



Upper Peninsula Power Co. IRP

1. What is an Integrated Resource Plan (IRP) and why is it important?

An Integrated Resource Plan (IRP) is a roadmap for how an electric utility will meet its future electricity needs to serve customers in a cost-effective, reliable manner. A plan addresses issues such as the utility's expected customer demand, retirement of existing power plants, and the timing and amount of new electricity sources such as natural gas fired generation and renewable energy. A plan also addresses programs that assist customers in reducing their energy waste, which can help to lower utility bills, increase electric reliability, and positively impact the environment now and well into the future. An approved IRP allows for the utility to obtain pre-approval for the recovery of costs of specific near-term projects proposed in the plan. Public Act 341 of 2016 instituted a transparent planning process and requires all rate-regulated utilities to submit IRPs to the Michigan Public Service Commission (MPSC or Commission) for review and approval.

2. What did Upper Peninsula Power Company (UPPCo) propose in its IRP?

In its February 12, 2019 [application](#) in Case No. [U-20350](#), UPPCo requested approval of its IRP and proposed course of action (PCA) for meeting the energy and capacity needs of its customers through the 2037 planning period. UPPCo's PCA consisted of:

- increasing its energy waste reduction (EWR) goal to 1.5% of its total electric load;
- moving certain existing hydroelectric generating facilities "in front of the meter" to increase capacity credits with the Midcontinent Independent System Operator, Inc. (MISO);
- executing a long-term, 125 megawatt (MW) solar power purchase agreement (PPA) (commencing in 2022), with a financial compensation mechanism (FCM), based on imputed debt, for the utility as an incentive;
- retiring the utility's existing Portage combustion turbine (CT) unit and replacing it with a 20 MW natural gas reciprocating internal combustion engine (RICE) unit in the eastern portion of the utility's service territory (commencing in 2022); and
- updating its Public Utility Regulatory Policies Act of 1978 (PURPA) avoided costs originally established in Case No. U-18094.

3. How is the IRP evaluated by the MPSC? What factors does it consider?

To approve an IRP, the MPSC must determine that a proposed plan represents the "most reasonable and prudent" means of meeting the utility's needs. A plan needs to appropriately balance factors related to reliability, environmental compliance, competitive pricing, and diversity of supply. A plan must also determine whether levels of planned peak load reduction and energy waste reduction are reasonable and cost-effective. In making its decision, the Commission considers all testimony and evidence submitted to the record by the parties to the case.

4. Did the Commission approve, deny, or recommend changes to UPPCo's IRP?

The Commission has 300 days from the initial filing date to approve, deny, or recommend changes to a utility's IRP. On December 6, 2019, the Commission issued an order recommending changes to UPPCo's IRP and set forth the options for parties to file comments addressing the recommendations within 15 days and for UPPCo to submit a revised IRP, in accordance with MCL 460.6t(7), within 30 days. Comments were received by six parties. UPPCo timely filed a revised IRP.

5. What changes did the Commission recommend to UPPCo's IRP in its December 6, 2019 order?

The Commission's recommended changes included the following:

- removal of the FCM request;
- removal of the RICE unit proposal;
- removal of the accounting treatment request for the Portage CT insurance settlement, as agreed to by UPPCo;
- inclusion of EWR targets of 1.65% for planning year 2020 and 1.75% for planning year 2021, with details to be determined in EWR plan cases, as agreed to by UPPCo; and
- changes to PURPA [avoided costs](#) and inclusion of a five-year planning horizon for PURPA capacity, as chiefly agreed to by UPPCo.

6. What did UPPCo include in its revised IRP?

UPPCo accepted the Commission's recommendations except with regard to the recommendation concerning the utility's FCM, to which UPPCo submitted a modified and clarified FCM request. As recommended by the Commission, UPPCo removed its RICE unit proposal in this case and discussed plans to address the issue of reliability in the Upper Peninsula. This will include providing a 120-day update in this case as recommended by the MPSC Staff in comments.

7. What did the Commission decide in its final order issued on February 6, 2020?

The Commission approved a settlement agreement subsequently signed by all parties to the case except two. The parties not participating in the agreement each submitted statements of non-objection to the settlement. The settlement agreement largely accepts aspects of UPPCo's revised IRP, including the removal of the RICE unit proposal pending further analysis to be provided in the 120-day update to be filed in June. The settlement agreement also included an FCM that was lower than what UPPCo proposed in either its initial IRP or the modified plan, and also included UPPCo's agreement to pursue two 10-year wind PPA contracts with Circle Power for the Norton Wind and Scotia Wind projects.

8. When will UPPCo file its next IRP?

Pursuant to the settlement agreement, UPPCo will file a new IRP by December 6, 2024.

For more information, visit:

[MPSC Website](#)

[Avoided Cost Fact Sheet](#)

[MPSC Case U-20350](#)

[Integrated Resource Planning Issue Brief](#)

[IRP Filing Requirements](#)

February 6, 2020

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