

UPPER PENINSULA POWER COMPANY

Account 360.2 Land Rights- Distribution
Study Results

Applicant proposes a remaining life of 27.1 years and a net salvage percent of 0 %. Simulated plant analyses were performed for this account from which a 50 year life and S2 curve were selected. When applied against historical plant additions, this selection produced a 27.1 year remaining life. (See schedule 2).

No net salvage has been experienced for this account. No ultimate net salvage amounts are expected.

Schedule 2

UPPER PENINSULA POWER COMPANY
INTEGRATED SYSTEM
DISTRIBUTION PLANT
ACCOUNT 360.2 LAND RIGHTS

Selected Life 50
Selected Curve S2

<u>YEAR INSTALLED</u>	<u>YEARS IN SERVICE</u>	<u>PLANT SURVIVING DEC.31.2000</u>	<u>ESTIMATED FUTURE SERVICE LIFE</u>	<u>DOLLAR YEARS (000)</u>
2000	0.5	-	49.5	-
1999	1.5	721	48.5	35
1998	2.5	437	47.5	21
1997	3.5	5,280	46.5	246
1996	4.5	391	45.5	18
1995	5.5	793	44.5	35
1994	6.5	2,428	43.5	106
1993	7.5	697	42.5	30
1992	8.5	638	41.5	26
1991	9.5	1,899	40.5	77
1990	10.5	5,413	39.6	214
1989	11.5	5,569	38.6	215
1988	12.5	5,159	37.6	194
1987	13.5	7,350	36.7	270
1986	14.5	1,233	35.7	44
1985	15.5	111	34.8	4
1984	16.5	122	33.9	4
1983	17.5	1,103	33	36
1982	18.5	596	32.1	19
1981	19.5	168	31.2	5
1980	20.5	781	30.4	24
1979	21.5	665	29.5	20
1978	22.5	6,359	28.7	183
1977	23.5	7,207	27.9	201
1976	24.5	3,866	27.1	105
1975	25.5	4,548	26.4	120
1974	26.5	2,618	25.6	67
1973	27.5	1,479	24.9	37
1972	28.5	6,659	24.2	161
1971	29.5	5,264	23.5	124
1970	30.5	2,973	22.8	68
1969	31.5	9,437	22.1	209
1968	32.5	8,264	21.5	178
1967	33.5	3,295	20.9	69
1966	34.5	3,991	20.3	81
1965	35.5	2,478	19.7	49
1964	36.5	4,926	19.1	94
1963	37.5	935	18.5	17

Schedule 2

UPPER PENINSULA POWER COMPANY
INTEGRATED SYSTEM
DISTRIBUTION PLANT
ACCOUNT 360.2 LAND RIGHTS

Selected Life 50
Selected Curve S2

<u>YEAR INSTALLED</u>	<u>YEARS IN SERVICE</u>	<u>PLANT SURVIVING DEC.31,2000</u>	<u>ESTIMATED FUTURE SERVICE LIFE</u>	<u>DOLLAR YEARS (000)</u>
1962	38.5	513	18	9
1961	39.5	2,060	17.5	36
1960	40.5	682	16.9	12
1959	41.5	639	16.5	11
1958	42.5	780	15.9	12
1957	43.5	644	15.5	10
1956	44.5	762	15	11
1955	45.5	127	14.6	2
1954	46.5	548	14.1	8
1953	47.5	10,629	13.7	146
1952	48.5	892	13.3	12
1951	49.5	259	12.9	3
1950	50.5	537	12.5	7
1949	51.5	26	12.1	-
1948	52.5	3	11.7	-
1947	53.5	6	11.4	-
1946	54.5	539	11	6
1945	55.5	5	10.6	-
1944	56.5	12	10.3	-
1943	57.5	-	10	-
1942	58.5	5	9.6	-
1941	59.5	84	9.3	1
1940	60.5	43	9	-
1939	61.5	88	8.7	1
1938	62.5	-	8.4	-
1937	63.5	-	8.1	-
1936	64.5	-	7.8	-
1935	65.5	-	7.5	-
1934	66.5	3	7.3	-
1933	67.5	-	7	-
1932	68.5	-	6.7	-
1931	69.5	304	6.4	2
1930	70.5	42	6.2	-
1929	71.5	10	6	-
1928	72.5	3	5.7	-
		<u>136,098</u>	<u>27.1</u>	<u>3,695</u>

UPPER PENINSULA POWER COMPANY

Account 361 Structures and Improvements- Distribution
Study Results

Applicant proposes a remaining life of 34.3 years and a net salvage percent of (5) %. Simulated plant analyses were performed for this account from which a 49 year life and S3 curve were selected. When applied against historical plant additions, this selection produced a 34.3 year remaining life. (See schedule 2).

Minimal net salvage has been experienced for this account. Ultimate net salvage amounts are expected to occur. The property is comprised of structural components for which removal costs would expect to exceed any salvage realized, therefore a negative net salvage of 5% is suggested.

Schedule 2

UPPER PENINSULA POWER COMPANY
INTEGRATED SYSTEM
DISTRIBUTION PLANT
ACCOUNT 361 STRUCTURES AND IMPROVEMENTS

Selected Life 49
Selected Curve S3

<u>YEAR INSTALLED</u>	<u>YEARS IN SERVICE</u>	<u>PLANT SURVIVING DEC.31.2000</u>	<u>ESTIMATED FUTURE SERVICE LIFE</u>	<u>DOLLAR YEARS (000)</u>
2000	0.5	-	48.5	-
1999	1.5	1,144	47.5	54
1998	2.5	-	46.5	-
1997	3.5	-	45.5	-
1996	4.5	-	44.5	-
1995	5.5	38,184	43.5	1,661
1994	6.5	4,112	42.2	174
1993	7.5	29,212	41.5	1,212
1992	8.5	4,404	40.5	178
1991	9.5	27,866	39.5	1,101
1990	10.5	47,856	38.5	1,842
1989	11.5	52,285	37.5	1,961
1988	12.5	15,743	36.5	575
1987	13.5	2,613	35.5	93
1986	14.5	34,789	34.5	1,200
1985	15.5	17,239	33.5	578
1984	16.5	6,733	32.5	219
1983	17.5	558	31.6	18
1982	18.5	-	30.6	-
1981	19.5	368	29.6	11
1980	20.5	521	28.7	15
1979	21.5	134	27.7	4
1978	22.5	5,155	26.8	138
1977	23.5	42,148	25.9	1,092
1976	24.5	-	25	-
1975	25.5	3,995	24.1	96
1974	26.5	1,349	23.3	31
1973	27.5	-	22.4	-
1972	28.5	1,017	21.6	22
1971	29.5	658	20.8	14
1970	30.5	1,194	20	24
1969	31.5	15,485	19.3	299
1968	32.5	3,691	18.5	68
1967	33.5	9,160	17.8	163
1966	34.5	809	17.2	14
1965	35.5	1,818	16.5	30
1964	36.5	594	15.9	9
1963	37.5	843	15.3	13

Schedule 2

UPPER PENINSULA POWER COMPANY
INTEGRATED SYSTEM
DISTRIBUTION PLANT
ACCOUNT 361 STRUCTURES AND IMPROVEMENTS

Selected Life 49
Selected Curve S3

<u>YEAR</u> <u>INSTALLED</u>	<u>YEARS IN</u> <u>SERVICE</u>	<u>PLANT</u> <u>SURVIVING</u> <u>DEC.31,2000</u>	<u>ESTIMATED</u> <u>FUTURE</u> <u>SERVICE LIFE</u>	<u>DOLLAR</u> <u>YEARS</u> <u>(000)</u>
1962	38.5	696	14.7	10
1961	39.5	111	14.1	2
1960	40.5	-	13.6	-
1959	41.5	3,017	13	39
1958	42.5	818	12.5	10
1957	43.5	348	12	4
1956	44.5	<u>2,387</u>	<u>11.6</u>	<u>28</u>
		379,054	34.3	13,002

INTEGRATED2000

ACCOUNT NO. 3610000. STRUCTURES AND IMPROVEMENTS

ADJUSTED: NO

N E T S A L V A G E A N A L Y S I S

YEAR	RETIREMENTS - AMOUNTS			NET SALVAGE - AMOUNTS			NET SALVAGE - PERCENT		
	ANNUAL	CUMULATIVE	5-YEAR BAND	ANNUAL	CUMULATIVE	5-YEAR BAND	ANNUAL	CUM.	5-YR BD
I	II	III	IV	V	VI	VII	VIII	IX	X
1969	9663.	9663.	0.	0.	0.	0.	0.	0.	0.
1970	0.	9663.	0.	0.	0.	0.	0.	0.	0.
1971	307.	9970.	0.	0.	0.	0.	0.	0.	0.
1972	2855.	12825.	0.	0.	0.	0.	0.	0.	0.
1973	0.	12825.	12825.	0.	0.	0.	0.	0.	0.
1974	94.	12919.	3256.	0.	0.	0.	0.	0.	0.
1975	0.	12919.	3256.	0.	0.	0.	0.	0.	0.
1976	474.	13393.	3423.	0.	0.	0.	0.	0.	0.
1977	0.	13393.	568.	0.	0.	0.	0.	0.	0.
1978	4648.	18041.	5216.	0.	0.	0.	0.	0.	0.
1979	0.	18041.	5122.	0.	0.	0.	0.	0.	0.
1980	0.	18041.	5122.	0.	0.	0.	0.	0.	0.
1981	0.	18041.	4648.	0.	0.	0.	0.	0.	0.
1982	0.	18041.	4648.	0.	0.	0.	0.	0.	0.
1983	0.	18041.	0.	-63.	-63.	-63.	0.	0.	0.
1984	0.	18041.	0.	0.	-63.	-63.	0.	0.	0.
1985	0.	18041.	0.	0.	-63.	-63.	0.	0.	0.
1986	0.	18041.	0.	0.	-63.	-63.	0.	0.	0.
1987	0.	18041.	0.	0.	-63.	-63.	0.	0.	0.
1988	143.	18184.	143.	0.	-63.	0.	0.	0.	0.
1989	130.	18314.	273.	45.	-18.	45.	35.	0.	16.
1990	1752.	20066.	2025.	0.	-18.	45.	0.	0.	2.
1991	0.	20066.	2025.	0.	-18.	45.	0.	0.	2.
1992	0.	20066.	2025.	0.	-18.	45.	0.	0.	2.
1993	0.	20066.	1882.	-1061.	-1079.	-1016.	0.	-5.	-54.
1994	0.	20066.	1752.	0.	-1079.	-1061.	0.	-5.	-61.
1995	0.	20066.	0.	0.	-1079.	-1061.	0.	-5.	0.
1996	0.	20066.	0.	0.	-1079.	-1061.	0.	-5.	0.
1997	0.	20066.	0.	0.	-1079.	-1061.	0.	-5.	0.
1998	0.	20066.	0.	0.	-1079.	0.	0.	-5.	0.
1999	17598.	37664.	17598.	0.	-1079.	0.	0.	-3.	0.
2000	0.	37664.	17598.	0.	-1079.	0.	0.	-3.	0.

UPPER PENINSULA POWER COMPANY

Account 362 Station Equipment- Distribution
Study Results

Applicant proposes a remaining life of 20.7 years and a net salvage percent of 5 %.

WPSC construction and operating standards have been put in place for the UPPCO stations. All engineering and planning is done out of the Green Bay office. The simulated plant analysis performed on the UPPCO plant produced a 43 year life and SC curve. WPSC presently has a 34 year life and R2.5 curve certified. Actuarial data exists for WPSC assets and is the basis for the 34 year life. UPPCO has been experiencing a longer equipment life than WPSC because load and growth factors have not been as high. UPPCO is now experiencing equipment limitations because a higher level of growth is occurring, which will require increased equipment replacement. Over time, this will have the effect of bringing the UPPCO life for the account closer to the WPSC life. As a step towards the WPSC life, applicant proposes a 36 year life and the same curve as WPSC. The 36 year life and R2.5 curve, when applied against historical plant additions, produced a 20.7 year remaining life. (See schedule 2).

The present certified net salvage for this account is 5%. Historical analysis indicates a higher percent has been experienced to date. Significant salvage amounts were realized in 1988 and 1999. In 1988 a stockpile of spare equipment was retired and transferred to inventory. The retirement amount was \$205,000 and the salvage recorded was \$123,000. In 1999, a large substation transformer was retired for \$122,000 and sold for \$150,000. Both of these transactions are considered unusual and non-recurring. If these retirement and salvage amounts are removed from the cumulative retirement and salvage amounts shown on the net salvage analysis, the cumulative net salvage is reduced from 27% to 19%. The historical adjusted cumulative net salvage percent of 19% does not reflect significant activity for complete removal of stations. When this factor is considered, a net salvage percent of 5% is proposed to remain as presently certified.

Schedule 2

UPPER PENINSULA POWER COMPANY
INTEGRATED SYSTEM
DISTRIBUTION PLANT
ACCOUNT 362 STATION EQUIPMENT

Selected Life
Selected Curve

36
R2.5

<u>YEAR INSTALLED</u>	<u>YEARS IN SERVICE</u>	<u>PLANT SURVIVING DEC.31,2000</u>	<u>ESTIMATED FUTURE SERVICE LIFE</u>	<u>DOLLAR YEARS (000)</u>
2000	0.5	294,108	35.5	10,441
1999	1.5	82,694	34.6	2,861
1998	2.5	52,934	33.7	1,784
1997	3.5	196,480	32.7	6,425
1996	4.5	77,670	31.8	2,470
1995	5.5	516,370	30.9	15,956
1994	6.5	100,140	30	3,004
1993	7.5	75,924	29.1	2,209
1992	8.5	130,362	28.2	3,676
1991	9.5	238,172	27.3	6,502
1990	10.5	631,066	26.4	16,660
1989	11.5	323,432	25.5	8,248
1988	12.5	48,746	24.7	1,204
1987	13.5	112,603	23.8	2,680
1986	14.5	304,256	23	6,998
1985	15.5	437,504	22.2	9,713
1984	16.5	105,247	21.4	2,252
1983	17.5	179,704	20.6	3,702
1982	18.5	27,440	19.8	543
1981	19.5	61,678	19	1,172
1980	20.5	287,907	18.3	5,269
1979	21.5	27,294	17.5	478
1978	22.5	267,820	16.8	4,499
1977	23.5	335,713	16.1	5,405
1976	24.5	94,231	15.3	1,442
1975	25.5	530,578	14.7	7,799
1974	26.5	50,834	14	712
1973	27.5	51,146	13.3	680
1972	28.5	96,565	12.7	1,226
1971	29.5	55,393	12.1	670
1970	30.5	60,846	11.5	700
1969	31.5	187,809	10.9	2,047
1968	32.5	161,664	10.4	1,681
1967	33.5	168,035	9.8	1,647
1966	34.5	80,953	9.3	753
1965	35.5	55,212	8.8	486
1964	36.5	97,131	8.4	816
1963	37.5	53,478	7.9	422

Schedule 2

UPPER PENINSULA POWER COMPANY
INTEGRATED SYSTEM
DISTRIBUTION PLANT
ACCOUNT 362 STATION EQUIPMENT

Selected Life 36
Selected Curve R2.5

<u>YEAR INSTALLED</u>	<u>YEARS IN SERVICE</u>	<u>PLANT SURVIVING DEC.31,2000</u>	<u>ESTIMATED FUTURE SERVICE LIFE</u>	<u>DOLLAR YEARS (000)</u>
1962	38.5	117,486	7.5	881
1961	39.5	74,799	7.1	531
1960	40.5	37,473	6.8	255
1959	41.5	65,253	6.4	418
1958	42.5	22,214	6.1	136
1957	43.5	29,075	5.8	169
1956	44.5	63,217	5.5	348
1955	45.5	11,801	5.3	63
1954	46.5	10,717	5	54
1953	47.5	22,065	4.7	104
1952	48.5	11,778	4.5	53
1951	49.5	9,238	4.3	40
1950	50.5	6,334	4	25
1949	51.5	8,581	3.8	33
		<u>7,149,170</u>	<u>20.7</u>	<u>148,342</u>

INTEGRATED2000

ACCOUNT NO. 3620000. STATION EQUIPMENT

ADJUSTED: NO

NET SALVAGE ANALYSIS

YEAR	RETIREMENTS - AMOUNTS			NET SALVAGE - AMOUNTS			NET SALVAGE - PERCENT		
	ANNUAL	CUMULATIVE	5-YEAR BAND	ANNUAL	CUMULATIVE	5-YEAR BAND	ANNUAL	CUM.	5-YR BD
I	II	III	IV	V	VI	VII	VIII	IX	X
1968	58453.	58453.	0.	27319.	27319.	0.	47.	47.	0.
1969	70532.	128985.	0.	10299.	37618.	0.	15.	29.	0.
1970	58425.	187410.	0.	4773.	42391.	0.	8.	23.	0.
1971	37108.	224518.	0.	14141.	56532.	0.	38.	25.	0.
1972	0.	224518.	224518.	0.	56532.	56532.	0.	25.	25.
1973	42473.	266991.	208538.	15373.	71905.	44586.	36.	27.	21.
1974	40401.	307392.	178407.	6031.	77936.	40318.	15.	25.	23.
1975	56052.	363444.	176034.	28701.	106637.	64246.	51.	29.	36.
1976	73670.	437114.	212596.	45147.	151784.	95252.	61.	35.	45.
1977	122139.	559253.	334735.	14686.	166470.	109938.	12.	30.	33.
1978	33311.	592564.	325573.	8893.	175363.	103458.	27.	30.	32.
1979	106970.	699534.	392142.	15006.	190369.	112433.	14.	27.	29.
1980	45994.	745528.	382084.	16626.	206995.	100358.	36.	28.	26.
1981	52612.	798140.	361026.	-1438.	205557.	53773.	-3.	26.	15.
1982	8317.	806457.	247204.	-2684.	202873.	36403.	-32.	25.	15.
1983	126967.	933424.	340860.	16231.	219104.	43741.	13.	23.	13.
1984	12072.	945496.	245962.	-3793.	215311.	24942.	-31.	23.	10.
1985	216026.	1161522.	415994.	31965.	247276.	40281.	15.	21.	10.
1986	6937.	1168459.	370319.	623.	247899.	42342.	9.	21.	11.
1987	46448.	1214907.	408450.	14140.	262039.	59166.	30.	22.	14.
1988	247362.	1462269.	528845.	124642.	386681.	167577.	50.	26.	32.
1989	103484.	1565753.	620257.	31475.	418156.	202845.	30.	27.	33.
1990	21692.	1587445.	425923.	-594.	417562.	170286.	-3.	26.	40.
1991	14981.	1602426.	433967.	-493.	417069.	169170.	-3.	26.	39.
1992	7426.	1609852.	394945.	-79.	416990.	154951.	-1.	26.	39.
1993	47408.	1657260.	194991.	13871.	430861.	44180.	29.	26.	23.
1994	78048.	1735308.	169555.	3337.	434198.	16042.	4.	25.	9.
1995	12254.	1747562.	160117.	0.	434198.	16636.	0.	25.	10.
1996	16054.	1763616.	161190.	-4938.	429260.	12191.	-31.	24.	8.
1997	71202.	1834818.	224966.	7353.	436613.	19623.	10.	24.	9.
1998	38265.	1873083.	215823.	0.	436613.	5752.	0.	23.	3.
1999	186586.	2059669.	324361.	111694.	548307.	114109.	60.	27.	35.
2000	114904.	2174573.	427011.	67689.	615996.	181798.	59.	28.	43.

- 327,000
1,847,573

- 273,000
343,996

199.

UPPER PENINSULA POWER COMPANY

Account 364 Poles - Distribution
Study Results

Applicant proposes a remaining life of 35.2 years and a (45)% net salvage percent. Simulated plant analyses were performed from which a 44 year life and SC curve was selected. When applied against historical plant additions, this selection produced a 35.2 year remaining life. (See schedule 2).

There are other circumstances that may affect the life of this account in the next three to five year period. Since merging with WPSR, a pole inspection process has been resumed. Inspections had not been part of the UPPCO operating process for several years. The program involves testing each pole through a sounding process and drilling test bores 18" below grade and 4 feet above grade. As a result of this inspection process, some poles will be treated with either an external preservative or an injected preservative. For the short term, the inspection process will result in an increase in retirements. For the long term, a longer life should be the result of these efforts. The entire system should be completed within ten years.

The historical net salvage analysis shows a cumulative percent of (36)%. However, the last three five year rolling bands indicate this percent is becoming increasingly negative. The linear regression analysis for the last ten year period also shows a sharp movement into higher negative percents. The pole inspection process will also result in an increase in removal expenditures.

UPPER PENINSULA POWER COMPANY
INTEGRATED SYSTEM
DISTRIBUTION PLANT
ACCOUNT 364 POLES, TOWERS, AND FIXTURES

Selected Life 44
Selected Curve SC

<u>YEAR INSTALLED</u>	<u>YEARS IN SERVICE</u>	<u>PLANT SURVIVING DEC.31,2000</u>	<u>ESTIMATED FUTURE SERVICE LIFE</u>	<u>DOLLAR YEARS (000)</u>
2000	0.5	825,798	43.8	36,170
1999	1.5	528,171	43.3	22,870
1998	2.5	512,010	42.8	21,914
1997	3.5	511,461	42.3	21,635
1996	4.5	514,029	41.8	21,486
1995	5.5	950,774	41.3	39,267
1994	6.5	738,271	40.8	30,121
1993	7.5	635,007	40.3	25,591
1992	8.5	790,459	39.8	31,460
1991	9.5	890,904	39.3	35,013
1990	10.5	828,031	38.8	32,128
1989	11.5	608,645	38.3	23,311
1988	12.5	595,690	37.8	22,517
1987	13.5	568,198	37.3	21,194
1986	14.5	551,858	36.8	20,308
1985	15.5	500,825	36.3	18,180
1984	16.5	522,182	35.8	18,694
1983	17.5	477,227	35.3	16,846
1982	18.5	454,561	34.8	15,819
1981	19.5	570,787	34.3	19,578
1980	20.5	640,495	33.8	21,649
1979	21.5	514,175	33.3	17,122
1978	22.5	498,001	32.8	16,334
1977	23.5	541,969	32.3	17,506
1976	24.5	467,142	31.8	14,855
1975	25.5	365,180	31.3	11,430
1974	26.5	427,384	30.8	13,163
1973	27.5	373,668	30.3	11,322
1972	28.5	441,142	29.8	13,146
1971	29.5	262,965	29.3	7,705
1970	30.5	250,035	28.8	7,201
1969	31.5	284,819	28.3	8,060
1968	32.5	215,655	27.8	5,995
1967	33.5	203,832	27.3	5,565
1966	34.5	205,190	26.8	5,499
1965	35.5	149,724	26.3	3,938
1964	36.5	158,754	25.8	4,096
1963	37.5	126,219	25.3	3,193

Schedule 2

UPPER PENINSULA POWER COMPANY
INTEGRATED SYSTEM
DISTRIBUTION PLANT
ACCOUNT 364 POLES, TOWERS, AND FIXTURES

Selected Life 44
Selected Curve SC

<u>YEAR INSTALLED</u>	<u>YEARS IN SERVICE</u>	<u>PLANT SURVIVING DEC.31,2000</u>	<u>ESTIMATED FUTURE SERVICE LIFE</u>	<u>DOLLAR YEARS (000)</u>
1962	38.5	154,926	24.8	3,842
1961	39.5	108,815	24.3	2,644
1960	40.5	107,999	23.8	2,570
1959	41.5	97,621	23.3	2,275
1958	42.5	101,304	22.8	2,310
1957	43.5	52,129	22.3	1,162
1956	44.5	76,280	21.8	1,663
1955	45.5	57,934	21.3	1,234
1954	46.5	55,496	20.8	1,154
1953	47.5	64,446	20.3	1,308
1952	48.5	30,365	19.8	601
1951	49.5	134,683	19.3	2,599
1950	50.5	39,127	18.8	736
1949	51.5	27,758	18.3	508
1948	52.5	36,344	17.8	647
1947	53.5	46,604	17.3	806
1946	54.5	20,625	16.8	347
1945	55.5	13,235	16.3	216
1944	56.5	5,322	15.8	84
1943	57.5	66,426	15.3	1,016
1942	58.5	7,148	14.8	106
1941	59.5	8,289	14.3	119
1940	60.5	10,358	13.8	143
1939	61.5	11,820	13.3	157
1938	62.5	84,364	12.8	1,080
1937	63.5	4,174	12.3	51
1936	64.5	10,737	11.8	127
1935	65.5	5,861	11.3	66
1934	66.5	1,572	10.8	17
1933	67.5	13,262	10.3	137
1932	68.5	11,578	9.8	113
1931	69.5	17,950	9.3	167
1930	70.5	55,953	8.8	492
1929	71.5	4,224	8.3	35
1928	72.5	4,221	7.8	33
1927	73.5	2,074	7.3	15
1926	74.5	3,051	6.8	21
1925	75.5	710	6.3	4

Schedule 2

UPPER PENINSULA POWER COMPANY
 INTEGRATED SYSTEM
 DISTRIBUTION PLANT
 ACCOUNT 364 POLES, TOWERS, AND FIXTURES

Selected Life 44
 Selected Curve SC

<u>YEAR INSTALLED</u>	<u>YEARS IN SERVICE</u>	<u>PLANT SURVIVING DEC.31,2000</u>	<u>ESTIMATED FUTURE SERVICE LIFE</u>	<u>DOLLAR YEARS (000)</u>
1924	76.5	147	5.8	1
1923	77.5	613	4.8	3
1921	79.5	802	4.3	3
1920	80.5	1,324	3.8	5
1919	81.5	746	3.3	2
1918	82.5	<u>63,445</u>	<u>2.8</u>	<u>178</u>
		20,323,099	35.1	712,678

INTEGRATED2000

ACCOUNT NO. 3640000. POLES

ADJUSTED: NO

NET SALVAGE ANALYSIS

YEAR	RETIREMENTS - AMOUNTS			NET SALVAGE - AMOUNTS			NET SALVAGE - PERCENT		
	ANNUAL	CUMULATIVE	5-YEAR BAND	ANNUAL	CUMULATIVE	5-YEAR BAND	ANNUAL	CUM.	5-YR BD
I	II	III	IV	V	VI	VII	VIII	IX	X
1968	118970.	118970.	0.	-24310.	-24310.	0.	-20.	-20.	0.
1969	119263.	238233.	0.	-29226.	-52536.	0.	-24.	-22.	0.
1970	114137.	352370.	0.	-31182.	-83718.	0.	-27.	-24.	0.
1971	120257.	472627.	0.	-40068.	-123786.	0.	-33.	-26.	0.
1972	103258.	575885.	575885.	-37047.	-160833.	-160833.	-36.	-28.	-28.
1973	92429.	668314.	549344.	-42998.	-203831.	-179521.	-47.	-30.	-33.
1974	122453.	790767.	552534.	-46226.	-250057.	-197521.	-38.	-32.	-36.
1975	121025.	911792.	559422.	-42202.	-292259.	-208541.	-35.	-32.	-37.
1976	113069.	1024861.	552234.	-46297.	-338556.	-214770.	-41.	-33.	-39.
1977	104878.	1129739.	553854.	-38913.	-377469.	-216636.	-37.	-33.	-39.
1978	139360.	1269099.	600785.	-73458.	-450927.	-247096.	-53.	-36.	-41.
1979	125593.	1394692.	603925.	-42309.	-493236.	-243179.	-34.	-35.	-40.
1980	131292.	1525984.	614192.	-52971.	-546207.	-253948.	-40.	-36.	-41.
1981	133559.	1659543.	634682.	-57131.	-603338.	-264782.	-43.	-36.	-42.
1982	104994.	1764537.	634798.	-53766.	-657104.	-279635.	-51.	-37.	-44.
1983	105630.	1870167.	601068.	-44602.	-701706.	-250779.	-42.	-38.	-42.
1984	102804.	1972971.	578279.	-35330.	-737036.	-243800.	-34.	-37.	-42.
1985	166335.	2139306.	613322.	-24548.	-761584.	-215377.	-15.	-36.	-35.
1986	181349.	2320655.	661112.	-115284.	-876868.	-273530.	-64.	-38.	-41.
1987	0.	2320655.	556118.	0.	-876868.	-219764.	0.	-38.	-40.
1988	159015.	2479670.	609503.	-22149.	-899017.	-197311.	-14.	-36.	-32.
1989	160252.	2639922.	666951.	-26530.	-925547.	-198511.	-17.	-35.	-28.
1990	144685.	2784607.	645301.	-43330.	-968877.	-207293.	-30.	-35.	-32.
1991	146811.	2931418.	610763.	-37215.	-1006092.	-129224.	-25.	-34.	-21.
1992	146698.	3078116.	757461.	-71976.	-1078068.	-201200.	-49.	-35.	-27.
1993	173959.	3252075.	772405.	-63519.	-1141587.	-242570.	-37.	-35.	-31.
1994	103528.	3355603.	715681.	-49008.	-1190595.	-265048.	-47.	-35.	-37.
1995	157905.	3513508.	728901.	-46196.	-1236791.	-267914.	-29.	-35.	-37.
1996	74298.	3587806.	656388.	-22518.	-1259309.	-253217.	-30.	-35.	-39.
1997	105713.	3693519.	615403.	-49150.	-1308459.	-230391.	-46.	-35.	-37.
1998	60657.	3754176.	502101.	-41158.	-1349617.	-208030.	-68.	-36.	-41.
1999	88062.	3842238.	486635.	-44220.	-1393837.	-203242.	-50.	-36.	-42.
2000	65534.	3907772.	394264.	-37527.	-1431364.	-194573.	-57.	-37.	-49.

UPPER PENINSULA POWER COMPANY

Account 365 Overhead Conductors and Devices - Distribution
Study Results

Applicant proposes a remaining life of 17 years and a net salvage percent of (25)%. Simulated plant analyses were performed for this account from which a 33 year life and S6 curve were selected. When applied against historical plant additions, this selection produced a 17 year remaining life. (See schedule 2).

Historical analysis of net salvage indicates that the net negative percent should be further decreased. The observance of the recent five year rolling bands shows net salvage percents in the range of (45)%. The change from (10)% to (25)% is a move in that direction.

UPPER PENINSULA POWER COMPANY
INTEGRATED SYSTEM
DISTRIBUTION PLANT
ACCOUNT 365 OVERHEAD CONDUCTOR AND DEVICES

Selected Life 33
Selected Curve S6

<u>YEAR INSTALLED</u>	<u>YEARS IN SERVICE</u>	<u>PLANT SURVIVING DEC.31.2000</u>	<u>ESTIMATED FUTURE SERVICE LIFE</u>	<u>DOLLAR YEARS (000)</u>
2000	0.5	406,173	32.5	13,201
1999	1.5	191,822	31.5	6,042
1998	2.5	242,544	30.5	7,398
1997	3.5	266,118	29.5	7,850
1996	4.5	359,354	28.5	10,242
1995	5.5	683,309	27.5	18,791
1994	6.5	536,412	26.5	14,215
1993	7.5	491,327	25.5	12,529
1992	8.5	493,029	24.5	12,079
1991	9.5	443,997	23.5	10,434
1990	10.5	481,576	22.5	10,835
1989	11.5	393,168	21.5	8,453
1988	12.5	325,126	20.5	6,665
1987	13.5	306,436	19.5	5,976
1986	14.5	381,898	18.5	7,065
1985	15.5	291,190	17.5	5,096
1984	16.5	315,492	16.5	5,206
1983	17.5	287,671	15.5	4,459
1982	18.5	322,113	14.5	4,671
1981	19.5	424,131	13.5	5,726
1980	20.5	528,751	12.5	6,609
1979	21.5	366,460	11.5	4,214
1978	22.5	337,658	10.5	3,545
1977	23.5	371,918	9.5	3,533
1976	24.5	322,928	8.5	2,745
1975	25.5	238,922	7.5	1,792
1974	26.5	264,519	6.5	1,719
1973	27.5	295,778	5.6	1,656
1972	28.5	322,233	4.7	1,514
1971	29.5	222,773	3.9	869
1970	30.5	222,165	3.2	711
1969	31.5	278,592	2.7	752
1968	32.5	196,514	2.2	432
1967	33.5	158,916	1.8	286
1966	34.5	101,604	1.6	163
1965	35.5	51,947	1.3	68
1964	36.5	54,977	1.2	66
1963	37.5	51,275	1	51

UPPER PENINSULA POWER COMPANY
 INTEGRATED SYSTEM
 DISTRIBUTION PLANT
 ACCOUNT 365 OVERHEAD CONDUCTOR AND DEVICES

Selected Life 33
 Selected Curve S6

<u>YEAR INSTALLED</u>	<u>YEARS IN SERVICE</u>	<u>PLANT SURVIVING DEC.31,2000</u>	<u>ESTIMATED FUTURE SERVICE LIFE</u>	<u>DOLLAR YEARS (000)</u>
1962	38.5	65,634	0.9	59
1961	39.5	55,590	0.8	44
1960	40.5	49,313	0.7	35
1959	41.5	49,958	0.6	30
1958	42.5	-	0.1	-
		<u>12,251,311</u>	17	<u>207,826</u>

INTEGRATED2000

ACCOUNT NO. 3650000. OH CONDUCTOR AND DEVICES

ADJUSTED: NO

N E T S A L V A G E A N A L Y S I S

YEAR	RETIREMENTS - AMOUNTS			NET SALVAGE - AMOUNTS			NET SALVAGE - PERCENT		
	ANNUAL	CUMULATIVE	5-YEAR BAND	ANNUAL	CUMULATIVE	5-YEAR BAND	ANNUAL	CUM.	5-YR BD
I	II	III	IV	V	VI	VII	VIII	IX	X
1968	65713.	65713.	0.	19978.	19978.	0.	30.	30.	0.
1969	66675.	132388.	0.	14404.	34382.	0.	22.	26.	0.
1970	63218.	195606.	0.	13256.	47638.	0.	21.	24.	0.
1971	74333.	269939.	0.	3649.	51287.	0.	5.	19.	0.
1972	64746.	334685.	334685.	-1516.	49771.	49771.	-2.	15.	15.
1973	88203.	422898.	357175.	10415.	60186.	40208.	12.	14.	11.
1974	74061.	496949.	364561.	6881.	67067.	32685.	9.	13.	9.
1975	61151.	558100.	362494.	-4022.	63045.	15407.	-7.	11.	4.
1976	62872.	620972.	351033.	668.	63713.	12426.	1.	10.	4.
1977	63610.	684582.	349897.	-8635.	55078.	5307.	-14.	8.	2.
1978	83696.	768278.	345390.	-32179.	22899.	-37287.	-38.	3.	-11.
1979	85380.	853658.	356709.	-5201.	17698.	-49369.	-6.	2.	-14.
1980	69857.	923515.	365415.	-20889.	-3191.	-66236.	-30.	0.	-18.
1981	79991.	1003506.	382534.	-26561.	-29752.	-93465.	-33.	-3.	-24.
1982	57645.	1061151.	376569.	-25156.	-54908.	-109986.	-44.	-5.	-29.
1983	70612.	1131763.	363485.	-8031.	-62939.	-85838.	-11.	-6.	-24.
1984	56624.	1188387.	334729.	-1075.	-64014.	-81712.	-2.	-5.	-24.
1985	71749.	1260136.	336621.	-1219.	-65233.	-62042.	-2.	-5.	-18.
1986	61094.	1321230.	317724.	-72927.	-138160.	-108408.	-119.	-10.	-34.
1987	0.	1321230.	260079.	0.	-138160.	-83252.	0.	-10.	-32.
1988	55082.	1376312.	244549.	3154.	-135006.	-72067.	6.	-10.	-29.
1989	48967.	1425179.	236792.	-2289.	-137295.	-73281.	-5.	-10.	-31.
1990	41303.	1466482.	206346.	-7893.	-145188.	-79955.	-19.	-10.	-39.
1991	67126.	1533608.	212378.	-14564.	-159752.	-21592.	-22.	-10.	-10.
1992	73853.	1607461.	286231.	-26500.	-186252.	-48092.	-36.	-12.	-17.
1993	90719.	1698180.	321868.	-47847.	-234099.	-99093.	-53.	-14.	-31.
1994	43688.	1741868.	316689.	-20834.	-254933.	-117638.	-48.	-15.	-37.
1995	55401.	1797269.	330787.	-14460.	-269393.	-124205.	-26.	-15.	-38.
1996	22486.	1819755.	286147.	-25091.	-294484.	-134732.	-112.	-16.	-47.
1997	106532.	1926287.	318826.	-24115.	-318599.	-132347.	-23.	-17.	-42.
1998	13738.	1940025.	241845.	-17849.	-336448.	-102349.	-130.	-17.	-42.
1999	23073.	1963098.	221230.	-17148.	-353596.	-98663.	-74.	-18.	-45.
2000	12379.	1975477.	178208.	-9171.	-362767.	-93374.	-74.	-18.	-52.

UPPER PENINSULA POWER COMPANY

Account 367 Underground Conductor and Devices - Distribution
Study Results

The investment in this account has been combined with account 366 – Underground Conduit for purposes of this study. In July, 2000, the investment in account 366 was transferred to account 367. In reviewing the units of property included in account 366 at UPPCO, WPSC accounting personnel determined that the units classified as account 366 actually fit the criteria for classifying assets as account 367 in the WPSC accounting system. The investment in account 366 was loaded to various types of underground conductor and not set up as units of property.

The depreciation rate and salvage factor proposed for account 367 is based on the combined investment.

Applicant proposes a remaining life of 29.9 years and a net salvage percent of (3) %. Simulated plant analyses were performed for this account from which a 37 year life and SO.5 curve were selected. When applied against historical plant additions, this selection produced a 29.9 year remaining life. (See schedule 2).

The life for this account can be expected to increase in the future due to the merger into WPSR. WPSC construction standards are being implemented. WPSC operating personnel have studied the UPPCO system and found that the failure rate of underground conductor was higher than at WPSC. This has been attributed to the fact that in the past, UPPCO installed industry standard conductor. The practice of WPSC for several years has been to install above standard conductor with thicker insulation as a means of reducing failures. Also, WPSC conducted tests on the conductor before purchasing it, whereas this was not a practice at UPPCO. Replacements and installations for the UPPCO system will be made with the same conductor that WPSC is using. WPSC presently has a 40 year life certified for this account.

Historical analysis of net salvage indicates a negative 3% is appropriate.

Schedule 2

UPPER PENINSULA POWER COMPANY
INTEGRATED SYSTEM
DISTRIBUTION PLANT
ACCOUNT 367 UNDERGROUND CONDUCTOR AND DEVICES

Selected Life 37
Selected Curve SO.5

<u>YEAR INSTALLED</u>	<u>YEARS IN SERVICE</u>	<u>PLANT SURVIVING DEC.31,2000</u>	<u>ESTIMATED FUTURE SERVICE LIFE</u>	<u>DOLLAR YEARS (000)</u>
2000	0.5	1,546,024	36.5	56,430
1999	1.5	525,813	35.5	18,666
1998	2.5	452,185	34.6	15,646
1997	3.5	727,858	33.7	24,529
1996	4.5	828,460	32.8	27,173
1995	5.5	387,702	32	12,406
1994	6.5	594,215	31.1	18,480
1993	7.5	601,157	30.3	18,215
1992	8.5	852,465	29.5	25,148
1991	9.5	372,436	28.7	10,689
1990	10.5	521,621	28	14,605
1989	11.5	245,569	27.3	6,704
1988	12.5	302,053	26.6	8,035
1987	13.5	198,672	25.9	5,146
1986	14.5	275,713	25.2	6,948
1985	15.5	146,983	24.5	3,601
1984	16.5	72,614	23.9	1,735
1983	17.5	107,934	23.2	2,504
1982	18.5	43,844	22.6	991
1981	19.5	60,674	22	1,335
1980	20.5	59,606	21.5	1,282
1979	21.5	80,472	20.9	1,682
1978	22.5	267,994	20.3	5,440
1977	23.5	204,843	19.8	4,056
1976	24.5	202,284	19.2	3,884
1975	25.5	81,375	18.7	1,522
1974	26.5	215,566	18.2	3,923
1973	27.5	75,610	17.7	1,338
1972	28.5	34,560	17.2	594
1971	29.5	31,341	16.7	523
1970	30.5	16,394	16.2	266
1969	31.5	9,002	15.7	141
1968	32.5	6,859	15.3	105
1967	33.5	5,205	14.8	77
1966	34.5	123	14.4	2
1965	35.5	866	14	12
1964	36.5	733	13.5	10
1963	37.5	-	13.1	-

UPPER PENINSULA POWER COMPANY
 INTEGRATED SYSTEM
 DISTRIBUTION PLANT
 ACCOUNT 367 UNDERGROUND CONDUCTOR AND DEVICES

Selected Life 37
 Selected Curve SO.5

<u>YEAR</u> <u>INSTALLED</u>	<u>YEARS IN</u> <u>SERVICE</u>	<u>PLANT</u> <u>SURVIVING</u> <u>DEC.31,2000</u>	<u>ESTIMATED</u> <u>FUTURE</u> <u>SERVICE LIFE</u>	<u>DOLLAR</u> <u>YEARS</u> <u>(000)</u>
1962	38.5	1,671	12.7	21
1961	39.5	2,190	12.3	27
1960	40.5	742	11.9	9
1959	41.5	1,618	11.5	19
1958	42.5	<u>3,922</u>	<u>11.1</u>	<u>44</u>
		10,166,968	29.9	303,963

INTEGRATED2000

ACCOUNT NO. 3672000. UG CONDUCTOR AND DEVICES

ADJUSTED: NO

N E T S A L V A G E A N A L Y S I S

YEAR	RETIREMENTS - AMOUNTS			NET SALVAGE - AMOUNTS			NET SALVAGE - PERCENT		
	ANNUAL	CUMULATIVE	5-YEAR BAND	ANNUAL	CUMULATIVE	5-YEAR BAND	ANNUAL	CUM.	5-YR BD
I	II	III	IV	V	VI	VII	VIII	IX	X
1968	0.	0.	0.	0.	0.	0.	0.	0.	0.
1969	0.	0.	0.	0.	0.	0.	0.	0.	0.
1970	76.	76.	0.	1164.	1164.	0.	1532.	1532.	0.
1971	369.	445.	0.	-137.	1027.	0.	-37.	231.	0.
1972	598.	1043.	1043.	117.	1144.	1144.	20.	110.	110.
1973	0.	1043.	1043.	41.	1185.	1185.	0.	114.	114.
1974	167.	1210.	1210.	-83.	1102.	1102.	-50.	91.	91.
1975	1201.	2411.	2335.	-114.	988.	-176.	-9.	41.	-8.
1976	63.	2474.	2029.	-114.	874.	-153.	-181.	35.	-8.
1977	1033.	3507.	2464.	-445.	429.	-715.	-43.	12.	-29.
1978	1801.	5308.	4265.	-621.	-192.	-1377.	-34.	-4.	-32.
1979	5003.	10311.	9101.	50.	-142.	-1244.	1.	-1.	-14.
1980	639.	10950.	8539.	-55.	-197.	-1185.	-9.	-2.	-14.
1981	4694.	15644.	13170.	-149.	-346.	-1220.	-3.	-2.	-9.
1982	1149.	16793.	13286.	367.	21.	-408.	32.	0.	-3.
1983	4997.	21790.	16482.	-953.	-932.	-740.	-19.	-4.	-4.
1984	7747.	29537.	19226.	670.	-262.	-120.	9.	-1.	-1.
1985	28939.	58476.	47526.	1171.	909.	1106.	4.	2.	2.
1986	5458.	63934.	48290.	-817.	92.	438.	-15.	0.	1.
1987	19575.	83509.	66716.	88.	180.	159.	0.	0.	0.
1988	59946.	143455.	121665.	-509.	-329.	603.	-1.	0.	0.
1989	13778.	157233.	127696.	2.	-327.	-65.	0.	0.	0.
1990	64699.	221932.	163456.	-558.	-885.	-1794.	-1.	0.	-1.
1991	38633.	260565.	196631.	-2273.	-3158.	-3250.	-6.	-1.	-2.
1992	38793.	299358.	215849.	179.	-2979.	-3159.	0.	-1.	-1.
1993	28066.	327424.	183969.	-8157.	-11136.	-10807.	-29.	-3.	-6.
1994	41395.	370819.	213586.	-2034.	-13170.	-12843.	-5.	-4.	-6.
1995	23113.	393932.	172000.	-808.	-13978.	-13093.	-3.	-4.	-8.
1996	72089.	466021.	205456.	2600.	-11378.	-8220.	4.	-2.	-4.
1997	88418.	554439.	255081.	-2011.	-13389.	-10410.	-2.	-2.	-4.
1998	13032.	567471.	240047.	-6488.	-19877.	-8741.	-50.	-4.	-4.
1999	42478.	609949.	239130.	3767.	-16110.	-2940.	9.	-3.	-1.
2000	0.	609949.	216017.	-124.	-16234.	-2256.	0.	-3.	-1.

UPPER PENINSULA POWER COMPANY

Account 368 Transformers - Distribution
Study Results

Applicant proposes a remaining life of 32.1 years and a net salvage percent of (10) %. Simulated plant analyses were performed for this account from which a 41 year life and SC curve were selected. When applied against historical plant additions, this selection produced a 32.1 year remaining life. (See schedule 2).

Historical analysis of net salvage indicates that the life to date salvage factor has been steadily decreasing. The linear regression analysis shows this trend moving further into a negative status in the future. Observance of the latest five year rolling bands shows the net salvage factor in the (18)% - (42)% range.

UPPER PENINSULA POWER COMPANY
INTEGRATED SYSTEM
DISTRIBUTION PLANT
ACCOUNT 368 LINE TRANSFORMERS

Selected Life
Selected Curve

41
SC

<u>YEAR INSTALLED</u>	<u>YEARS IN SERVICE</u>	<u>PLANT SURVIVING DEC.31.2000</u>	<u>ESTIMATED FUTURE SERVICE LIFE</u>	<u>DOLLAR YEARS (000)</u>
2000	0.5	1,272,648	40.8	51,924
1999	1.5	426,723	40.3	17,197
1998	2.5	458,631	39.8	18,254
1997	3.5	386,100	39.3	15,174
1996	4.5	587,567	38.8	22,798
1995	5.5	495,131	38.3	18,964
1994	6.5	360,122	37.8	13,613
1993	7.5	402,502	37.3	15,013
1992	8.5	359,001	36.8	13,211
1991	9.5	183,460	36.3	6,660
1990	10.5	351,939	35.8	12,599
1989	11.5	198,067	35.3	6,992
1988	12.5	195,561	34.8	6,806
1987	13.5	94,642	34.3	3,246
1986	14.5	216,401	33.8	7,314
1985	15.5	242,068	33.3	8,061
1984	16.5	222,985	32.8	7,314
1983	17.5	237,908	32.3	7,684
1982	18.5	304,038	31.8	9,668
1981	19.5	240,269	31.3	7,520
1980	20.5	206,413	30.8	6,358
1979	21.5	229,166	30.3	6,944
1978	22.5	227,283	29.8	6,773
1977	23.5	325,282	29.3	9,531
1976	24.5	303,812	28.8	8,750
1975	25.5	184,826	28.3	5,231
1974	26.5	405,374	27.8	11,269
1973	27.5	262,290	27.3	7,161
1972	28.5	226,635	26.8	6,074
1971	29.5	175,738	26.3	4,622
1970	30.5	205,088	25.8	5,291
1969	31.5	161,413	25.3	4,084
1968	32.5	167,696	24.8	4,159
1967	33.5	183,536	24.3	4,460
1966	34.5	163,517	23.8	3,892
1965	35.5	109,575	23.3	2,553
1964	36.5	93,709	22.8	2,137
1963	37.5	77,261	22.3	1,723

UPPER PENINSULA POWER COMPANY
INTEGRATED SYSTEM
DISTRIBUTION PLANT
ACCOUNT 368 LINE TRANSFORMERS

Selected Life 41
Selected Curve SC

<u>YEAR INSTALLED</u>	<u>YEARS IN SERVICE</u>	<u>PLANT SURVIVING DEC.31.2000</u>	<u>ESTIMATED FUTURE SERVICE LIFE</u>	<u>DOLLAR YEARS (000)</u>
1962	38.5	106,980	21.8	2,332
1961	39.5	96,213	21.3	2,049
1960	40.5	87,368	20.8	1,817
1959	41.5	85,388	20.3	1,733
1958	42.5	91,080	19.8	1,803
1957	43.5	72,055	19.3	1,391
1956	44.5	75,484	18.8	1,419
1955	45.5	43,739	18.3	800
1954	46.5	59,898	17.8	1,066
1953	47.5	31,272	17.3	541
1952	48.5	27,365	16.8	460
1951	49.5	29,962	16.3	488
1950	50.5	25,340	15.8	400
1949	51.5	16,401	15.3	251
1948	52.5	42,542	14.8	630
1947	53.5	56,660	14.3	810
1946	54.5	19,458	13.8	269
1945	55.5	13,773	13.3	183
1944	56.5	7,285	12.8	93
1943	57.5	36,163	12.3	445
1942	58.5	5,793	11.8	68
1941	59.5	14,788	11.3	167
1940	60.5	13,861	10.8	150
1939	61.5	13,622	10.3	140
1938	62.5	50,308	9.8	493
1937	63.5	10,512	9.3	98
1936	64.5	6,262	8.3	52
1935	65.5	7,427	7.8	58
1934	66.5	3,222	7.3	24
1933	67.5	1,525	6.8	10
1932	68.5	1,808	6.3	11
1931	69.5	15,632	5.8	91
1930	70.5	33,572	5.3	178
1929	71.5	5,744	4.8	28
1928	72.5	8,233	4.3	35
1927	73.5	4,727	3.8	18
1926	74.5	2,604	3.3	9
1925	75.5	94	2.8	-

Schedule 2

UPPER PENINSULA POWER COMPANY
 INTEGRATED SYSTEM
 DISTRIBUTION PLANT
 ACCOUNT 368 LINE TRANSFORMERS

Selected Life 41
 Selected Curve SC

<u>YEAR</u> <u>INSTALLED</u>	<u>YEARS IN</u> <u>SERVICE</u>	<u>PLANT</u> <u>SURVIVING</u> <u>DEC.31,2000</u>	<u>ESTIMATED</u> <u>FUTURE</u> <u>SERVICE LIFE</u>	<u>DOLLAR</u> <u>YEARS</u> <u>(000)</u>
1924	76.5	611	2.3	1
1923	77.5	3,227	1.8	6
1922	78.5	620	1.3	1
1921	79.5	2,437	0.9	2
1920	80.5	1,531	0.7	1
1919	81.5	<u>8,629</u>	<u>0</u>	<u>-</u>
		12,185,592	32.1	391,645

INTEGRATED2000

ACCOUNT NO. 3680000. TRANSFORMERS

ADJUSTED: NO

NET SALVAGE ANALYSIS

YEAR	RETIREMENTS - AMOUNTS			NET SALVAGE - AMOUNTS			NET SALVAGE - PERCENT		
	ANNUAL	CUMULATIVE	5-YEAR BAND	ANNUAL	CUMULATIVE	5-YEAR BAND	ANNUAL	CUM.	5-YR BD
I	II	III	IV	V	VI	VII	VIII	IX	X
1968	37305.	37305.	0.	4836.	4836.	0.	13.	13.	0.
1969	47533.	84938.	0.	5361.	10197.	0.	11.	12.	0.
1970	64278.	149216.	0.	7574.	17771.	0.	12.	12.	0.
1971	65952.	215168.	0.	7303.	25074.	0.	11.	12.	0.
1972	93803.	308971.	308971.	7096.	32170.	32170.	8.	10.	10.
1973	88252.	397223.	359918.	11632.	43802.	38966.	13.	11.	11.
1974	105874.	503097.	418159.	17230.	61032.	50835.	16.	12.	12.
1975	108613.	611710.	462494.	16327.	77359.	59588.	15.	13.	13.
1976	105403.	717113.	501945.	7175.	84534.	59460.	7.	12.	12.
1977	59607.	776720.	467749.	14077.	98611.	66441.	24.	13.	14.
1978	110645.	887365.	490142.	5192.	103803.	60001.	5.	12.	12.
1979	129802.	1017167.	514070.	7576.	111379.	50347.	6.	11.	10.
1980	103597.	1120764.	509054.	19109.	130488.	53129.	18.	12.	10.
1981	101078.	1221842.	504729.	3315.	133803.	49269.	3.	11.	10.
1982	41960.	1263702.	486982.	3421.	137224.	38613.	8.	11.	8.
1983	154055.	1417757.	530392.	-11079.	126145.	22342.	-7.	9.	4.
1984	51226.	1468983.	451816.	3817.	129982.	18603.	7.	9.	4.
1985	47548.	1516531.	395767.	7236.	137218.	6730.	15.	9.	2.
1986	119038.	1635569.	413727.	-12567.	124651.	-9152.	-11.	8.	-2.
1987	0.	1635569.	371867.	0.	124651.	-12573.	0.	8.	-3.
1988	77437.	1713006.	295249.	4006.	128657.	2512.	5.	8.	1.
1989	90728.	1803734.	334751.	4600.	133257.	3275.	5.	7.	1.
1990	87653.	1891387.	374856.	-522.	132735.	-4483.	-1.	7.	-1.
1991	54562.	1945949.	310380.	-12469.	120266.	-4385.	-23.	6.	-1.
1992	99172.	2045121.	409552.	-22581.	97685.	-26966.	-23.	5.	-7.
1993	66764.	2111885.	398879.	-34417.	63268.	-65389.	-52.	3.	-16.
1994	57542.	2169427.	365693.	-45435.	17833.	-115424.	-79.	1.	-32.
1995	65368.	2234795.	343408.	-30488.	-12655.	-145390.	-47.	-1.	-42.
1996	70389.	2305184.	359235.	-17533.	-30188.	-150454.	-25.	-1.	-42.
1997	73420.	2378604.	333483.	-8897.	-39085.	-136770.	-12.	-2.	-41.
1998	77939.	2456543.	344658.	-13556.	-52641.	-115909.	-17.	-2.	-34.
1999	117291.	2573834.	404407.	-697.	-53338.	-71171.	-1.	-2.	-18.
2000	39921.	2613755.	378960.	-35953.	-89291.	-76636.	-90.	-3.	-20.

UPPER PENINSULA POWER COMPANY

Account 369 Services - Distribution
Study Results

Applicant proposes a remaining life of 33.3 years and a net salvage percent of (75) %. Simulated plant analyses were performed for this account from which a 40 year life and SC curve were selected. When applied against historical plant additions, this selection produced a 33.3 year remaining life. (See schedule 2).

The net salvage percent applied for is based on the historical analysis, which shows the negative percent has been steadily increasing. The linear regression analysis shows this trend moving further into a negative status in the future. Observance of the latest five year rolling band percentages shows rates in the range of (107)% to (143)%. The change to (75)% is a step in that direction.

Schedule 2

UPPER PENINSULA POWER COMPANY
INTEGRATED SYSTEM
DISTRIBUTION PLANT
ACCOUNT 369 SERVICES

Selected Life 40
Selected Curve SC

<u>YEAR INSTALLED</u>	<u>YEARS IN SERVICE</u>	<u>PLANT SURVIVING DEC.31, 2000</u>	<u>ESTIMATED FUTURE SERVICE LIFE</u>	<u>DOLLAR YEARS (000)</u>
2000	0.5	533,239	39.7	21,170
1999	1.5	350,353	39.3	13,769
1998	2.5	365,946	38.7	14,162
1997	3.5	397,294	38.3	15,216
1996	4.5	360,819	37.7	13,603
1995	5.5	379,653	37.3	14,161
1994	6.5	394,852	36.7	14,491
1993	7.5	349,517	36.3	12,687
1992	8.5	333,431	35.7	11,903
1991	9.5	264,269	35.3	9,329
1990	10.5	238,304	34.7	8,269
1989	11.5	202,483	34.3	6,945
1988	12.5	149,912	33.7	5,052
1987	13.5	105,222	33.3	3,504
1986	14.5	102,095	32.7	3,339
1985	15.5	103,953	32.3	3,358
1984	16.5	87,162	31.7	2,763
1983	17.5	103,210	31.3	3,230
1982	18.5	93,786	30.7	2,879
1981	19.5	132,183	30.3	4,005
1980	20.5	128,091	29.7	3,804
1979	21.5	118,214	29.3	3,464
1978	22.5	176,470	28.7	5,065
1977	23.5	149,479	28.3	4,230
1976	24.5	129,908	27.7	3,598
1975	25.5	113,843	27.3	3,108
1974	26.5	94,069	26.7	2,512
1973	27.5	90,981	26.3	2,393
1972	28.5	84,867	25.7	2,181
1971	29.5	81,586	25.3	2,064
1970	30.5	58,103	24.7	1,435
1969	31.5	54,740	24.3	1,330
1968	32.5	54,282	23.7	1,286
1967	33.5	46,856	23.3	1,092
1966	34.5	26,747	22.7	607
1965	35.5	24,161	22.3	539
1964	36.5	22,137	21.7	480
1963	37.5	20,243	21.3	431
1962	38.5	26,400	20.7	546

UPPER PENINSULA POWER COMPANY
INTEGRATED SYSTEM
DISTRIBUTION PLANT
ACCOUNT 369 SERVICES

Selected Life
Selected Curve

40
SC

<u>YEAR INSTALLED</u>	<u>YEARS IN SERVICE</u>	<u>PLANT SURVIVING DEC.31, 2000</u>	<u>ESTIMATED FUTURE SERVICE LIFE</u>	<u>DOLLAR YEARS (000)</u>
1961	39.5	24,164	20.3	491
1960	40.5	24,980	19.7	492
1959	41.5	21,778	19.3	420
1958	42.5	22,283	18.7	417
1957	43.5	23,252	18.3	426
1956	44.5	27,146	17.7	480
1955	45.5	16,678	17.3	289
1954	46.5	20,617	16.7	344
1953	47.5	13,342	16.3	217
1952	48.5	8,123	15.7	128
1951	49.5	12,485	15.3	191
1950	50.5	9,898	14.7	146
1949	51.5	8,544	14.3	122
1948	52.5	26,036	13.7	357
1947	53.5	12,101	13.3	161
1946	54.5	5,506	12.7	70
1945	55.5	2,638	12.3	32
1944	56.5	1,447	11.7	17
1943	57.5	872	11.3	10
1942	58.5	2,169	10.7	23
1941	59.5	3,644	10.3	38
1940	60.5	3,528	9.7	34
1939	61.5	3,556	9.3	33
1938	62.5	11,544	8.7	100
1937	63.5	2,170	8.3	18
1936	64.5	1,584	7.7	12
1935	65.5	1,105	7.3	8
1934	66.5	765	6.7	5
1933	67.5	362	6.3	2
1932	68.5	442	5.8	3
1931	69.5	1,372	5.3	7
1930	70.5	4,124	4.8	20
1929	71.5	1,098	4.3	5
1928	72.5	1,034	3.8	4
1927	73.5	5,653	3.3	19
1926	74.5	1,373	2.8	4
		<u>6,876,273</u>	<u>33.3</u>	<u>229,145</u>