

Founded in 1852
by Sidney Davy Miller

MILLER CANFIELD

RONALD W. BLOOMBERG
TEL (517) 483-4972
FAX (517) 374-6304
E-MAIL bloomberg@millercanfield.com

Miller, Canfield, Paddock and Stone, P.L.C.
One Michigan Avenue, Suite 900
Lansing, Michigan 48933
TEL (517) 487-2070
FAX (517) 374-6304
www.millercanfield.com

MICHIGAN: Ann Arbor
Detroit • Grand Rapids
Kalamazoo • Lansing
Saginaw • Troy

FLORIDA: Naples

ILLINOIS: Chicago

NEW YORK: New York

OHIO: Cincinnati

CANADA: Toronto • Windsor

CHINA: Shanghai

MEXICO: Monterrey

POLAND: Gdynia
Warsaw • Wrocław

March 31, 2011

Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way, Ste 7
Lansing, MI 48911

Re: Wisconsin Electric Power Company
2010 PSCR Reconciliation
MPSC Case No. U-16034-R

Dear Ms. Kunkle:

Enclosed for electronic filing please find the Application of Wisconsin Electric Power Company in regards to the power supply cost recovery reconciliation proceedings for the 12th month period ended December 31, 2010, with supporting testimony and exhibit of Thomas P. Lorden.

Additionally, a draft notice of hearing will be e-mailed to Gloria Jones at the Michigan Public Service Commission. If you should have any questions, please kindly advise.

Very truly yours,

Miller, Canfield, Paddock and Stone, P.L.C.

By: _____
Ronald W. Bloomberg

RWB/jlc
cc: Vicki Nugent
Becky Valcq
Thomas P. Lorden

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
WISCONSIN ELECTRIC POWER COMPANY'S) Case No. U-16034-R
power supply cost recovery reconciliation proceeding for) (e-file)
the 12-month period ended December 31, 2010.)

APPLICATION

WISCONSIN ELECTRIC POWER COMPANY ("Wisconsin Electric" or "Company"), d/b/a We Energies, requests the Michigan Public Service Commission ("Commission") to approve Wisconsin Electric's reconciliation of power supply costs and revenues pursuant to 1982 PA 304 ("Act 304") for the 12-month period January 2010 through December 2010, and represents to the Commission as follows:

1. Wisconsin Electric is a public service corporation organized under the laws of Wisconsin with its principal offices located in Milwaukee, Wisconsin, and is engaged primarily in public utility operations. Wisconsin Electric is also authorized to do business in Michigan and provides retail electric service to the public in service areas located in the Upper Peninsula, including the Counties of Alger, Baraga, Delta, Dickinson, Gogebic, Houghton, Iron, Marquette, Menominee and Ontonagon.
2. Wisconsin Electric's retail electric business in Michigan is subject to the Commission's jurisdiction pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; 1909 PA 300, as amended, MCL 462.2 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; and 1939 PA 3, as amended, MCL 460.1 et seq.
3. Incorporated in Wisconsin Electric's rate schedules is a PSCR clause as authorized by the Commission pursuant to Section 6j(2) of 1982 PA 304 in its Opinion and Order, dated March 20, 1984, in Case No. U-7635.

4. Wisconsin Electric represents that the 12-month reconciliation of the power supply costs and revenues for 2010 and interest, results in a net under-recovery (including interest as of December 31, 2010) of \$6,193,903. Wisconsin Electric's 2009 reconciliation true-up resulted in an under-recovery amount (including interest during the 2010 plan year) of \$326,916. These amounts result in a amount to be reconciled in this proceeding of an under-recovery of \$6,520,819.

5. In its August 21, 2007 Order in MPSC Case No. U-14707-R, the Commission authorized Wisconsin Electric to implement, beginning in its 2008 PSCR plan, a roll-in methodology to implement the then projected reconciliation refund/surcharge. Pursuant thereto, the Commission should determine that the amount to be recovered pursuant to the roll-in methodology is \$6,520,819 as of December 31, 2010.

6. Wisconsin Electric is concurrently filing the testimony and exhibit of Thomas P. Lorden in support of this Application. Wisconsin Electric represents that its proposals are just and reasonable and in the public interest.

WHEREFORE, Wisconsin Electric Power Company requests that this Commission:

1. Approve the reconciliation of the 12-month power supply costs and revenues as presented by Wisconsin Electric;

2. Find and determine that the power supply costs charged to Wisconsin Electric's customers during 2010, as included in this reconciliation, were reasonably and prudently incurred;

3. Find and determine that the amount to be rolled in to Wisconsin Electric's 2011 PSCR reconciliation proceeding is \$6,520,819, as of December 31, 2010; and

4. Grant Wisconsin Electric such other and additional relief as shall be lawful and proper.

Respectfully submitted,
WISCONSIN ELECTRIC POWER COMPANY

Dated: March 31, 2011

By: _____
One of its Attorneys
Ronald W. Bloomberg (P30011)
Michael C. Rampe (P58189)
MILLER, CANFIELD, PADDOCK AND STONE,
P.L.C.
One Michigan Avenue, Suite 900
Lansing, MI 48933
(517) 487-2070
ATTORNEYS FOR WISCONSIN ELECTRIC
POWER COMPANY

18,929,636.1\130071-00034

S T A T E O F M I C H I G A N
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of Wisconsin)
Electric Power Company's power supply cost)
recovery reconciliation proceeding for the) Case No. U-16034-R
12-month period ended December 31, 2010.)

DIRECT TESTIMONY AND EXHIBITS OF THOMAS P. LORDEN

ON BEHALF OF

WISCONSIN ELECTRIC POWER COMPANY

March, 2011

1 WISCONSIN ELECTRIC POWER COMPANY

2
3 Before the Michigan Public Service Commission

4
5 Direct Testimony of Thomas P. Lorden

6
7
8 Q. Please state your name and business address.

9 A. Thomas P. Lorden, 231 West Michigan Street, Milwaukee,
10 Wisconsin 53203.

11 Q. What is your present employment?

12 A. I am employed by Wisconsin Electric Power Company
13 ("Wisconsin Electric" or "Company") as a Senior Project
14 Analyst in the Regulatory Affairs and Policy Department. I
15 have been in my current position, where I am responsible for
16 fuel cost reporting to the various regulatory agencies,
17 since 2002.

18 Q. Please describe your qualifications and background.

19 A. I earned a Bachelor of Arts Degree in Business
20 Administration from Marquette University with a
21 specialization in finance in 1980.

22 I joined Wisconsin Electric in 1968. From 1968 to 1975, I
23 worked in the Plant Accounting Division. From 1975 until
24 1980, I held various positions in the Load Research area of
25 the Corporate Planning Department.

1 From 1980 to 1998, I was in the Rates Section. While in the
2 Rates Section, I was involved in the development of numerous
3 cost-of-service studies to support the Company's rate and
4 regulatory needs. From 1998 to 2002, I was in the Finance
5 Department, where I was responsible for fuel accounting and
6 reporting to the various regulatory agencies. I have
7 previously testified before the Michigan Public Service
8 Commission ("Commission" or "MPSC") on cost-of-service in
9 Case Nos.U-7592, U-10000 and U-10183. I also pre-filed
10 and/or presented testimony in Wisconsin Electric's 1994
11 power supply cost recovery ("PSCR") reconciliation in Case
12 No. U-10428-R, 1995 PSCR plan in Case No.U-10707, 2001 PSCR
13 plan in Case No.U-12615, 2002 PSCR plan in Case No.U-13107,
14 2001 PSCR reconciliation, Case No.U-12615-R, 2002 PSCR
15 reconciliation in Case No.U-13107-R, 2003 PSCR plan in Case
16 No.U-13556, 2003 PSCR reconciliation in Case No.U-13556-R,
17 2004 PSCR plan in Case No.U-13907, 2004 PSCR reconciliation
18 in Case No.U-13907-R, 2005 PSCR plan in Case No.U-14264,
19 2005 PSCR reconciliation in Case No.U-14264-R, 2006 PSCR
20 plan in Case No.U-14707, 2006 PSCR reconciliation in Case
21 No. U-14707-R, 2007 PSCR plan in Case No.U-15007, 2007 PSCR
22 reconciliation in Case No.U-15007-R, 2008 PSCR plan in Case

1 No.U-15404, 2008 PSCR reconciliation in Case No.U-15404-R,
2 2009 PSCR plan in Case No.U-15664, 2009 PSCR reconciliation
3 in Case No.U-15664-R, 2010 PSCR plan in Case No.U-16034,
4 2011 PSCR plan in Case No.U-16424 and renewable energy plan
5 in Case No.U-15812.

6 Q. What is the purpose of your testimony in this proceeding?

7 A. The purpose of my testimony is to: (i) describe the
8 operation of the Company's generating units and the
9 obtaining of fuel and purchased power during 2010; (ii) to
10 compare projected power supply costs for the 2010 PSCR Plan
11 year with the actual costs experienced that year; (iii) the
12 reconciliation of 2010 calendar year power supply revenues
13 recorded, whether recovered in base rates or in PSCR
14 factors, with the booked cost of power supply; and (iv) the
15 true-up of the 2009 power supply reconciliation amounts.

16 Q. In the 2008 PSCR plan case, the Company was ordered to
17 discuss the actions it took, the costs incurred, and the
18 reasonableness and prudence of its actions in connection
19 with the offering for sale of capacity into the PJM capacity
20 auction. Did the Company participate in the PJM capacity
21 auction?

1 A. Yes. In May 2009, the Company participated in the 2012-2013
2 planning year capacity auction. Zion Energy LLC ("Zion")
3 capacity of 159 MW did not clear the PJM auction. The
4 Company also participated in the First Energy/PJM 2012-2013
5 planning year capacity auction in March, 2010. All of the
6 Zion capacity which totals 157 MW cleared the auction at a
7 price of \$20.46/MW/day.

8 Q. Does the Company believe it is reasonable and prudent to
9 sell this capacity into the First Energy/PJM capacity
10 auction?

11 A. Yes.

12 Q. Were the Company's decisions in entering into the PPA with
13 Zion reasonable and prudent?

14 A. Yes, based upon the circumstances that existed at the time
15 such decisions were made. In fact, the long-term PPA with
16 Zion was found to be reasonable and prudent and the capacity
17 charges incurred were approved by the MPSC in its March 12,
18 2003 Order in Case No. U-13266.

19 Q. Has the capacity from the Zion PPA been included in the 5-
20 year forecasts filed as part of the Company's annual PSCR
21 Plan cases?

22 A. Yes. The capacity from the Zion PPA was included in the 5-
23 year forecasts filed as part of the Company's annual PSCR
24 Plan cases starting with the 2003 PSCR Plan case.

1 Q. Does the fact that the Zion firm capacity has been bid into
2 the PJM market support the position that recovery of the
3 costs incurred should be disallowed?

4 A. No. These circumstances do not detract from the fact that,
5 as the Commission previously found, the decision to enter
6 into the PPA with Zion Energy LLC was reasonable and
7 prudent. The fact that the Elm Road Generating Station
8 (ERGS) commenced commercial operation in 2010 does not
9 change the reasonableness of the decisions to enter into the
10 PPAs with Zion. In fact, the length of the initial term of
11 the PPAs with Zion coincided with the anticipated
12 commencement of operations of ERGS. Thus, the PPA for Zion
13 Unit 3 expired in 2008 and was not renewed. Under the PPAs,
14 existing capacity commitments will be further reduced by
15 2013. Furthermore, the current capacity situation is not
16 due to any unreasonable planning with respect to Zion, but
17 is more due to unanticipated intervening events such as the
18 reduction in required minimum reserve margins and
19 requirements to secure additional renewable energy. The
20 Company has reasonably and prudently sought to sell capacity
21 from the Zion PPA since 2008. The efforts to sell such
22 capacity do not detract from the reasonableness and prudence
23 of the 2002 decisions to enter into the PPA with Zion.
24 Also, customers benefit from such sales as the revenues are
25 offset against PSCR costs.

26 Q. Has the capacity from the ERGS1 and ERGS2 also been included
27 in the 5-year forecast filed as part of the Company's annual
28 PSCR Plan cases?

1 A. Yes. The Company has included the capacity from ERGS No.1
2 in its 5-year forecast starting with the 2004 PSCR Plan case
3 and the capacity from ERGS No. 2 starting with the 2006 PSCR
4 Plan case. In none of these PSCR plan cases did the
5 Commission state that either the cost of the ERGS1, ERGS2 or
6 Zion PPA were costs that the Commission would likely
7 disallow in a future case.

8 Q. Are you sponsoring any exhibits in connection with your
9 testimony?

10 A. Yes, I am sponsoring Exhibit A-1 (TPL-1) containing several
11 schedules, which set forth the Company's 2010 PSCR
12 reconciliation.

13 Q. Was Exhibit A-1 (TPL-1) prepared by you or under your
14 direction and supervision?

15 A. Yes, it was.

16 Q. Did any of Wisconsin Electric's generating units experience
17 outages during 2010 that lasted more than 90 days?

18 A. Yes. Oak Creek Unit 5 outage was planned for 56 days and
19 completed in 125 days. The purpose of the planned outage
20 was to perform extensive routine maintenance on the unit.
21 The work performed during the outage included: replacing the
22 turbine gland packing, inspecting and repairing intercept
23 valves and the precipitator, replacing the boiler division
24 wall, induced draft fan and forced draft fan, variable

1 frequency drive and inspecting and repairing the de-aerating
2 feed tank. During the outage a failed hydrogen seal was
3 detected as part of the routinely scheduled inspection. The
4 outage was extended in order to repair a failed hydrogen
5 seal on the high speed generator, which also required
6 cleaning the generator stator and rotor of oil
7 contamination. The planned outage was extended 49 days due
8 to repairing the hydrogen seal.

9 Oak Creek Unit 8 outage was planned for 56 days and was
10 completed in 93 days. The purpose of the planned outage was
11 to inspect and repair the precipitator and green coal silo,
12 overhaul the mill, re-tube the condenser and open the
13 generator and turbine to conduct inspections. The work
14 performed during the outage included a turbine supervisory
15 instrumentation upgrade and replacement of the induced draft
16 fan and variable frequency drive. The need to replace the
17 turbine buckets was detected as a result of a scheduled
18 inspection. It is not uncommon for buckets to wear out and
19 these buckets had reached end of life. The outage was
20 extended three weeks in order to manufacture and replace the
21 turbine's first and eighth buckets. Alignment and extended
22 oil flush added an additional week.

1 Valley Unit 1 outage was planned for 70 days and was
2 completed in 98 days. The purpose of the planned outage
3 was to perform extensive routine maintenance on the unit.
4 The work performed during the outage included: removing and
5 replacing the high temperature superheater and backpass
6 sidewalls in boilers one and two, removing and replacing
7 baghouse bags for both boilers, an ovation control upgrade
8 in the control room, installation of the variable frequency
9 drive controls on the number two boiler frequency drive fan,
10 replacing the unit one 138kV oil circuit breaker, replacing
11 lower waterwall header tube bends on both boilers, replacing
12 the turbine crossover pipe, completing a turbine control
13 valve overhaul and completing two mill overhauls. During
14 the planned outage, Power Operations determined that the
15 unit would have been placed on reserve shutdown once the
16 original outage was completed, and that extending the outage
17 would not have adverse fuel cost impacts. The power plant
18 staff identified overtime cost and contractor expense
19 savings that could be realized by extending the outage, and
20 decided to extend the outage to complete the work identified
21 above.

1 Q. Were any of these outages caused or prolonged by the
2 Company's negligence or by unreasonable or imprudent
3 management?

4 A. No, they were not. The work was required to maintain the
5 units in, or repair the units to, good working condition.
6 The work performed was consistent with good quality
7 practices, and was performed in a diligent manner.

8 Q. During 2010, were there any firm purchases that involved
9 capacity charges in excess of six months in duration that
10 were not previously approved by the Commission?

11 A. No, the Company had three firm purchase power contracts and
12 various renewable energy contracts in place during 2010,
13 which involved capacity charges in excess of six months.
14 The capacity charges for all of these contracts were
15 previously approved by the Commission.

16 Q. Did the Company include the cost associated with its risk
17 management plans as part of the reconciliation?

18 A. Yes. As a result of the revisions to the Wisconsin
19 Administrative Code (ch. PSC 116, Electric fuel rules),
20 utilities in Wisconsin are authorized to include the costs
21 of fuel price risk management hedging tools in their fuel
22 costs, provided the Public Service Commission of Wisconsin

1 ("PSCW") has approved the plan. On December 28, 2008, the
2 PSCW issued a Final Decision in Docket No. 6630-GF-130
3 approving the Company's Integrated Risk Management Plan for
4 Electric Energy through December 31, 2010.

5 Q. What is the purpose of the Company's gas risk management
6 plan?

7 A. The purpose of the gas risk management plan is to mitigate
8 and protect against natural gas price volatility. The cost
9 of the risk management hedging program is equivalent to an
10 insurance premium against price spikes. Premiums are paid
11 to insure against the occurrence of a damaging event.

12 Given the recent and continued price volatility, and
13 concerns about storage and supply/demand imbalances, it is
14 important to protect customers from price swings. While
15 managing gas price risk does not equate to guaranteed
16 savings, financially settled hedging can act like insurance
17 and is a proper and prudent action when a negative
18 consequence event such as a price spike is likely to occur.

19 Q. Were gas risk management costs included in previous PSCR
20 reconciliation cases?

21 A. Yes, the 2003 PSCR reconciliation Case No.U-13556-R, the
22 2004 PSCR reconciliation Case No.U-13907-R, the 2005 PSCR

1 reconciliation Case No.U-14264-R, the 2006 PSCR
2 reconciliation Case No.U-14707-R, the 2007 PSCR
3 reconciliation Case No.U-15007-R, the 2008 PSCR
4 reconciliation Case No.U-15404-R and the 2009 PSCR
5 reconciliation Case No.U-15664-R all included gas risk
6 management costs.

7 Q. What is the amount of the gas risk management transaction
8 costs included in the 2010 PSCR reconciliation?

9 A. The gas risk management transaction costs for 2010 amounted
10 to \$940,857. The Company's hedging of gas costs was done on
11 a reasonable and prudent basis in accordance with the PSCW
12 order approved in Docket No. 6630-GF-130.

13 Q. What is the purpose of the Company's coal transportation
14 surcharge risk management plan?

15 A. The purpose of the coal transportation surcharge risk
16 management plan is to hedge price increases in rail
17 transportation costs through the use of heating oil futures
18 which have a strong correlation to diesel fuel prices, and
19 crude oil futures. When diesel fuel prices rise, the
20 Surface Transportation Board allows railroads to apply a
21 fuel surcharge to their tariffs, thereby passing on the

1 increased cost to the utilities which increases the
2 utilities' delivered cost of coal.

3 Q. When did the Company begin to hedge the coal transportation
4 surcharge?

5 A. The Company began hedging the coal transportation surcharge
6 in February 2008 for May 2008 coal deliveries.

7 Q. How are the hedging costs for the coal transportation
8 surcharge accounted for?

9 A. The hedging costs are treated as a coal transportation cost
10 and are expensed as the coal is consumed. For 2010, fuel
11 expense included the lower cost of coal which amounted to a
12 benefit of \$269,842 along with transaction costs of
13 \$631,342.

14 Q. Were coal transportation surcharges hedging costs included
15 in previous PSCR reconciliation cases?

16 A. Yes, the 2008 and 2009 PSCR reconciliations. The Company's
17 hedging of coal transportation costs was done on a
18 reasonable and prudent basis in accordance with the PSCW
19 order approved in Docket No. 6630-GF-130.

20 Q. What is the purpose of the Company's electric risk
21 management plan?

1 A. The purpose of the Company's electric risk management plan
2 is to hedge electric price risk exposure through the use of
3 financial swaps, virtual generation offers, virtual load
4 bids and financial transaction rights auctions.

5 Q. Did the Company have any electric hedge transactions during
6 2010?

7 A. Yes. Electric hedge transactions are used to address market
8 uncertainties and hedge cost risk in the MISO market. These
9 transactions are considered on a daily basis as part of the
10 planning process, and are implemented on a regular basis.
11 The majority of the transactions were implemented in order
12 to represent uncertain generation in the Day Ahead market,
13 such as the start up and shutdown energy associated with a
14 generator expected to cycle on and off line during the day.
15 Other transactions were implemented in order to reduce
16 exposure to congestion costs between Company generators and
17 the Company's load. A number of bilateral and NYMEX Future
18 transactions were executed in accordance with the Company's
19 Electric Risk Management Plan in order to reduce the
20 Company's exposure to market price uncertainty.

21 Q. What is the amount of the electric risk management
22 transaction costs included in the 2010 PSCR reconciliation?

1 A. The electric risk management transaction costs for 2010
2 amounted to \$7,789. The Company's hedging of electric costs
3 was done on a reasonable and prudent basis in accordance
4 with the PSCW order approved in Docket No. 6630-GF-130.

5 Q. Please describe Schedule 1 of Exhibit A-1 (TPL-1).

6 A. Schedule 1 compares: (i) actual PSCR costs; with (ii)
7 projected power supply costs as approved in the 2010 PSCR
8 Plan Case, Case No.U-16034. For comparison purposes, the
9 2010 PSCR plan MISO makewhole revenue is identified under
10 purchases and ancillary revenue is identified under
11 opportunity sales. Also, these PSCR costs do not include
12 fuel handling and ash disposal.

13 Q. Please summarize the primary reasons for the cost variance
14 between the 2010 PSCR plan and the 2010 actual costs
15 incurred.

16 A. The primary reasons for cost increases from the 2010 PSCR
17 Plan are (1) A decrease in opportunity sales volume, (2)
18 increased purchased power volumes as replacement for wind
19 and hydro generation, (3) an increase in cost of gas and oil
20 risk management associated with generation and purchased
21 power and (4) a slight increase related to cost of
22 transmission. Additionally, the six primary reasons for

1 cost decreases from the 2010 PSCR Plan are (1) a reduction
2 in purchased power volumes for sale to retail customers, (2)
3 a reduction in purchased power capacity cost, (3) reduced
4 WUMS congestion and losses, (4) increase in PJM revenue, (5)
5 a decrease in cost for generation and purchased power, and
6 (6) a decrease in volume of coal generation. The impact of
7 these cost variances are summarized below:

8	<u>Reason</u>	<u>(\$million)</u>
9	Opportunity Sales	\$ 130.0
10	Wind & Hydro Replacement Power	\$ 9.1
11	Risk Management (Gas & Coal Trans)	\$ 8.3
12	Transmission	\$ 2.3
13	Retail Sales - Marginal Price	\$ (1.1)
14	Purchased Power - Capacity	\$ (1.2)
15	WUMS congestion & Losses	\$ (1.5)
16	Purchases - PJM	\$ (1.5)
17	Price (Generation & Purchases)	\$ (17.8)
18	Volume (Generation & Purchases)	\$ (37.5)
19	Total	\$ 89.1

20 Q. Why have PSCR costs decreased due to price from the 2010
21 PSCR plan?

1 A. Net price decreases were primarily due to lower natural gas
2 prices. The net decrease due to price amounted to \$17.8
3 million.

4 Q. Why have PSCR costs decreased due to volume?

5 A. Lower output from steam and gas-fired generation (due in
6 part to outages) was partially offset by an increase in
7 purchases from FPL (Point Beach), wind and hydro replacement
8 purchases and purchases from the MISO energy market. The
9 net decrease due to volume amounted to \$37.5 million.

10 Q. What was the amount of the net benefit/cost of the gas risk
11 management program during 2010?

12 A. The gas risk management net benefit/cost amount is
13 considered a component of the cost of gas which is charged
14 to various power plants and power purchases. During the
15 hedging horizon for 2010, the Company was hedging gas costs
16 in a declining market. This resulted in some hedges being
17 at a higher price than the month's NYMEX settle; this higher
18 cost of gas which amounted to \$7.1 million, along with
19 transaction cost of the options and futures of \$1.0 million
20 was included in the cost of gas for a total of \$8.0 million
21 which partially offset the lower cost from gas prices.

1 Q. Has the Company included all MISO charges and payments for
2 2010?

3 A. Yes.

4 Q. Were MISO charges and credits previously approved in PSCR
5 reconciliation cases?

6 A. Yes. The MPSC approved MISO charges and credits in the
7 Company's 2008 PSCR reconciliation, Case No.U-15404-R.

8 Q. Did natural gas prices decrease from the amount included in
9 the 2010 PSCR plan?

10 A. Yes. The decrease in natural gas prices from the 2010 PSCR
11 plan amounted to \$52.0 million in decreased costs.

12 Q. Did the Company experience any excess coal inventory during
13 the year?

14 A. During 2010, the Company continued to utilize additional
15 storage space that had been contracted for in 2009 in
16 response to reduced demand on the system.

17 Q. Has the cost of coal increased from the amount projected in
18 the 2010 PSCR plan?

19 A. Yes. The average cost of coal consumed at the Company's
20 plants increased from \$24.03 per MWh in the 2010 Plan to
21 \$24.83 per MWh or \$72.6 million.

1 Q. Did the amount of opportunity sales volumes decrease from
2 the amount estimated in the 2010 PSCR plan?

3 A. Yes. Opportunity sales volumes decreased significantly due
4 to participation in the MISO energy market. This resulted
5 in a decrease in opportunity sales revenue of \$130 million
6 which increases PSCR costs.

7 Q. Was there an increase in network transmission charges?

8 A. Yes. The American Transmission Company LLC ("ATC") provided
9 its customers with an updated budget after the 2010 PSCR
10 plan was filed. The increase in network transmission costs
11 from the amount included in the 2010 PSCR plan amounted to
12 \$2.0 million.

13 Q. Please explain "Renewable Energy - Act 295" as shown on
14 Exhibit A-1 (TPL-1), Schedule 1.

15 A. "Renewable Energy - Act 295" refers to the new renewables
16 Wisconsin Electric is acquiring to meet its obligation
17 (subject to the statutory cap on renewable energy
18 surcharges) under the Michigan RPS. Only the incremental
19 cost (i.e., above the transfer price) of these renewables
20 is recoverable through the renewable energy surcharge. The
21 transfer price of \$50.05 per MWh was established as part of
22 Wisconsin Electric's renewable energy plan in Case No.U-

1 15812. For Wisconsin Electric to recover the full cost of
2 these renewables reasonably and prudently obtained to meet
3 the Michigan RPS, Wisconsin Electric must recover both the
4 transfer price portion of the costs through its PSCR
5 mechanism and the incremental costs through the renewable
6 energy surcharge.

7 Q. Please explain "Wind & Hydro Repl. Power" as shown on
8 Exhibit A-1 (TPL-1), Schedule 1.

9 A. The July 1, 2010 Order in Case No. U-15981 removed the cost
10 (e.g., depreciation, return on investment, O&M, etc.) of
11 hydro and wind generation facilities from base rates.
12 Consistent with the exclusion of these costs from Michigan
13 base rates, the Company began, effective July 1, 2010, by
14 removing the wind and hydro generation from the calculation
15 of its PSCR costs for Michigan and replacing it with
16 purchased power, the cost of which was calculated by
17 multiplying the excluded generation times the MISO energy
18 price on an hourly basis.

19 Q. What is the cost related to the hydro and wind replacement
20 power cost in 2010?

1 A. The hydro and wind replacement power cost for 2010 is
2 \$9,089,862 or an average of \$27.71/MWh on a system-wide
3 basis.

4 Q. Please explain further the variations of actual power supply
5 and costs from the 2010 PSCR Plan projections.

6 A. As shown on Exhibit A-1 (TPL-1) Schedule 1, the actual net
7 system output was up 451,511 MWhs or 1.5% from the 2010
8 plan. The actual total fossil steam generation was lower
9 than projected due in part to outages at Elm Road unit 1.
10 The Port Washington generating station was down 541,151 MWhs
11 and other combustion turbine generation during the year was
12 up 70,300 MWhs due to MISO dispatching. The average cost
13 per MWh was lower than projected due to lower than projected
14 natural gas costs but was partially offset by higher than
15 projected risk management costs. Compared to the PSCR plan,
16 the output from the Company's hydro units was up 41,193 MWhs
17 or 16%. Generation from wind was down 155,186 MWhs or 32%.
18 Purchased energy was up 1,412,326 MWhs or 14%. Opportunity
19 sales revenues were 75% lower than projected. Transmission
20 costs were up 1.0% from the projected amount. In total, the
21 average net system power supply cost of \$42.23/MWh in 2010

1 was 5.9% higher than the average net system power supply
2 cost projected in the approved 2010 PSCR plan of \$39.87/MWh.
3 The 2010 PSCR costs are stated on an average \$/MWh system-
4 wide basis and derived from dividing the total system cost
5 of \$1,272,899,613 by the net system requirements of
6 30,145,177 MWh, resulting in an average power supply cost of
7 \$42.23 per MWh at the transmission level. Because this cost
8 is applied to actual sales at the customer level, the
9 average cost must be multiplied by the 1.04 loss factor used
10 in setting the PSCR component of base rates to accurately
11 recover the costs incurred from the customers.

12 Q. Please describe the WUMS Socialized congestion and losses
13 that are included in the 2010 PSCR Costs.

14 A. The cost associated with the Wisconsin Upper Michigan System
15 ("WUMS") socialized congestion and losses are the result of
16 the Agreement of the WUMS Load Serving Entities ("LSE") on
17 Aggregation and Equitable Allocation of Certain Costs
18 ("Agreement") after MISO Day 2.

19 Q. What is the purpose of this Agreement on socialization of
20 transmission congestion and losses?

21 A. The Agreement is intended and designed to maintain the
22 socialization of certain costs resulting from the transfer of

1 the WUMS LSEs transmission systems to ATC and the initial
2 operation of the combined ATC transmission system by MISO.
3 The Agreement encourages the construction of transmission
4 facilities that will reduce transmission congestion and
5 losses most effectively within WUMS as a whole. The
6 Agreement is effective during the first five years of
7 operation of the MISO Day 2 energy market. The Agreement was
8 approved by the PSCW on May 5, 2006 in Docket No. 05-DR-106.

9 Q. Why did the cost of WUMS socialized congestion and losses
10 decrease by \$1.5 million from the 2010 PSCR plan?

11 A. The decrease in WUMS costs of \$1.5 million was due to the
12 2010 Plan estimate which was based on prior period actual
13 costs. The WUMS agreement expired on April 30, 2010.

14 Q. Were these changes in costs the result of revisions to the
15 basis of economic dispatch underlying the PSCR Plan case?

16 A. No. These changes in actual costs from the previous
17 projections were not the result of revisions to the economic
18 dispatch strategies in the PSCR plan, but in response to the
19 circumstances that actually developed during the PSCR plan
20 year, including the rate-making decisions in the
21 Commission's July 1, 2010 Order in Case No.U-15981.

1 Q. Were the changes in actual costs the result of unreasonable
2 or imprudent management action or decision?

3 A. The changes in actual costs from the projections shown on
4 Exhibit A-1 (TPL-1), Schedule 1 were not the result of any
5 unreasonable or imprudent management action or decision.

6 Q. Would you please describe what revenues and costs are
7 included in your reconciliation in Exhibit A-1 (TPL-1),
8 Schedule 2?

9 A. The 2010 power supply revenues recorded in the Company's
10 calendar months of January 2010 through December 2010 are
11 being reconciled with power supply costs for the calendar
12 cost months January 2010 through December 2010.

13 Q. Has the reconciliation for 2010 in Exhibit A-1 (TPL-1),
14 Schedule 2 been prepared in a manner consistent with the
15 2009 PSCR reconciliation in Case No.U-15664-R?

16 A. Yes.

17 Q. Do the costs included in this reconciliation include any
18 costs attributable to capital investments to transport fuel
19 to or relocate fuel at the Company's facilities, or any
20 costs associated with unloading and handling expenses
21 incurred after receipt of fuel by the utility?

22 A. No. There was no capital investment costs included in the
23 calculation of the 2010 power supply costs being reconciled.

1 Nor are any Company unloading costs or Company costs for
2 handling the fuel included. Coal is delivered at a
3 Milwaukee dock and then the Company pays third parties to
4 transfer that coal to both the Valley Power Plant and
5 Milwaukee County Power Plant. Since the Valley Power Plant
6 does not have rail facilities, all coal must be delivered by
7 boat. In addition, the size of the river channel restricts
8 the size of the vessels that may be used for delivery. The
9 Company treats the vessel reloading costs, paid to a firm
10 contracted to do the loading, and the transfer vessel costs
11 as part of the freight costs. The Milwaukee County Power
12 Plant does not have rail facilities; therefore all coal must
13 be delivered by truck. The trucking costs are included as
14 part of the freight costs. No Company labor or expenses are
15 included. The transshipping costs are expensed as the coal
16 is burned. This is consistent with how these costs have
17 been treated in prior PSCR proceedings.

18 Q. Did the Company purchase any fuel or fuel transportation
19 services from an affiliated company?

20 A. Yes. Wisconsin Electric purchased local gas distribution
21 services from Wisconsin Electric Gas Operations ("WEGO").
22 WEGO includes the former gas operations of Wisconsin Natural
23 Gas Company. Effective January 1, 1996, Wisconsin Natural
24 Gas Company was merged into Wisconsin Electric. The gas

1 purchased is used for flame stabilization and ignition
2 purposes at the Oak Creek Power Plant and the Pleasant
3 Prairie Power Plant. Gas distribution service is provided
4 at tariffs authorized by the PSCW. Wisconsin Electric also
5 purchased natural gas from Wisconsin Gas LLC ("WG").
6 Effective January 1, 2000, Wisconsin Electric purchased
7 WICOR Industries, which included the Wisconsin Gas Company
8 subsidiary. The gas purchased from WG is used at Valley,
9 Port Washington and Milwaukee County power plants. Natural
10 gas from WG is purchased at tariffs authorized by the PSCW.
11 Natural gas, including gas purchased from and/or transported
12 by WEGO and WG, contributed 12.5% to Wisconsin Electric's
13 net generation in 2010.

14 Q. Were such purchases less costly than fuel of requisite
15 quality available at or about the same time from other
16 suppliers?

17 A. Yes.

18 Q. During 2010, did the Company buyout any power purchase
19 agreements?

20 A. No.

21 Q. Did the Company purchase any test/spot market coal during
22 the period under reconciliation?

23 A. Yes. The Company purchased approximately 9,800 tons of coal
24 for testing at the Valley power plant.

1 Q. Did the Company incur any penalties, which were included in
2 the power supply costs for this reconciliation period?

3 A. The Company accrued liquidated damages charges amounting to
4 \$1,855,300 for not meeting contract minimum tonnages for the
5 rail transportation and dock services contracts for
6 bituminous coal used at its Presque Isle, Valley and
7 Milwaukee County power plants. Payment of these costs was
8 less than the alternative of offering the units into the
9 MISO market at a discount to increase consumption so that
10 additional coal could be purchased, transported and shipped
11 to meet the contract minimums. These costs were added to
12 coal inventory costs and are expensed at the average
13 weighted cost of coal as it is consumed. The entire accrued
14 cost was not expensed in 2010.

15 Q. Why did the Company enter into contracts with minimum
16 tonnage requirements and liquidated damages provisions?

17 A. Minimum tonnages and liquidated damages provisions are
18 standard industry practice in larger volume rail
19 transportation and dock services contracts. Rail
20 transportation and dock services companies sell capacity on
21 their systems. The quid pro quo for assuring/reserving
22 capacity to accommodate relatively large volume requirements
23 is to pay for same, either through the form of
24 capacity/space reservation charges or minimum volume

1 provisions. Minimum volume commitments (i.e. contract
2 minimums) are not only a standard practice to assure space
3 availability but may provide incentives for transport and
4 dock suppliers to provide lower rates for larger volume
5 commitments.

6 The rail transportation agreement for Colorado coal was
7 signed in 2008, the MERC dock services agreement was signed
8 in 2004 and the KCBX dock services agreement was signed in
9 2005. The minimum tonnages agreed to in these agreements
10 were well below historical volumes and forecasted need.
11 Subsequent to the execution of these contracts, the economy
12 collapsed at the end of 2008. This resulted in a
13 significant reduction in bituminous coal consumption in 2009
14 and 2010. As a result, the Company purchased and shipped
15 less bituminous coal in 2010, and the rail and dock contract
16 minimum quantities were not met.

17 Our historical annual bituminous coal consumption at Presque
18 Isle, Valley and Milwaukee County power plants is shown
19 Exhibit A-1 (TPL-1) Schedule 4, page 2.

20 The significant down turn in the economy could not have been
21 foreseen at the time the contracts were signed and paying
22 liquidated damages was more cost effective than purchasing
23 and shipping coal that was not needed. Therefore the
24 charges were reasonable and prudent incurred.

1 Q. Does the calculation of power supply costs include any
2 demurrage charges or credits?

3 A. No. For 2010, power supply costs were adjusted to eliminate
4 both charges and credits associated with demurrage amounting
5 to \$-12,686 under the terms of a rail contract for the
6 Pleasant Prairie power plant.

7 Q. Have you prepared an exhibit that reconciles the power
8 supply costs with the power supply revenues for 2010?

9 A. Yes. Exhibit A-1 (TPL-1), Schedule 2 shows the monthly over
10 or underrecovery of power supply costs for the
11 reconciliation period. This exhibit shows the net under
12 recovery of \$6,186,377 of power supply costs for the
13 reconciliation period.

14 Q. Have you prepared additional Schedules to support the
15 amounts shown on Exhibit A-1 (TPL-1) Schedule 2?

16 A. Yes I have. Exhibit A-1 (TPL-1), Schedule 3, page 1 of 2,
17 shows the calendar month sales associated with Michigan
18 retail and wholesale customers and then removes those sales,
19 which are not subject to the PSCR factors. Sales not
20 subject to the PSCR factors are (i) wholesale sales; (ii)
21 retail special contract sales to the White Pine mine and
22 (iii) renewable energy to customers on the Company's "Energy
23 For Tomorrow" program.

1 Exhibit A-1 (TPL-1), Schedule 3, page 2 of 2, shows the
2 monthly total System Costs for Recovery and the associated
3 total Net System Requirements. The Total System Costs and
4 Net System Requirements are used to develop the monthly
5 average cost per MWh as adjusted for line losses. The
6 monthly average cost per MWh is utilized in Exhibit A-1
7 (TPL-1), Schedule 2 to calculate the costs attributable to
8 the sales.

9 Q. Were the costs of power supply incurred through reasonable
10 and prudent actions on the part of the Company?

11 A. All 2010 power supply costs were incurred through reasonable
12 and prudent actions on the Company's part.

13 Q. Please explain the accounting method to determine coal costs
14 and how the monthly expense amount is determined.

15 A. Coal costs are accounted for through the fuel inventory
16 account. Inventories are maintained for each plant. Coal
17 is recorded at the contract price, with adjustments to the
18 invoiced price and for price adjustments. Invoices are
19 reviewed for conformance to contract prices and are approved
20 by the Company's Wholesale Energy & Fuels Department, which
21 also provides estimates of the price adjustments. Price
22 adjustment estimates are updated routinely to reflect the
23 most current estimates. Invoices for price adjustment are
24 reviewed for conformance to terms and conditions set forth

1 in the price adjustment provisions of the contracts and are
2 then approved by the Wholesale Energy & Fuels Department.
3 Differences between actual price adjustments and the
4 accruals are accounted for as inventory adjustments. The
5 quantity of coal removed from inventory and burned is
6 furnished by the Company's Fossil Operations Department as
7 determined by coal scale records. Coal is removed from
8 inventory at the average inventory cost. This accounting
9 treatment has been applied consistently by the Company.

10 Q. Have you prepared an exhibit showing the cost per million
11 BTU of coal as projected in the Power Supply Cost Recovery
12 Plan and the actual costs incurred?

13 A. Yes, I have prepared Exhibit A-1 (TPL-1), Schedule 4, which
14 shows the annual projected and actual cost per million
15 BTU("\$/MBTU") for the various power plants using coal as
16 fuel. The actual rate in \$/MBTU for two of the plants was
17 slightly above the rate projected in the 2010 plan for two
18 plants.

19 Q. How are other fossil fuels accounted for?

20 A. Oil inventories are maintained in a manner similar to that
21 described for coal. Invoices for purchases are reviewed and
22 approved by the Company's Wholesale Energy & Fuels
23 Department. Inventory disbursements are at the average
24 inventory price. Natural gas consumption is based on

1 monthly meter readings. When the Company makes use of the
2 natural gas transportation service, it must nominate the
3 amount of gas to be taken. When the usage is less than the
4 nomination, an undertake credit is given and when the usage
5 is more than the nomination an overtake charge is applied.

6 Q. How did you calculate interest on the over/under collection
7 of PSCR costs?

8 A. I calculated interest on the average of the beginning and
9 end of month overcollection or undercollection balances for
10 each month. The interest on an under-recovery of power
11 supply costs was calculated at the average short term
12 borrowing rate available to the Company. Interest on any
13 over-recovery balance would be calculated at the Company's
14 authorized rate of return on common stock equity, which is
15 greater than the average short term borrowing rate available
16 to the Company. Exhibit A-1 (TPL-1), Schedule 5, page 1 of
17 3, shows the calculation of the interest on the monthly
18 accumulated balances through December 2010. The amount of
19 interest for 2010 is \$7,526.

20 Q. Has the Company included a true-up of the 2009
21 reconciliation?

22 A. Yes. The Company included a revised under-recovered amount
23 of \$1,925,402 for its 2009 PSCR reconciliation, in Case No.
24 U-15664-R. Exhibit A-1 (TPL-1), Schedule 5, page 2 of 3

1 shows the amount collected during the 2010 period of
2 \$1,600,499, resulting in an under recovered principal amount
3 of \$324,903.

4 Q. What is the total under recovered amount including the 2009
5 reconciliation true-up amount and interest, experienced by
6 Wisconsin Electric for the 2010 reconciliation period?

7 A. Exhibit A-1 (TPL-1), Schedule 5, page 3 of 3 shows the total
8 reconciliation under-recovery of \$6,520,819.

9 Q. How does the Company propose to recover the net under-
10 recovery for 2010 and the under-recovery for 2009 true-up?

11 A. Pursuant to the methodology authorized by the Commission in
12 its August 21, 2007 Order in Case No. U-14707-R, Wisconsin
13 Electric will roll the under-recovery into its 2011 PSCR
14 reconciliation case. Wisconsin Electric filed its 2011 PSCR
15 Plan September 30, 2010 in Case No.U-16424. In that filing,
16 Wisconsin Electric requested approval of a roll-in surcharge
17 of \$.00233 per kWh reflecting an estimated \$5,334,773 under-
18 recovery of 2010 power supply costs and \$496,010 under-
19 recovery of the 2009 reconciliation true-up. This roll-in
20 collects the estimated 2010 under-recovery amount from the
21 PSCR customers through their 2011 electric billings.

22 Q. What is Wisconsin Electric requesting the Commission to
23 approve in this PSCR reconciliation filing?

1 A. Wisconsin Electric is requesting the Commission to approve
2 the reconciliation of its 12-month power supply costs, and
3 interest for 2010, and determine that the power supply costs
4 as presented in this reconciliation filing were reasonably
5 and prudently incurred. Wisconsin Electric is also
6 requesting authorization to roll-in the actual total under-
7 recovered amount, including interest, of \$6,520,819 into its
8 2011 PSCR reconciliation case.

9 Q. Does this complete your testimony?

10 A. Yes, it does.

11

12 18,945,896.1\130071-00034

WISCONSIN ELECTRIC POWER COMPANY
 2010 Power Supply Cost Recovery Reconciliation

Approved and Actual Power Supply Costs 2010

	PSCR Plan 2010 - Approved			PSCR 2010 - Actual			Change from Approved		
	Cost (\$)	Generation MWH	Cost \$/MWH	Cost (\$)	Generation MWH	Cost \$/MWH	Cost (\$)	Generation MWH	Cost \$/MWH
Electric Utility:									
Valley	43,460,601	793,273	54.79	46,809,995	779,587	60.04	3,349,394	(13,686)	5.26
Oak Creek	127,801,010	5,274,649	24.23	119,526,162	4,774,638	25.03	(8,274,848)	(500,011)	0.80
Elm Road	91,724,116	3,777,159	24.28	34,856,549	1,210,846	28.79	(56,867,567)	(2,566,313)	4.50
Pleasant Prairie	140,435,911	7,613,894	18.44	132,818,002	7,147,751	18.58	(7,617,909)	(466,143)	0.14
Edgewater 5	13,520,520	526,296	25.69	13,948,420	620,088	22.49	427,900	93,792	(3.20)
Milw. County	1,922,130	35,702	53.84	2,845,043	25,717	110.63	922,913	(9,985)	56.79
Presque Isle	74,797,434	2,522,285	29.65	70,218,144	2,397,652	29.29	(4,579,290)	(124,633)	(0.37)
Total Steam	493,661,722	20,543,258	24.03	421,022,315	16,956,279	24.83	(72,639,407)	(3,586,979)	0.80
Port Washington	150,187,032	3,194,599	47.01	114,419,245	2,652,448	43.14	(35,767,787)	(542,151)	(3.88)
Germantown	549,397	6,972	78.80	1,274,278	9,139	139.43	724,881	2,167	60.63
Concord	778,227	2,141	363.49	4,049,360	45,979	88.07	3,271,133	43,838	(275.42)
Paris	334,798	462	724.67	2,438,989	28,529	85.49	2,104,191	28,067	(639.18)
Valley - Unit 3	-	-	-	14,286	(3,772)	-	14,286	(3,772)	-
Total Turbine	151,849,454	3,204,174	47.39	122,196,158	2,732,323	44.72	(29,653,296)	(471,851)	(2.67)
Hydro	-	260,429	-	-	118,056	-	-	(142,373)	-
Wind	-	482,066	-	-	141,198	-	-	(340,868)	-
Total Fuel	645,511,176	24,489,927	26.36	543,218,473	19,947,856	27.23	(102,292,703)	(4,542,071)	0.87
LS Power	41,648,763	927,394	44.91	26,401,168	646,014	40.87	(15,247,595)	(281,380)	(4.04)
Zion	627,439	7,836	80.07	4,658,303	72,081	64.63	4,030,864	64,245	(15.45)
Elgin	-	-	-	(212)	-	-	(212)	-	-
Marquette Board of Power & Light	-	-	-	89,353	2,559	34.92	89,353	2,559	-
FPL (Point Beach)	356,411,219	8,232,192	43.29	369,490,241	8,719,623	42.37	13,079,022	487,431	(0.92)
Surplus Power	-	-	-	505,787	9,317	54.29	505,787	9,317	54.29
Renewable Energy - Other	20,309,754	201,835	100.63	15,323,144	191,712	79.93	(4,986,610)	(10,123)	(20.70)
Act 295 - Renewable Energy Plan	7,848,290	156,809	50.05	5,761,440	115,114	50.05	(2,086,850)	(41,695)	(0.00)
Special Contract - Incremental Load	-	-	-	(1,053,591)	(36,797)	28.63	(1,053,591)	(36,797)	-
Wind & Hydro Repl. Power	-	-	-	9,089,862	328,035	27.71	9,089,862	328,035	-
Subtotal Purchases	426,845,465	9,526,066	44.81	430,265,495	10,047,658	42.82	3,420,030	521,592	(1.99)
MISO Energy Market	10,572,024	362,738	29.15	81,178,053	1,253,450	64.76	70,606,029	890,712	35.62
PJM Energy Market	780,643	-	-	(759,970)	22	-	(1,540,613)	22	-
Purchases - Capacity	65,878,393	-	-	64,662,241	-	-	(1,216,152)	-	-
Total Purchases	504,076,525	9,888,804	50.97	575,345,819	11,301,130	50.91	71,269,294	1,412,326	(0.06)
WUMS Socialized Cost	1,200,000	-	-	(288,369)	-	-	(1,488,369)	-	-
MISO Uplift & Admin.	(31,351,920)	-	-	(25,570,160)	-	-	5,781,760	-	-
MISO RSG Makewhole	(13,842,638)	-	-	(30,417,958)	-	-	(16,575,320)	-	-
Fuel & Purchases	1,105,593,143	34,378,731	32.16	1,062,287,805	31,248,986	33.99	(43,305,338)	(3,129,745)	1.83
Less: Capacity Sales	6,226,150	-	-	6,224,748	-	-	(1,402)	-	-
Less: Oppty. Sales - Marquette P&L	-	-	-	1,666,785	47,680	34.96	1,666,785	47,680	34.96
Less: Oppty. Sales - Other	-	-	-	(509,915)	-	#DIV/0!	(509,915)	-	-
Less: Oppty. Sales - PJM	573,505	7,836	73.19	5,571,125	71,181	78.27	4,997,620	63,345	5.08
Less: Oppty. Sales - MISO	157,127,579	4,677,229	33.59	20,563,464	984,948	20.88	(136,564,115)	(3,692,281)	(12.72)
Less: ASM Revenue	6,533,912	-	-	6,903,908	-	-	369,996	-	-
Opportunity Sales	170,461,146	4,685,065	36.38	40,420,115	1,103,809	-	(130,041,031)	(3,581,256)	-
Net Output	935,131,997	29,693,666	31.49	1,021,867,690	30,145,177	33.90	86,735,693	451,511	2.41
Network Transmission	216,106,000	29,693,666	7.28	218,092,628	30,145,177	7.23	1,986,628	-	(0.05)
Transmission Services	32,572,952	29,693,666	1.10	32,939,295	30,145,177	1.09	366,343	-	(0.01)
TOTAL System Costs	1,183,810,949	29,693,666	39.87	1,272,899,613	30,145,177	42.23	89,088,664	451,511	2.36
Loss Factor			1.04			1.04			1.04
Total PSCR Costs			41.46			43.91			2.45
Less: PSCR Base (Adjusted for losses)			41.71			42.16			-
PSCR Factor (adjusted for losses)			(0.24)			1.75			-

Case No.: U-16034-R
 Exhibit: A-1 (TPL-1)
 Schedule: 2
 Witness: Thomas P. Lorden
 Date: March, 2011
 Page: 1 of 1

WISCONSIN ELECTRIC POWER COMPANY
 2010 Power Supply Cost Recovery Reconciliation

Power Supply Cost Over/(Under) Recoveries For The Year 2010

Line No.	DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1.	Billed Sales Subject to PSCR	(kWh)	(kWh)	(kWh)	(kWh)	(kWh)	(kWh)	(kWh)	(kWh)	(kWh)	(kWh)	(kWh)	(kWh)	(kWh)
		216,811,000	226,566,000	238,985,000	213,317,000	233,505,000	208,236,000	235,241,000	249,424,000	234,611,000	251,556,000	242,108,000	257,531,000	2,807,891,000
	Power Supply Cost Recovery Factor Including Losses:	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)
2.	Base	0.04171	0.04171	0.04171	0.04171	0.04171	0.04171	0.04216	0.04216	0.04216	0.04216	0.04225	0.04225	
3.	Applied Factor	(0.00024)	(0.00024)	(0.00024)	(0.00024)	(0.00024)	(0.00024)	(0.00070)	(0.00070)	(0.00070)	(0.00070)	(0.00079)	(0.00079)	
4.	Total	0.04147	0.04147	0.04147	0.04147	0.04147	0.04147	0.04146	0.04146	0.04146	0.04146	0.04146	0.04146	
5.	Power Supply Cost Factor	0.04298	0.04640	0.04263	0.04083	0.04552	0.04605	0.04757	0.04726	0.04556	0.03880	0.03952	0.04144	
	Power Supply Revenues:	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
6.	Base	9,043,187	9,450,068	9,968,064	8,897,452	9,739,494	8,685,524	9,917,761	10,515,716	9,891,200	10,605,601	10,229,063	10,880,685	117,823,815
7.	Applied Factor	(52,035)	(54,376)	(57,356)	(51,196)	(56,041)	(49,977)	(164,669)	(174,597)	(164,228)	(176,089)	(191,265)	(203,449)	(1,395,278)
8.	Total	8,991,152	9,395,692	9,910,708	8,846,256	9,683,453	8,635,547	9,753,092	10,341,119	9,726,972	10,429,512	10,037,798	10,677,236	116,428,537
9.	Power Supply Costs	9,318,537	10,512,662	10,187,931	8,709,733	10,629,148	9,589,268	11,190,414	11,787,778	10,688,877	9,760,373	9,568,108	10,672,085	122,614,914
10.	Over/(Under) Recovery	(327,385)	(1,116,970)	(277,223)	136,523	(945,695)	(953,721)	(1,437,322)	(1,446,659)	(961,905)	669,139	469,690	5,151	(6,186,377)

Case No.: U-16034-R
 Exhibit: A-1 (TPL-1)
 Schedule: 3
 Witness: Thomas P. Lorden
 Date: March, 2011
 Page: 1 of 2

WISCONSIN ELECTRIC POWER COMPANY
 2010 Power Supply Cost Recovery Reconciliation

Michigan Calendar Sales Subject To PSCR For The Year 2010

DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
	(kWh)	(kWh)	(kWh)	(kWh)	(kWh)	(kWh)	(kWh)	(kWh)	(kWh)	(kWh)	(kWh)	(kWh)	(kWh)
Total Calendar Sales	282,465,000	285,191,000	294,332,000	267,498,000	292,489,000	262,000,000	298,115,000	315,496,000	296,287,000	306,043,000	300,249,000	324,496,000	3,524,661,000
LESS: Wholesale Sales	62,527,000	55,932,000	52,468,000	51,488,000	56,407,000	51,240,000	60,313,000	63,956,000	60,583,000	53,413,000	57,058,000	65,922,000	691,307,000
Total Retail Sales	219,938,000	229,259,000	241,864,000	216,010,000	236,082,000	210,760,000	237,802,000	251,540,000	235,704,000	252,630,000	243,191,000	258,574,000	2,833,354,000
LESS: Special Contract Sales	3,036,000	2,625,000	2,811,000	2,634,000	2,526,000	2,462,000	2,490,000	2,036,000	1,026,000	1,017,000	1,026,000	963,000	24,652,000
Mercury Street Lighting	0	0	0	0	0	0	0	0	0	0	0	0	0
Mercury Area Lighting	0	0	0	0	0	0	0	0	0	0	0	0	0
EFT Renewable Energy	91,000	68,000	68,000	59,000	51,000	62,000	71,000	80,000	67,000	57,000	57,000	80,000	811,000
Sales Subject to 2009 PSCR	216,811,000	226,566,000	238,985,000	213,317,000	233,505,000	208,236,000	235,241,000	249,424,000	234,611,000	251,556,000	242,108,000	257,531,000	2,807,891,000

WISCONSIN ELECTRIC POWER COMPANY
 2010 Power Supply Cost Recovery Reconciliation

Power Supply Costs and Net System Requirements For the Year 2010

DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
I. SYSTEM COSTS FOR RECOVERY	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
1. Fossil Fuel	38,149,139	32,519,687	29,702,614	31,310,965	32,902,304	35,567,512	42,525,423	39,647,780	33,308,080	31,319,662	35,332,451	46,998,772	429,284,389
2. Steam Transfer Credit	(1,244,158)	(1,139,416)	(816,336)	(567,585)	(344,562)	(319,560)	(278,432)	(312,148)	(321,239)	(307,332)	(867,709)	(1,743,596)	(8,262,073)
3. Combustion Turbines	17,533,111	18,978,950	12,459,501	4,517,786	7,523,879	10,717,823	14,810,338	16,984,366	5,770,708	5,089,210	3,363,114	4,447,371	122,196,157
4. Purchased Power	40,363,258	39,214,021	39,850,885	32,290,743	45,777,896	48,006,312	62,373,440	67,636,530	46,167,868	30,989,387	31,547,840	34,851,151	519,069,331
5. Transmission - Network	18,174,386	18,174,386	18,174,386	18,174,386	18,174,386	18,174,386	18,174,386	18,174,386	18,174,386	18,174,385	18,174,385	18,174,385	218,092,629
6. Opportunity Sales	(6,898,491)	(5,274,125)	(3,161,118)	(3,963,901)	(2,161,795)	(1,927,736)	(3,379,590)	(5,283,232)	(2,119,582)	(1,372,564)	(2,638,433)	(2,239,548)	(40,420,115)
7. Transmission - Other	2,362,763	2,554,289	2,506,931	2,704,039	2,282,494	3,462,003	3,477,934	3,203,752	2,629,918	2,512,818	2,483,654	2,758,700	32,939,295
8. Total System Costs for Recovery	108,440,008	105,027,792	98,716,863	84,466,433	104,154,602	113,680,740	137,703,499	140,051,434	103,610,139	86,405,566	87,395,302	103,247,235	1,272,899,613
II. NET SYSTEM REQUIREMENT	(MWH)	(MWH)	(MWH)	(MWH)	(MWH)	(MWH)	(MWH)	(MWH)	(MWH)	(MWH)	(MWH)	(MWH)	(MWH)
9. Fossil Generation	1,543,476	1,141,691	1,093,878	1,330,901	1,336,600	1,528,407	1,735,151	1,592,444	1,310,758	1,246,760	1,353,111	1,743,102	16,956,279
10. Combustion Turbine	361,028	382,263	272,427	86,185	160,137	256,430	370,356	424,073	142,301	125,584	65,151	86,388	2,732,323
11. Hydraulic Generation	22,452	24,269	27,022	14,214	10,226	19,873	0	0	0	0	0	0	118,056
12. Wind Generation	31,904	12,710	17,638	40,041	24,938	13,967	0	0	0	0	0	0	141,198
13. Purchased Power	885,464	872,973	1,062,173	823,925	933,509	828,324	987,210	1,110,304	977,486	976,750	980,624	862,388	11,301,130
14. Opportunity Sales	(220,750)	(80,336)	(64,902)	(144,295)	(86,075)	(80,219)	(82,370)	(45,025)	(65,829)	(33,435)	(99,424)	(101,149)	(1,103,809)
15. Total Net System Requirements	2,623,574	2,353,570	2,408,236	2,150,971	2,379,335	2,566,782	3,010,347	3,081,796	2,364,716	2,315,659	2,299,462	2,590,729	30,145,177
16. Average Cost per MWH(\$/MWH)	41.33	44.62	40.99	39.26	43.77	44.28	45.74	45.44	43.81	37.31	38.00	39.85	42.23
17. Adjustment for Line Losses	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04
18. Power Supply Costs (\$/MWH)	42.98	46.40	42.63	40.83	45.52	46.05	47.57	47.26	45.56	38.80	39.52	41.44	43.92

Case No.: U-15664-R
 Exhibit: A-1 (TPL-1)
 Schedule: 4
 Witness: Thomas P. Lorden
 Date: March, 2010
 Page: 1 of 2

WISCONSIN ELECTRIC POWER COMPANY
 2010 Power Supply Cost Recovery Reconciliation

Fuel Costs - Coal
 For The Year 2010

POWER PLANT	PROJECTED		ACTUAL	
	QUANTITY	RATE	QUANTITY	RATE
	(Tons)	(\$/MBTU)	(Tons)	(\$/MBTU)
Edgewater 5	325,416	2.46	386,319	2.19
Oak Creek	2,980,572	2.42	2,761,347	2.46
Pleasant Prairie	4,905,145	1.68	4,730,457	1.68
Presque Isle	1,562,716	2.43	1,461,214	2.43
Elm Road	1,285,687	2.71	448,862	2.77
Valley	448,780	4.07	480,813	4.07
Milwaukee County	16,438	4.67	25,110	4.16

Case No.: U-15664-R
Exhibit: A-1 (TPL-1)
Schedule: 4
Witness: Thomas P. Lorden
Date: March, 2010
Page: 2 of 2

WISCONSIN ELECTRIC POWER COMPANY
2010 Power Supply Cost Recovery Reconciliation

Historical Colorado Coal (Bituminous) Consumption
For The Year 2000 - 2010

Year	Tons
2000	1,574,000
2001	1,579,000
2002	1,491,000
2003	1,488,000
2004	1,574,000
2005	1,745,000
2006	1,644,000
2007	1,724,000
2008	1,663,000
2009	1,162,000
2010	1,027,000

Case No.: U-16034-R
 Exhibit: A-1 (TPL-1)
 Schedule: 5
 Witness: Thomas P. Lorden
 Date: March, 2011
 Page: 1 of 3

WISCONSIN ELECTRIC POWER COMPANY
 2010 Power Supply Cost Recovery Reconciliation

Interest Calculation For 2010

2010 CALENDAR MONTH	OVER/ (UNDER) RECOVERY	BEGINNING OF MONTH BALANCE	END OF MONTH BALANCE	AVERAGE BALANCE	ANNUAL INTEREST RATE	INTEREST
	(\$)	(\$)	(\$)	(\$)		(\$)
Jan	(327,385)	0	(327,385)	(163,693)	0.13%	(18)
Feb	(1,116,970)	(327,385)	(1,444,355)	(885,870)	0.13%	(96)
Mar	(277,223)	(1,444,355)	(1,721,578)	(1,582,967)	0.15%	(198)
Apr	136,523	(1,721,578)	(1,585,055)	(1,653,317)	0.19%	(262)
May	(945,695)	(1,585,055)	(2,530,750)	(2,057,903)	0.21%	(360)
Jun	(953,721)	(2,530,750)	(3,484,471)	(3,007,611)	0.19%	(476)
Jul	(1,437,322)	(3,484,471)	(4,921,793)	(4,203,132)	0.20%	(701)
Aug	(1,446,659)	(4,921,793)	(6,368,452)	(5,645,123)	0.20%	(941)
Sep	(961,905)	(6,368,452)	(7,330,357)	(6,849,405)	0.21%	(1,199)
Oct	669,139	(7,330,357)	(6,661,218)	(6,995,788)	0.21%	(1,224)
Nov	469,690	(6,661,218)	(6,191,528)	(6,426,373)	0.20%	(1,071)
Dec	5,151	(6,191,528)	(6,186,377)	(6,188,953)	0.19%	(980)
Total	(6,186,377)					(7,526)

Case No.: U-16034-R
 Exhibit: A-1 (TPL-1)
 Schedule: 5
 Witness: Thomas P. Lorden
 Date: March, 2011
 Page: 2 of 3

WISCONSIN ELECTRIC POWER COMPANY
 2010 Power Supply Cost Recovery Reconciliation

2009 Reconciliation True-up

2010 Calendar MONTH	ACTUAL SALES SUBJECT TO PSCR	PSCR REFUND FACTOR*	AMOUNT Recovered	BEGINNING OF MONTH BALANCE	END OF MONTH BALANCE	AVERAGE BALANCE	ANNUAL INTEREST RATE	INTEREST
	(kWh)	(\$/kWh)	(\$)	(\$)	(\$)	(\$)		(\$)
Jan	216,811,000	0.00057	123,582	(1,925,402)	(1,801,820)	(1,863,611)	0.13%	(202)
Feb	226,566,000	0.00057	129,143	(1,801,820)	(1,672,677)	(1,737,249)	0.13%	(188)
Mar	238,985,000	0.00057	136,221	(1,672,677)	(1,536,456)	(1,604,567)	0.15%	(201)
Apr	213,317,000	0.00057	121,591	(1,536,456)	(1,414,865)	(1,475,661)	0.19%	(234)
May	233,505,000	0.00057	133,098	(1,414,865)	(1,281,767)	(1,348,316)	0.21%	(236)
Jun	208,236,000	0.00057	118,695	(1,281,767)	(1,163,072)	(1,222,420)	0.19%	(194)
Jul	235,241,000	0.00057	134,087	(1,163,072)	(1,028,985)	(1,096,029)	0.20%	(183)
Aug	249,424,000	0.00057	142,172	(1,028,985)	(886,813)	(957,899)	0.20%	(160)
Sep	234,611,000	0.00057	133,728	(886,813)	(753,085)	(819,949)	0.21%	(143)
Oct	251,556,000	0.00057	143,387	(753,085)	(609,698)	(681,392)	0.21%	(119)
Nov	242,108,000	0.00057	138,002	(609,698)	(471,696)	(540,697)	0.20%	(90)
Dec	257,531,000	0.00057	146,793	(471,696)	(324,903)	(398,300)	0.19%	(63)
Total			1,600,499					
	Amount To Be Collected*		1,925,402					
	Amount Under Collecteded		(324,903)					(2,013)

*Per MPSC Case No. U-15664-R

Case No.: U-16034-R
 Exhibit: A-1 (TPL-1)
 Schedule: 5
 Witness: Thomas P. Lorden
 Date: March, 2011
 Page: 3 of 3

WISCONSIN ELECTRIC POWER COMPANY
 2010 Power Supply Cost Recovery Reconciliation

Calculation of Net Recovery

2010 Reconciliation	AMOUNT	TOTAL
2010 Amount over/(under) recovery	(\$) (6,186,377)	(\$)
Interest during plan year	(7,526)	
2010 PSCR Reconciliation Under Recovered		(6,193,903)
2009 Reconciliation True-up		
2009 Amount over/(under) recovery	(324,903)	
Interest during plan year	(2,013)	
2009 Reconciliation True-up Under Recovered		(326,916)
Net Amount To Be Recovered		(6,520,819)