agreement and the order approving it.

8. The parties further agree that any order approving this Settlement Agreement shall not establish precedent for future proceedings. This Settlement Agreement is based on the facts and circumstances of this case and is intended as the final disposition of Case No. U-16660. If the Commission approves this Settlement Agreement, without modification, the undersigned parties agree not to appeal, challenge or otherwise contest the Commission order approving this Settlement Agreement.

9. This Settlement Agreement is not severable. Each provision of this Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. Failure to comply with any provision of this Settlement Agreement constitutes failure to comply with the entire settlement agreement. If the Commission rejects or modifies this Settlement Agreement or any provision of this Settlement Agreement, this Settlement Agreement shall be deemed to be withdrawn. It shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall not operate to prejudice the pre-negotiation position of any party.
10. All signatories agree to waive § 81 of the Administrative Procedures Act of 1969, as amended, MCL 24.281, as it applies to the issues in this proceeding, if the Commission approves this Settlement Agreement without modification.

UPPER PENINSULA POWER COMPANY
Sherri A. Wellman

Dated: October 9, 2012
By:

Its Attorney
Sherri A. Wellman (P38989)
MILLER, CANFIELD, PADDOCK and STONE, P.L.C.
One Michigan Avenue, Suite 900
Lansing, Michigan 48933
(517) 487-2070

MICHIGAN PUBLIC SERVICE COMMISSION STAFF
Heather M. Durian

Dated: October 9, 2012
By:

Its Attorney
Heather M. Durian (P67587)
Assistant Attorneys General
Michigan Public Service Commission
6545 Mercantile Way, Suite 15
Lansing MI 48911
(517) 241-6680