

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of )  
**UPPER PENINSULA POWER COMPANY** )  
for authority to reconcile its 2000 power )  
supply costs and revenues. )  
\_\_\_\_\_ )

Case No. U-12126-R

At the April 16, 2002 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Laura Chappelle, Chairman  
Hon. David A. Svanda, Commissioner  
Hon. Robert B. Nelson, Commissioner

**OPINION AND ORDER**

**History of Proceedings**

On March 30, 2001, Upper Peninsula Power Company (UPPCo) filed an application seeking authority to reconcile its 2000 power supply cost recovery (PSCR) expenses and revenues pursuant to 1982 PA 304, as amended, MCL 460.6h et seq. (Act 304).

Pursuant to due notice, Administrative Law Judge Daniel E. Nickerson, Jr., (ALJ) conducted a prehearing conference on May 7, 2001, which was attended by UPPCo, the Residential Ratepayer Consortium (RRC), Michigan Technological University (MTU), and the Commission Staff (Staff). At the prehearing conference, the ALJ granted the petitions for leave to intervene filed by the RRC and MTU, and the parties agreed on a schedule for the remainder of the proceedings.

On September 11, 2001, the ALJ conducted the evidentiary hearing, at which two witnesses testified and three exhibits were received into evidence. Subsequently, on October 15, 2001, the

parties filed a stipulation regarding the admission of two additional exhibits into evidence.

UPPCo, the RRC, and the Staff filed timely briefs. Only UPPCo and the RRC filed reply briefs.

On December 27, 2001, the ALJ issued his Proposal for Decision (PFD), which recommended that the Commission disallow recovery by UPPCo of \$88,718 of PSCR expenses and penalties paid by UPPCo during 2000 for fuel not taken. On January 23, 2002, UPPCo filed exceptions to the PFD and a motion to reopen the proceedings. On February 6, 2002, the RRC and the Staff filed replies to exceptions and answers in opposition to the motion to reopen.

### Background

UPPCo has two separate distribution systems. Its Iron River System serves customers in and around the City of Iron River. During 2000, UPPCo experienced a PSCR underrecovery on its Iron River System of \$16,592 based on \$1,225,521 of expenses and \$1,208,929 of revenues. UPPCo's request for recovery, including interest, of the full amount of the 2000 PSCR underrecovery associated with operation of its Iron River System was not opposed by any party.

UPPCo's Integrated System serves customers in the nine Upper Peninsula counties of Alger, Baraga, Delta, Houghton, Keweenaw, Marquette, Menominee, Ontonagon, and Schoolcraft. During 2000, UPPCo experienced a PSCR underrecovery on its Integrated System of \$426,860 based on \$19,394,840 of expenses and \$18,967,980 of revenues. Major factors that contributed to the Integrated System underrecovery that were identified in UPPCo's 2000 PSCR reconciliation filing included lower than anticipated generation at UPPCo's hydroelectric facilities, higher than anticipated non-firm spot market energy prices in the region, and increases in the cost of oil and natural gas.

UPPCo has only one generating facility that is fueled by natural gas. UPPCo's Warden Station, which is located in L'Anse, Michigan, was built in 1959 as a coal-fired facility. In 1993,

Warden was converted into a facility that could be fueled by gas. At that time, the plant was taken off-line and switched from a full-time operation to a wet lay-up status.

Due to its high operating costs, Warden is normally dispatched only as a last resort in response to system security and emergency situations. However, out of concern that the summer of 2000 could involve a prolonged heat wave, UPPCo placed Warden into a higher state of readiness. Harold W. Reichardt, UPPCo's Manager of Power Supply, testified that increasing the readiness of Warden meant that UPPCo had to "nominate" or commit to take a certain amount of gas from a supplier.

The anticipated prolonged hot spell did not materialize during the summer of 2000. As a result, UPPCo only operated Warden in June 2000 to confirm generating readiness and in August 2000 to facilitate maintenance on a radial transmission line that connects L'Anse to the rest of UPPCo's Integrated System. However, its efforts to run Warden at these times were hindered by mechanical problems. In June, the start-up of Warden was delayed by a leak in the turbine oil cooler. The problems in August were due to the failure of the turning gear oil pump motor and a blown boiler tube.

These mechanical problems reduced the amount of gas consumed at Warden to below the levels that UPPCo nominated for June and August. The June nomination was 10,490 thousand cubic feet (Mcf), but consumption was limited to 5,900 Mcf. For August, 25,757 Mcf was nominated, but only 14,553 Mcf was consumed. UPPCo's failure to consume the amount of gas nominated had associated adverse financial consequences totaling \$88,718. Exhibits I-4 and A-5 indicate that UPPCo incurred charges for gas not taken of \$35,377 and penalties of \$53,341. UPPCo seeks full recovery of these amounts.

### Procedural Due Process

UPPCo contends that the ALJ erred by failing to address alleged procedural due process violations committed by the Staff and the RRC. Because the Staff and the RRC did not file direct cases regarding the disallowance of the charges for gas not taken and the penalties, choosing instead to raise those issues for the first time in their briefs based solely on the evidentiary presentation of UPPCo's witnesses, UPPCo contends that it was denied procedural due process. According to UPPCo, it could not test the credibility of the Staff's and the RRC's allegations through cross-examination or make an evidentiary presentation to rebut the contentions raised in their briefs. UPPCo is also concerned that the Staff's and the RRC's positions are based on mere conjecture, speculation, and criticism rather than on record evidence. UPPCo maintains that it expressed such concerns in its reply brief, but that the ALJ did not rule on the issue. Accordingly, UPPCo insists that the ALJ's failure to address this issue discredits the recommendations in the PFD.

The RRC states that although UPPCo's due process theory is supported by a plethora of case citations, the cited cases do not buttress UPPCo's primary point of contention. According to the RRC, the positions taken by the RRC and the Staff do not offend the requirement that facts presented in an argument must be based on record evidence. Rather, the RRC maintains that both the RRC and the Staff based their challenges on facts in the record. The RRC also suggests that UPPCo's expenditures for fuel burned at Warden were identified as a major issue through the RRC's discovery questions and through the cross-examination of UPPCo's witnesses. According to the RRC, UPPCo was responsible for its sparse and deceptive evidentiary presentation and cannot complain if its witnesses' testimony is deemed inadequate.

The Staff argues that the positions taken in its brief were based on the record and in no way violated UPPCo's due process rights. Indeed, the Staff contends the UPPCo is solely to blame for the inadequacy of its evidentiary presentation. According to the Staff, the due process argument is a red herring that was interjected to divert attention from the paucity of evidence offered in support of the application.

The Commission finds that UPPCo's claim of procedural due process violations should be rejected. At the heart of UPPCo's argument is the suggestion that due process is violated if a party that fails to submit any proofs of its own is allowed to subsequently argue on brief that the record evidence falls short of fulfilling the applicant's burden of persuasion. The Commission finds that UPPCo's contention lacks merit. It is the duty of the applicant in a PSCR reconciliation proceeding to prove its case and opposing parties are not obligated to introduce any evidence if the applicant's case falls short of the evidentiary standards established in Section 6j(15) of Act 304, MCL 460.6j(15), which will be discussed in greater detail in the remainder of this order.

#### Disallowances

UPPCo maintains that the ALJ erred in failing to find that the contested charges for gas not taken of \$35,377 and penalties of \$53,341 are recoverable from UPPCo's PSCR customers. According to UPPCo, Mr. Reichardt's direct testimony establishes that UPPCo did not unreasonably or imprudently incur charges for fuel not taken. UPPCo also maintains that Mr. Reichardt testified that UPPCo "had not unreasonably or imprudently incurred any penalty charges in 2000." UPPCo's exceptions, p. 2. Further, UPPCo asserts that although these facts were disclosed to both the Staff and the RRC on July 3, 2001 through service of its response to the RRC's discovery request 1-RRC-4, neither the Staff nor the RRC bothered to file direct cases on the issue of the charges for gas not taken or the penalties.

Citing Mr. Reichardt's unrefuted testimony, UPPCo contends that it established a factual basis for a determination that Warden needed to be readied for use during 2000 and that there was no other alternative source of supply due to UPPCo's inability to import additional energy. In addition, UPPCo stresses that its use of Warden during August 2000 was required to serve customers in L'Anse. Moreover, UPPCo argues that Mr. Reichardt confirmed that the mechanical problems experienced during the June and August start-ups were not due to UPPCo's negligence or mismanagement.

Given its evidentiary presentation and due to the failure of the Staff or the RRC to present any witnesses, UPPCo insists that the ALJ improperly placed the burden on UPPCo to prove that the inclusion of charges for gas not taken and penalties in the company's gas supply contract was reasonable and prudent. According to UPPCo, the ALJ's reliance on Section 6j(3) of Act 304, MCL 460.6j(3), which concerns the contents of an electric utility's annual PSCR plan, was misplaced. In UPPCo's opinion, Section 6j(3) is inapplicable to PSCR reconciliation proceedings because the Legislature intended plan reviews and reconciliations to be two separate proceedings. In support of this contention, UPPCo states that "[s]ubsection (12) of Act 304 specifically provides that issues regarding the reasonableness and prudence of expenses that could not have been considered adequately in a plan review shall be considered in the reconciliation. Conversely, issues that could have been adequately considered at the plan review shall not be considered in the reconciliation." UPPCo's exceptions, p. 5.

UPPCo maintains that its view regarding the narrow scope of PSCR reconciliations with regard to the role of Section 6j(3) is further confirmed by Sections 6j(13)(f) and (h), MCL 460.6j(13)(f) and (h). Arguing that these provisions require the disallowance of charges unreasonably or imprudently incurred for fuel not taken and penalty charges unreasonably or

imprudently incurred, UPPCo asserts that the Legislature clearly recognized that there would be times when a utility would incur a penalty under the terms of a contract and that the issue of recovery of the penalty should focus on the facts and circumstances underlying the penalty. UPPCo contends that such facts and circumstances, which because of their timing could not have been adequately considered in the plan review, may be addressed in the PSCR reconciliation proceeding. However, UPPCo argues that it was improper for the ALJ to inquire into whether the underlying penalty provision in the contract was reasonable.

In any event, UPPCo asserts that “[t]he contractual provisions questioned by the ALJ were already in existence in this guarantee-firm-delivery contract at the time of UPPCo’s 2000 plan case.” UPPCo’s exceptions, p. 5-6. Therefore, UPPCo reasons that because the terms and conditions of contracts and power supply arrangements were considered and approved by the Commission in its February 22, 2000 order in Case No. U-12126, UPPCo’s 2000 PSCR plan proceeding, such matters were not proper issues for the 2000 reconciliation case and that the ALJ erred by requiring UPPCo to satisfy Section 6j(3) in this proceeding.

Finally, UPPCo argues that the ALJ unfairly impugned Mr. Reichardt’s credibility by commenting that Mr. Reichardt may not have been entirely candid in his testimony regarding the charges for gas not taken and penalties. UPPCo contends that there is no record evidence that it attempted to withhold information or mislead anyone. UPPCo also contends that Mr. Reichardt’s credibility was never attacked on the stand and that his testimony was never contradicted. According to UPPCo, Mr. Reichardt’s testimony is entitled to full evidentiary weight and is sufficient to establish that UPPCo fulfilled its burden of proving that the mechanical problems at Warden did not result from UPPCo’s negligence or mismanagement. Therefore, UPPCo insists that the charges for fuel not taken and penalties were not unreasonably or imprudently incurred.

In commenting on UPPCo's exceptions, the RRC notes that UPPCo failed to mention that its 2000 PSCR plan did not include an explanation or description of the terms or provisions of the contract provision that resulted in the \$88,718 of excess costs and penalties, which is required by Section 6j(3). Further, the RRC states that UPPCo also overlooks any mention of the fact that its 2000 PSCR plan was approved as a result of a settlement agreement rather than after a full litigation of the issues.

The RRC also argues that UPPCo's exceptions misrepresent the ALJ's discussion and findings with regard to the application of Section 6j(3) to this proceeding. In so doing, the RRC quotes at length from the PFD to dispel UPPCo's contention that the ALJ improperly focused on Section 6j(3). Indeed, the RRC points to the ALJ's discussion of the interplay between Sections 6j(3) and 6j(13), and maintains that the ALJ properly determined that UPPCo failed to carry its burden of proof with regard to the proposed disallowances.

In its exceptions, the Staff relies on the position taken in its brief, which focused on certain misleading statements made by UPPCo witness Reichardt, whose direct testimony implied that there were no charges for fuel not taken in 2000 and unequivocally stated that no penalty charges on fuel were incurred by UPPCo during 2000, despite UPPCo's payment of \$88,718 for excess costs and penalties.

The Commission finds that UPPCo's complaints regarding the ALJ's recommended disallowance of \$88,718 for excess costs and penalties should be rejected. Section 6j(15) of Act 304 provides, in part:

In its order in a power supply cost reconciliation, the commission shall authorize a utility to recover from customers any net amount by which the amount determined to have been recovered over the period covered was less than the amount determined to have been actually expended by the utility for power supply, and to have been incurred through reasonable and prudent actions not precluded by the commission order in the power supply and cost review.

For excess costs incurred through management actions contrary to the commission's power supply and cost review order, the commission shall authorize a utility to recover costs incurred for power supply in the reconciliation period in excess of the amount recovered over the period only if the utility demonstrates by clear and convincing evidence that the excess expenses were beyond the ability of the utility to control through reasonable and prudent actions. For excess costs incurred through management actions consistent with the commission's power supply and cost review order, the commission shall authorize a utility to recover costs incurred for power supply in the reconciliation period in excess of the amount recovered over the period only if the utility demonstrates that the level of such expenses resulted from reasonable and prudent management actions.

MCL 460.6j(15).

The recovery of excess PSCR costs is not automatic. The first sentence of MCL 460.6j(15) establishes that an electric utility's excess PSCR costs are recoverable only if the costs were incurred through reasonable and prudent actions not precluded by an order in the company's PSCR plan. Further, the second and third sentences establish the level of proof necessary to persuade the Commission to grant recovery of excess costs deemed recoverable under the first sentence of MCL 460.6j(15).

The test established by the second sentence of MCL 460.6j(15) covers situations in which the excess costs are incurred due to management actions that were contrary to the Commission's order in the company's PSCR plan case. To recover "contrary" costs, the utility must establish by clear and convincing evidence that the excess expenses were beyond the ability of the utility to control through reasonable and prudent actions, which is a significant barrier. Evidence is clear and convincing if it produces in the mind of the fact finder a firm belief or conviction as to the truth of the allegations sought to be established and is so clear, direct, weighty, and convincing that the fact finder comes to a clear conviction, without hesitancy, as to the truth of the facts in dispute. In re Martin, 450 Mich 204; 538 NW2d 399 (1995).

The test established by the third sentence of MCL 460.6j(15) covers situations in which the *excess costs are incurred due to management actions that were consistent with the Commission's order in the company's PSCR plan case*. To recover "consistent" costs, the utility must demonstrate by a simple preponderance of evidence that the level of such expenses resulted from reasonable and prudent management actions.

The parties have not addressed whether this case is controlled by the second or the third sentence of MCL 460.6j(15), but the Commission need not determine that issue because the Commission is persuaded that UPPCo's evidentiary presentation falls short of both standards. *In arriving at this determination, the Commission finds that UPPCo's factual presentation was incomplete and lacking in credibility*. As filed, UPPCo's 2000 PSCR reconciliation case contained a material misrepresentation of fact regarding whether UPPCo had incurred any fuel-related penalties during 2000 and in another instance relied on an improperly structured question and answer that failed to reveal its incurrence of additional costs for fuel not taken. The ALJ characterized UPPCo's factual presentation as "perplexing." PFD, p. 10. In so doing, he indicated that Mr. Reichardt's testimony contained "either a miscommunication regarding the exact question asked or a cleverly crafted answer and response designed to mislead." PFD, p. 10. Additionally, the ALJ concluded that the flawed factual presentation raised serious concerns about the credibility of UPPCo and its witness.

The Commission places significant weight on specific credibility findings of its ALJs because an ALJ has the advantage of basing his or her determinations on the demeanor of the witnesses rather than upon the review of a transcript. Nothing in UPPCo's exceptions persuades the Commission that the ALJ misjudged the situation. Mr. Reichardt testified that UPPCo had not *incurred any fuel-related penalties during 2000, which was not true*. Additionally, Mr. Reichardt's

testimony regarding the payments for gas not taken was, at best, confusing and incomplete. Further, when cross-examined regarding the unusually high cost of producing power at Warden, Mr. Reichardt repeatedly was unable to respond to the questions because he lacked the necessary information underlying his testimony. Only after the RRC's hearing room request for such information was granted by the ALJ over objection by UPPCo did Mr. Reichardt provide some clarification on the record of UPPCo's 2000 PSCR reconciliation filing. In addition, the Commission notes that despite the submission of two post-hearing exhibits, UPPCo still seeks to supplement the record through its motion to reopen.

The Commission is persuaded that a great deal of confusion could have been avoided if UPPCo's initial filing more completely and accurately explained its operation of Warden during 2000. UPPCo should have clearly and candidly disclosed the incurrence of costs for gas not taken and its payment of penalties during 2000. Rather, UPPCo's application and the supporting documentation failed to discuss these matters in any depth and the scant information that does appear is either inaccurate or misleading.

In addition, Mr. Reichardt's testimony provides only bare assertions that UPPCo's management actions were reasonable and prudent. For example, the root causes of the mechanical failures at Warden were not identified. Additionally, although agreeing that the start-ups of Warden in June and August of 2000 were "non-emergency situations that could have been planned in advance of actual operation," he provided no detailed information about such plans, the details of which should have been presented for review by the Commission.

In other cases of mechanical failures at generating facilities that resulted in increased power supply costs, utilities provided involved explanations of the cause of the incidents. See, the February 23, 1995 order in Case No. U-10155-R, the September 14, 1990 order in Case

No. U-8866-R, and the June 16, 1987 order in Case No. U-7785-R. UPPCo's presentation provides no such details.

UPPCo's suggestion in footnote 3 of its exceptions that the terms and conditions of the Warden guarantee-firm-delivery contract were "present evidence" that was considered and approved by the Commission in its February 22, 2000 order in Case No. U-12126, which it maintains would bar the Commission from considering that issue in this proceeding pursuant to Section 6j(12), MCL 460.6j(12), lacks credible evidentiary support. Rather, it appears that UPPCo neglected to provide any factual basis for such determination in either Case No. U-12126 or Case No. U-12126-R. UPPCo correctly points out that the settlement agreement approved by the February 22 order indicates that the parties to Case No. U-12126 agreed that "based on present evidence, [UPPCo's 2000 PSCR plan] does not include any item of cost the Commission could reasonably anticipate disallowing under Section 6j(13)." UPPCo's exceptions, footnote 3, p. 6. However, an examination of UPPCo's 2000 PSCR plan establishes that UPPCo did not provide any proposed evidentiary support regarding the reasonableness or prudence of any contractual provisions for supplying fuel to Warden, which means that the issue regarding the reasonableness and prudence of Warden expenses was not "considered adequately" in that proceeding within the meaning of Section 6j(3) of Act 304.

UPPCo's 2000 PSCR plan, as presented in Mr. Reichardt's proposed testimony in Case No. U-12126, indicates that UPPCo did not plan to generate any power at Warden during 2000:

Q. Are there to be any planned changes in the status of the Warden Station in 2000?

A. No. I have not scheduled any Warden dispatch during 2000. The Station has not been operated since August 1998, but it is available for start-up in 2000 if, for example, there were to be prolonged price spikes such as occurred in 1998 and 1999.

Case No. 12126, Mr. Reichardt's direct testimony, p. 4 (emphasis added).

In addition, later in his proposed testimony in Case No. U-12126, Mr. Reichardt explained that forecasts of utilization of generating resources for meeting emergency situations are not included in UPPCo's budgeting process due to their unpredictability and the availability of economical opportunity purchases, which would account for the nonexistence of any projected generation or associated fuel costs for Warden in UPPCo's 2000 PSCR plan. Therefore, contrary to UPPCo's allegations, nothing in the record of this case or in Case No. U-12126 indicates that the contractual provisions questioned by the ALJ were already in existence at the time UPPCo's 2000 plan case was under consideration or that the details of UPPCo's 2000 fuel supply arrangements for Warden were previously considered and approved by the Commission in Case No. U-12126. For this reason, the Commission finds that the ALJ correctly relied on UPPCo's failure to "address the reasonableness and prudence of contracting for take-or-pay and penalty provisions in the first place." PFD, p. 10.

Section 6j(12) of Act 304, which requires the Commission to conduct PSCR reconciliation proceedings, obligates the Commission to consider any issue regarding the reasonableness and prudence of expenses for which customers were charged if the issue was not considered adequately at a previously conducted PSCR case. This provision of Section 6j(12) exists to complement the inquiry in PSCR plan proceedings that is required by Section 6j(3), which requires an electric utility to describe all major contracts and power supply arrangements entered into by the utility for providing power supply during the specified 12-month period. Pursuant to Section 6j(3), at a minimum, a utility must describe its fuel supply contracts and arrangements, including the price of fuel and the duration of the contract or arrangement.

Because the issue of the reasonableness and prudence of UPPCo's 2000 fuel arrangements for Warden was not considered adequately in UPPCo's 2000 PSCR plan, Section 6j(12) requires the

Commission to address that issue in this proceeding. The Commission agrees with the ALJ that UPPCo was required to submit proofs on this issue, including the operation of Warden during 2000, and failed to do so. For this reason, the Commission finds that the ALJ's recommended disallowance of \$88,718 should be adopted.

#### Motion to Reopen

UPPCo's exceptions to the PFD were accompanied by a motion to reopen the proceeding pursuant to R 460.17401 (Rule 401). According to UPPCo, reopening the record is necessary for development of a complete and full record, which would be in the public interest. Moreover, UPPCo states that it did not know that it would be called upon to comply with Section 6j(3) of Act 304, which relates exclusively to PSCR plan proceedings, in developing its PSCR reconciliation case. Additionally, UPPCo insists that it was denied fundamental due process rights when the ALJ allowed the Staff and the RRC to address the disallowance of charges and penalties associated with gas not taken for the first time in their briefs.

The RRC maintains that UPPCo has offered no explanation why the additional information that it now wishes to introduce into evidence could not have been presented during the hearing. Citing MCL 462.26 as an analogy, the RRC insists that UPPCo's motion should be rejected for lack of a showing of good cause to reopen the proceedings.

The Staff argues that UPPCo filed the motion to reopen the proofs simply because UPPCo is not satisfied with the ALJ's recommendations. According to the Staff, UPPCo had an adequate opportunity to meet its burden of proof and should be held responsible for its failure to do so.

The Commission finds that UPPCo's motion to reopen should be denied. UPPCo has provided insufficient justification for reopening the record. There is no claim that the evidence that it now seeks to admit was not available at the time of the hearing. Rather, UPPCo claims that

it did not realize any need for the evidence until its position had been rejected in the PFD. This claim does not meet the standards for reopening stated in Rule 401.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1982 PA 304, as amended, MCL 460.6h et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACS, R 460.17101 et seq.
- b. UPPCo's motion to reopen the proceeding should be denied.
- c. UPPCo should reconcile its 2000 PSCR expenses and revenues in accordance with this order.

THEREFORE, IT IS ORDERED that:

- A. Upper Peninsula Power Company's motion to reopen the proceeding is denied.
- B. Upper Peninsula Power Company shall reconcile its 2000 power supply cost recovery expenses and revenues in accordance with this order. In so doing, Upper Peninsula Power Company shall use the surcharge factors that have been attached to this order as Exhibits A and B.

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

/s/ Laura Chappelle  
Chairman

( S E A L )

/s/ David A. Svanda  
Commissioner

/s/ Robert B. Nelson  
Commissioner

By its action of April 16, 2002.

/s/ Dorothy Wideman  
Its Executive Secretary

UPPER PENINSULA POWER COMPANY  
2000 INTEGRATED SYSTEM PSCR SUMMARY

LINE	DESCRIPTION	<u>2000</u>	<u>Prior Year PSCR</u>
1	2000 Net Over/(Under) Recovery	(\$338,142)	\$10,484
2	2000 INTEREST	\$33,866	\$411
3	SUBTOTAL	----- (\$304,276)	----- \$10,895
4	Interest for 2001 @ 6.65% Interest for 2001 @ 11.75%	(\$20,234)	\$1,280
5	Balance through 2001	(\$324,510)	\$12,175
6	Interest for 2002 @ 6.65% Interest for 2002 @ 11.75%	(\$7,193)	\$477
7	Balance through April, 2002	(\$324,510)	\$12,652
8	Interest for surcharge months May, 2002 thru August, 2002 @ 6.65% @ 11.75%	(\$3,597)	\$248
9	Totals	(\$328,107)	\$12,899
10	AMOUNT TO BE SURCHARGED	\$315,208	
11	Projected PSCR Sales from 2002 PSCR Plan (kWh)	228,520,000	
12	Surcharge Factor per kWh May thru August, 2002	\$0.00138	


UPPER PENINSULA POWER COMPANY  
2000 IRON RIVER PSCR SUMMARY

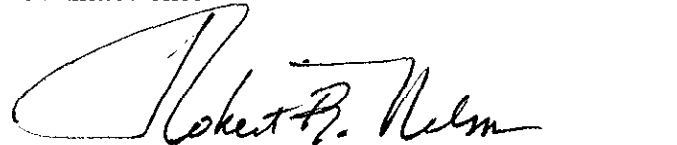
LINE	DESCRIPTION	<u>2000</u>	<u>Prior Year PSCR</u>
1	2000 Net Over/(Under) Recovery	(\$16,591)	\$3,205
2	2000 INTEREST	\$937	\$126
3	SUBTOTAL	----- (\$15,654)	----- \$3,331
4	Interest for 2001 @ 6.65% Interest for 2001 @ 11.75%	(\$1,041)	\$391
5	Balance through 2001	(\$16,695)	\$3,722
6	Interest for 2002 @ 6.65% Interest for 2002 @ 11.75%	(\$370)	\$146
7	Balance through April, 2002	(\$16,695)	\$3,868
8	Interest for Surcharge Month May, 2002 @ 6.65% @ 11.75%	(\$185)	\$76
9	Totals	(\$16,880)	\$3,943
10	AMOUNT TO BE SURCHARGED	\$12,937	
11	Projected PSCR Sales from 2002 PSCR Plan (kWh)	3,454,000	
12	Surcharge Factor per kWh May, 2002	\$0.00375	

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.

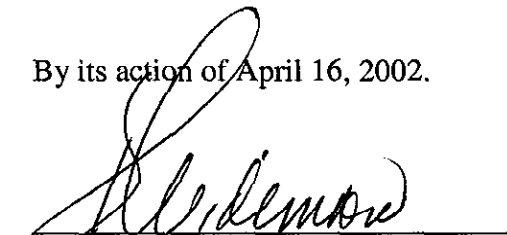
MICHIGAN PUBLIC SERVICE COMMISSION

  
Chairman

  
Commissioner

  
Commissioner

By its action of April 16, 2002.

  
Its Executive Secretary