

**BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN**

Joint Application of Wisconsin Electric Power
Company and Wisconsin Gas LLC, both d/b/a
We Energies, to Conduct a Biennial Review of
Costs and Rates - Test Year 2015

Docket No. 05-UR-107

**SURREBUTTAL TESTIMONY OF KAVITA MAINI ON BEHALF OF
THE WISCONSIN INDUSTRIAL ENERGY GROUP AND THE
CITIZENS UTILITY BOARD**
September 22, 2014

I. Introduction

- 1
- 2 **Q. Please state your name and occupation.**
- 3 A. My name is Kavita Maini. I am the principal and sole owner of KM Energy Consulting,
- 4 LLC.
- 5
- 6 **Q. Please state your business address.**
- 7 A. My office is located at 961 North Lost Woods Road, Oconomowoc, WI 53066.
- 8
- 9 **Q. On whose behalf are you testifying in this proceeding?**
- 10 A. I am testifying as an expert witness on behalf of the Wisconsin Industrial Energy Group
- 11 (WIEG) and Citizens Utility Board (CUB).
- 12
- 13 **Q. Please state your educational and professional background.**
- 14 A. I am an economist with over 22 years of experience in the energy industry. I graduated
- 15 from Marquette University, Milwaukee, Wisconsin with a Masters in Business and a
- 16 Masters in Applied Economics. From 1991 to 1997, I worked for Wisconsin Power &
- 17 Light Company (WPL) as a Market Research Analyst and Senior Market Research
- 18 Analyst. In this capacity, I conducted process and impact evaluations for WPL's
- 19 Demand Side Management (DSM) programs. I also conducted forward price curve and
- 20 asset valuation analysis. From 1997 to 1998, I worked as Senior Analyst at Regional

1 Economic Research, Inc. in San Diego, California. My responsibilities included DSM
2 evaluations and forecasting using neural network software. From 1998 to 2002, I worked
3 as a Senior Economist at Alliant Energy Integrated Services' Energy Consulting
4 Division. In this role, I was responsible for providing energy consulting services to
5 commercial and industrial customers in the area of electric and natural gas procurement,
6 contract negotiations, forward price curve analysis, rate design and on site generation
7 feasibility analysis. I was also involved in strategic planning and due diligence on
8 acquisitions.

9 Since 2002, I have been an independent consultant. In this role, I have provided
10 consulting services in the areas of class cost of service studies, rate design, resource
11 planning, MISO related matters and various policy issues.
12

13 **Q. Have you participated in other utility rate case proceedings?**

14 A. Yes, I have. Ex.-WIEG/CUB-Maini-1 to this testimony lists my experience testifying
15 before regulatory commissions. I also list proceedings—in a number of retail
16 jurisdictions, including the Public Service Commission of Wisconsin (PSC or the
17 Commission)—in which I provided formal comments on a variety of energy policy
18 issues. I also have provided technical comments in Federal Energy Regulatory
19 Commission (FERC) proceedings, several of which have involved Midcontinent
20 Independent System Operator (MISO)-related activities.¹
21

22 **Q. What is your experience with MISO?**

23 A. I have monitored MISO activities on behalf of WIEG since WIEG became a MISO
24 member in 2006. In the past eight years, I have represented WIEG on many MISO task
25 forces, committees and working groups.
26

27 **Q. Did you submit direct or rebuttal testimony in this proceeding?**

28 A. No.
29

¹ And before it was Midcontinent Independent System Operator, the Midwest Independent Transmission System Operator.

1 **Q. What is the purpose of your surrebuttal testimony?**

2 A. I respond to the rebuttal testimony of Wisconsin Electric Power Company (WEPCO or
3 the Company) witness Mary Wolter regarding WEPCO's treatment of payments the
4 utility is receiving in 2014 under the System Support Resource (SSR) agreement it
5 executed with MISO after MISO denied WEPCO's proposal to suspend operation of its
6 Presque Isle Power Plant (PIPP).

7
8 **Q. Why did WEPCO propose to suspend PIPP operations?**

9 A. According to Ms. Wolter, WEPCO proposed to suspend operations at PIPP due to its loss
10 of customer load in the Upper Peninsula of Michigan.²

11
12 **Q. What does Ms. Wolter say in connection with the SSR payments WEPCO is
13 receiving in 2014?**

14 A. Ms. Wolter testifies that WEPCO should be allowed to retain SSR payment revenue for
15 PIPP (PIPP Suspension SSR payments) in 2014 to replace the revenues the utility lost
16 primarily from its two largest customers.

17
18 **Q. Do you agree with Ms. Wolter's position?**

19 A. No, not at all. For the reasons I explain in detail below, I agree with Commission staff
20 witness Timothy O'Brien's Direct Testimony that the PIPP Suspension SSR payments
21 WEPCO receives in 2014 should be deferred and included in the transmission escrow for
22 return to WEPCO's customers.

23

24

II. Accounting of SSR Costs and Revenues

25 **Q. Are you familiar with the SSR agreement that WEPCO entered into with MISO for
26 PIPP for the time period from February 1, 2014 to January 31, 2015 (i.e., the PIPP
27 Suspension SSR Agreement)?**

28 A. Yes. I was WIEG's representative to MISO's West Technical Studies Task Force in
29 which the PIPP Suspension SSR agreement was discussed. And I was WIEG's and

² Direct-WEPCO/WG-Wolter-15 and Ex.-WEPCO/WG-Wolter-3.

1 CUB's consulting expert, preparing joint comments, in the FERC dockets approving the
2 PIPP Suspension SSR agreement (FERC Docket Nos. ER14-1242-000 and ER14-1243-
3 000) and in the PSC's Section 206 complaint to FERC challenging the cost allocation for
4 PIPP Suspension SSR payments (FERC Docket No. EL14-34-000).

5
6 **Q. Have you also reviewed the testimony in this proceeding regarding the PIPP
7 Suspension SSR Agreement?**

8 A. Yes. I reviewed the direct and rebuttal testimony and exhibits of Ms. Wolter and the
9 direct testimony of Commission staff witnesses Candace Spanjar and Timothy O'Brien.

10
11 **Q. Please summarize Mr. O'Brien's recommendations for treatment of WEPCO's
12 2014 and 2015 PIPP Suspension SSR Agreement costs and payments.**

13 A. At Direct-PSC-O'Brien-9, Mr. O'Brien recommends that escrow accounting treatment is
14 appropriate for both PIPP Suspension SSR Agreement costs and payments in both 2014
15 and 2015.

16
17 **Q. What reasons did Mr. O'Brien cite for making this recommendation?**

18 A. Mr. O'Brien stated the following:

19 First, escrow accounting treatment for SSR costs is appropriate given that:
20 1) the amount of the SSR costs is significant, 2) the difficulty in estimating
21 SSR costs before the final FERC order; 3) the uncertain terms of an SSR
22 agreement (termination can occur with notice); 4) FERC's treatment of
23 SSR costs is still developing; and 5) SSR agreements are authorized
24 subject to refund.

25 Second, payments received under an SSR agreement should be
26 deferred, including the 2014 payments and given escrow accounting
27 treatment for the same reasons supporting the proposed treatment of SSR
28 costs. The Commission's April 13, 2013, order in 4220-UR-118 requires
29 the deferral of SSR costs and may not have specifically identified the
30 deferral of SSR payments but an argument for consistency can be made
31 that the net SSR costs referenced in the order should consider SSR
32 payments. In any case, the Commission may wish to clarify in this docket
33 that SSR payments should be deferred for consideration in future
34 proceedings, similar to the treatment being requested for SSR costs. In this
35 case, WEPCO has asked for escrow accounting treatment of the PIPP SSR
36 payments for 2015 but not for the 2014 payments.³

³ Direct-PSC-O'Brien-9.

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Q. What was WEPCO’s response to these recommendations?

A. Whereas Mr. O’Brien proposes similar treatment of 2014 and 2015 PIPP Suspension SSR payments and costs, WEPCO wants to treat the 2014 SSR payments differently than the 2014 SSR costs; and differently than the 2015 SSR payments and costs. At Rebuttal-WEPCO/WG-Wolter-2, Ms. Wolter agrees with Mr. O’Brien that escrow accounting treatment is appropriate for PIPP Suspension SSR costs. She also supports escrow treatment of the 2015 PIPP Suspension SSR payments. However, she disagrees that the 2014 PIPP Suspension SSR payments should also be escrowed.⁴

Q. What is the primary reason Ms. Wolter gives for opposing deferral of the 2014 PIPP Suspension SSR payments?

A. Ms. Wolter testifies that WEPCO wants to use the 2014 PIPP SSR payments as the equivalent of sales revenues. WEPCO’s system sales revenues in 2014 have been less than WEPCO forecast, in part because of the utility’s loss of the Cliffs’ mines to Integrys. She appears to believe that WEPCO can “use” the 2014 PIPP Suspension SSR payment to replace the revenue it lost with the mines and other Michigan customers. (see Rebuttal-WEPCO/WG-Wolter-4,5). Thus, Ms. Wolter recommends special treatment of the 2014 PIPP Suspension SSR payments. She believes that the 2014 payments should not be deferred but, instead, be kept by WEPCO to offset 2014 lost revenues.

Q. Are you persuaded by Ms. Wolter’s argument?

A. No. The 2014 PIPP Suspension SSR Agreement simply does not provide payment for any reason other than to provide going-forward fixed and variable operational costs for PIPP. The 2014 payments certainly are not intended to be used, as WEPCO would like, to replace lost revenues. For several reasons, Ms. Wolter’s reasoning in support of her recommendation for special treatment of the 2014 payments is flawed.

First, as per the MISO tariff provisions, SSR payments are specifically provided to a utility as compensation for not suspending or retiring a generating unit because MISO has determined that the unit is needed for reliability purposes. In other words, the

⁴ Rebuttal-WEPCO/WG-Wolter-4.

1 SSR payment compensation is specifically tied to the costs of operating the generating
2 unit at issue and is no way tied to lost system sales revenue.

3 Second, WEPCO's retail customers are already paying for PIPP-related costs in
4 base rates in 2014. By not deferring the 2014 PIPP Suspension SSR payments, WEPCO
5 would get double recovery for PIPP for 2014.

6 Third, Wisconsin uses a forward-looking test year that allows utilities to recover
7 revenue from customers based on a forecast of electricity sales. Between rate cases,
8 utilities bear the risk and receive the rewards associated with electricity sales deviating
9 from the test year forecast used in the last rate case. WEPCO's last base rate case (PSC
10 Docket No. 5-UR-106) was a biennial case beginning with a 2013 test year. The current
11 case is a biennial case beginning with a 2015 test year. Consequently, the year 2014 falls
12 in between rate cases, and the Company should bear the loss of the sales.

13
14 I discuss each of these reasons in more detail below.

15
16 **1. MISO SSR compensation is for the specific purpose of maintaining reliability**
17 **and is not compensation for lost sales revenue.**
18

19 **Q. Why does MISO designate a generating unit as a System Support Resource?**

20 A. According to section 38.2.7 of the MISO tariff:

21
22 System Support Resource (SSR) procedures provide a mechanism for the
23 Transmission Provider to enter into agreements with Market Participants
24 that own or operate Generation Resources or Synchronous Condenser
25 Units (SCUs) that are required by the Transmission Provider to maintain
26 reliability of the Transmission System, if all or a specified portion of the
27 capacity of such Generation Resources or SCUs would otherwise either
28 Retire or Suspend. SSR Agreements are a last-resort measure to address an
29 underlying reliability issue and shall only be entered into once all potential
30 SSR Agreement alternatives have been examined.
31

32 In other words, MISO enters into a SSR agreement with a generating unit that is needed
33 for the specific purpose of maintaining reliability.
34

1 **Q. What was the process for arriving at \$52.2 million for the annual PIPP Suspension**
2 **SSR payment?**

3 A. The process consisted of a negotiation between MISO and WEPCO with oversight from
4 MISO's Independent Market Monitor (IMM) as explained by WEPCO witness Chris
5 Akkala in her direct testimony before FERC, which is included within Ex.-WEPCO/WG-
6 Wolter-3 in this proceeding.

7
8 **Q. What were the cost components for PIPP that the PIPP Suspension SSR payment**
9 **was designed to compensate?**

10 A. The 2014 PIPP Suspension SSR payments are for going-forward fixed and variable costs
11 to maintain the availability of the PIPP units for reliability in the year 2014. The fixed
12 cost components include (1) operations and maintenance costs; (2) ongoing capital
13 expenditures; and (3) return on inventories. These cost components are based on the
14 average of the historical actual costs for the PIPP units for a three year period (2010-
15 2013) and are paid to WEPCO on a monthly basis regardless of whether the unit operates
16 or not. WEPCO also receives compensation for variable costs every time MISO
17 dispatches PIPPs for reliability.⁵

18
19 **Q. Does the PIPP Suspension SSR Agreement provide WEPCO an opportunity to use**
20 **payments made under the agreement for any reason other than those you note**
21 **immediately above? For instance, does the Agreement provide that the 2014**
22 **payments may be used by WEPCO to compensate it for lost system sales recovery?**

23 A. No. The PIPP Suspension SSR agreement provides that the payments are intended to
24 keep PIPP operating for reliability. The Agreement is completely silent about using any
25 payment to compensate WEPCO for lost sales. The MISO tariff simply does not allow
26 lost-sales to be recovered through an SSR agreement.

27

⁵ See Ex.-WEPCO/WG-Wolter-3, Akkala testimony page 7 and Exhibit A. Following protests by certain parties to the FERC proceeding, FERC issued an Order declaring the \$52.18 million PIPP Suspension SSR payment to be unjust and unreasonable. FERC initiated settlement procedures regarding the compensation amount and that process is currently ongoing. Order on Complaint, Tariff Filings, and Rehearing, and Establishing Hearing and Settlement Procedures, 148 FERC ¶ 61,071 (July 29, 2014).

1 **2. Failure to defer the PIPP Suspension SSR payment will result in double recovery**
2 **for WEPCO of 2014 PIPP costs.**
3

4 **Q. Are operational costs for PIPP being recovered in test year 2014 base rates?**

5 A. Yes. Customers are currently paying for PIPP related costs in base rates. Although I am
6 not certain about the exact amount, it appears that it is higher than \$52.2 million because,
7 as indicated by Ms. Wolter at Rebuttal-WEPCO/WG-Wolter-6, there are some PIPP cost
8 components not included in the PIPP Suspension SSR payment such as certain ongoing
9 O&M, labor costs for a skeleton crew, depreciation, return on capital, and property taxes.

10
11 **Q. What does that mean with respect to payments WEPCO is receiving for PIPP in**
12 **2014?**

13 A. It means that if WEPCO is allowed to keep the PIPP Suspension SSR payments in 2014,
14 WEPCO will be receiving double payments for the same generating plant: first from its
15 electric retail customers through base rates, and second from MISO through the PIPP
16 Suspension SSR agreement. WEPCO's double recovery for PIPP plant costs should not
17 be allowed, particularly if WEPCO's retail customers are also responsible for paying a
18 portion of the PIPP Suspension SSR payments.

19
20 **Q. Has the issue of double recovery arisen in a prior SSR-related proceeding?**

21 A. Yes. In Docket No. 4220-UR-118, CUB and WIEG jointly commented regarding the
22 SSR costs for the Escanaba generating unit. In that docket, the joint comments indicated
23 the following:

24
25 Given the uncertainty associated with the SSR process at MISO,
26 and whether FERC will approve SSR agreements like the one
27 MISO filed with Escanaba, it is premature for the PSC to make a
28 final decision regarding treatment of SSR charges at this time.
29 There is no question that utilities ought to be able to recover these
30 charges, but the Commission should wait to determine the final
31 method of recovery until more certainty can be obtained regarding
32 how SSR charges will be assessed and calculated.

33 In the meantime, the Wisconsin Utilities should be allowed
34 to defer SSR charges as well as any credits associated with SSR
35 payments, diminution of revenue sufficiency guarantee payments,
36 and other MISO charges associated with changing a generating

1 unit's status to SSR. [footnote 11] The Commission should also
2 encourage Wisconsin Utilities to actively engage in the MISO and
3 FERC processes regarding SSR status.⁶
4

5 The joint comments provided the following example in footnote 11:
6

7 For example, a generating unit like Escanaba's may currently
8 receive Make Whole Payments (MWP) for being operated out of
9 economic merit order by MISO now for reliability purposes. Those
10 MWPs are paid for by other load serving entities in MISO through
11 charges like the Revenue Sufficiency Guarantee (RSG). Once that
12 unit shifts from its current status to SSR, it will no longer be
13 receiving MWPs, it will receive payment through an SSR
14 agreement. Thus, ratepayers would be inappropriately *double-*
15 *charged* if Wisconsin Utilities were allowed to recover ratepayer
16 funds for charges like RSG and SSR for those units that have SSR
17 agreements.⁷ (emphasis added)
18

19 **Q. How did Ms. Wolter interpret this example?**

20 A. Ms. Wolter uses this example to assert that the approval of the Commission's escrow
21 treatment of net SSR costs indicates deferral and escrow treatment of SSR costs net of
22 Revenue Sufficiency Guarantee (RSG) costs that were being incurred prior to SSR status.
23 She indicated that the Commission did not provide guidance regarding the issue of SSR
24 payments. However, I would note that what is important here is the context – the concern
25 WIEG and CUB jointly articulated was the potential for double charging and double
26 recovery. That is, WIEG and CUB wanted to ensure that customers did not pay both
27 RSG and SSR payments for the same generating unit and that the generating unit owner
28 did not receive both Make Whole Payments and SSR revenues for the same unit.
29 Regarding the issue of the 2014 PIPP Suspension SSR payments, the context and concern
30 is the same – WEPCO will be double recovering payments for PIPP in 2014 if they are
31 allowed to retain the PIPP Suspension SSR payments.
32

⁶ Docket No. 4220-UR-118, Joint Comments of the Citizens Utility Board and Wisconsin Industrial Energy Group Regarding System Support Resource Charges, p. 3 (February 14, 2013) (PSC REF#: 180949).

⁷ *Id.*

1 **3. Utilities bear the risk and receive the rewards associated with changes in sales in**
2 **between rate cases.**
3

4 **Q. Please explain the current regulatory practice regarding Wisconsin’s use of a**
5 **forward-looking test year to set rates.**

6 A. In Wisconsin, electric rates are set based on forecasts of elements, including test-year
7 expenses and anticipated test-year electricity sales. However, actual electricity sales will
8 deviate from the sales forecast, which deviation at times will be to the detriment of the
9 Company (i.e., less sales than forecast) and, at other times, to its benefit (i.e., more sales
10 than forecast). In part to compensate for the risk associated with deviations from the
11 sales forecast, the utilities are authorized a return on equity (ROE). WEPCO’s ROE in
12 2014 is 10.40%. The ROE is not a guarantee, and a utility’s actual earnings may fall
13 above or below its authorized return.
14

15 **Q. What sales forecast formed the basis for WEPCO’s rates in the year 2014?**

16 A. The Commission approved a sales forecast in WEPCO’s last base rate case in Docket No.
17 5-UR-106 for test years 2013 and 2014. The current case (Docket No. 5-UR-107) is for
18 test year 2015. Thus, the year 2014 falls in between base rate cases.
19

20 **Q. Is it valid from a ratemaking perspective to account for changes in system sales in**
21 **between rate cases?**

22 A. No. The utility bears the risk or receives the rewards for changes in system sales in
23 between rate cases. For instance, if an unusually hot summer causes a large upswing in
24 electricity sales compared to the approved forecast, the Company is allowed to retain the
25 additional revenue. Similarly, if sales are considerably less than the approved forecast,
26 the Company must absorb those losses. Significant deviations in actual sales from the
27 approved forecast can have a significant impact on a utility’s earnings. For example, in
28 its application to the Commission during the Great Recession for a base rate increase for
29 test year 2010, WPL noted:

30 The recession has hit WPL and its customers particularly hard. WPL’s
31 electric retail load has fallen precipitously as many of its industrial
32 customers have reduced and even terminated production activities in
33 WPL’s service territory. A primary example is General Motor’s decision

1 to close its Janesville assembly plant after 90 years of continuous service
2 except for two years during the Great Depression. As a result,
3 unemployment rates in WPL's service territory are among the worst in
4 Wisconsin. WPL seriously considered seeking emergency rate relief for
5 2009, but decided to spare its customers the financial pain and instead to
6 manage the revenue loss as best it could.⁸
7

8 In the year 2009, WPL's authorized ROE was 10.80%, and its actual earnings were
9 7.43%.⁹
10

11 **Q. Has WEPCO been earning less than its authorized return on equity thus far in**
12 **2014?**

13 A. No. The Company's authorized ROE for 2014 is 10.40%.¹⁰ The Company has earned
14 well above its authorized ROE (calculated according to the Fuel Rules) for the months in
15 2014 for which data is currently available (January – July 2014).¹¹ For example, in July
16 2014, the Company reported earnings of 11.11%, which is 71 basis points higher than its
17 authorized ROE.

18 Moreover, it appears that the Company is earning above its authorized ROE
19 because of its retention of the PIPP Suspension SSR payments. That is, using an
20 approximate amount of \$3.9 million for every 10 basis point differential¹² yields an over
21 recovery for WEPCO of \$27.69 million through July 2014. The SSR payments were
22 \$26.1 million for the period February 1, 2014 – July 31, 2014 (\$4.35 million per month
23 times six months). Thus, WEPCO's over earnings of \$27.699 million through July 2014
24 are only slightly higher than the PIPP Suspension SSR payments of \$26.1 million through
25 that same time period.
26

27 **Q. Has WEPCO sought recovery from the Michigan Public Service Commission**
28 **(MPSC) of costs associated with lost sales due to the loss of the Michigan customers?**

⁸ WPL's Application for Authority to Adjust Electric and Natural Gas Rates (May 8, 2009) (PSC REF#: 112856).

⁹ Docket No. 5-GF-159, WPL's Return on Common Equity Plus Investment Tax Credits (AF-6) (PSC REF#: 156791).

¹⁰ Docket No. 5-UR-106, Final Decision, p. 2 (PSC REF#: 178105).

¹¹ See Docket No. 5-GF-159, WEPCO January through July AF Reports, AF-6 PSC REF numbers: 215128 (July 2014); 214431 (June 214); 209919 (May 2014); 205909 (April 2014); 205806 (March 2014); 203868 (February 2014); and 201932 (January 2014).

¹² See Docket No. 5-UR-106, Ex-PSC-Spanjar-1 (PSC REF #: 171770) for calculation of the \$3.9 million.

1 A. Yes. On August 13, 2013, WEPCO filed an application with the MPSC seeking
2 accounting authority to defer certain unrecovered costs of implementing customer choice.
3 WEPCO sought to defer all non-fuel related production costs that were being previously
4 recovered from customers that switched to alternative energy suppliers. On August 29,
5 2013, the MPSC issued a decision capping the amount WEPCO would be allowed to
6 defer to the amount of Michigan load and sales remaining *after* removal of the sales load
7 lost by the customers who exercised their option under Michigan law to switch electricity
8 suppliers. Thus, WEPCO was not allowed to defer the vast majority of the lost revenue it
9 sought to defer. WEPCO sought rehearing, which was also subsequently denied by the
10 MPSC. Ex.-WIEG/CUB-Maini-2 contains the MPSC's Order, WEPCO's Request for
11 Rehearing, and the Order Denying Rehearing.
12

13 **Q. Should the Commission allow WEPCO to keep the PIPP Suspension SSR payments**
14 **in 2014 to offset the loss in revenue from the Michigan customers?**

15 A. No. In between rate cases, the Company should bear the loss of those sales, and the PIPP
16 Suspension SSR payments should be returned to WEPCO's customers who have paid for
17 the operational costs of PIPP in base rates in 2014.
18

19 **Q. Based on the foregoing observations, what do you recommend?**

20 A. I recommend that the 2014 PIPP Suspension SSR payments be escrowed along with the
21 2014 PIPP Suspension SSR costs. This will ensure consistent treatment of the costs and
22 the payments.
23

24 **Q. Do you have anything else to add regarding this matter?**

25 A. Yes. Late in the afternoon on Friday, September 19, 2014 (less than one business day
26 before surrebuttal testimony was due), WIEG and CUB received Supplemental Direct
27 Testimony from Mary Wolter regarding a new PIPP SSR agreement (the PIPP
28 Retirement SSR agreement). I was not able to review the filing in detail but was able to
29 calculate the amount of additional revenue WEPCO expects to receive in 2014 due to the
30 increase in SSR payments. As noted on Supplemental Direct-WEPCO/WG-Wolter-3, the
31 new PIPP Retirement SSR agreement supersedes the final months of the PIPP Suspension

1 SST agreement. Specifically, the new PIPP Retirement SSR agreement is expected to
 2 take effect on October 15, 2014. Table 1 below shows the differences in the payment
 3 period and monthly and total compensation amounts. The new Retirement agreement
 4 contains a monthly compensation amount that is nearly double that in the current
 5 Suspension agreement (\$4.35 million per month for the Suspension agreement versus
 6 \$8.08 million per month for the Retirement agreement).

7
 8 **Table 1: Current PIPP Suspension SSR Agreement vs. Proposed PIPP Retirement**
 9 **SSR Agreement**
 10

Line No:	Calculation	Current SSR Agreement (Suspension Status) Compensation	
1		Term	February 1, 2014 - January 31, 2015
2		Total Fixed Payment	\$52,233,984
3		Current Monthly SSR Payment	\$4,352,832
4	Line 3*11 months	Payment through December 31, 2014	\$47,881,152
		Proposed SSR Agreement (Retirement Status) Compensation	
5		Term	October 15, 2015 - December 31, 2016
6		Total Fixed Payment	\$117,225,700
7		Monthly Amount	\$8,084,500
8	Line 7*2.5 months	Payment through December 31, 2014	\$20,211,250
		Revised 2014 SSR Payment Amount	
9	Line 3*8.5 months	February 1, 2014-October 15, 2014	\$36,999,072
10	Line 7*2.5 months	October 15, 2014 - December 31, 2014	\$20,211,250
11		Total Amount	\$57,210,322
12	Line 11-Line 4	Difference between Current and Proposed Payment for 2014	\$9,329,170

11
 12
 13 This latest development has at least two major implications:

14 First, if approved by FERC, the new agreement will increase the SSR amount WEPCO
 15 receives for PIPP by \$9.3 million in 2014 as indicated in line 11 in Table 1.

16 Second, the changed dollar amount further reinforces the significance of and uncertainty
 17 associated with the 2014 SSR payments, further warranting deferral.

18
 19 **Q. What do you recommend with respect to the increased PIPP SSR revenue WEPCO**
 20 **expects to receive in 2014?**

1 A. I recommend that any additional PIPP SSR revenue WEPCO receives in 2014 as a result
2 of the PIPP Retirement SSR agreement be escrowed for return to customers.

3

4 **Q. Does this conclude your surrebuttal testimony?**

5 A. Yes.