

EXHIBIT 3

5-UR-107

09/24/2014 (aff)

PSC REF#:205489

Public Service Commission of Wisconsin
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January 31, 2014

VIA ELECTRONIC FILING

Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First St., N.E.
Washington, D.C. 20426

**Re: Midcontinent Independent System Operator, Inc.
System Support Resources Agreement with Wisconsin Electric Power
Company; Docket No. ER14 - ____ -000**

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d and Part 35 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations, 18 C.F.R. § 35, *et. seq.*, the Midcontinent Independent System Operator, Inc. ("MISO") respectfully submits to FERC for approval a System Support Resource ("SSR") Agreement by and between Wisconsin Electric Power Company ("Wisconsin Electric") and MISO. The SSR Agreement submitted herewith generally conforms to the *pro forma* agreement in Attachment Y-1 of MISO's Open Access Transmission, Energy and Operating Reserve Markets Tariff ("Tariff").¹

I. BACKGROUND

The SSR Tariff provisions permit MISO to negotiate compensation for selected Generation Resources² where a Market Participant desires to retire or suspend operation of a facility but MISO determines that the facility is needed to maintain system reliability.³ Market Participants must submit an Attachment Y Notice to MISO at least 26 weeks in advance of any plan to retire or suspend operation of a generation unit or a Synchronous Condenser Unit. Based upon information submitted by the Market Participant, and MISO's knowledge of transmission system conditions, MISO will determine if the facility should be designated as an SSR Unit.

¹ On September 21, 2012, the Commission conditionally approved amendments to the SSR provisions in the Tariff to become effective on September 24, 2012, subject to compliance filings. *See Midwest Indep. Transmission Sys. Operator, Inc.*, 140 FERC ¶ 61,237 (2012) ("SSR Order"); *see also Compliance Filing of the Midwest Indep. Transmission Sys. Operator, Inc.*, FERC eLibrary Accession No. 20121218-5147, Docket No. ER12-2302 (filed Dec. 18, 2012).

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Upon such designation, MISO will enter into agreements with Market Participants that own or operate an SSR Unit to allow for recovery of certain going-forward costs, offset by any expected payments for resource adequacy and net revenues from energy market transactions. The costs pursuant to an SSR Agreement generally are assigned to the entities serving load in the affected control areas (*i.e.*, Load Serving Entities or “LSEs”).⁴

Wisconsin Electric owns the Presque Isle facilities located in Marquette, Michigan. These facilities include five major generating units that provide approximately 344 MW of capacity, and are the subject of this submission. Presque Isle has coal-fired steam boilers that were installed in the 1974-1979 period. On August 1, 2013, Wisconsin Electric submitted an Attachment Y to MISO for suspension of Presque Isle Units 5-9, beginning on February 1, 2014 and resuming operations June 1, 2015. Operations would resume before Mercury and Air Toxics Standards (“MATS”) would go into effect on April 1, 2016. MISO completed its analysis of the Attachment Y Notice and Mr. Jeffrey R. Webb, MISO’s Senior Director of Expansion Planning, notified Wisconsin Electric on October 16, 2013 that Presque Isle Units 5-9 would be designated an SSR Unit until such time as appropriate alternatives could be implemented to mitigate reliability issues. MISO concluded that the proposed suspension of Presque Isle during the sixteen month suspension period, without curtailment of load by means of demand response or other alternative, would result in violations of specific applicable reliability standards. As a result, MISO designated Presque Isle Units 5-9 as SSR Units until such time as appropriate alternatives can be implemented to mitigate reliability issues.

MISO began working with Wisconsin Electric and the MISO Independent Market Monitor (“IMM”) to negotiate and develop an appropriate SSR Agreement. Wisconsin Electric submitted a draft SSR Agreement for MISO’s consideration, and Wisconsin Electric agreed to a twelve (12) month SSR Agreement for the period between February 1, 2014 and January 31, 2014. Wisconsin Electric has voluntarily agreed to continue operating the Presque Isle units on and after February 1, 2014.

II. KEY ELEMENTS OF THE SSR AGREEMENT

MISO submits the enclosed SSR Agreement to the Commission for approval as a just and reasonable agreement to ensure Transmission System reliability in the MISO Region. The SSR Order required, among other things, that MISO: (1) submit an SSR Agreement for Commission approval; (2) provide a description of alternatives that were evaluated; (3) discuss the estimated earliest termination date for the SSR Agreement; and (4) explain how MISO would ensure grid reliability once the SSR Unit retires.⁵ As discussed herein, the SSR Agreement maintains the

² Capitalized terms not otherwise defined herein have the meanings ascribed thereto in Section 1 of the Tariff.

³ See generally SSR Order at PP 2-4 (discussing the approval of the SSR provisions).

⁴ See Section 38.2.7.k of the Tariff (formerly Section 38.2.7.j).

⁵ SSR Order at P 10.

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reliability of the MISO system and, as the Tariff requires, provides for equitable compensation for the SSR Unit's continued availability.

A. Proposed Modifications to the Attachment Y-1 Form Agreement

As discussed herein, there are “novel legal issues or other unique factors” that justify departures from the *pro forma* SSR agreement⁶ and that are consistent with Commission precedent. Specifically, MISO proposes several modifications in the enclosed SSR Agreement to the form agreement found in MISO compliance filing in late 2012 that proposed slight modifications to the Attachment Y-1 found in MISO's Tariff,⁷ including:

(1) “MISO” is used throughout the Agreement to designate the current name for the Midcontinent Independent System Operator (including in an initial definition of “MISO Region”);

(2) The *pro forma* is modified throughout the SSR Agreement to recognize that Presque Isle is composed of five major generating units, and actions under the SSR Agreement may take place regarding individual units or all units combined;

(3) “FERC” is added as a clarifying abbreviation for the Federal Energy Regulatory Commission Section 2.A (an abbreviation is extensively used in Section 9 of the SSR Agreement);

(4) “Financing Person,” a term used in Section 13.B and 13.C but not defined in the Tariff, is defined in Section 2.C.

⁶ See *Midwest Indep. Transmission Sys. Operator, Inc.*, 142 FERC ¶ 61,170 (2013) (granting MISO the authority to depart from the Attachment Y-1 *pro forma* SSR Agreement); see also *New York Indep. Sys. Operator*, 139 FERC ¶ 61,180 (2012); *Pacific Gas and Electric Co.*, 128 FERC 61,175 (2009) (“The Commission recognizes that allowing non-conforming agreements may result in interconnection customers being treated differently, but nonetheless finds it to be necessary in certain situations.”); see e.g., *Midwest Indep. Transmission Sys. Operator*, 131 FERC 61,199, 62 (2010) (accepting non-conforming interconnection agreement is necessary to allow entities to retain the distinct status afforded to them by Minnesota law); *Florida Power & Light Co.*, 118 FERC ¶ 61,176 (2007) (permitting departure from *pro forma* indemnification provision in LGIA); *Midwest Indep. Transmission Sys. Operator*, 112 FERC 61,270 (2005) (granting departures from *pro forma* LGIA “because of the ownership structure of the wind generating facilities.”).

⁷ *Compliance Filing of the Midwest Indep. Transmission Sys. Operator, Inc.*, FERC eLibrary Accession No. 20121218-5147, Docket No. ER12-2302 (filed Dec. 18, 2012). The compliance filing is the basis for the redlined SSR Agreement. References to the Tariff within the SSR Agreement are to the December filing. See Exhibit D (SSR Agreement), Section 2.A.

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(5) Section 3.A(3) has been modified to add “at least” before ninety days’ notice of termination to reflect MISO’s intent to provide advance notice to Wisconsin Electric;

(6) Section 3.A(5) has been modified to provide for “at least one hundred eighty (180) days” notice for extension of the SSR Agreement, for a longer period than in the *pro forma* that provides for “ninety (90) days” notice. The longer period for notice reflects the longer than usual planning period for the coal procurement and delivery process for Presque Isle, where coal is delivered via Lake Superior during a shipping period (approximately April-December) that is limited by ice during part of the year;

(7) Section 3.D recognizes that two-hour advance notice that is provided for under Section 7.A(2) of the *pro forma* agreement cannot be practically provided in writing;

(8) Section 4.A(5) and (6) use the lower case for “prior agreement,” recognizing that the term is not set out for special definition in either the SSR Agreement or MISO’s Tariff. Section 4.A(6) is also modified to correct the final phrase to agree with the intended phrase that is located in at the end of Section 4.A(5);

(9) Section 7.A(2) clarifies that a capacity test is conducted when a Unit is on-line “and declared dispatchable”;

(10) Section 7.C(3) contains a change from “purchase” to “dispatch” to more precisely describe the action taken by MISO towards the SSR Unit;

(11) A new provision has been added as Section 7.D, clarifying that the SSR Unit will be subject to the Module E-1 capacity testing requirements that became effective on October 1, 2012, which are not included in the *pro forma* SSR Agreement.⁸ The Module E-1 capacity testing requirements will not preempt the approved Capacity Tests in Section 7.A of the Agreement;

(12) A new provision has been added as Section 7.E, stating that MISO and Wisconsin Electric will coordinate their schedules to permit Wisconsin Electric to undergo both testing for capacity and for other requirements (such as for “environmental and insurance requirements”);

(13) The Operation provisions in Section 8 have been revised to clarify maintenance, planning data, and delivery obligations to be consistent with other Tariff provisions.⁹ Section 8.A. clarifies that Participant shall follow MISO’s outage scheduling system and that MISO shall

⁸ On June 11, 2012, the Commission conditionally approved MISO’s new Module E-1 Tariff language, to become effective on October 1, 2012. *See Midwest Indep. Transmission Sys. Operator, Inc.*, 139 FERC ¶ 61,199 (2012).

⁹ Section 38.2.5.g of MISO’s Tariff requires that all Market Participants coordinate their Generator Planned Outage schedules with MISO, which occur through MISO’s CROW procedures.

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approve or reject Generator Planned Outages in accordance with MISO's Business Practices Manuals. Section 8.B clarifies Participant's obligations to notify MISO of the availability of the SSR Units. Section 8.C clarifies that MISO shall notify Wisconsin Electric of the hours and levels, if any, that the SSR Unit is to operate through day-ahead commitment and real-time dispatch for system reliability. Section 8.C further clarifies that the set point in the real-time dispatch shall be considered the "Delivery Plan" for the purposes of the SSR Agreement. These changes ensure that MISO and Wisconsin Electric have a common understanding of how the SSR Units are to be made available to MISO for system reliability and the SSR Units may be otherwise operated. Section 8.C also clarifies that all Offers from the SSR Units during the term of the SSR Agreement shall be cost-based;

(14) The responsibilities for providing information regarding Operational Limitations is placed on the incorrect party in Section 8.B(3) in the *pro forma*, and that matter is corrected in conformance with the general obligations on the Participant in Section 8.B and regarding the Environmental Limitations that are partly the topic of Section 8.B(3);

(15) The Payment Provisions in Section 9 are modified to reflect MISO Settlement provisions and the terms/conditions of Exhibit 2;¹⁰

(16) Section 9.D(1) has been amended to clarify that Monthly SSR Payments will be proportionately reduced, in part, based upon performance of each Presque Isle Unit within a tolerance band of plus or minus five megawatts and conformance for reactive capability according to NERC standards (consistent with Section 8.C(2) use of NERC standards). The tolerance band facilitates management of operating performance using existing processes while maintaining sufficient availability of generation to avoid reliability issues;¹¹

(17) Section 9.D(3) has been modified to clarify that the SSR Agreement is entered into to ensure the reliability of the "MISO Transmission System," as that term is defined in Section 1.677 of the MISO Tariff;

(18) Section 9.D(4) has been modified to clarify that the ceiling on lowering payments to Wisconsin Electric as the result of a Misconduct Event applies to all Presque Isle units subject to the SSR Agreement;

(19) The *pro forma* for Section 9.D(5) provides for MISO notice to Participant of any determination of an unexcused Misconduct Event, and MISO has additionally agreed to provide that notice to Wisconsin Electric "within twenty-four (24) hours of such determination" by MISO;

¹⁰ Attachment Y-1 did not include Tariff details regarding cost recovery provisions when it was originally drafted, which are included in Exhibit 2 as required by the SSR Order. *See* SSR Order at P 140.

¹¹ *See* Exhibit B, Attachment Y Study Report.

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(20) Section 9.D(7) has been added to clarify that SSR payments are reduced if the Tested Capacity falls short of the SSR Capacity (defined in Section 1.E) and if the SSR Units do not fully respond to MISO dispatches under circumstances where the reductions are unexcused;

(21) Provisions were added to Section 9.E to address compensation for unanticipated repairs. This section provides an equitable mechanism for Wisconsin Electric to receive cost recovery for unanticipated repairs required to maintain system reliability. Section 9.E also provides that MISO will make a Section 205 filing before any such unanticipated repair costs are incurred by Wisconsin Electric, except in the case of certain emergency repairs. These provisions protect MISO and LSEs by requiring a Section 205 filing before non-emergency unanticipated repair costs are incurred, at which point the Commission would determine the necessity of allocating the unanticipated repairs costs to LSEs pursuant to Schedule 43G. MATS-associated costs do not qualify as “unanticipated repairs,” as specifically provided in Section 9.E;¹²

(22) Section 9.F was included to reference the allocation of SSR Agreement costs to LSEs that benefit from the operation of the SSR Units, in accordance with MISO Schedule 43G, which is being filed concurrently;

(23) Good Utility Practice, as that term is used in MISO’s Tariff, is inserted into Section 10 to further explain the obligations to restore conditions to those contemplated by the SSR agreement following any material breach of the SSR Agreement;

(24) Section 13.A contains references to Indiana as the choice in law (the location of MISO’s headquarters), made consistent with the provision in Section 11.A regarding monetary damages as provided for under Indiana law;

(25) Section 13.C through 13.P are re-lettered for clarity and readability purposes, and Section 13.O(16) makes a spelling correction from “work” to “word”; and

(26) Exhibit 2 was drafted to provide a description of how Wisconsin Electric will be compensated for the fixed component of costs and the variable component for instances where MISO dispatches Wisconsin Electric for system reliability purposes. Reference is made to the applicable Tariff Settlement provisions. Sections 9 has been adjusted to correspond to the compensation and settlement provisions arrived at by MISO and Wisconsin Electric. Among these provisions, Exhibit 2 provides for compensation reductions in the event that MISO terminates the SSR Agreement for some of the five Units, and the reduction will take place according to the results of a Section 205 filing.¹³ A Section 205 filing would also determine

¹² See SSR Order at P 139. The compensation provision for unanticipated repairs was previously accepted by the Commission. See, e.g., 144 FERC ¶61,151 (2013) (Harbor Beach SSR agreement).

¹³ The 205 filing provisions in Exhibit 2 are similar to those for filing the costs of unanticipated repairs in Section 9.E of the SSR Agreement. The provisions for a Section 205 filing in the

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compensation for certain coal costs that could not be mitigated under circumstances where MISO terminates for some of the five Units. The possibility of coal costs that could not be mitigated in connection with termination of the SSR Agreement is connected, as discussed above, with the limited coal shipping season on Lake Superior.

The proposed modifications are also generally consistent with the enhancements that were conditionally approved by the Commission in the SSR Order, and are just and reasonable given the circumstances involving the SSR Units.

B. Review of Feasible Alternatives and Stakeholder Involvement

MISO notes that the SSR Agreement is being filed pursuant to Section 38.2.7 of the Tariff, and Attachment Y-1 of the Tariff, which, among other things, require MISO to “assess feasible alternatives”¹⁴ to entering into an SSR Agreement. MISO has assessed available feasible alternatives to entering into this SSR Agreement, as described in more detail in the enclosed Exhibit B, Attachment Y Study Report.¹⁵ These assessments cover the topics of new generation or generation redispatch, system reconfiguration and operation guidelines, demand response, and transmission projects.

The attached Attachment Y Study report states the alternatives to the SSR Agreement that were reviewed for suspension of operations at Presque Isle. West Technical Study Task Force (“West TSTF”) stakeholder meetings were held regarding Presque Isle on November 20, 2013, December 19, 2013, and January 17, 2014. The need for the number of Presque Isle Units and possible alternatives were discussed. The end result of this series of West TSTF meetings was the absence of any significant debate over the near-term need for the SSR status for the Presque Isle Units. These discussions included questions related to the possibility of load reductions in the area around Presque Isle. Such a possibility will be further analyzed near the date for notice to Wisconsin Electric regarding any renewal of the Agreement, according to the 180-day provision in the SSR Agreement mentioned above.

During the stakeholder discussions, new generation was not identified as an alternative, generation re-dispatch would not mitigate all the issues observed, demand response is not available over a large area in order to make it practical as an alternative, and reconfiguration would not resolve the reliability problems. Few, if any, transmission upgrades adjustments could be implemented within the timeframe for the suspension period. No significant feedback from

event of unanticipated repairs were previously accepted by the Commission. *See, e.g.*, 144 FERC ¶61,151 (2013) (Harbor Beach SSR agreement).

¹⁴ Section 38.2.7.c of the Tariff.

¹⁵ SSR Order at P 80; *see* Exhibit B, Attachment Y Study Report, Section VII (“Alternatives Analysis,” providing a review and consideration of (a) system reconfiguration and operation guidelines, (b) generation redispatch, (c) new generation, (d) demand response, (e) new generation and demand response, and (f) transmission projects as a means of no longer needing the SSR Units for system reliability.

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stakeholders was received to help resolve these matters regarding substitutes for an SSR arrangement that would involve all five Presque Isle Units.

C. Likely Timing for SSR Agreement Termination

The SSR Order requires that MISO report on its estimate of how long the SSR Agreement will need to remain in effect,¹⁶ and also directs MISO to modify the Attachment Y-1 *pro forma* SSR Agreement to include language that an SSR Agreement must not exceed a one-year term, except in exigent circumstances.¹⁷ The SSR Agreement appears to be required for the entirety of the suspension period proposed by Wisconsin Electric for Presque Isle.

Moreover, pursuant to Section 38.2.7.1 of the Tariff,¹⁸ MISO shall annually review the SSR Unit and grid characteristics to determine whether the SSR Unit is qualified to remain as an SSR Unit. Additionally, under both the Tariff and the SSR Agreement, MISO retains the right to terminate this SSR Agreement prior to the end of the Term by giving ninety (90) days written notice to the Participant. In accordance with Section 38.2.7e¹⁹ of the Tariff, the proposed term of the SSR Agreement is twelve months.

D. How MISO Will Maintain System Reliability After the SSR Agreement Terminates

As described in the Attachment Y Study Report, alternatives to the SSR Agreement were reviewed in light of submission by Wisconsin Electric of a request to Suspend operations at Presque Isle. Transmission upgrades will not be in place before the return of Presque Isle to service, and therefore transmission upgrades are not planned for service after the SSR Agreement terminates.

E. Proposed Effective Date of SSR Agreement

As discussed in the contemporaneously filed transmittal letter for Schedule 43G, MISO requests a February 1, 2014 effective date for the SSR Agreement as well as for Schedule 43G. Wisconsin Electric's Attachment Y Notice to MISO, dated August 1, 2013,²⁰ requested to suspend Presque Isle on February 1, 2014. MISO completed its reliability analysis and deemed that Presque Isle Units 5-9 were required for reliability and notified Wisconsin Electric that the facilities qualified to become SSR Units. As required by the Tariff, MISO and Wisconsin Electric entered into good faith negotiations over the proper compensation to include in the SSR Agreement. Through the present date, Wisconsin Electric has maintained the availability of the SSR Units (*i.e.* Units 5-9 remained available to maintain system reliability) pursuant to MISO's request, and Wisconsin Electric will incur costs during the term of the SSR Agreement. The

¹⁶ SSR Order at PP 134-135.

¹⁷ *Id.* at P 106.

¹⁸ *See also* former Section 38.2.7.j of the Tariff.

¹⁹ *See also* former Section 38.2.7.d of the Tariff.

²⁰ *See* Exhibit A.

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SSR agreement and the associated Schedule 43G are being submitted as soon as possible following the complexities involved in working through the notification, evaluation, decision-making, and negotiation process, including those related to assessing the feasibility of possible alternatives to the designation of the Presque Isle units as an SSR Units.

MISO respectfully requests that the February 1, 2014 effective date be granted either through waiver of the prior notice rule or by treating the SSR Agreement as a filed service agreement. Good cause exists to grant the waiver of the prior notice rule. The delay in filing the SSR Agreement was a consequence, in part, of the fact that negotiation of the SSR Agreement could not be completed by the requested effective date, but the Tariff required the SSR Units to remain available. Notwithstanding this delay, Wisconsin Electric will maintain its SSR Units to ensure that they are available to maintain reliability.

The waiver is also required to permit MISO to comply with its Tariff and Commission precedent on the SSR program. Section 38.2.7 of the Tariff provides that SSR Units are due “equitable compensation” in exchange for maintaining availability past its required shut-down date, in this case, February 1, 2014. Moreover, in approving the SSR program, the Commission explained that the SSR Units should be “fully compensated” and that “nothing in the SSR program would require a generator to absorb any uncompensated going-forward costs.”²¹ If the February 1, 2014 effective date is not granted for the SSR Agreement and Rate Schedule 43G, then Wisconsin Electric will have provided SSR service on an uncompensated basis while the required Tariff process took its course. This would be an inequitable outcome, and one that would seem to violate both the Tariff and Commission precedent.

In the alternative, MISO requests an effective date of February 1, 2014, consistent with the Commission’s rule that service agreements must be filed within 30 days of commencing service.²² The SSR Agreement is a *pro forma* agreement included in the Tariff, the executed versions of which are therefore service agreements.

For the foregoing reasons, MISO respectfully requests that the Commission waive its sixty (60) day notice requirement, as specified in Section 35.3(a) of the Commission’s regulations, 18 C.F.R. § 35.3(a), and make the SSR Agreement effective as of February 1, 2014. To the extent that the Commission determines that any requirement of 18 C.F.R. § 35 apply that

²¹ See also *Midwest Indep. Transmission Sys. Operator, Inc.*, 109 FERC ¶ 61,157, at P 293 (2004) (“Finally, we emphasize that all SSR units should be fully compensated for any costs incurred because of their extended service. For example, nothing in the SSR program would require a generator to absorb any uncompensated going-forward costs.”).

²² Under the Commission’s regulations, public utilities may adopt standard form service agreements which are included as part of the utility’s tariff on file with the Commission. 18 C.F.R. § 35.10a(a). The Commission’s regulations further provide that service agreements (defined at 18 C.F.R. § 35.2 as “an agreement that authorizes a customer to take electric service under the terms of a tariff”) need only be filed within thirty days after service has commenced. 18 C.F.R. § 35.3(a)(2).

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have not been specifically addressed herein, MISO respectfully requests waiver of such requirements.

F. SSR Cost Determination

Consistent with the SSR Order,²³ MISO has negotiated in good faith with Wisconsin Electric to develop just and reasonable rates to compensate Wisconsin Electric for operating the SSR Units. The enclosed Direct Testimony of Christine T. Akkala, Director of Power Marketing and Planning for Wisconsin Electric, is enclosed as Exhibit E and supports the proposed rates.²⁴ The compensation provided to Wisconsin Electric for the SSR Unit status is just and reasonable and is no more than necessary to maintain the availability of the SSR Units for such time as needed to maintain reliability.²⁵ The IMM and MISO have reviewed the financial operating cost information provided by Wisconsin Electric for Presque Isle and have agreed to a negotiated monthly amount of \$4,352,832 as equitable compensation for maintaining five Presque Isle units in operational status.²⁶ While Wisconsin Electric maintains that a higher level of cost recovery would be justified under the Tariff, Wisconsin Electric has agreed to the negotiated rate contained in the SSR Agreement for the purposes of timely regulatory approval and certainty.

The SSR Agreement for Presque Isle provides for variable generation costs when MISO dispatches an SSR Units to maintain system reliability. The SSR Agreement also contains equitable mechanisms to ensure that when the SSR Units are dispatched, Wisconsin Electric will not receive market revenues above variable generation costs.

The SSR Agreement does not contain compensation for environmental upgrades associated with meeting MATS in 2016. MATS-associated costs do not qualify as “unanticipated repairs” under the Agreement.²⁷ Given that Wisconsin Electric proposes to suspend Presque Isle, costs associated with meeting those requirements do meet the description in the Tariff of “going forward costs.”²⁸

In contrast to other reliability must-run contracts filed at the Commission, the SSR Agreement does not represent a “fully loaded” cost-of-service rate. The rates do not include, for example, a rate of return on rate base, depreciation, or other cost components of a full cost-based rate.

²³ SSR Order at P 140.

²⁴ Exhibit E (Direct Testimony of Christine T. Akkala).

²⁵ *Id.* at 5.

²⁶ Exhibit 2 to the SSR Agreement provides for reducing the Monthly SSR Payment if fewer than five Units are required in the future. In the unlikely event that fewer Units would be needed in the first year of SSR status, common costs for the Presque Isle generating units would be evaluated and presented to the Commission in a 205 filing to provide an alternative level of monthly compensation.

²⁷ See Exhibit D (SSR Agreement), Section 9.E.

²⁸ Tariff Section 38.2.7.i.

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Moreover, the termination clause of the SSR Agreement will permit MISO to terminate the agreement on 90 days' notice in MISO's sole discretion, so customers will not have to pay the SSR costs for any longer than necessary to ensure system reliability.

G. SSR Cost Recovery

The Tariff requires that the costs associated with the SSR Agreement will be allocated to all LSEs that benefit from the operation of the SSR Units, as proposed in the new Rate Schedule 43G. The allocation is consistent with revised Section 38.2.7.k of the Tariff (which the Commission conditionally approved in Docket No. ER12-2302²⁹) to allocate costs pursuant to the SSR Agreement to the LSEs that require the operation of the SSR Units for reliability purposes. Consistent with the SSR Order,³⁰ MISO is contemporaneously submitting a new Rate Schedule 43G in a separate FERC filing to address cost recovery of the SSR costs.³¹

III. DOCUMENTS SUBMITTED WITH THIS FILING

The documents submitted with this filing include the following:

Exhibit A	-	Attachment Y Notice
Exhibit B – Non-Public	-	Attachment Y Study Report
Exhibit B – Public	-	Attachment Y Study Report
Exhibit C	-	Redline of SSR Agreement
Exhibit D	-	Clean version of SSR Agreement
Exhibit E	-	Direct Testimony of Christine T. Akkala

IV. EFFECTIVE DATE

MISO respectfully requests that the Commission waive its sixty (60) day notice requirement, as specified in Section 35.3(a) of the Commission's regulations, 18 C.F.R. §

²⁹ SSR Order at P 153; *see also* former Section 38.2.7.j of the Tariff.

³⁰ SSR Order at P 155.

³¹ MISO respectfully requests that the this filing and the related Rate Schedule 43F proceeding be consolidated, consistent with the Commission's practice to consolidate matters where there are common issues of law or fact and consolidation will ultimately result in greater administrative efficiency. *See e.g., Sw. Power Pool, Inc.*, 125 FERC ¶ 61,001, at P 26 (2008); *Startrans IO L.L.C.*, 122 FERC ¶ 61,306, at P 64 (2008); *PP&L Resources, Inc.*, 90 FERC ¶ 61,203, at 61,653 (2000).

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35.3(a), and make this SSR Agreement effective as of February 1, 2014. To the extent that the Commission determines that any requirement of 18 C.F.R. § 35 apply that have not been specifically addressed herein, MISO respectfully requests waiver of such requirements.

V. NOTICE AND SERVICE

MISO has served a copy of this filing electronically, including attachments, upon all Tariff Customers under the Open Access Transmission, Energy and Operating Reserve Markets Tariff, MISO Members, Member representatives of Transmission Owners and Non-Transmission Owners, MISO's Advisory Committee participants, as well as all state commissions within the Region.

In addition, the filing has been posted electronically on MISO's website at <https://www.misoenergy.org/Library/FERCFilingsOrders/Pages/FERCFilings.aspx> for other interested parties in this matter.

VI. COMMUNICATIONS

Communications regarding this filing should be addressed to the following individuals, whose names should be placed on the official service list established by the Secretary in this proceeding:

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Matthew R. Dorsett*
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* Persons authorized to receive service

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VII. CONCLUSION

For all of the foregoing reasons, MISO respectfully requests that the Commission accept the proposed SSR Agreement, grant the proposed effective date of February 1, 2014, and grant waiver of any Commission regulations not addressed herein that the Commission may deem applicable to this filing.

Sincerely,

/s/ Jeffrey L. Small

Jeffrey L. Small

Matthew R. Dorsett

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EXHIBIT D - CLEAN

SA 6506 Presque Isle - MISO SSR Agreement Version 31.0.0 Effective 2/1/2014

Original Service Agreement No. 6502

ATTACHMENT Y-1

Standard Form System Support Resource (“SSR”) Agreement

Between

Wisconsin Electric Power Company

and

The Midwest Independent Transmission System Operator, Inc.

MISO
FERC Electric Tariff
ATTACHMENTS

ATTACHMENT Y-1
Standard Form System Support Resource (SSR) Agreement
30.0.0

ATTACHMENT Y-1

Standard Form System Support Resource (“SSR”) Agreement

Between

Wisconsin Electric Power Company

and

Midcontinent Independent System Operator, Inc.

This SSR Agreement (“Agreement”), effective as of the 1st of February, 2014 (“Effective Date”), is entered into by and between Wisconsin Electric Power Company, a corporation having offices located in Milwaukee, Wisconsin (“Participant”) and Midcontinent Independent System Operator, Inc. (“MISO”).

Recitals

WHEREAS:

- A. Participant owns or operates one or more Generation Resources or a Synchronous Condenser Unit (“SCU”) as defined in the MISO Tariff, and MISO requires Participant to supply service in the region served by MISO (“MISO Region”) in order to maintain the reliability of the Transmission System;
- B. MISO is the Regional Transmission Organization (“RTO”) for the MISO Region; and
- C. The Parties enter into this Agreement in order to establish the terms and conditions by which MISO and Participant will discharge their respective duties and responsibilities under the MISO Tariff.

Effective On: November 19, 2013

MISO
FERC Electric Tariff
ATTACHMENTS

ATTACHMENT Y-1
Standard Form System Support Resource (SSR) Agreement
30.0.0

Agreements

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein,
MISO and Participant (the "Parties") hereby agree as follows:

Section 1. Unit-Specific Terms.

- A. Start Date: February 1, 2014.
- B. Start Time: 0000 Hrs.
- C. Units: Presque Isle Units 5-9 (located in Marquette, Michigan).

The units described above may also be referred to as the "Designated Units" or "Units" or "SSR Units" ("SSR Unit," "Designated Unit," or "SSR Unit" if reference to a single unit) in this Agreement.

- D. Description of Units:

Presque Isle Units 5 and 6 – Coal Fired 55 MW Steam Generators (each);

Presque Isle Units 7-9 – Coal Fired 78 MW Steam Generators (each); and,

supported by Diesel Generators (2) to supply emergency auxiliary power for only the generating units

as may be described in more detail on Exhibit 1 attached hereto.

- E. Name Plate Information

SSR Units: Presque Isle Units 5-9, 90 MW nameplate

- (a) SSR Capacity in MW:
For purposes of this Agreement, the term "SSR Capacity" shall mean the

Effective On: November 19, 2013

unit capabilities stated in Exhibit 1.

- (b) Power Factor Lagging
 - (i) 0.90 P.F. (at Generator Main Leads)
 - (ii) _____ P.F. (at high side of Main Power Transformer)
- (c) Power Factor Leading
 - (i) 0.95 P.F. (at Generator Main Leads)
 - (ii) _____ P.F. (at high side of Main Power Transformer)

F. Delivery Points:

WEC.PSQIGI5, WEC.PSQIGI6, WEC.PSQIGI7, WEC.PSQIGI8, and WEC.PSQIGI9

G. Revenue Meter Location (Use Resource IDs): N/A

H. Operational and Environmental Limitations (check and describe all that apply):

SSR Units:

- (a) Operational
 - Maximum annual hours of operation: No limit through May 31, 2015
 - Maximum annual MWh: No limit through May 31, 2015
 - Maximum annual starts: twenty-four (24) per Unit
 - Other: _____
- (b) Environmental
 - Maximum annual NO_x emissions: The Consent Decree filed October 1, 2007 in U.S. District Court for the Eastern District of Wisconsin to resolve

allegations of violation of the New Source Review and New Source Performance Standard requirements under the Clean Air Act brought by the US Environmental Protection Agency and Michigan Department of Environmental Quality (“Consent Decree”) requires Presque Isle to meet 12-month rolling tonnage limits, starting with the 12-month period ending December 31, 2015 (the initial 12-month rolling NO_x limit is 7,376 tons). The combined units must not exceed 1/12th of the applicable rolling limit in any month.

Maximum annual SO₂ emissions: The Consent Decree requires Presque Isle to meet 12-month rolling tonnage limits starting with the 12-month period ending December 31, 2015 (the initial 12-month rolling SO₂ limit is 17,257 tons). The Units must not exceed 1/12th of the applicable rolling limit in any month.

Other: The operation of the Units shall be subject to any additional limitations that may be imposed by the Michigan Department of Environmental Quality during the Term of this Agreement.

Section 2. Definitions.

- A. Unless herein defined, all definitions and acronyms found in the MISO Tariff shall be incorporated by reference into this Agreement and all references to Section 38.2.7 of the MISO Tariff shall be to those provisions as filed by MISO in FERC Docket No. ER12-2302 on December 18, 2012.

- B. “MISO Tariff” shall mean the document adopted by MISO, and subject to review by the Federal Energy Regulatory Commission (“FERC”), including any attachments or exhibits referenced in that document, as amended from time to time, that contains the scheduling, operating, planning, reliability, and settlement (including customer registration) policies, rules, guidelines, procedures, standards, and criteria of MISO. For the purposes of determining responsibilities and rights at a given time, the MISO Tariff, as amended in accordance with the change procedure(s) described in the MISO Tariff, in effect at the time of the performance or non-performance of an action, shall govern with respect to that action.
- C. “Financing Person” shall mean any secured party, trustee, or mortgagee of an assigning Party, where the assignment is made for collateral security purposes.

Section 3. Term and Termination.

A. Term.

- (1) This Agreement is effective beginning on the Effective Date.
- (2) An SSR Agreement must not exceed a one (1) year term, except in exigent circumstances.
- (3) The “Term” of this Agreement is a period of twelve (12) months (starting on the Effective Date, the “Initial Term”); provided, however, that MISO, in its sole discretion, may terminate this Agreement for one or more Units prior to the end of the Term by giving at least ninety (90) days advance written notice to Participant.

- (4) The period beginning on the Start Date and ending when the Agreement terminates is called the “Full Term” of this Agreement.
- (5) An Initial Term may be extended by MISO if MISO provides at least one hundred eighty (180) days advance notice of such extension to the Participant.
- B. Termination by Participant. Participant may, at its option, immediately terminate this Agreement upon the failure of MISO to continue to be certified by the Federal Energy Regulatory Commission as an RTO.
- C. Effect of Termination and Survival of Terms. If this Agreement is terminated by a Party pursuant to the terms hereof with respect to any Unit, the rights and obligations of the Parties hereunder with respect to such Unit shall terminate, except that (1) the rights and obligations of the Parties that have accrued under this Agreement prior to the date of termination shall survive and (2) the rights and obligations of the Parties relating to any Unit with respect to which this Agreement has not been terminated shall survive.
- D. Notice. All notices (except for the two-hour advance notice specified in Section 7.A.(2) and operating notices exchanged in the ordinary course of business) required to be given under this Agreement shall be in writing, and shall be deemed delivered three (3) days after being deposited in the U.S. mail, first class postage prepaid, registered (or certified) mail, return receipt requested, addressed to the other Party at the address specified in this Agreement or shall be deemed delivered on the day of receipt if sent in another manner requiring a signed receipt, such as courier delivery or Federal Express delivery. Either Party may change its address for such notices by delivering to the other Party a written

MISO
FERC Electric Tariff
ATTACHMENTS

ATTACHMENT Y-1
Standard Form System Support Resource (SSR) Agreement
30.0.0

notice referring specifically to this Agreement. Notices required hereunder shall be in accordance with the applicable Sections of the MISO Tariff.

If to MISO:

General Counsel
Midcontinent Independent System Operator
720 City Center Drive
Carmel, IN 46032
Tel. No. (317) 249-5400

If to Participant:

Director – Power Marketing and Planning
Wisconsin Electric Power Company
333 W. Everett St. – A214
Milwaukee, WI 53203
Tel. No. (414) 221-2345

Cc:

General Counsel
Wisconsin Electric Power Company
333 W. Everett St.
Milwaukee, WI 53203
Tel. No. (414) 221-2345

Section 4. Representations, Warranties, and Covenants.

A. Participant represents, warrants, and covenants that:

- (1) Participant is duly organized, validly existing and in good standing under the laws of the jurisdiction under which it is organized, and is authorized to do business in the MISO Region;
- (2) Participant has full power and authority to enter into this Agreement and perform all of Participant's obligations, representations, warranties, and covenants under this Agreement;

Effective On: November 19, 2013

- (3) Participant's past, present and future agreements or Participant's organizational charter or bylaws, if any, or any provision of any indenture, mortgage, lien, lease, agreement, order, judgment, or decree to which Participant is a party or by which its assets or properties are bound do not materially affect performance of Participant's obligations under this Agreement;
- (4) The execution, delivery and performance of this Agreement by Participant have been duly authorized by all requisite action of its governing body;
- (5) Except as set out in an exhibit (if any) to this Agreement, MISO has not, within the twenty-four (24) months preceding the Effective Date, terminated for Default any prior agreement with Participant, any company of which Participant is a successor in interest, or any Affiliate of Participant;
- (6) If any Defaults are disclosed on any such exhibit mentioned in subsection 4.A(5), either (a) MISO has been paid, before execution of this Agreement, all sums due to it in relation to such prior agreement, or (b) MISO, in its reasonable judgment, has determined that this Agreement is necessary for system reliability, and Participant has made alternate arrangements satisfactory to MISO for the resolution of the Default under the prior agreement with Participant, any company of which Participant is a successor in interest, or any Affiliate of Participant;
- (7) Participant has obtained, or will obtain prior to beginning performance under this Agreement, all licenses, registrations, certifications, permits and other authorizations and has taken, or will take prior to beginning performance under this Agreement, all actions required by applicable laws or governmental

regulations except licenses, registrations, certifications, permits or other authorizations that do not materially affect performance under this Agreement;

- (8) Participant is not in violation of any laws, ordinances, or governmental rules, regulations or order of any Governmental Authority or arbitration board materially affecting performance of this Agreement and to which it is subject;
- (9) Participant is not Bankrupt, does not contemplate becoming Bankrupt nor, to its knowledge, will become Bankrupt;
- (10) Participant acknowledges that it has received and is familiar with the MISO Tariff; and
- (11) Participant acknowledges and affirms that the foregoing representations, warranties, and covenants are continuing in nature throughout the term of this Agreement. For purposes of this Section, “materially affecting performance” means resulting in a materially adverse effect on Participant’s performance of its obligations under this Agreement.

B. MISO represents, warrants, and covenants that:

- (1) MISO is the RTO certified under 18 C.F.R. §35.34 for the MISO Region and the subject Generation Resource/SCU is located within the MISO Region;
- (2) MISO is duly organized, validly existing and in good standing under the laws of Delaware, and is authorized to do business in the MISO Region;

- (3) MISO has full power and authority to enter into this Agreement and perform all of MISO's obligations, representations, warranties, and covenants under this Agreement;
- (4) MISO's past, present and future agreements or MISO's organizational charter or bylaws, if any, or any provision of any indenture, mortgage, lien, lease, agreement, order, judgment, or decree to which MISO is a party or by which its assets or properties are bound do not materially affect performance of MISO's obligations under this Agreement;
- (5) The execution, delivery and performance of this Agreement by MISO have been duly authorized by all requisite action of its governing body;
- (6) MISO has obtained, or will obtain prior to beginning performance under this Agreement, all licenses, registrations, certifications, permits and other authorizations and has taken, or will take prior to beginning performance under this Agreement, all actions required by applicable laws or governmental regulations except licenses, registrations, certifications, permits or other authorizations that do not materially affect performance under this Agreement;
- (7) MISO is not in violation of any laws, ordinances, or governmental rules, regulations or order of any Governmental Authority or arbitration board materially affecting performance of this Agreement and to which it is subject;
- (8) MISO is not Bankrupt, does not contemplate becoming Bankrupt nor, to its knowledge, will become Bankrupt; and

- (9) MISO acknowledges and affirms that the foregoing representations, warranties, and covenants are continuing in nature throughout the term of this Agreement. For purposes of this Section, “materially affecting performance,” means resulting in a materially adverse effect on MISO’s performance of its obligations under this Agreement.

Section 5. Participant Obligations.

Participant shall comply with, and be bound by, the MISO Tariff as it pertains to the provision of SSR Service.

Section 6. MISO Obligations.

MISO shall comply with, and be bound by, all MISO Tariff provisions.

Section 7. Capacity Tests for SSR Units.

A. Capacity Tests for SSR Reliability.

- (1) A “Capacity Test” is a one-hour performance test of an SSR Unit by Participant. The capacity as shown by a Capacity Test is called “Tested Capacity” and is determined by the applicable net meter readings during the Capacity Test.
- (2) MISO may require that a Capacity Test be run at MISO’s discretion at any time when an SSR Unit is on-line and declared dispatchable, but MISO may not require more than four (4) Capacity Tests for each Unit in a contract year. MISO must give Participant at least two (2) hours advance notice, after the SSR Unit is on-line and declared dispatchable, of a Capacity Test required by MISO, unless Participant agrees to less than two (2) hours. Participant may perform as many

Capacity Tests as it desires, but Participant may not perform a Capacity Test without the prior approval of MISO, which approval MISO may not unreasonably withhold or delay. The Parties will reasonably cooperate to coordinate a Capacity Test. MISO has the right to reasonable advance notice of, and to have personnel present during, a Capacity Test.

- B. Test Report. MISO shall give the Capacity Test results in writing (the “Capacity Test Report”) to Participant within twenty-four (24) hours after the test is run.
- C. Effect of Test.
- (1) A determination of Tested Capacity is effective as of the beginning of the hour in which the Capacity Test is started.
 - (2) For all hours in which Tested Capacity is less than SSR Capacity, then Billing Capacity is reduced as set out in Section 9.D below and remains so reduced until a subsequent Capacity Test establishes that Tested Capacity equals or exceeds SSR Capacity.
 - (3) After the Effective Date, MISO shall dispatch, as part of SSR energy, the electrical energy and/or reactive power produced by the SSR Units, including ramping energy and/or reactive power, during a Capacity Test requested by MISO, net of auxiliary equipment and other electrical requirements of the SSR Units that are supplied by the SSR Units. MISO shall also dispatch, as part of SSR energy, any electrical energy and/or reactive power produced by the SSR Units during a Capacity Test requested by Participant to attempt to show that

Tested Capacity equals or exceeds SSR Capacity, net of auxiliary equipment and other electrical requirements of the SSR Units that are supplied by the SSR Units.

- D. Capacity Tests for Resource Adequacy. If the SSR Units are designated as a Capacity Resource pursuant to Module E-1 of the MISO Tariff, then the capacity test provisions of Module E-1 shall apply in addition to the Capacity Tests for System Reliability stated elsewhere in this Section 7.
- E. Coordination for Other Tests. The Parties shall coordinate scheduling of any testing of the SSR Units that is required consistent with Good Utility Practice (*e.g.*, testing in accordance with environmental and insurance requirements applicable to the Units), including the use of weekends and hours when the SSR Units are not expected to be used in order to complete the testing. During times for such testing, the SSR Units shall return to full service as dispatched by MISO (rescheduling the applicable testing) in the event of an emergency.

Section 8. Operation.

- A. Designated Unit Maintenance. Before the start of each contract year, Participant shall furnish MISO with its proposed schedule for Generator Planned Outages for inspection, repair, maintenance, and overhaul of the Designated Units for the contract year, in accordance with MISO's outage scheduling system. Participant shall promptly advise MISO of any later changes to the schedule. MISO shall approve or reject Generator Planned Outages in accordance with MISO's Business Practices Manual. MISO shall, if requested by Participant, endeavor to accommodate changes to the schedule to the extent

that reliability of the MISO System is not materially affected by those changes. In all cases, MISO must find a time for Participant to perform maintenance in a reasonable timeframe as defined by Good Utility Practice.

B. Planning Data. Participant shall timely report to MISO those items and conditions necessary for MISO's internal planning and compliance with MISO's guidelines in effect from time to time. The information supplied must include, without limitation, the following:

- (1) Availability Plan (*i.e.*, day-ahead offer) for the next day in accordance with MISO Tariff deadlines;
 - (2) Revised Availability Plan (*i.e.*, real time offer) reflecting changes in the Availability Plan in accordance with MISO Tariff deadlines; and
 - (3) Status of Designated Units with respect to Environmental Limitations, if any.
- Participant shall also timely report to MISO the status of the Designated Units with respect to Operational Limitations.

C. Delivery.

- (1) MISO shall notify Participant of the hours and levels, if any, that the Designated Units are to operate through day-ahead commitment and real-time dispatch for system reliability. The set point, or the dispatch target, in the real-time dispatch shall be considered the "Delivery Plan" for the purposes of this Agreement. The day-ahead commitment and real time dispatch, including set points, shall be determined in the same manner and subject to the same limitations as other

generation resources in MISO. MISO shall not notify Participant to operate the SSR Units in a way that would violate the limitations on operation set out in Section 1 above. Notwithstanding the foregoing, Participant shall be able to offer its SSR capability into the MISO Energy and Operating Reserves Markets outside of the Delivery Plan when the SSR Units are not needed to address the reliability issues pertaining to this Agreement, consistent with Section 38.2.7(h) of the Tariff. Such offers into MISO Markets shall be cost-based, including Start-Up, No Load, and Energy Offers. Participant shall also be encouraged to offer its available Zonal Resource Credits into the Planning Resource Auction pursuant to the terms of the Tariff.

- (2) Participant shall produce and deliver electrical energy from the SSR Units to the Delivery Point at the levels specified in the Delivery Plan, and shall maintain reactive power capability and voltage schedules in accordance with North American Electric Reliability Corporation (“NERC”) standards.
- (3) MISO may dispatch the Designated Units only when necessary to ensure transmission system security, including any emergency situation. MISO may not dispatch the Designated Units if compliance with the dispatch would cause the Designated Units to exceed the Operational and Environmental Limitations, if any, set forth in Section 1 above or at levels inconsistent with those shown in the Availability Plan. Notwithstanding the foregoing, Participant retains the responsibility for operating the Designated Units in accordance with limits provided by applicable law.

- (4) During the hours of operation of the SSR Units specified in the Delivery Plan, Participant may only participate in the MISO Energy and Operating Reserve Markets from the SSR Units in accordance with the relevant conditions in the MISO Tariff.

Section 9. Payment Provisions.

- A. For the transfer of any funds under this Agreement directly between MISO and Participant and pursuant to the Settlement procedures described in the MISO Tariff, the following shall apply:
- (1) Participant appoints MISO to act as its agent with respect to such funds transferred and authorizes MISO to exercise such powers and perform such duties as described in this Agreement or the MISO Tariff, together with such powers or duties as are reasonably incidental thereto.
- (2) MISO shall not have any duties, responsibilities to, or fiduciary relationship with Participant and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement except as expressly set forth herein or in the MISO Tariff.
- B. Compensation for the SSR Units. MISO shall compensate Participant according to the terms of Exhibit 2 to this Agreement.
- C. Settlement Provisions for the SSR Units. At the conclusion of each calendar month, MISO shall conduct a settlement process for the SSR Units, consistent

with the MISO Tariff requirements.

D. Performance-Related Payment Adjustments.

- (1) For the SSR Units, a “Misconduct Event” means any hour or hours during which Participant is requested to, but does not, deliver to MISO electrical energy from each unit at a level within a tolerance band of plus or minus five (5) MW of the level shown in the Delivery Plan on each hour (on a megawatt-hour/hour basis) or does not maintain reactive capability consistent with NERC standards; provided that, it shall not be deemed a Misconduct Event if (a) such failure to deliver energy and/or reactive power is due to the occurrence of a Force Majeure Event or the action or inaction of the Local Balancing Authority or the Transmission Operator, or (b) Participant has reported an outage or derating through the Outage Scheduler and the report by Participant is not intentionally incomplete, inaccurate, or dishonest regarding the availability of the Designated Units.
- (2) Each day that a Misconduct Event continues after Participant receives written notice from MISO of the Misconduct Event is a separate Misconduct Event. A Misconduct Event is measured on a daily basis.
- (3) Participant is excused from the Misconduct Event payment reduction arising from any Misconduct Event that is (a) not due to intentionally incomplete, inaccurate, or dishonest reporting to MISO by Participant of the availability of the Designated Units, or (b) caused by a failure of the

MISO Transmission System.

- (4) If a Misconduct Event is not excused, then to reflect this lower-than-expected quality of firmness, MISO's payments to Participant are reduced by the Unexcused Misconduct Amount not to exceed \$10,000 per day in the aggregate for all SSR Units.
- (5) MISO shall inform Participant, in writing, of its determination if a Misconduct Event is unexcused within twenty-four (24) hours of such determination being made.
- (6) MISO may offset any amounts due by Participant to MISO under this section against any amounts due by MISO to Participant under this Agreement.
- (7) Subject to the maximum amount set forth in clause (4) above, the Unexcused Misconduct Amount reduces payments to Participant (see Exhibit 2), and is composed of two parts:
 - (a) A fixed component equal to a proportionate reduction in the Monthly SSR Payment to Participant (see Exhibit 2) according to the reduction in Billing Capacity below the SSR Capacity, calculated for that portion of the month during which such reduction occurs. Billing Capacity is the lower of (i) the SSR Capacity and (ii) the Tested Capacity if lower than SSR Capacity for reasons not reported through the Outage Scheduler or if such reporting to MISO is intentionally incomplete,

inaccurate, or dishonest.

(b) A variable component equal to the product of: (i) the difference between: a) the level shown in the Delivery Plan and b) the amount of electrical energy and/or reactive power delivered to MISO; and (ii) an SSR Unit's Hourly Ex Post LMP in any hour or hours in which a Misconduct Event occurs.

E. Compensation for Unanticipated Repairs. During the Term of this Agreement, any necessary repair or repairs to the SSR Units shall not entitle Participant to any additional compensation under this Agreement, except as provided herein. For the purposes of this Section, "unanticipated" repairs are those for which compensation is not provided for in the Annual SSR Amount contained in Exhibit 2 to this Agreement. If the need arises to make an unanticipated repair to one or more of the SSR Units, Participant shall notify MISO before incurring said repair costs, together with reasonable information in support thereof. Upon such notification, MISO shall notify Participant either that: (i) it elects to exercise its rights to terminate regarding the affected Units by giving ninety (90) days advance written notice to Participant because the unanticipated repairs could not result in the return to service on a timeline that serves system reliability; or (ii) it agrees that Participant shall make such repairs, subject to the terms of parts (1) and (2) of this Section 9.E. In no circumstances shall the costs of repairs authorized by MISO pursuant to this Agreement be the responsibility of Participant. Participant shall not be deemed to have a Misconduct Event, nor shall Participant be subject to any other performance penalties under this Agreement or the MISO Tariff for the period of time after Participant

notifies MISO of the need for repairs as provided in this Section 9.E. MISO will provide to Participant written notification pursuant to the terms of parts (1) and (2) of this Section 9.E that directs Participant to make such repairs. MISO and Participant agree that “unanticipated repairs” in this Section 9.E shall not include the costs of complying with Mercury and Air Toxics Standards (“MATS”) requirements.

- (1) Non-Emergency Repairs. Except as provided for in part 2 of this Section 9.E, before MISO may issue a notice to fund unanticipated repairs, MISO shall make and receive approval of a Federal Power Act (“FPA”) Section 205 filing at FERC to modify this Agreement to provide for the recovery of such repair costs and shall serve such filing on all parties to whom such repair costs would be allocated. Participant shall not make such unanticipated repairs unless and until MISO informs Participant in writing that it has received FERC approval to modify this Agreement to provide for the recovery of such costs.
- (2) Emergency Repairs. If MISO reasonably believes that system security and reliability require any unanticipated repairs to be made before FERC can act on a Section 205 filing (“Emergency Repairs”), then MISO shall so notify Participant in writing and direct Participant to make such Emergency Repairs and MISO shall make a Section 205 filing at FERC as soon as reasonably practicable thereafter to modify this Agreement to provide for recovery of such repair costs. In the case of Emergency Repairs, if FERC later determines MISO’s decision to approve such Emergency Repairs was imprudent or otherwise does not accept such modifications to the Agreement, then the costs of the Emergency Repairs shall be

allocated pursuant to Section 38.2.7(k) of the MISO Tariff.

- F. Allocation of SSR Compensation. MISO will charge the LSEs that benefit from operation of the subject SSR Units in accordance with MISO Tariff Schedule 43G.

Section 10. Default.

A. Event of Default.

- (1) Failure to make payment or transfer funds as provided in the MISO Tariff shall constitute a material breach and shall constitute an event of default ("Default") unless cured within three (3) Business Days after delivery by the non-breaching Party of written notice of the failure to the breaching Party. Provided further that if such a material breach, regardless of whether such breach is cured within the allotted time after notice of the material breach, occurs more than three (3) times within a rolling twelve (12)-month period, the fourth such breach shall constitute a Default by the breaching Party.
- (2) For any material breach other than a failure to make payment or transfer funds, the occurrence and continuation of any of the following events shall constitute an event of Default by Participant:
 - (a) Except as excused under subsection (4) or (5) below, a material breach, other than a failure to make payment or transfer funds, of this Agreement by Participant, including any material failure by

Participant to comply with the MISO Tariff, unless cured within fourteen (14) Business Days after delivery by MISO of written notice of the material breach to Participant. Participant must begin work or other efforts within three (3) Business Days to cure such material breach after delivery by MISO of written notice of such material breach by Participant and must prosecute such work or other efforts with reasonable diligence, consistent with Good Utility Practice, until the breach is cured. Provided further that if a material breach, regardless of whether such breach is cured within the allotted time after notice of the material breach, occurs more than three (3) times within a rolling twelve (12)-month period, the fourth (4th) such breach shall constitute a Default.

- (b) Participant becomes Bankrupt, except for the filing of a petition in involuntary bankruptcy, or similar involuntary proceedings that is dismissed within ninety (90) days thereafter.
 - (c) A Designated Unit's operation is abandoned without intent to return it to operation during the Full Term; or
 - (d) Three or more unexcused Misconduct Events occur during a contract year.
- (3) Except as excused under subsection (4) or (5) below, a material breach of this Agreement by MISO, including any material failure by MISO to comply with the MISO Tariff, other than a failure to make payment or

transfer funds, shall constitute a Default by MISO unless cured within fourteen (14) Business Days after delivery by Participant of written notice of the material breach to MISO. MISO must begin work or other efforts within three (3) Business Days to cure such material breach after delivery by Participant of written notice of such material breach by MISO and must prosecute such work or other efforts with reasonable diligence, consistent with Good Utility Practice, until the breach is cured. Provided further that if a material breach, regardless of whether such breach is cured within the allotted time after notice of the material breach, occurs more than three (3) times within a rolling twelve (12)-month period, the fourth such breach shall constitute a Default.

- (4) For any material breach other than a failure to make payment or transfer funds, the breach shall not result in a Default if the breach cannot reasonably be cured within fourteen (14) calendar days, prompt written notice is provided by the breaching Party to the other Party, and the breaching Party began work or other efforts to cure the breach within three (3) Business Days after delivery of the notice to the breaching Party and prosecutes the curative work or efforts with reasonable diligence, consistent with Good Utility Practice, until the curative work or efforts are completed.
- (5) If, due to a Force Majeure Event, a Party is in breach with respect to any obligation hereunder, such breach shall not result in a Default by that

Party.

B. Remedies for Default.

- (1) MISO's Remedies for Default. In the event of a Default by Participant, MISO may pursue any remedies MISO has under this Agreement, at law, or in equity, subject to the provisions of Section 12: Dispute Resolution of this Agreement. In the event of a Default by Participant, if the MISO Tariff does not specify a remedy for a particular Default, MISO may, at its option, upon written notice to Participant, immediately terminate this Agreement, with termination to be effective upon the date of delivery of notice.
- (2) Participant's Remedies for Default.
 - (a) Unless otherwise specified in this Agreement or in the MISO Tariff, and subject to the provisions of Section 12: Dispute Resolution of this Agreement, in the event of a Default by MISO, Participant's remedies shall be limited to:
 - (i) Immediate termination of this Agreement upon written notice to MISO,
 - (ii) Monetary recovery in accordance with the Settlement procedures set forth in the MISO Tariff, and
 - (iii) Specific performance.

- (b) However, in the event of a material breach by MISO of any of its representations, warranties or covenants, Participant's sole remedy shall be immediate termination of this Agreement upon written notice to MISO.
- (c) If as a final result of any dispute resolution MISO, as the settlement agent, is determined to have over-collected from a Market Participant(s), with the result that refunds are owed by Participant to MISO, as the settlement agent such Market Participant(s) may request MISO to allow such Market Participant to proceed directly against Participant, in lieu of receiving full payment from MISO. In the event of such request, MISO, in its sole discretion, may agree to assign to such Market Participant MISO's rights to seek refunds from Participant, and Participant shall be deemed to have consented to such assignment. This subsection (c) shall survive termination of this Agreement.

- (3) A Default or breach of this Agreement by a Party shall not relieve either Party of the obligation to comply with the MISO Tariff.

C. Force Majeure.

- (1) If, due to a Force Majeure Event, either Party is in breach of this Agreement with respect to any obligation hereunder, such Party shall take reasonable steps, consistent with Good Utility Practice, to remedy such breach. If either Party is unable to fulfill any obligation by reason of a Force Majeure Event, it shall give notice and the full particulars of the obligations affected by such Force Majeure

Event to the other Party in writing or by telephone (if followed by written notice) as soon as reasonably practicable, but not later than fourteen (14) calendar days, after such Party becomes aware of the event. A failure to give timely notice of the Force Majeure event shall constitute a waiver of the claim of Force Majeure Event. The Party experiencing the Force Majeure Event shall also provide notice, as soon as reasonably practicable, when the Force Majeure Event ends.

- (2) Notwithstanding the foregoing, a Force Majeure Event does not relieve a Party affected by a Force Majeure Event of its obligation to make payments or of any consequences of non-performance pursuant to the MISO Tariff or under this Agreement, except that the excuse from Default provided by subsection 10.A(5) above is still effective.

- D. Duty to Mitigate. Except as expressly provided otherwise herein, each Party shall use commercially reasonable efforts to mitigate any damages it may incur as a result of the other Party's performance or non-performance of this Agreement.

Section 11. Limitation of Damages and Liability and Indemnification.

- A. EXCEPT AS EXPRESSLY LIMITED IN THIS AGREEMENT OR MISO BUSINESS PRACTICES, MISO OR PARTICIPANT MAY SEEK FROM THE OTHER, THROUGH APPLICABLE DISPUTE RESOLUTION PROCEDURES SET FORTH IN MISO PROTOCOLS, ANY MONETARY DAMAGES OR OTHER REMEDY OTHERWISE ALLOWABLE UNDER INDIANA LAW, AS DAMAGES FOR DEFAULT OR BREACH OF THE OBLIGATIONS UNDER THIS AGREEMENT;

PROVIDED, HOWEVER, THAT NEITHER PARTY IS LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES OR INJURY THAT MAY OCCUR, IN WHOLE OR IN PART, AS A RESULT OF A DEFAULT UNDER THIS AGREEMENT, A TORT, OR ANY OTHER CAUSE, WHETHER OR NOT A PARTY HAD KNOWLEDGE OF THE CIRCUMSTANCES THAT RESULTED IN THE SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES OR INJURY, OR COULD HAVE FORESEEN THAT SUCH DAMAGES OR INJURY WOULD OCCUR.

- B. The Parties have expressly agreed that, other than subsections A and B of this Section, this Agreement shall not include any other limitations of liability or indemnification provisions, and that such issues shall be governed solely by applicable law, in a manner consistent with the Choice of Law and Venue subsection 13.A of this Agreement, regardless of any contrary provisions that may be included in or subsequently added to the MISO Tariff (outside of this Agreement).

Section 12. Dispute Resolution.

- A. In the event of a dispute, including a dispute regarding a Default, under this Agreement, Parties to this Agreement shall first attempt resolution of the dispute using the applicable dispute resolution procedures set forth in the MISO Tariff.
- B. In the event of a dispute, including a dispute regarding a Default, under this Agreement, each Party shall bear its own costs and fees, including, but not limited to attorneys' fees, court costs, and its share of any mediation or arbitration fees.

Section 13. Miscellaneous.

- A. Choice of Law and Venue. Notwithstanding anything to the contrary in this Agreement, this Agreement shall be deemed entered into in Indiana and, with the exception of matters governed exclusively by federal law, shall be governed by and construed and interpreted in accordance with the laws of the State of Indiana that apply to contracts executed in and performed entirely within the State of Indiana, without reference to any rules of conflict of laws. Neither Party waives primary jurisdiction as a defense; provided that any court suits regarding this Agreement shall be brought in a state or federal court located within Indiana, and the Parties hereby waive any defense of *forum non-conveniens*.
- B. Assignment.
- (1) Notwithstanding anything herein to the contrary, a Party shall not assign or otherwise transfer all or any of its rights or obligations under this Agreement without the prior written consent of the other Party, which shall not be unreasonably withheld or delayed, except that a Party may assign or transfer its rights and obligations under this Agreement without the prior written consent of the other Party (if neither the assigning Party or the assignee is then in Default of any Agreement with MISO):
- (a) Where any such assignment or transfer is to an Affiliate of the Party; or
 - (b) Where any such assignment or transfer is to a successor to or transferee of the direct or indirect ownership or operation of all or part of the Party, or its facilities; or
 - (c) For collateral security purposes to aid in providing financing for itself,

provided that the assigning Party will require any secured party, trustee or mortgagee to notify the other Party of any such assignment. Any financing arrangement entered into by either Party pursuant to this Section will provide that prior to or upon the exercise of the secured party's, trustee's or mortgagee's assignment rights pursuant to said arrangement, the secured creditor, the trustee or mortgagee will notify the other Party of the date and particulars of any such exercise of assignment right(s). If requested by the Party making any such collateral assignment to a Financing Person, the other Party shall execute and deliver a consent to such assignment containing customary provisions, including representations as to corporate authorization, enforceability of this Agreement and absence of known Defaults, notices of Default, and an opportunity for the Financing Person to cure Defaults.

- (2) An assigning Party shall provide prompt written notice of the assignment to the other Party. Any attempted assignment that violates this Section is void and ineffective. Any assignment under this Agreement shall not relieve either Party of its obligations under this Agreement, nor shall either Party's obligations be enlarged, in whole or in part, by reason thereof.

- C. No Third Party Beneficiary. Except with respect to the rights of other Market Participants in Section 10.B and the Financing Persons in Section 13.B, (1) nothing in this Agreement nor any action taken hereunder shall be construed to create any duty, liability or standard of care to any third party, (2) no third party shall have any rights or

interest, direct or indirect, in this Agreement or the services to be provided hereunder and (3) this Agreement is intended solely for the benefit of the Parties, and the Parties expressly disclaim any intent to create any rights in any third party as a third-party beneficiary to this Agreement or the services to be provided hereunder. Nothing in this Agreement shall create a contractual relationship between one Party and the customers of the other Party, nor shall it create a duty of any kind to such customers.

- D. No Waiver. Parties shall not be required to give notice to enforce strict adherence to all provisions of this Agreement. No breach or provision of this Agreement shall be deemed waived, modified or excused by a Party unless such waiver, modification or excuse is in writing and signed by an authorized officer of such Party. The failure by or delay of either Party in enforcing or exercising any of its rights under this Agreement shall (1) not be deemed a waiver, modification or excuse of such right or of any breach of the same or different provision of this Agreement, and (2) not prevent a subsequent enforcement or exercise of such right. Each Party shall be entitled to enforce the other Party's covenants and promises contained herein, notwithstanding the existence of any claim or cause of action against the enforcing Party under this Agreement or otherwise.
- E. Headings. Titles and headings of paragraphs and sections within this Agreement are provided merely for convenience and shall not be used or relied upon in construing this Agreement or the Parties' intentions with respect thereto.
- F. Severability. In the event that any of the provisions, or portions or applications thereof, of this Agreement is held to be unenforceable or invalid by any court of competent jurisdiction, that determination shall not affect the enforceability or validity of the

remaining portions of this Agreement, and this Agreement shall continue in full force and effect as if it had been executed without the invalid provision; provided, however, if either Party determines, in its sole discretion, that there is a material change in this Agreement by reason thereof, the Parties shall promptly enter into negotiations to replace the unenforceable or invalid provision with a valid and enforceable provision. If the Parties are not able to reach an agreement as the result of such negotiations within fourteen (14) days, either Party shall have the right to terminate this Agreement on three (3) days written notice.

- G. Entire Agreement. Any exhibits attached to this Agreement are incorporated into this Agreement by reference and made a part of this Agreement as if repeated verbatim in this Agreement. This Agreement represents the Parties' final and mutual understanding with respect to its subject matter. It replaces and supersedes any prior agreements or understandings, whether written or oral. No representations, inducements, promises, or agreements, oral or otherwise, have been relied upon or made by any Party, or anyone on behalf of a Party, that are not fully expressed in this Agreement. An agreement, statement, or promise not contained in this Agreement is not valid or binding.
- H. Amendment. The standard form of this Agreement may only be modified through the procedure for modifying the MISO Tariff described in the MISO Tariff. Any changes to the terms of the standard form of this Agreement shall not take effect until a new Agreement is executed between the Parties.
- I. MISO's Right to Audit Participant. Participant shall keep detailed records for a period of three years of all activities under this Agreement giving rise to any information,

statement, charge, payment or computation delivered to MISO under the MISO Tariff. Such records shall be retained and shall be available for audit or examination by MISO as hereinafter provided. MISO has the right during Business Hours and upon reasonable written notice and reasonable cause to examine the records of Participant as necessary to verify the accuracy of any such information, statement, charge, payment or computation made under this Agreement. If any such examination reveals any inaccuracy in any information, statement, charge, payment or computation, the necessary adjustments in such information, statement, charge, payment, computation, or procedures used in supporting its ongoing accuracy will be promptly made.

- J. Participant's Right to Audit MISO. Participant's right to data and audit of MISO shall be as described in the MISO Tariff and shall not exceed the rights described in the MISO Tariff.
- K. Further Assurances. Each Party agrees that during the term of this Agreement it will take such actions, provide such documents, do such things and provide such further assurances as may reasonably be requested by the other Party to permit performance of this Agreement.
- L. Conflicts. This Agreement is subject to applicable federal, state, and local laws, ordinances, rules, regulations, orders of any Governmental Authority and tariffs. Nothing in this Agreement may be construed as a waiver of any right to question or contest any federal, state and local law, ordinance, rule, regulation, order of any Governmental Authority, or tariff. In the event of a conflict between this Agreement and an applicable federal, state, and local law, ordinance, rule, regulation, order of any Governmental

Authority or tariff, the applicable federal, state, and local law, ordinance, rule, regulation, order of any Governmental Authority or tariff shall prevail, provided that Participant shall give notice to MISO of any such conflict affecting Participant. In the event of a conflict between the MISO Tariff and this Agreement, the provisions expressly set forth in this Agreement shall control.

- M. No Partnership. This Agreement may not be interpreted or construed to create an association, joint venture, or partnership between the Parties or to impose any partnership obligation or liability upon either Party. Neither Party has any right, power, or authority to enter any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party except as provided in Section 9.A.
- N. No State Public Utility Created. This Agreement may not be interpreted or construed as modifying the jurisdictional status of MISO, including, but not limited to establishment of MISO as a state public utility under the laws of any jurisdiction, as a result of MISO's performance under this Agreement.
- O. Construction. In this Agreement, the following rules of construction apply, unless expressly provided otherwise or unless the context clearly requires otherwise:
- (1) The singular includes the plural, and the plural includes the singular.
 - (2) The present tense includes the future tense, and the future tense includes the present tense.
 - (3) Words importing any gender include the other gender.

- (4) The word “shall” denotes a duty.
- (5) The word “must” denotes a condition precedent or subsequent.
- (6) The word “may” denotes a privilege or discretionary power.
- (7) The phrase “may not” denotes a prohibition.
- (8) References to statutes, tariffs, regulations or the MISO Tariff include all provisions consolidating, amending, or replacing the statutes, tariffs, regulations or the MISO Tariff referred to.
- (9) References to “writing” include printing, typing, lithography, and other means of reproducing words in a tangible visible form.
- (10) The words “including,” “includes,” and “include” are deemed to be followed by the words “without limitation.”
- (11) Any reference to a day, week, month or year is to a calendar day, week, month or year unless otherwise indicated.
- (12) References to Articles, Sections (or subdivisions of Sections), Exhibits, annexes or schedules are to this Agreement, unless expressly stated otherwise.
- (13) Unless expressly stated otherwise, references to agreements, the MISO Tariff and other contractual instruments include all subsequent amendments and other modifications to the instruments, but only to the extent the amendments and other modifications are not prohibited by this Agreement.

MISO
FERC Electric Tariff
ATTACHMENTS

ATTACHMENT Y-1
Standard Form System Support Resource (SSR) Agreement
30.0.0

- (14) References to persons or entities include their respective successors and permitted assigns and, for governmental entities, entities succeeding to their respective functions and capacities.
- (15) References to time are to Eastern Standard Time.
- (16) References to any capitalized word or phrase not defined herein shall have the meanings from the MISO Tariff.

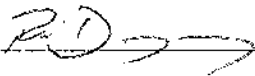
P. Multiple Counterparts. This Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

MISO
FERC Electric Tariff
ATTACHMENTS

ATTACHMENT Y-1
Standard Form System Support Resource (SSR) Agreement
30.0.0

SIGNED, ACCEPTED AND AGREED TO by each undersigned signatory who, by signature hereto, represents and warrants that he or she has full power and authority to execute this Agreement.

Midcontinent Independent System Operator, Inc.:

By: 

Name: Richard Doying

Title: Exec. VP Operations & Corp. Services

Date: 1-30-14

Participant, Wisconsin Electric Power Company:

By: _____

Name: Gale E. Klappa

Title: President and Chief Executive Officer

Date: _____

Effective On: November 19, 2013

MISO
FERC Electric Tariff
ATTACHMENTS

ATTACHMENT Y-1
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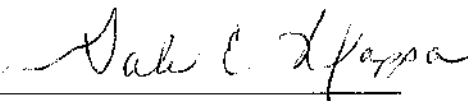
By: _____

Name: Richard Doying

Title: Exec. VP Operations & Corp. Services

Date: _____

Participant, Wisconsin Electric Power Company:

By: 

Name: Gale E. Klappa

Title: President and Chief Executive Officer

Date: 1/29/14

MISO
FERC Electric Tariff
ATTACHMENTS

ATTACHMENT Y-1
Standard Form System Support Resource (SSR) Agreement
30.0.0

EXHIBIT 1

Detailed Description of SSR Units

Presque Isle Units 5-9, including two (2) diesel generators for emergency auxiliary power

Location: Marquette, Michigan; occupying 65 acres of land on the shore of Lake Superior

Coal-based:

Units 5-9 burn low-sulfur sub-bituminous coal
#2 Fuel Oil used for diesel generators and boiler start-up

Year in Service: Unit 5: 1974
Unit 6: 1975
Unit 7: 1978
Unit 8: 1978
Unit 9: 1979

The following ratings are pursuant to Net Generating Capacity (MW Module E) using sub-bituminous coal:

Unit 5: 55 MW
Unit 6: 55 MW
Unit 7: 78 MW
Unit 8: 78 MW
Unit 9: 78 MW

Coal Handling: Transportation by self-unloading coal boats as permitted by Lake Superior shipping season limitations.

Storage: 800,000-ton capacity pile; 1,200-1,600-ton capacity coal bunkers within plant

Effective On: November 19, 2013

EXHIBIT 2Description of SSR Unit Going-Forward Compensation**A. Fixed Component of Compensation**

Pursuant to Section 9 of the Agreement, MISO shall pay Participant a Monthly SSR Payment of \$4,352,832, representing monthly allocations of the Annual SSR Amount (all five Units combined) each month during the term of the Agreement. If this Agreement is terminated with respect to one or more Units, but less than all five, the Monthly SSR Payment shall be reduced by an amount to be determined by the Parties following the notice of termination to reflect the removal of such Unit(s) from service under this Agreement. Such reduced amount shall be submitted by MISO to FERC for approval in a Federal Power Act (“FPA”) Section 205 filing to modify this Agreement to provide for the reduced Monthly SSR Payment, which filing shall be served on all parties to whom such costs would be allocated under MISO Tariff Schedule 43G. The FERC-approved reduced amount shall be applicable the later of (a) the date that is ninety (90) days following notice of termination or (b) the date on which MISO elected to make such termination effective. Each Monthly SSR Payment shall be made regardless of dispatch of the SSR Units during that month. If this Agreement is terminated effective during the course of a calendar month, then the Monthly SSR Payment shall be prorated for that month. The compensation provided for under this Agreement may be further modified pursuant to Section 7.C (adjustment to Monthly SSR Payment based on Capacity Tests provided for pursuant to Section 7.A) and/or Section 9.D (“Performance-Related Payment Adjustments”) and/or Section 9.E (“Compensation for Unanticipated Repairs”) of the Agreement. Compensation shall be settled on a monthly basis.

If the Agreement is terminated by MISO prior to the end of the Term, MISO shall compensate Participant for its costs of fuel procured, but not consumed or useable for the operation of other Units that remain in operation, as of the date of such termination, net of any fuel resale revenues and including reasonable costs to achieve such revenues, based on the termination of the Agreement (“Mitigated Coal Cost”). For the completion of the applicable cost calculations, Participant shall submit the Mitigated Coal Cost to MISO such that the information is received by MISO within 180 days after the last day that the terminated Unit is operated for SSR purposes. Such submissions to MISO shall be sent to MISO at the address stated in Section 3.D of this Agreement, to the attention of the Manager of Market Settlements. The Mitigated Coal Cost amount shall be submitted by MISO to FERC for approval in a Federal Power Act (“FPA”) Section 205 filing to modify this Agreement to provide for both the amount of compensation for the Mitigated Coal Cost and the manner in which such costs will be collected, which filing shall be served on all parties to whom such costs would be allocated under MISO Tariff Schedule 43G.

B. Variable Component of Compensation

Pursuant to Section 9 of the Agreement, MISO shall pay Participant its Production Cost for the amount of Actual Energy Injections (as defined in Module A of the MISO Tariff) and Operating Reserve Cost in each instance that MISO dispatches an SSR Unit. For the purposes of this Agreement, “Production Cost” shall mean the Energy output cost of the SSR Unit based upon Start Up, No Load, and Energy Offer cost components that reflect the actual costs of physically operating the SSR Unit, and “Operating Reserve Cost” shall mean the actual cost to provide Operating Reserves. All Production Costs and Operating Reserve Costs will be subject

to audit by MISO, and will be subject to audit and enforcement by the Independent Market Monitor.

Through the MISO settlement process, MISO will ensure that Participant is paid the “SSR Unit Compensation,” which is equal to the sum of Production Cost for the amount of Actual Energy Injections (as defined in Module A of the MISO Tariff) and Operating Reserve Cost over all the Delivery Plan Instructed Hours of Operation in the Day for that SSR Unit. MISO will compare the SSR Unit Compensation to the “SSR Unit Energy and Operating Reserve Credit.” The SSR Unit Energy and Operating Reserve Credit are those charges and credits calculated pursuant to Sections 39.3 Day-Ahead Energy and Operating Reserve Market and 40.3 Real Time Energy and Operating Reserve Market Settlement of the MISO Tariff, plus any revenues from Schedule 2 associated with the SSR Unit or from Planning Resource designation and any charges assessed through Schedule 17 and Schedule 24. In those hours where the SSR Unit Compensation is greater than the SSR Unit Energy and Operating Reserve Credit, MISO will make the applicable make-whole payment to Participant (such make-whole payment to be equal to the difference between the SSR Unit Compensation and the SSR Unit Energy and Operating Reserve Credit). In those hours where the SSR Unit Compensation is less than the SSR Unit Energy and Operating Reserve Credit, MISO will debit from Participant (such debit to be equal to the difference between the SSR Unit Energy and Operating Reserve Credit and the SSR Unit Compensation).

During the Term of the Agreement, compensation for reliability commitments shall be paid to Participant under this Exhibit 2 and not according to Voltage and Local Reliability payment provisions.

EXHIBIT E

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL ENERGY REGULATORY COMMISSION**

**Midcontinent Independent
System Operator, Inc.**

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)
)
)

Docket No. ER14-____

**DIRECT TESTIMONY
OF
CHRISTINE T. AKKALA**

January 31, 2014

1 Q. Please state your name and business address.

2 A. My name is Christine T. Akkala. My business address is 333 W. Everett Street,
3 Milwaukee, Wisconsin 53203. I am employed by Wisconsin Electric Power Company, an
4 investor-owned utility which has generation and distribution assets in the states of
5 Wisconsin and Michigan.¹

6 Q. What is your current position with Wisconsin Electric?

7 A. I am the Director of Power Marketing and Planning.

8 Q. What are your duties and responsibilities in your current role?

9 A. As Director of Power Marketing and Planning, I am responsible for ensuring an adequate
10 supply of power for our customers by way of resource planning and energy marketing,
11 including the oversight of renewable purchases. My team performs quantitative analysis in
12 support of our power operations and risk management activities.

13 Q. Please describe your professional experience prior to your current position.

14 A. I have more than 20 years of experience at Wisconsin Electric in various areas of the
15 company, including customer operations, demand-side management, and wholesale power
16 marketing and operations.

17 Q. Please describe your educational background.

18 A. I hold both a Bachelor of Science degree in Electrical Engineering and a Masters in
19 Business Administration degree from the University of Wisconsin-Milwaukee.

20 Q. Are you affiliated with any industry, professional or other organizations?

21 A. Yes, I am a registered Professional Engineer in the State of Wisconsin.

22 Q. What is the purpose of your testimony?

¹ Wisconsin Electric Power Company and Wisconsin Gas LLC, doing business as “We Energies”, are subsidiaries of Wisconsin Energy Corporation.

1 A. I am presenting this testimony in support of the System Support Resource (“SSR”)
2 Agreement between Wisconsin Electric Power Company (Wisconsin Electric) and the
3 Midcontinent Independent System Operator (“MISO”) relating to the continued operation
4 of the Presque Isle Power Plant generating units.

5 Q. Please describe the Presque Isle Power Plant (“PIPP”).

6 A. PIPP consists of five coal-based generating units located in Marquette, Michigan. Also
7 included are two diesel generators used for emergency auxiliary power. The units in total
8 are rated for 344 MW of net generating capacity (Module E) using sub-bituminous coal.
9 Generally speaking, four of the five PIPP generating units are online around the clock to
10 maintain reliability in the Upper Peninsula of Michigan.

11 Q. What types of transportation arrangements are necessary to deliver coal to this location?

12 A. Coal is transported by self-unloading lake vessels via Lake Superior. The shipping season
13 on Lake Superior is generally limited to about eight and a half months of the year (April 1
14 to mid-December), so annual coal purchases and deliveries have to be scheduled well in
15 advance and coordinated within lake vessel availability and weather limitations.

16 Q. Were you involved in the preparation of Wisconsin Electric’s Attachment Y notification?

17 A. Yes. On August 1, 2013, Wisconsin Electric submitted a completed Attachment Y notice
18 to MISO requesting permission to suspend operations at PIPP effective February 1, 2014.

19 Q. Why did Wisconsin Electric submit an Attachment Y for the PIPP units?

20 A. By the end of July 2013, more than 85% of Wisconsin Electric’s retail customer load in
21 Michigan (based on 2012 weather-adjusted retail sales) had applied to switch to
22 alternative energy suppliers where they would no longer be served from Wisconsin
23 Electric’s generating resources. In an effort to manage costs in response to this significant

1 loss of sales load, Wisconsin Electric determined that it was no longer economic to
2 continue operating the PIPP units. Under the MISO Tariff a Market Participant that plans
3 to retire or suspend all or a portion of a generation resource must notify MISO by
4 submitting a completed Attachment Y. If MISO determines that continued operation of the
5 generation resource is required to maintain the reliability of the MISO-operated
6 transmission system, MISO will designate the resource a SSR and tender a draft SSR
7 Agreement to ensure continued operation of, and appropriate compensation for, the SSR
8 units.

9 Q. What was MISO's response to Wisconsin Electric's Attachment Y notification?

10 A. On October 16, 2013, MISO responded that suspension of operations at PIPP would result
11 in "violations of applicable reliability criteria" and that Wisconsin Electric must continue
12 to maintain availability of all five of the PIPP units "unless an alternative solution can be
13 identified through the stakeholder inclusive planning process". MISO then tendered a draft
14 of the SSR Agreement to Wisconsin Electric and commenced meetings with stakeholders
15 to assess alternative solutions to the reliability issues caused by the proposed suspension
16 of PIPP operations.

17 Q. Does Wisconsin Electric intend to maintain the availability of the PIPP units after the
18 February 1, 2014 planned suspension date?

19 A. Yes. Wisconsin Electric will comply with MISO's request and continue to operate the
20 plant beyond the date specified in Wisconsin Electric's Attachment Y notice.

21 Q. Absent the request from MISO to maintain the availability of the PIPP units, would
22 Wisconsin Electric have maintained the availability of those units?

1 A. No. Wisconsin Electric, having satisfied its Attachment Y notice requirements, would
2 have begun to suspend the operation of the PIPP units in order to limit continued
3 operational losses. In addition, Wisconsin Electric has announced its intention to sell PIPP
4 and issued a request for proposals on January 27, 2014, with the expectation of closing
5 any potential sale by March 20, 2015.

6 Q. Were you involved in developing the proposed SSR Agreement and the cost recovery
7 provided therein?

8 A. Yes.

9 Q. Please describe that process.

10 A. Since being notified that the PIPP units would be needed for reliability purposes,
11 Wisconsin Electric engaged with MISO in a series of discussions regarding compensation
12 necessary for the continued availability of the units. Wisconsin Electric provided cost data
13 to MISO, and worked closely with MISO to determine the appropriate level of
14 compensation for maintaining the availability of the PIPP units for reliability.

15 Q. Was the MISO Independent Market Monitor (“IMM”) also involved in those discussions?

16 A. Yes. A representative of the IMM reviewed the cost data and proposed additional
17 adjustments.

18 Q. What adjustments were made in response to MISO’s and the IMM’s comments?

19 A. Wisconsin Electric agreed to withdraw its request for recovery of property taxes,
20 depreciation, and return on net investment rate base. In addition, specific reductions were
21 made to labor and non-labor operations and maintenance (“O&M”) expenses as well as
22 the materials and supplies inventory balances based upon discussions with MISO and the
23 IMM. Wisconsin Electric ultimately limited cost recovery to the difference between what

1 costs would be if the PIPP units were suspended from operation versus what they would
2 be if Wisconsin Electric were required to maintain the units' availability for reliability.

3 Q. Did Wisconsin Electric and MISO ultimately agree on the compensation that should be
4 provided under the SSR Agreement?

5 A. Yes.

6 Q. Please describe the compensation provided under the SSR Agreement.

7 A. The SSR Agreement provides for recovery of going-forward fixed and variable costs to
8 maintain the availability of the PIPP units for reliability. The fixed cost component is
9 based on an annual revenue requirement to cover some fixed costs related to maintaining
10 the availability of the PIPP units. This revenue requirement is referred to in the SSR
11 Agreement as the "Annual SSR Amount." Subject to the terms of the SSR Agreement,
12 MISO will pay the revenue requirement for all five PIPP units through monthly payments
13 of \$4,352,832, representing equal monthly installments of the Annual SSR Amount. The
14 SSR Agreement separately provides for variable generation cost reimbursement when the
15 units are dispatched for reliability.

16 Q. Please explain the cost components of the Annual SSR Amount.

17 A. The Annual SSR Amount is based on the historical actual costs for the PIPP units for the
18 three year period 2010-2012, and includes the following cost components: (1) O&M costs,
19 (2) ongoing capital expenditures, and (3) return on inventories. Details of those cost
20 components and the calculation of the annual and monthly SSR compensation is attached
21 hereto as Exhibit A.

22 Q. How did Wisconsin Electric estimate the O&M component of the Annual SSR Amount?

1 A. The three-year average annual actual O&M costs for operating all five of the PIPP units
2 were \$39 million. Included in the Annual SSR Amount with respect to O&M costs is only
3 the cost of plant labor and non-labor O&M costs that Wisconsin Electric would be able to
4 avoid upon suspension of the PIPP units. That amount was estimated to be \$35 million.

5 Q. Did the historical O&M data include any allocations of corporate overhead?

6 A. No. The historical data only consisted of direct O&M costs incurred for the operation of
7 PIPP.

8 Q. What was the basis for the \$4 million ongoing O&M estimate that will not be recovered in
9 the Annual SSR Amount?

10 A. Wisconsin Electric estimated that a skeleton crew would have to be maintained at PIPP
11 during suspension of operations. The estimated labor and benefits cost for that ongoing
12 skeleton crew, based upon the three-year historical average labor and benefits costs per
13 average full time equivalent employee, is not proposed to be recovered in the Annual SSR
14 Amount. In addition we are not proposing recovery of ongoing utilities costs and landfill
15 monitoring and maintenance.

16 Q. What is the basis for recovery of ongoing capital expenditures in the Annual SSR
17 Amount?

18 A. Consistent with the estimates of O&M costs, Wisconsin Electric proposes to manage its
19 ongoing capital expenditures during the SSR Agreement at the historical three-year annual
20 actual level of \$13.5 million. Ongoing capital expenditures, just like O&M expenses, will
21 be necessary to maintain the operation of the PIPP units during the term of the SSR
22 Agreement. Therefore the ongoing capital expenditures are reasonable to be included in
23 the Annual SSR Amount.

1 Q. What were the actual PIPP capital expenditures in 2010, 2011, and 2012?

2 A. As provided in Exhibit A, the actual capital expenditures were \$7.6 million, \$17.5 million,
3 and \$15.3 million.

4 Q. What distinguishes PIPP capital expenditures from O&M expenditures?

5 A. Nothing distinguishes the expenditures for the purposes of determining the Annual SSR
6 Amount. Both represent costs incurred to operate the units and maintain reliability during
7 the term of the SSR Agreement, and therefore qualify for recovery. The only distinction
8 between the two types of expenditures relates to their accounting treatment at the time
9 they are spent. Based upon generally accepted accounting principles, if the expenditures
10 are determined to sustain the units through the current accounting period only they will be
11 expensed as O&M; if the expenditures are expected to benefit future periods, they will be
12 capitalized. Wisconsin Electric will incur costs related to the continued use of the PIPP
13 units solely because MISO has designated them as SSR units and requires their continued
14 operation for reliability purposes. Regardless of the accounting treatment, it is appropriate
15 to reimburse Wisconsin Electric for its expenditures during the term of the SSR
16 Agreement.

17 Q. Please provide an example.

18 A. In 2010, Wisconsin Electric capitalized \$600,000 for Units 5 and 6 air heater basket and
19 seal replacements. In 2011, Wisconsin Electric capitalized \$2.3 million in costs incurred
20 to replace the coal bunker dust collection system for Units 5 and 6. In 2012, Wisconsin
21 Electric capitalized \$3.6 million in costs incurred to make boiler furnace repairs for units
22 7, 8, and 9. All of these prudently incurred costs enabled the continued operation of the

1 PIPP units and were capitalized because the repairs were expected to benefit future
2 accounting periods.

3 Q. Do you expect to make capital expenditures during the term of the SSR Agreement?

4 A. Yes. Capital expenditures, such as an estimated \$2.8 million to replace pulverizer motors
5 at Units 5 and 6, will be necessary to maintain continued reliable operations at PIPP and
6 would only be incurred in 2014 because MISO has designated PIPP Units 5 and 6 to be
7 SSR units. If not for the SSR designation, Wisconsin Electric would not have to make
8 such material expenditures.

9 Q. The third component of the proposed Annual SSR Amount is to compensate Wisconsin
10 Electric for carrying inventories on site for operating the PIPP units. Would you please
11 explain how you estimated this cost?

12 A. The Annual SSR Amount includes a return on historical inventory levels to compensate
13 for the carrying cost of coal and oil fuel inventories and materials and supplies (“M&S”)
14 inventories. The annual carrying cost, based upon Wisconsin Electric’s approved 11.53%
15 economic cost of capital from its Wisconsin rate case Docket No. 05-UR-104, was
16 estimated to be \$3.7 million.

17 Q. Does this include all inventories on-site at PIPP?

18 A. No, it does not. We excluded M&S inventory specific to PIPP that could not readily be
19 used at other Wisconsin Electric generating units. In the event of a suspension it is likely
20 that those M&S inventories would remain on site because they might be difficult or more
21 costly to reacquire if/when the units are brought back into service. Based upon a review of
22 our current M&S inventories, we determined that approximately 90% of the inventory (in
23 dollars) would be retained during a period of suspension. Thus, only 10% of the historical

1 M&S inventories were included in the carrying cost calculation for the purposes of
2 developing the Annual SSR Amount.

3 Q. Please explain the variable generation payment to be paid by MISO when the units are
4 dispatched for reliability.

5 A. Because the Annual SSR Amount covers certain fixed costs that do not include the
6 marginal cost of generating, the SSR Agreement also provides for a separate payment
7 when the unit is dispatched. The SSR Agreement does not establish a fixed price for these
8 payments but will instead provide for reimbursement of the actual costs of each dispatch.
9 Specifically, under the terms of the SSR Agreement, Wisconsin Electric will offer the
10 PIPP units in each available hour at cost. Accordingly, every time MISO dispatches the
11 PIPP units for reliability, MISO will reimburse Wisconsin Electric for the costs of its
12 offer, which includes start-up costs, no-load costs, incremental energy costs, and ancillary
13 service product costs.

14 Q. How will Energy and Ancillary Services revenues be accounted for when the units are
15 dispatched for reliability?

16 A. Because the MISO settlement process is based on market-clearing prices, MISO will
17 implement an additional step in the settlement process for the PIPP units. MISO will
18 compare the offer cost to the net revenues received under the normal financial settlement
19 processes. In those hours where a unit's offer cost is greater than the net revenues, MISO
20 will make the appropriate make-whole payment credit to Wisconsin Electric. In those
21 hours where the net revenues exceed the offer costs, MISO will debit Wisconsin Electric's
22 account for the difference. This process, which is reflected on Exhibit 2, ensures that

1 Wisconsin Electric does not stand to recover more than its cost-based offer from MISO's
2 reliability-related dispatches while receiving SSR compensation.

3 Q. Can MISO terminate the SSR Agreement with respect to one or more of the PIPP units
4 during the 12-month term?

5 A. Yes, with ninety (90) days' notice.

6 Q. Would the Monthly SSR Payment be reduced in the event of the termination of one or
7 more PIPP units?

8 A. Yes, Wisconsin Electric and MISO made provisions in Exhibit 2 of the SSR Agreement
9 for this possibility. Because Wisconsin Electric does not track actual costs by generating
10 unit at this facility, however, it was not possible to provide unit-specific compensation
11 estimates for use in Exhibit 2. In the unlikely event that MISO proposes to terminate the
12 SSR Agreement with respect to one or more of the PIPP units, Wisconsin Electric and
13 MISO will analyze and negotiate a prospective reduction in the Monthly SSR Payment
14 and submit the information to FERC for approval in a Federal Power Act Section 205
15 filing.

16 Q. How much advance notice is required in the event that MISO needs to continue the use of
17 these units past the January 31, 2015, end date?

18 A. The parties agreed to one hundred and eighty (180) days' notice of the intent to extend the
19 SSR designation of the units. Because of the unique coal shipping limitations at PIPP
20 mentioned previously in my testimony, Wisconsin Electric will require 180 days' notice in
21 order to ensure that there is adequate coal inventory to operate the plant past the January
22 31st end date.

1 Q. Do you anticipate that the terms of the SSR Agreement would be reviewed and possibly
2 revised in the event of an extension?

3 A. Yes. Wisconsin Electric, MISO and the IMM would revisit the terms of the SSR
4 Agreement in the event of an extension given the circumstances at that time. The 180
5 days' notice provides ample time for this purpose as well.

6 Q. Are there any other terms or conditions in the proposed SSR Agreement that are unique to
7 PIPP operations?

8 A. Yes. Wisconsin Electric and MISO included a provision in Exhibit 2, Section A of the
9 Agreement to address Mitigated Coal Costs. This provision is intended to reimburse
10 Wisconsin Electric for the costs of coal inventories upon termination of the SSR
11 Agreement. Again, this is related to the long lead times necessary to arrange for adequate
12 coal supplies at PIPP. Wisconsin Electric would use its best efforts to sell any remaining
13 inventory upon termination. The Mitigated Coal Cost would include the costs of the fuel
14 procured but not consumed or useable for the operation of other PIPP units, net of any
15 resale revenues and including reasonable costs to resell or otherwise dispose of the
16 inventory.


17 Q. Does this conclude your testimony?

18 A. Yes.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Midcontinent Independent System) Docket No. ER14-_____
Operator, Inc.)

I, Christine T. Akkala, Director of Power Marketing and Planning for Wisconsin Electric Power Company, verify, state and affirm that the foregoing testimony is true and correct to the best of my knowledge and belief.


Christine T. Akkala
Director of Power Marketing and Planning
Wisconsin Electric Power Company

SUBSCRIBED AND SWORN before me by Christine T. Akkala, Director of Power Marketing and Planning of Wisconsin Electric Power Company, on this 29th day of January, 2014.


Notary Public

