

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
UPPER PENINSULA POWER COMPANY)
for authority to increase retail electric rates.)
_____)

Case No. U-16166

DIRECT TESTIMONY AND EXHIBITS OF

CHARLES W. SEVERANCE

FOR

UPPER PENINSULA POWER COMPANY

June 30, 2010

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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**QUALIFICATIONS
OF
CHARLES W. SEVERANCE
PART I**

1 **Q. Please state your name, business address and position.**

2 A. My name is Charles W. Severance. My business address is Wisconsin Public
3 Service Corporation (“WPS Corp”), 700 North Adams Street, P.O. Box 19001, Green
4 Bay, WI 54307-9001. I am General Manager – Wholesale Electric & Renewable
5 Energy in the Wholesales Services Department of WPS Corp. Both WPS Corp and
6 Upper Peninsula Power Company (“UPPCO”) are wholly-owned subsidiaries of
7 Integrys Energy Group, Inc (“Integrys”).

8

9 **Q. For whom are you providing testimony?**

10 A. I am providing testimony on behalf of UPPCO.

11

12 **Q. Please describe briefly your educational, professional, and utility background.**

13 A. I have a Bachelors Degree from Michigan Technological University in Mechanical
14 Engineering. I began my career with Integrys subsidiary WPS Corp in 1985 in retail
15 marketing. Additionally, I have held positions as an Engineer in electric generating
16 plants, as Manager of Wholesale and Cogeneration activities, and as Manager of
17 bulk power. I am the chairperson of the Electric Planning Committees for both WPS
18 Corp and UPPCO. I have served as a member of various North American Electric

1 Reliability Council ("NERC") committees, as well as the North American Energy
2 Standards Board ("NAESB"). In my current position, I provide services to UPPCO
3 related to Power Supply, Wholesale Sales, and Renewable Energy. I report to the
4 President of UPPCO.

5

6 **Q. Have you previously testified before any regulatory agency?**

7 A. Yes, I have. I have testified before the Public Service Commission of Wisconsin
8 ("PSCW") on behalf of WPS Corp in various rate case proceedings, and in the
9 Weston 4 generating station Certificate of Public Convenience and Necessity
10 ("CPCN") proceeding in docket 6690-CE-187. I have also testified before the
11 Federal Energy Regulatory Commission ("FERC") in docket ER05-164-000.

**CHARLES W. SEVERANCE
DIRECT TESTIMONY
PART II**

1 **Q. What is the purpose of your pre-filed direct testimony?**

2 A. The purpose of my pre-filed direct testimony is to provide an explanation of why
3 UPPCO's wholesale electric load is diminishing, and to provide information to
4 support the recovery of the losses on the sales of the Au Train and Cataract
5 hydroelectric generation facilities.

6

7 Mr. Seth S. DeMerritt will provide specific information regarding the ratemaking
8 implications of these issues on the 2011 test year.

9

10 **Q. Are you sponsoring any exhibits in this proceeding?**

11 A. Yes, I am. I am sponsoring Exhibit A-9 (CWS-1).

12

13 **Q. Was this exhibit prepared by you or under your direction and supervision?**

14 A. Yes, it was.

15

16 **Q. Please describe Exhibit A-9 (CWS-1).**

17 A. Exhibit A-9 (CWS-1) contains documents from FERC regarding the Au Train and
18 Cataract hydro-electric generation facilities. These documents are confidential
19 because they contain Critical Energy Infrastructure Information, which cannot be
20 released publicly.

21

22 **Loss of Wholesale Load**

23 **Q. How much wholesale load is UPPCO forecasting to lose by 2012?**

24 A. Historically, UPPCO has served six wholesale customers. These six customers
25 included the Ontonagon County Rural Electrification Association ("Ontonagon"), the

1 Alger Delta Cooperative (“Alger Delta”), and the municipal utilities serving Baraga,
 2 Gladstone, L’Anse and Negaunee.

3

4 In 2009, the wholesale load for these six customers was equivalent to approximately
 5 18% of UPPCO’s total energy sales.

6

7 As shown in the table below, the 2011 test year forecasted energy sales to these six
 8 wholesale customers represents a 70.89% reduction from 2007 levels. Further, by
 9 2012, UPPCO will not serve any wholesale energy load.

10

**Upper Peninsula Power Company
 Wholesale Sales in kWh**

Customer	Contract Expiration	2007 Actual	2008 Actual	2009 Actual	2010 Forecast	2011 Forecast	2012 Forecast
Baraga	12/31/10	23,325,309	23,666,759	21,700,451	21,700,451	-	-
Gladstone	12/31/10	34,607,318	33,810,742	32,973,367	32,973,367	-	-
L'Anse	09/30/11	15,986,466	15,629,593	15,345,520	15,345,520	11,389,433	-
Alger Delta	12/31/11	25,212,871	24,755,017	24,250,096	24,152,293	24,152,293	-
Negaunee	04/30/11	25,121,763	24,749,301	24,161,350	23,294,782	8,285,007	-
Ontonagon	12/31/09	26,282,259	25,416,060	25,205,048	-	-	-
Total		150,535,986	148,027,472	143,635,832	117,466,413	43,826,733	-
% Change from 2007			(1.67%)	(4.58%)	(21.97%)	(70.89%)	(100.00%)

11 **Q. Has UPPCO received formal notification from each of these six wholesale**
 12 **customers that they will cease to take service from UPPCO in the future?**

13 A. Yes, we have.

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Q. Why have the six wholesale customers selected electric providers other than UPPCO to serve their future wholesale electric needs?

A. The six wholesale customers have informed UPPCO that cost and service level were the most important reasons for selecting a provider other than UPPCO. As each of their contracts with UPPCO neared expiration, the wholesale customers solicited offers from UPPCO and other potential electric providers for wholesale electric service. UPPCO provided an offer to each of these six wholesale customers. To insure no subsidization of UPPCO's wholesale customers by either UPPCO's retail customers or UPPCO's shareholder, UPPCO's offers were priced to reflect UPPCO's fully-embedded cost to serve the required load. Due to confidentiality restrictions, UPPCO does not know what prices or terms the other wholesale electric providers offered. However, based on the fact that each wholesale customer chose a supplier other than UPPCO, it's likely that each wholesale customer's total cost for service was less than UPPCO's offer. Additionally, some wholesale customers stated that some bidders were offering a full range services needed by small utilities, such as supply procurement, compliance reporting and management, operational support, development of energy efficiency and renewable energy programs, accounting support, etc.

Q. Have recent improvements to the electric transmission system in Wisconsin and Upper Michigan contributed to UPPCO's loss of wholesale load?

A. Yes, it has. In the past, due to constraints on the electric transmission system in Wisconsin and Upper Michigan, these six wholesale customers had few choices regarding what entity would serve their wholesale electric needs. With the various improvements that have been made to the electric transmission system in Wisconsin and Upper Michigan, these wholesale customers now have more choices regarding

1 their wholesale electric supplier.

2

3 **Q. Who will be serving the former UPPCO wholesale load in the future?**

4 A. UPPCO understands that Wisconsin Public Power, Inc. ("WPPI") will be serving each
5 of the six wholesale customers, except Ontonagon. UPPCO further understands that
6 each wholesale customer taking service from WPPI has become a member of WPPI,
7 with an attendant long term commitment to the organization. The Ontonagon load
8 will be served by WPS Corp for a ten year term under WPS Corp's FERC authorized
9 Market Based Rate ("MBR") tariff. WPS Corp bid on the Ontonagon load at the
10 request of Ontonagon.

11

12 **Q. Please provide some background on WPPI.**

13 A. WPPI is a regional power company with headquarters in Sun Prairie, Wisconsin.
14 WPPI serves approximately 51 customer-owned electric utilities. Through WPPI,
15 these public power utilities share resources and own generation facilities to provide
16 electricity to more than 192,000 homes and businesses in Wisconsin, Upper
17 Michigan, and Iowa.

18

19 **Q. Did UPPCO offer services to the wholesale customers in an effort to retain
20 their load?**

21 A. Yes, it did. UPPCO offered a full range of services to the six wholesale customers at
22 prices that represent UPPCO's fully embedded cost to provide these services. Feed
23 back from the wholesale customers indicates that WPPI offered a service package
24 superior to UPPCO's offer.

25

26 **Q. Did UPPCO demonstrate any imprudence related to the loss of this wholesale
27 load?**

1 A. No, it did not. UPPCO's loss of wholesale load was due solely to the forces of an
2 expanded market for wholesale electric services in the Upper Peninsula, and not due
3 to any imprudence on UPPCO's part.

4

5 **Q. Has UPPCO included the impact of this lost wholesale load on the retail**
6 **revenue requirement in the 2011 test year?**

7 A. Yes, it did. Please see the pre-filed direct testimony of Mr. Seth S. DeMerritt.

8

9 **Sale of the Au Train and Cataract Hydro-electric Generation Facilities**
10 **Q. Please provide background regarding the potential sale of the Au Train Hydro-**
11 **Electric Generation Facility.**

12 A. The Au Train facility is a hydro-electric generation facility, FERC facility No. 10856,
13 with a nameplate capacity rating of 900 kW located near Munising in Alger County,
14 Michigan. The Au Train facility began generating electricity in 1910.

15

16 **Q. Please describe the events that led UPPCO to consider alternate management**
17 **options for the Au Train facility.**

18 A. Recent revisions in FERC licensing and maintenance standards require substantial
19 investments to be made at the Au Train facility to maintain its current license. FERC
20 has determined that the Au Train dam cannot safely pass the Probable Maximum
21 Flood ("PMF"), and that the Toe Drains are not in compliance with FERC standards.

22

23 Please see Exhibit A-9 (CWS-1) for documents from FERC regarding the Au Train
24 and Cataract hydro-electric generation facilities. These documents are confidential
25 because they contain Critical Energy Infrastructure Information, which cannot be
26 released publicly.

27

1 UPPCO estimates the cost to bring the Au Train dam into compliance to be between
2 \$6.7 million and to \$11.3 million. Based on the average generation from the Au
3 Train facility, and the revenue requirement associated with an upgraded Au Train
4 facility, the price of the energy from the Au Train facility would be significantly greater
5 than forecasted market energy prices. As a result, UPPCO investigated alternate
6 management options, with the goal of lowering costs for UPPCO customers.

7

8 **Q. What alternative management options were considered for the Au Train Hydro-**
9 **electric generation facility?**

10 A. Four options were considered:

- 11 1. Surrendering the FERC license and abandoning the facility (Option 1),
- 12 13 2. Surrendering the FERC license, leaving the dam in place, and transferring
14 ownership to a third party (Option 2),
- 15 16 3. Selling the facility to a party that would accept a transfer of the FERC license
17 and continue operate the facility (Option 3), and
- 18 19 4. Upgrading the facility to meet FERC standards, and continuing to own and
20 operate the facility (Option 4).

21

22 **Q. Are all of the options viable?**

23 A. No, they are not. The second option was eliminated because UPPCO could not find
24 a third party willing to accept the ownership and the on-going maintenance
25 responsibilities. Options 1, 3 and 4 were considered viable.

26

27 **Q. Please describe the surrender license and abandon option (Option 1).**

28 A. The surrender license and abandon option would require UPPCO to petition the
29 FERC for approval to surrender the Au Train facility's license and breach the dam.
30 Additionally, UPPCO would be required to work with state of Michigan and local
31 agencies, including the Michigan Department of Natural Resources, to determine the
32 level of restoration required for the river and watershed. As part of the surrender

1 process, FERC would determine if there were any other qualified parties interested
2 in assuming the license. If there was another interested party, FERC could approve
3 a license transfer to them. FERC could also deny UPPCO's request to surrender the
4 license, and require that UPPCO bring the facility into compliance with FERC
5 standards. As shown in the pre-filed direct testimony and exhibits of Mr. Gary A.
6 Christens, UPPCO estimates that additional expenditures ranging from a low of
7 approximately \$2.0 million, to a high of \$7.8 million, would be required to surrender,
8 abandon and restore the facility. The wide range stems from the uncertainty related
9 to the level of restoration required by various state and federal agencies. A firm
10 understanding of the restoration costs will not be possible unless the Au Train basin
11 was drained, and the relevant agencies consulted.

12
13 **Q. Please describe the sale option (Option 3).**

14 A. The sale option is the product of a well-advertised formal Request for Proposal
15 ("RFP") process issued on February 1, 2009. A general press release announcing
16 the RFP was issued by UPPCO, and was also published by print and media outlets.
17 The announcement was included on the "Hydro World" website. Additionally, the list
18 of FERC hydro license holders was reviewed and personal invitations were sent to
19 entities holding multiple North Central Midwest licenses. Bidders had access to an
20 electronic data room, a physical data room, and the Au Train facility itself. Bidders
21 were given one month to develop proposals. Three proposals were received. Two
22 were from entities that had no experience operating FERC licensed hydroelectric
23 projects. Based on comments from FERC staff, it was unlikely that FERC would
24 approve license transfer requests of non-compliant facilities to inexperienced
25 operators. Therefore, UPPCO chose to dismiss those two proposals from further
26 consideration. The remaining proposal was provided by North American Hydro,
27 parent of UP Hydro. Upon the closing date of the sale, UP Hydro would assume

1 responsibility for all operational or compliance risk due to events arising after the
2 sale. UPPCO would retain responsibility for potential environmental liabilities
3 resulting from events prior to the closing date, but would have no liability for non-
4 compliance regardless of when it occurred.

5

6 **Q. Please describe the upgrade and operate option (Option 4).**

7 A. Under the upgrade and operate option, UPPCO would design structural
8 modifications needed to bring the Au Train facility into FERC compliance, seek
9 FERC approval and authorization to implement the modifications, and perform the
10 upgrades in 2012 and 2013. UPPCO's estimate of the costs to perform the
11 upgrades ranges from a low of \$6.7 million to a high of \$11.3 million. UPPCO would
12 continue to operate the Au Train facility in accordance with its FERC approved
13 license. UPPCO would retain all liability for past and future compliance risk.
14 UPPCO would continue to incorporate the Au Train facility energy and environmental
15 attributes into its power supply portfolio.

16

17 **Q. What is the scope of the upgrades underlying UPPCO's estimated cost to
18 upgrade the Au Train facility to FERC standards.**

19 A. Specifically, the FERC has identified that the Au Train spillway is not capable of
20 safely handling the PMF. Additionally, the FERC has identified deficiencies in the
21 construction of the Toe Drains at the foot of the dam. The majority of the cost to
22 bring the Au Train facility into compliance will be incurred to modify the spillway, and
23 for related upgrades to accommodate the PMF. UPPCO estimates the cost for such
24 modifications will range from a low of \$6.7 million to a high of \$11.3 million. These
25 expenditures would occur in 2012 and 2013.

26

27

1 **Q, Please describe the process used to evaluate the three options.**

2 A. A net present value analysis was performed for each option through the end of the
3 Au Train facility's FERC license period, which is June 2037. Some of the more
4 significant factors in this analysis included:

- 5 1. The forecasted capital expenditures,
- 6 2. The forecasted fixed and variable O&M costs,
- 7 3. The forecasted replacement power costs, and
- 8 4. The forecasted value of renewable energy credits.

9

10 In addition to the financial analysis, other difficult to quantify issues were considered,
11 including:

- 12 1. The responsibility for existing and future liabilities,
- 13 2. The impact on the public, and
- 14 3. The impact on UPPCO's operating efficiency.

15

16 **Q, What were the results of the analysis?**

17 A. As shown in the pre-filed direct testimony of Gary A. Christens, the Au Train facility
18 net present value of revenue requirements through 2037 for each option are shown
19 below:

20 Sale Option (Option 3): \$8.5 million

21 Surrender license and abandon Option (Option 1): \$11.1 million

22 Upgrade and Operate Option (Option 4): \$17.7 million

23

24 Based on this analysis, UPPCO determined that the most reasonable and prudent
25 course of action is to sell the Au Train facility (Option 3). UPPCO has entered into
26 an Asset Sales Agreement ("ASA") with UP Hydro to, among other things, sell the Au
27 Train facility to UP Hydro. UPPCO is also negotiating with UP Hydro for a Purchase

1 Power Agreement to purchase energy produced at the Au Train facility. Under the
2 ASA, UP Hydro will, in addition to assuming certain obligations, pay a purchase price
3 for the Au Train facility of \$1.15 million, which is approximately \$1.2 million less than
4 the current net book value of the Au Train facility. Also, as part of the transaction,
5 UPPCO is required to pay to UP Hydro \$2.5 million as UPPCO's share of the
6 required upgrades to the facility. Thus, the sale is estimated to result in a net loss to
7 UPPCO of approximately \$4.1 million, including approximately \$400 thousand for
8 transaction and non-utility land costs.

9

10 On May 18, 2010, in docket P-10856-079, FERC approved the transfer of the Au
11 Train license to UP Hydro. See Exhibit A-9 (CWS-1), pages 30-31.

12

13 **Q. What is UP Hydro's estimated cost to upgrade the Au Train facility to FERC**
14 **standards?**

15 A. UP Hydro has not shared their estimate with UPPCO.

16

17 **Q. Will the \$2.5 million payment from UPPCO to UP Hydro cover UP Hydro's costs**
18 **of the required upgrades to the Au Train facility?**

19 A. Not necessarily. UP Hydro has indicated that it was evaluating the economic viability
20 of the Au Train facility based on the relationship of the energy and renewable credit
21 revenue to the capital needed to upgrade the Au Train facility. Specifically, if the
22 price ultimately agreed upon for the energy and renewable attributes was lower than
23 what was requested in its indicative bid, then the payment required from UPPCO for
24 the upgrades would be larger. This implies that the \$2.5 million payment is simply a
25 third revenue source needed to make the Au Train facility financially viable for UP
26 Hydro, and not necessarily the cost of the Au Train facility upgrades.

27

1 **Q. Did UPPCO demonstrate any imprudence related to the loss on the sale of the**
2 **Au Train facility?**

3 A. No, we did not. Recent revisions in FERC licensing and maintenance standards
4 require substantial investments to be made at the Au Train facility to maintain its
5 current license. These new standards are more rigorous than the previous
6 standards, and UPPCO has no control over changes to FERC licensing and
7 maintenance standards. As shown in Mr. Christens' pre-filed direct testimony, the
8 sale of the Au Train facility is the lowest cost long-term option for UPPCO's
9 customers. Therefore, no imprudence has occurred.

10

11 **Q. What is the status of UPPCO's deferred accounting application for the Au Train**
12 **facility?**

13 A. On March 25, 2010, UPPCO submitted an application for deferred accounting for the
14 net loss on the sale of both the Au Train and Cataract facilities in Case No. U-16208.
15 The Commission has not yet acted on this request.

16

17 **Q. Has UPPCO proposed an amortization of the estimated deferred net loss on**
18 **the sale of the Au Train facility in the 2011 test year?**

19 A. Yes, it has. Please see the pre-filed direct testimony of Mr. Seth S. DeMerritt.

20

21 **Q. Please provide background regarding the potential sale of the Cataract Hydro-**
22 **electric Generation Facilities.**

23 A. The Cataract facility is a hydro-electric generation facility, with a nameplate capacity
24 rating of 2.0 MW, located in Marquette County, Michigan. The Cataract facility
25 began generating electricity in 1929.

26

27 Substantial investments are required to be made at the Cataract facility in order to

1 maintain its current license and generate electricity. Please see Exhibit A-9 (CWS-1)
2 for documents from FERC regarding the Au Train and Cataract hydroelectric
3 generation facilities. These documents are confidential because they contain Critical
4 Energy Infrastructure Information, which cannot be released publicly.

5
6 UPPCO is evaluating several options for the Cataract facility, including repairing it to
7 meet current license requirements, abandoning the facility, and selling the facility to
8 a third party. UPPCO has issued an RFP to determine potential sale options. No
9 further information regarding the Cataract facility is available at this time, however,
10 UPPCO expects to resolve all issues regarding the Cataract facility by the end of
11 2010.

12

13 **Q. What is the status of UPPCO's deferred accounting application for the Cataract**
14 **facility?**

15 A. On March 25, 2010, UPPCO submitted an application for deferred accounting for the
16 net loss on the sale of both the Au Train and Cataract facilities in Case No. U-16208.
17 The Commission has not yet acted on this request.

18

19 **Q. Has UPPCO proposed an amortization of an estimated deferred net loss on the**
20 **sale of the Cataract facility in the 2011 test year?**

21 A. Yes, it has. Please see the pre-filed direct testimony of Mr. Seth S. DeMerritt.

22

23 **Q. Does this conclude your pre-filed direct testimony?**

24 A. Yes, it does.



FEDERAL ENERGY REGULATORY COMMISSION

Office of Energy Projects

Division of Dam Safety and Inspections - Chicago Regional Office

230 South Dearborn Street, Suite 3130

Chicago, Illinois 60604

312.596.4430 Office - 312.596.4460 Facsimile

DO-INT-497:

In reply refer to: P-10856

February 28, 2007

Mr. Terry P. Jensky
Assistant Vice President - Energy Supply Operations
Wisconsin Public Service Corporation
Upper Peninsula Power Company
600 E. Lakeshore Drive
P.O. Box 130
Houghton, Michigan 49931-0130

RE: Operation Inspection for Au Train Hydroelectric Project No. 10856 completed on June, 28, 2006

Dear Mr. Jensky:

Mr. Steve Spicer has completed his report on the operation inspection of Au Train hydroelectric project (FERC No. 10856). He will transmit an electronic copy of the report to Ms. Joan Johanek in your Green Bay office.

In his report, Mr. Spicer recommends some improvements to the method of reporting the readings from the piezometers and drainage monitoring stations. When plotting the piezometer data, the piezometers should be grouped according to cross-sections through the dikes. This method of organization should make it easier to estimate phreatic surfaces for the various cross-sections and should also help to identify potential adverse trends in the readings. The drain data should be converted to flow rates and plotted on graphs. You should complete the reorganization of the instrumentation data and incorporate the changes into the Surveillance and Monitoring Plan for the project which you plan to submit in May 2007.

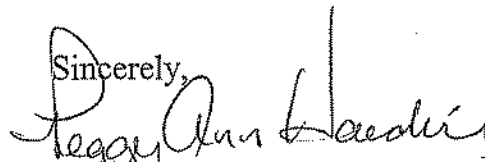
Mr. Spicer noted that, for the South Levee, some of the readings for water levels in the piezometers were higher than the reservoir level. He discussed this observation with Mr. Bob Meyers by telephone on February 28. Mr. Meyers reported that some of the wells have very slow response times and that the top-of-pipe and well tip elevations may

be incorrect. Although the wells have been flushed and developed, the response times remain slow. You plan to check the elevations of the piezometers and address the response time issue during preparation of the Surveillance and Monitoring Plan. This is acceptable.

Because the spillway is considered to have insufficient capacity to safely pass the inflow design flood, the project does not meet FERC standards and criteria for dam safety. We currently classify Au Train project as under remediation.

If you have any questions do not hesitate to call me or Mr. Spicer. Mr. Spicer's telephone number is 312.596.4449.

Sincerely,



Peggy A. Harding, P.E.
Regional Engineer

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FEDERAL ENERGY REGULATORY COMMISSION

Office of Energy Projects

Division of Dam Safety and Inspections - Chicago Regional Office

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In reply, refer to: P-10856

February 22, 2010

Mr. Terry Jensky
Wisconsin Public Service Corp.
700 N. Adams Street
P.O. Box 19001
Green Bay, WI 54307-9002

Re: 2010 Au Train Transfer Schedule
AuTrain Hydroelectric Project (P-10856),

Dear Mr. Jensky:

We acknowledge receipt of the February 4, 2010 letter outlining your schedule for the transfer of the License for Au Train Hydroelectric Project from Upper Peninsula Power Company (UPPCO) to North American Hydro Holdings, LLC. In your letter you indicated that a public meeting is scheduled for February 24, 2010, and an application for a license transfer will be submitted to the Commission by March 15, 2010. Your proposed schedule is acceptable.

If you have any questions pertaining to this letter, please contact me at (312) 596-4430 or Mr. Peter Chapman at (312) 596-4446.

Sincerely,

Peggy A. Harding, P.E.
Regional Engineer

CC.: Mr. Gilbert Snyder
Wisconsin Public Service Corporation
700 N. Adams Street
P.O. Box 19001
Green Bay, Wisconsin 54307-9002

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North American Hydro Holdings, Inc.

116 State Street, P.O. Box 167, Neshkoro, WI 54960 USA

Tel 920-293-4628 Fax 920-293-8087 Email nah@nahydro.com Web www.nahydro.com

April 23, 2010

Ms. Peggy Harding, Regional Engineer
Federal Energy Regulatory Commission
230 South Dearborn Street, Suite 3130
Chicago, IL 60604

**Re: Au Train - FERC Project No. 10856
Status of Proposed Spillway Modifications**

Dear Ms Harding;

On March 17, 2010, UP Hydro, (a wholly-owned subsidiary of North American Hydro Holdings) and Upper Peninsula Power Company (UPPCO) jointly applied for an order authorizing the transfer of license of the Au Train Hydroelectric project. Recent evaluations of the project's ability to discharge probable maximum flood flows concluded that project modifications are necessary. As a condition of the of the Commission's approval of the transfer, UP Hydro has agreed to assume all responsibility for addressing the required project modifications. Preliminary reports have been submitted to the Commission and meetings have been held with the Commission on conceptual repairs. On November 20, 2009, we received review comments from the Commission on the merits of the conceptual improvement report.

In anticipation of Commission approval of the license transfer, we are continuing the necessary studies to find the best solution for safely passing the flood flows. With the help of input data provided from the Commission's staff on a 2005 breach analysis, a more detailed HEC-RAS model was completed through Whitefish River below the proposed South spillway using the new flood flow values. The "at-risk" structures below the proposed South Spillway were identified. Possible gate configurations were recently developed for passing all flood flows through the project's North spillway, with consideration to effects due to spillway submergence caused by the bridges immediately downstream.

At this time our Consultant is performing additional modeling downstream of the North dam to determine the downstream effects of passing all the flood flows to the north through downstream Lake Au Train and the village of Au Train. The results of this study

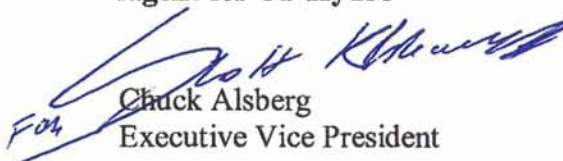


are necessary to compare the North and South downstream risks for determining how to best apportion the flood flows and finalize the design(s). We are proceeding with this study and plan on having it complete by July 1, 2010 in anticipation of the Commission's approval on the license transfer request. Upon completion of this study, we propose to file with the Commission a final design schedule, including final design submittal, appropriate review period allowance, the required PFMA, and the construction schedule for the remedial repairs. We propose to file this schedule no later than September 1, 2010.

In summary, UP Hydro continues to work diligently towards identifying the best option to address the probable maximum flood flows for the Au Train project. UP Hydro as agreed to continue to employ all the current risk reduction measures until the repairs are completed. UP Hydro will assume all responsibility for addressing the required project modifications, including the current schedule for completion of the modifications. That schedule was highlighted in the Commission's letter to UPPCO dated July 8, 2009 which stated; *"...ensure all necessary remediation for inadequate spillway capacity is initiated by January 2011 and completed by December 31, 2012."*

We look forward to the Commission's approval of the license transfer for the Au Train project and working with the Commission in finalizing and completing the required repairs. If you have any questions related to Au Train, please direct them to Mr. John McCutcheon at the North American Hydro Holding's corporate offices at (920) 293-4628 x35.

Sincerely,
 North American Hydro Holdings
Agent for UP Hydro

FOI

 Chuck Alsberg
 Executive Vice President

Cc; Mr. Gil Snyder, Wisconsin Public Service Corp.

10-04-23 Au Train schedule status to FERC.doc

UNITED STATES OF AMERICA 131 FERC ¶ 62,125
FEDERAL ENERGY REGULATORY COMMISSIONUpper Peninsula Power Company
North American Hydro Holdings, LLC

Project No. 10856-079

ORDER APPROVING TRANSFER OF LICENSE

(Issued May 18, 2010)

1. On March 8, 2010, Upper Peninsula Power Company (transferor) and North American Hydro Holdings, LLC (transferee) filed an application for transfer of license for the Upper AuTrain Project, located on the Upper AuTrain River in Alger County, Michigan.
2. Public notice of the transfer application was issued March 24, 2010, establishing April 23, 2010, as the deadline for filing comments, protests, and motions to intervene. No motions to intervene or comments were filed.
3. Transferor has generally complied with the terms and conditions of the license and agrees to pay annual charges that have accrued to the date of the transfer.
4. Transferee will be required to comply with the requirements of the license as though it were the original licensee, including the following compliance matter. Therefore, North American Hydro Holdings, LLC is put on notice that it must immediately address the remediation of the inadequate spillway capacity of the project, which must be initiated by January 2011 and completed by December 31, 2012.
5. Transfer of the license for this project is consistent with the Commission's regulations and is in the public interest.

The Director orders:

(A) Transfer of the license for the Upper AuTrain Project No. 10856 from Upper Peninsula Power Company to North American Hydro Holdings, LLC is approved.

(B) Upper Peninsula Power Company shall pay all annual charges that accrue up to the effective date of the transfer.

(C) Approval of the transfer is contingent upon: (1) transfer of title of the properties under license, transfer of all project files, including all dam safety related

Project No. 10856-079

2

documents, and delivery of all license instruments to North American Hydro Holdings, LLC, which shall be subject to the terms and conditions of the license as though it were the original licensee; and (2) North American Hydro Holdings, acknowledging acceptance of this order and its terms and conditions by signing and returning the attached acceptance sheet. Within 60 days from the date of this order, the transferee shall submit certified copies of all instruments of conveyance and the signed acceptance sheet.

(D) This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 CFR §385.713.

William Guey-Lee
Chief, Engineering & Jurisdiction Branch
Division of Hydropower
Administration and Compliance

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FEDERAL ENERGY REGULATORY COMMISSION
Washington, D. C. 20426

OFFICE OF ENERGY PROJECTS

Project No. 10854-084—Michigan
Cataract Hydroelectric Project
Upper Peninsula Power Company

Mr. Terry Jensky
Vice President – Energy Supply Operations
For Wisconsin Public Service Corporation
700 North Adams Street
P.O. Box 19001
Green Bay, WI 54307-9001

APR 25 2008

Subject: Dewatering of Penstock

Dear Mr. Jensky:

We have received your filing of February 11, 2008, concerning the dewatering of the penstock at the Cataract Project. A license for the project was issued February 7, 1997. Our records show that you coordinated this measure with the Chicago Regional Engineer (CRE) and took the proposed action after receiving CRE's approval for the dewatering measure.

Ordering paragraph (B)(2)(e) of your license states that the project works includes a 120-foot-long penstock section consisting of two 8-foot-diameter steel pipes, connecting the lower tunnel section to the powerhouse. In a telephone conversation on April 23, 2008, with Commission staff, you indicated that the penstock would be back in service by 2010.

Therefore, please provide, within 30 days, a detailed plan and schedule for placing the penstock back in service.

An original and eight copies of the plan and schedule may be submitted to the following address:

Project No. 10854-084

-2-

The Secretary
Federal Energy Regulatory Commission
Mail Code: DHAC, PJ-12.2
888 First Street, N.E.
Washington, D.C. 20426

If you have any questions concerning this letter, please contact Tom Papsidero at
(202) 502-6002.

Sincerely,



William Guey-Lee
Chief, Engineering and Jurisdiction Branch
Division of Hydropower Administration
and Compliance

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Upper Peninsula Power Company

Project No. 10854-086

ORDER GRANTING EXTENSION OF TIME TO FILE PLAN AND
SCHEDULE TO REPLACE PENSTOCK

(Issued July 22, 2008)

The Upper Peninsula Power Company filed on May 27, 2008, a request for an extension of time to file a detailed plan and schedule for placing the project penstock back in service, as required by the Commission's letter of April 25, 2008, for the Cataract Hydroelectric Project.¹ The Cataract Project is located on the Middle Branch of the Escanaba River, in Marquette County, Michigan.

In support of its request, the licensee states that it is currently scheduled to have discussions with the Chicago Regional Engineer concerning this project, among others, during the June/July time frame and requests a 90 day extension to develop and submit the requested plan and schedule. The licensee's request for an extension of time is reasonable and justifies an extension.

The Director Orders:

(A) The Upper Peninsula Power Company shall file by August 31, 2008, a detailed plan and schedule for placing the penstock back in service.

¹ 86 FERC . 61,157 (1999). On April 25, 2008, Commission staff issued a letter requesting the licensee to file a detailed plan and schedule for placing the penstock back in service. The licensee filed a timely response requesting additional time.

Project No. 10854-086

2

(B) This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713.

William Guey-Lee
Chief, Engineering and Jurisdiction Branch
Division of Hydropower Administration
and Compliance

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Upper Peninsula Power Company

Project No. 10854-088

ORDER GRANTING EXTENSION OF TIME TO FILE PLAN AND
SCHEDULE TO REPLACE PENSTOCK

(Issued January 13, 2009)

The Upper Peninsula Power Company filed on August 28, 2008, a request for an extension of time to file a detailed plan and schedule for placing the project penstock back in service, pursuant to the Commission's letter of April 25, 2008, for the Cataract Hydroelectric Project,¹ as amended.² The Cataract Project is located on the Middle Branch of the Escanaba River, in Marquette County, Michigan.

In support of its request, the licensee states that it has determined the cost for placing the penstock back in-service will exceed the net revenue afforded by the project for the remainder of the current FERC license term. As a result, the licensee states that it has initiated an evaluation process to assess the feasibility of surrendering its license for the project while continuing its engineering evaluations. The licensee requests an extension until January 31, 2009, to file either the requested plan and schedule for placing the project penstock back in service or an application to surrender the license. The licensee's request for an extension of time is reasonable and justifies an extension.

The Director Orders:

(A) The Upper Peninsula Power Company shall file by January 31, 2009, either a plan and schedule for placing the project penstock back in service or an application to surrender the license.

¹ 86 FERC 61,157 (1999). On April 25, 2008, Commission staff issued a letter requesting the licensee to file a detailed plan and schedule for placing the penstock back in service. The licensee filed a timely response requesting additional time.

² Unpublished order issued July 22, 2008.

Project No. 10854-088

2

(B) This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713.

William Guey-Lee
Chief, Engineering and Jurisdiction Branch
Division of Hydropower Administration
and Compliance

MAR 11 2009

Case No. U-16166
Witness: C.W. Severance
Exhibit A-9 (CWS-1)
Page 42 of 50

**FEDERAL ENERGY REGULATORY COMMISSION
Washington, D. C. 20426**

OFFICE OF ENERGY PROJECTS

Project No. 10854-097—Michigan
Cataract Hydroelectric Project
Upper Peninsula Power Company

Mr. Terry Jensky
Vice President – Energy Supply Operations
Wisconsin Public Service Corporation
700 North Adams Street
P.O. Box 19001
Green Bay, WI 54307-9001

MAR 09 2009

Subject: Plan and Schedule to Return Penstock to Service

Dear Mr. Jensky:

We have received your plan and schedule filed on January 30, 2009, for the return to service of the penstock at the Cataract Project, in response to our April 25, 2008 letter (copy enclosed), as amended.¹

In your January 30, 2009 filing, you reported that you do not intend to surrender the project and provided a proposed schedule, which includes an immediate initiation of the design process and an expected completion of penstock construction in the first half of 2011.

Upon review, your plan and schedule for the return to service of the penstock at the Cataract Project is acceptable. Please provide quarterly progress reports of the status of penstock restoration to include documentation of contracts issued, permits obtained, agreements made, etc. Your progress reports are due July 1, 2009, October 1, 2009, January 1, 2010, April 1, 2010, July 1, 2010, October 1, 2010, and January 1, 2011, or until the penstock has been restored to operation.

Please note that failure to provide progress reports showing adequate progress may subject you to compliance action. An original and eight copies of the progress reports are to be submitted to the following address:

¹ Unpublished order issued January 13, 2009.

Project No. 10854-097

-2-

The Secretary
Federal Energy Regulatory Commission
Mail Code: DHAC, PJ-12.2
888 First Street, N.E.
Washington, D.C. 20426

The requested materials may also be filed electronically via the Internet in lieu of paper. For any questions on electronic filing, please contact the Secretary's Office. See, 18 CFR 385.2001(a)(1)(iii) and the instructions on the Commission's web site at <http://www.ferc.gov> under the "e-Filing link.

If you have any questions concerning this letter, please contact Tom Papsidero at (202) 502-6002.



William Guey-Lee
Chief, Engineering and Jurisdiction Branch
Division of Hydropower Administration
and Compliance

MAR 13 2009

Case No. U-16161
Witness: C.W. Severance
Exhibit A-9 (CWS-1
Page 44 of 50

FEDERAL ENERGY REGULATORY COMMISSION
Washington, D. C. 20426

OFFICE OF ENERGY PROJECTS

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Cataract Hydroelectric Project
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William Guey-Lee
Chief, Engineering and Jurisdiction Branch
Division of Hydropower Administration
and Compliance

FEDERAL ENERGY REGULATORY COMMISSION
Washington, D. C. 20426

OFFICE OF ENERGY PROJECTS

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