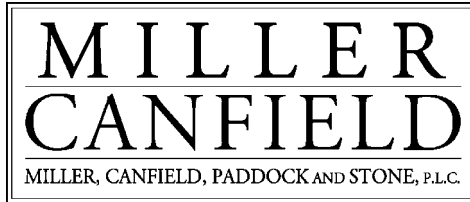


Founded in 1852
by Sidney Davy Miller



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May 26, 2006

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

Re: Upper Peninsula Power Company
2006 Rate
MPSC Case No. U-14745

Dear Ms. Kunkle:

Enclosed for electronic filing is the Settlement Agreement as executed by all the parties. Also Enclosed is a Proof of Service. Should you have any questions, please advise.

Very truly yours,

Sherri
Wellman

Sherri A. Wellman

Digitally signed by Sherri
Wellman
DN: CN = Sherri Wellman, C =
US, O = Miller Canfield
Date: 2006.05.26 10:05:28 -04'00'

SAW/lab
Enclosures

cc w/ enc: David Kyto

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
UPPER PENINSULA POWER COMPANY) Case No. U-14745
for authority to increase retail electric rates.)
_____)

PROOF OF SERVICE

STATE OF MICHIGAN)
)ss
COUNTY OF INGHAM)

Lisa A. Becker, being first duly sworn, deposes and says that on May 26, 2006, she served a true copy of the ***Settlement Agreement*** upon the parties listed on attached service list by depositing the same in a United States postal depository enclosed in an envelope bearing postage fully prepaid, plainly addressed. The parties were also served by electronic mail.

Lisa Becker

Digitally signed by Lisa Becker
DN: CN = Lisa Becker, C = US, O
= Miller Canfield
Date: 2006.05.26 10:05:46 -04'00'

Lisa A. Becker

Subscribed and sworn before me
on this 26th day of May, 2006.

Edith Loomis

Digitally signed by Edith Loomis
DN: CN = Edith Loomis, C = US,
O = Miller Canfield
Date: 2006.05.26 10:05:59 -04'00'

Edith D. Loomis
State of Michigan, County of Ingham
My Commission Expires: December 5, 2006

SERVICE LIST

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Assistant Attorney General
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Ms. Barbara Stump
Administrative Law Judge
Michigan Public Service Commission
6545 Mercantile Way
Lansing, MI 48911
e-mail: bstump@michigan.gov

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of	)	
UPPER PENINSULA POWER COMPANY for	)	
authority to increase retail electric rates.	)	Case No. U-14745
_____	)	

SETTLEMENT AGREEMENT

Pursuant to Section 78 of the Administrative Procedures Act of 1969 (“APA”), MCL 24.278 as amended, and Rule 333 of the Rules of Practice and Procedure Before of Michigan Public Service Commission (“MPSC” or “Commission”), Upper Peninsula Power Company (“UPPCO” or “Company”), the Commission Staff (“Staff”), Calumet Electronics Corporation (“Calumet”), Smurfit Stone Container Corporation (“Stone”), and Michigan Technological University (“MTU”) agree as follows:

1. On January 3, 2006, UPPCO filed with the Commission its Application, with supporting testimony, exhibits and workpapers, in support of a proposed annual revenue increase of \$6,606,856. UPPCO also filed a Motion for Partial and Immediate Rate Relief for an interim rate increase of \$4,965,396 annually. Subsequently, UPPCO submitted revised testimony and exhibits amending the request for final and interim rate relief to \$6,230,897 and \$3,231,509, respectively.

2. On January 20, 2006, the Commission issued its Notice of Hearing scheduling a prehearing conference for February 15, 2006, before Administrative Law Judge (“ALJ”) Barbara A. Stump.

3. In accordance with the Commission’s Notice of Hearing directives, UPPCO gave notice of the hearing throughout its service territory.

4. At the prehearing conference on February 15, 2006, UPPCO’s proofs of mailing and publication were accepted without objection, and the petitions to intervene of Calumet, Stone, and MTU were granted.

5. In accordance with the schedule established at the prehearing conference, on March 27, 2006, Staff filed its Report on Interim Relief.

6. On April 17, 2006, a hearing on interim rate relief was held with ALJ Stump presiding. Either pursuant to party agreement, or by Company witnesses taking the stand, UPPCO’s direct case was admitted into the record. Staff’s direct case on interim relief was also admitted into the record. The parties conducted cross-examination of Company and Staff witnesses.

7. Subsequent to the April 17, 2006 hearing, the parties engaged in extensive discussions at the Commission’s offices which led to the agreements incorporated in this Settlement Agreement.

8. The signatories hereto agree that this Settlement Agreement will aid in the expeditious conclusion of this proceeding, and will minimize expense which otherwise would have been devoted to these matters by the Commission and the parties.

9. This settlement agreement resolves this case and all provisions of the settlement agreement are dependent upon all other provisions.

10. By this Settlement Agreement, UPPCO, Staff, Calumet, Stone, and MTU agree as follows:

- a. UPPCO's rates should be adjusted to provide an annual revenue increase of approximately \$3,813,000 based on a 2006 test year and an overall rate of return of 7.75%, including a return on common equity of 10.75%. This reflects an annual average common equity ratio measured on a financial basis of 54.93%.
- b. UPPCO should be authorized to revise its tariffs to reflect the annual revenue increase of \$3,813,000 in accordance with the tariff sheets attached hereto as Attachment 1.
- c. On a class-by-class basis, the tariff sheets in Attachment 1 implement percentage rate increases as set forth in Attachment 2 hereto.
- d. The revised rates reflect a new Power Supply Cost Recovery ("PSCR") base rate for both UPPCO's Integrated System and UPPCO's Iron River System of 52.05 mills per kWh, and a new PSCR loss factor for both UPPCO's Integrated System and UPPCO's Iron River System of 1.0748. With the establishment of these new PSCR base rates and new PSCR loss factors, as set forth in paragraph 10e herein, UPPCO's current 2006 PSCR factor for its Integrated System should become zero for the remainder of the 2006 PSCR plan period, and UPPCO's current 2006 PSCR factor for its Iron River System should become negative \$0.01319 per kWh for the remainder of the 2006 PSCR plan period.
- e. The new PSCR base rates, the new PSCR loss factors, and the revised 2006 PSCR factors will become effective the beginning of the business month immediately following the issuance of a Commission order approving this Settlement Agreement. All other rates, including but not limited to customer charges, demand charges, distribution charges, lamp charges and the non-PSCR portions of power supply charges reflected in Attachment 1 are to become effective for service rendered on and after the day following the issuance of a Commission order approving this Settlement Agreement.
- f. It is further agreed that the increased rates do not reflect the recovery by UPPCO of any deferred costs associated with the Silver Lake incident.

Further, the costs associated with the Silver Lake incident being deferred pursuant to the Commission's order in Case No. U-13831 should accumulate carrying costs at a rate of 7%. Lastly, because the Silver Lake Dam was not included in rate base nor in the revenue requirement in this proceeding, the \$2,000/month offsetting credit required by the Commission's order in Case No. U-13831 should no longer be recorded by the Company effective on and after the day following the issuance of a Commission order approving this Settlement Agreement.

- g. As set forth in UPPCO's direct case, the Company is in the process of transferring its Atlantic Substation to the American Transmission Company. It is agreed by the parties that UPPCO reflected this transfer by removing all plant and all related revenue requirements from base rates in this proceeding.
- h. UPPCO also agrees to file with the Staff annual reports of its distribution operation and maintenance expenses for the 2007 business year and subsequent business years no later than March 1 of each year, beginning March 1, 2008. These reports shall provide all details and supporting documentation regarding the previous year for the following additional data:
 - 1. Total line clearance expenditures (dollars);
 - 2. Length of line cleared to Company specification (miles);
 - 3. Number of line clearance crews used;
 - 4. Number of trees with a diameter of at least 4.5 inches DBH (the diameter of vegetation measured at a point 4.5 feet above ground level) removed;
 - 5. Number of trees trimmed; and
 - 6. Average annual outage duration per customer (minutes).
- i. Furthermore, it is contemplated that UPPCO will annually spend at least \$10.3 million on distribution operation and maintenance on a corporate basis, which is inclusive of \$1.7 million on line clearance annually, during the 2007 business year and any subsequent business years. In the event UPPCO does not spend \$10.3 million annually on corporate distribution operation and maintenance, which is to include a \$1.7 million annual expenditure on line clearance, during the 2007 business year or in subsequent business years, UPPCO will make a refund of the Michigan retail jurisdictional amount of the shortfall to its Michigan retail customers via a per kWh credit during the April billing month of the following year, beginning in April 2008. For purposes of calculating any refunds to UPPCO's Michigan retail customers, it will be assumed that 96% of

UPPCO's corporate distribution operation and maintenance expenses, inclusive of line clearance expenses, are associated with the Michigan retail jurisdiction.

- j. All parties agree that the reporting and refund requirements from Case No. U-13497 should be terminated after the 2006 business year report is filed with the Staff and the required refund, if any, is completed.
- k. Finally, it is agreed that all miscellaneous tariff changes reflected in Attachment 1 should be adopted.

11. Each signatory agrees not to appeal, challenge or contest the rates approved by the Commission in this case if they are the result of a Commission order accepting and approving this Settlement Agreement without modification. If the Commission does not accept this Settlement Agreement without modification, this Settlement Agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

12. This Settlement Agreement is entered into for the sole and express purpose of reaching compromise among the parties. All offers of settlement and discussions relating to this Settlement Agreement are considered privileged under MRE 408. If the Commission approves the Settlement Agreement without modification, neither the parties to the settlement nor the Commission shall make any reference to, or use this Settlement Agreement or the order approving it, as a reason, authority, rationale, or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided however, such reference may be made to enforce or implement the provisions of this Settlement Agreement and the order approving it.

13. Section 81 of the APA is waived by the signatories.

Upper Peninsula Power Company

Dated: May 23, 2006

By: **Sherri Wellman** Digitally signed by Sherri Wellman
DN: CN = Sherri Wellman, C =
US, O = Miller Canfield
Date: 2006.05.23 10:57:52 -04'00'

Its Attorney
Sherri A. Wellman (P38989)
Miller, Canfield, Paddock & Stone, PLV
One Michigan Avenue, Ste. 900
Lansing, Michigan 48933
(517) 483-4954

Michigan Public Service Commission Staff

Dated: May 25, 2006

By: *Michael J. Orris*

Its Attorney
Michael J. Orris (P51232)
Asst. Attorney General
6545 Mercantile Way, Ste. 15
Lansing, Michigan 48911
(517) 241-6680

Michigan Technological University

Dated: May 23, 2006

By: **Christine
Mason Soneral** Digitally signed by Christine Mason
Soneral
DN: cn=Christine Mason Soneral,
o=US, o=Dykema Gossett PLLC
Date: 2006.05.23 15:41:24 -04'00'

Its Attorney
Christine Mason Soneral (P58820)
Dykema Gossett, PLLC
124 W. Allegan Street, Ste. 800
Lansing, Michigan 48933
(517) 374-9184

Smurfit Stone Container Corporation

Dated: May 24, 2006

By:  **Peter S. Sheldon**
Signature Not Verified
Digitally signed by Peter S. Sheldon
DN: cn=Peter S. Sheldon,
o=Dickinson Wright
PLLC, c=US
Date: 2006.05.24
10:03:15 -04'00'

Its Attorney
Peter S. Sheldon (P20332)
Dickinson Wright, PLLC
215 S. Washington Square, Ste. 200
Lansing, Michigan 48933
(517) 371-1730

Calumet Electronics Corporation

Dated: May 25, 2006

By:  **Michael J. Brown**
Digitally signed by Michael J. Brown
DN: cn=Michael J. Brown, c=US,
o=Plunkett + Cooney
Date: 2006.05.25 08:45:29 -04'00'

Its Attorney
Michael J. Brown (P43015)
Plunkett & Cooney, PC
325 E. Grand River Avenue, Ste. 250
East Lansing, Michigan 48823
(517) 324-5613

ATTACHMENT 1

STANDARD RULES AND REGULATIONS

Use of Service (Cont'd.)

wires or fixtures necessary to reach the point of attachment requested by the customer, shall be borne by the customer.

Should it become necessary for any cause beyond the Company's control to change the location of the point of attachment of service connections, the entire cost of any changes in the customer's wiring made necessary thereby shall be borne by the customer.

A service connection will not be made unless the customer has installed his service entrance facilities in compliance with code requirements and specifications set forth by the Company.

The customer may be required to provide at no expense to the Company space for Company facilities on the customer's premises.

For overhead service, the location of the point of attachment must be such that the Company's service conductors can be installed without attachment to the building in any other locations.

For underground service, the point of attachment may be on the building, meter pedestal, or other agreed point.

Service will be provided to meter poles for farm service or other service where more than one structure is to be supplied from a single meter. The customer shall be required to install a fused disconnect switch on the pole at his own expense in accordance with Company specifications.

7. Service to House Trailers, Vans, Buses, Used as Dwelling Units

The Company will make service connection to house trailers, vans, buses, or any other dwelling of a mobile nature without special charges, except as specified herein under Section III, when the customer owns the premises and has installed an approved septic tank and well for his own use.

If the above conditions are not met, such installation and service facilities shall be considered to be Temporary Service as applicable under Rule III.B.12.

R

Issued:

By J.F. Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After X-XX-06
Issued Under Auth. of
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In Case No: U-14745

STANDARD RULES AND REGULATIONS

Metering and Metering Equipment (Cont'd)

In cases of multiple buildings such as two-family flats or apartment buildings, if the meters are installed indoors, they shall be located within the premises served or at a common location readily accessible to the tenants and the Company.

An authorized representative of the Company will determine the acceptability of the meter location in all cases.

F. Special Charges

The Company will make such charges for reasonable special services as necessary to discourage abuse, and to minimize subsidy of such services by other customers. The following schedule shall apply where applicable:

1. Supplemental Utility Service - The rates and charges shown in this section are not approved by the Michigan Public Service Commission. Changes will be made by the Company from time-to-time to include the current rates and charges for the services offered.
- a. The Company will charge the prevailing Time, Material and/or Vehicle rates for services which shall include, but are not limited to, the following:
 - (1) Relocating Company owned facilities, including services and meters when requested by the Customer.
 - (2) Repairs to correct safety code violations on Customer owned facilities when required by applicable laws, codes or regulations.
 - (3) Installing meter protection when the Customer fails or is unable to provide a safe location for the meter assembly.
 - (4) Upgrading Company owned facilities to accommodate increased energy usage by the Customer. The Customer's payment for this service may be partially offset by a credit based on the Customer's expected annual load increase.
 - (5) Installing a temporary meter set.
 - (6) Returning to the Customer's location a second (and each subsequent) time to perform requested work, when the second (and each subsequent) call is required due to the Customer not being ready for the Company to perform the requested work.
 - (7) Estimate Work.

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STANDARD RULES AND REGULATIONS

Special Charges (Cont'd)

b. Rates - The Time, Material and Vehicle rates are as follows:

(1) Time:

7am-5pm, Monday-Saturday: \$65.00/person per hour.

5pm-7am, Monday-Saturday: \$83.60/person per hour.

Sundays and Company Holidays: \$98.30/person per hour.

(2) Material:

The actual cost of any material, plus warehousing charges.

(3) Vehicles:

Air Compressor: \$64.40/hour.

Backhoe: \$30.71/hour.

Heavy Duty Line Truck \$31.04/hour.

Light Duty Aerial Truck: \$21.21/hour.

Service Truck: \$ 8.62/hour.

Trencher: \$35.21/hour.

2. Special Meter Readings

a. When the Company, at the request of the customer:

(1) Reads a meter on a day other than the scheduled meter reading date, and/or

(2) Issues a written bill on a day other than the scheduled billing date.

The customer will be billed a \$20.00 charge unless there is a change in the customer of record.

b. The customer may read his/her meter(s) and provide the reading(s) to the Company. The Company will then calculate the amount due and provide this information to the customer verbally, at no cost, and no written bill will be issued.

3. Meter Test Charge \$33.00

4. Reconnect Charge -

During Regular Working Hours \$30.00

Outside Regular Working Hours \$75.00

Connections and reconnections will only be done outside of regular work hours due to medical emergencies.

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STANDARD RULES AND REGULATIONS

N Special Charges (Cont'd)

R 5. Unhonored Checks And Electronic Transfers

N When a customer issues a check or authorizes an electronic transfer
N payment to the Company that a bank or other financial institution
N fails to honor (for reasons of insufficient funds, account closed,
N stop payment order issued, etc.), the customer shall be billed an
N additional charge of \$15.00 per check or electronic transfer.

R 6. Connection or Disconnection Outside Regular Working Hours

N When application is made for service with the request that meters be
N connected or disconnected outside regular hours or on Saturdays,
N Sundays or holidays, the charges specified for reconnections outside
N regular hours shall apply.

G. Other Conditions of Service

1. Service Disconnect - Service to the customer's premises may be dis-
connected by the Company under the following conditions:

a. At Customer's Request

(1) Upon Termination - The Company will disconnect service with no
charge to the customer upon due notice as provided elsewhere
in these rules. However, if restoration of service at the
same location is requested by the same customer or property
owner(s), a reconnect charge will be applied. The reconnect
charge will be increased by the amount of the minimum charge
in the applicable rate schedule for the months service was
disconnected, provided such reconnect is made during the
twelve (12) month period immediately following disconnect.

(2) For Repairs - The Company will temporarily disconnect service
to facilitate repairs or other work on the customer's
equipment or premises. Special service charges as set forth
in Section II, F, will be applicable.

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VP Regulatory Affairs
Green Bay, Wisconsin

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STANDARD RULES AND REGULATIONS

Other Conditions of Service (Cont'd.)

- e. Year-Round Service - Service to customer at the address shown on his driver's license and voter's registration card.
- f. Seasonal Service - Service to customers other than to year-round customers.

3. Power Factor Billing Adjustment

Use of energy by the Customer shall be maintained at a power factor of eighty-five percent (85%). Should the Customer's average power factor fall below eighty-five percent (85%), during the period of maximum use in a billing month, then the demand charge for billing purposes will be adjusted by applying a fraction the numerator of which shall be eighty-five percent (85%) and the denominator the actual power factor. The Company may, at its option, determine the power factor by test or by permanently installed measuring equipment.

R H. Budget Billing Plan

- 1. Definition: The Budget Billing Plan distributes the estimated annual payments required into equal amounts over a 12-month period to lessen the impact of large bills incurred in a few consecutive months.
- 2. Availability: The Budget Billing Plan is available to all prospective and existing year-round residential and commercial customers. A budget payment plan may be established at any time of the year.
- 3. Budget Amount and Administration: The monthly budget amount shall be calculated by the Company on the basis of the estimated consumption and estimated applicable rates through the end of the budget year. A budget year begins with the customer's first bill on the budget plan and ends after 12 months.

An applicant for a budget plan shall be informed at the time of application, that budget amounts shall be reviewed and changed every six months, if necessary, in order to reflect current circumstances. Adjustments to the budget amount will be made with the objective that the customer's underbilled or overbilled balance in the 12th month of the budget year shall be equal to one-month's budget amount. Customers on the budget payment plan shall be notified of adjustments through either a bill insert or message on the bill. When an adjustment is made to a budget payment amount, the customer will be informed of the adjustment at the same time the bill containing the adjustment is rendered.

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VP Regulatory Affairs
Green Bay, Wisconsin

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STANDARD RULES AND REGULATIONS

Budget Billing Plan (Cont'd.)

Customers who have arrearages shall be allowed to establish a budget payment plan by signing a Settlement Agreement for the arrears. The Settlement Agreement payment amount is not subject to the late payment charge. However, budget payment plans shall be subject to the late payment charge. In addition, if a budget payment is not paid, the customer shall be notified with the next billing that if proper payment is not received subsequent to this notification, the next regular billing may effectuate the removal of the customer from the budget and reflect the appropriate amount due.

At the end of the budget year, if an underbilled or overbilled balance exists in a customer's account, the balance shall be handled as follows:

R

a. A residential customer's debit balance will be consolidated into the new budget amount or, at the customer's option, will be paid in full or on a deferred basis.

R

b. A residential customer's credit balance will be applied against the customer's account or, at the customer's option, a refund will be made or it will be consolidated into the new budget amount. If a customer has a credit balance of more than \$2 at the end of the program year, upon the request of the customer, the utility shall return the credit balance.

N
N

c. A commercial/industrial customer's debit balance will be paid in full and a credit balance will be refunded.

4. Determination of Budget Amount: The regular budget amount is determined by dividing the estimated annual billing for all service, including yard lighting, by 12. The result is rounded to the next higher whole dollar. The estimated annual billing may be determined by heat loss calculations, analysis of previous use, estimated normal use, or any combination thereof.

5. Billing Method: The difference between actual service used and the budget amount is calculated monthly during the budget year. The adjustment may be a charge or credit to make the amount due for current service, including yard lighting, equal to the budget amount. The adjustment is printed on all bills during the customer's budget year.

All budget accounts are billed as scheduled each month. The readings are estimated if an actual reading is not obtained. The adjustment to any "late cycle" billing of budget accounts is made equal to the amount of the billing, since the budget amount has already been billed.

The difference between the actual billing and budget amount (the adjustment) is accumulated each month as "not due". The not due balance, including the current adjustment, is printed at the bottom of the bill and may be a charge or credit.

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VP Regulatory Affairs
Green Bay, Wisconsin

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STANDARD RULES AND REGULATIONS

Budget Billing Plan (Cont'd.)

The amount remaining as "not due" is applied to the bill due at the end of the customer's budget year unless the customer discontinues service before that time or the budget is canceled. If the budget amount is accurate, the weather is normal, and there are no rate or tax changes, the balance should be roughly equal to the budget amount. The "not due" balance is applied to the final bill if the customer discontinues service.

N I. Preferred Due Date Billing Service

1. Available to residential, farm and small commercial and industrial customers. Commercial and Industrial customers with annual charges exceeding \$120,000 will be limited to choosing a bill due date that is within 21 days after billing.
2. Upon request by a customer, the Company will set the electric service bill due date as requested by the customer. The customer can choose the following options for their bill due date:
 - a. Same business day of each month (i.e., 3rd business day of each month); or
 - b. Same calendar day of each month (i.e., 3rd day of each month). For months when the selected calendar day falls on a holiday or weekend, the bill shall be due the next business day; or
 - c. 10, 15, or 20 days from the bill mail date.
3. Customers will be removed from the Preferred Due Date Billing Service if payment is not received by the date of the billing of the 2nd billing cycle. Customers can return to the Preferred Due Date Billing Service upon working out payment arrangements with the Company.
4. Except as provided for in Paragraph 1.f., customers using this service are not subject to a bill due date that is within 21 days after billing.
5. Once a Preferred Due Date is selected, customers may change their Preferred Due Date only once per calendar year.

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Green Bay, Wisconsin

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STANDARD RULES AND REGULATIONS

Preferred Due Date Billing Service (Cont'd.)

6. Except as provided by the Preferred Due Date Billing Service, all other practices relating to the Discontinuation of Service will be provided in accordance with the Consumer Standards and Billing Practices for Residential Electric Service, and the Billing Practices Applicable to Commercial and Industrial Electric Customers.

J. Billing for Fractional Month's Electric Service

When a customer's use of service is for a fractional month, the Company will, unless specific provision would conflict, prorate the bill for the period on the following basis:

1. Block Type Rates
 - a. Initial Bills
 - (i) 10 days or less - include consumption in next billing
 - (ii) 11 days to 24 days inclusive - prorate on a daily basis
 - (iii) 25 days to 35 days inclusive - bill as one month
 - (iv) Over 35 days - prorate on a daily basis
 - b. Pick-Up Billing
 - (i) 25 to 35 days inclusive - bill as one month
 - (ii) All others - prorate on a daily basis
 - c. Final Bills
 - (i) 25 to 35 days inclusive - bill as one month
 - (ii) Zero use for period up to and including 20 days - no bill
 - (iii) All others - prorate on a daily basis
2. Demand Type, Street Lighting, and Outdoor Lighting
Prorate part-months bills on a daily basis
3. Temporary Customers
Customers whose total length of service is less than 30 days - bill as one month
4. Annual Minimums
Prorate part year on a monthly basis

Issued:

By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

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STANDARD RULES AND REGULATIONS

R 460.2114 Equal monthly billing.

Rule 14. A utility may bill a customer under an equal monthly billing program, at the choice of the customer, upon a finding by the commission that the program assures reasonable billing accuracy. If a customer has a credit balance of more than \$2.00 at the end of the program year, upon the request of the customer, the utility shall return the credit balance.

N *Customers may participate in the Company's equal monthly billing program which*
N *is called the Budget Billing Plan as it is described on Sheets No. 9.14 to 9.16.*

R 460.2115 Cycle billing.

Rule 15. A utility may use cycle billing if each customer receives a bill on or about the same day of each billing month. If a utility changes meter reading routes or schedules, it may change billing cycles upon 10 days' written notice to the affected customers.

R 460.2116 Payment of bill.

Rule 16. A utility shall permit each customer a period of not less than 17 days from the date the bill was transmitted to pay in full, unless the customer agrees in writing to a different period.

N *Customers may choose the due date of their electric bill utilizing the voluntary*
N *Preferred Due Date Billing Service as described on Sheets No. 9.16 to 9.17.*

R 460.2117 Payment period.

Rule 17. The date of transmitting a bill is the date the utility mails the bill. For bills that are delivered other than by mail, the date of transmitting a bill is the date that the utility conveys or dispatches the billing information to the customer in accordance with the method of delivery that the customer and the utility agreed to use. If the last day for payments falls on a Sunday, legal holiday, or other day when the offices of the utility regularly used for the payment of customers' bills are not open to the general public, the payment date shall be extended through the next business day.

R 460.2118 Allowable charges.

Rule 18.

- (1) Except as otherwise provided by statute, a utility shall bill each customer for the amount of natural gas or electricity consumed and any other approved charges in accordance with the rates and tariffs approved by the commission.
- (2) A utility may assess a late payment charge that is not more than 2%, not compounded, of the portion of the bill, net of taxes, that is delinquent. A utility shall not assess a late payment charge against a customer who is participating in the winter protection plan described in R 460.2174.

R 460.2119 Bill information.

Rule 19. A bill that is transmitted by a utility shall state clearly all of the following information:

(a) The beginning and ending meter readings and dates for the billing period. A utility that is authorized to use a customer read system need not provide this information.

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By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After: X-XX-06
Issued Under Auth. of
Mich Public Serv Comm
Dated
In Case No: U-14745

RATE "A-1" - RESIDENTIAL SERVICE - URBAN AND RURAL

WHO MAY TAKE SERVICE:

Any customer in a single family dwelling or a duplex for residential and farm purposes. This rate is also available to certain multiple dwellings in accordance with the standard rules. Optional Power Supply Service is available only to Customers not taking power supply service under rate schedule RAST, or not required to receive service under rate schedule PSDS.

TERRITORY APPLICABLE:

All territory served in the Company's Interconnected System.

CHARACTER OF SERVICE:

Single-phase, alternating current, 60 hertz, nominally at 120/240 volts.

RATE: DISTRIBUTION SERVICE

Service Charge:

\$ 8.00/Mo. for Year-Round
\$16.00/Mo. for Seasonal

Energy Charge:

\$0.06074 per kWh for all kWh

POWER SUPPLY SERVICE (Optional)

Energy Charge:

\$0.07120 per kWh for all kWh

MINIMUM CHARGE:

The service charge included in the rate.

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 25.1.

TERMS OF PAYMENT:

Bills are due in 17 days from date of bill. A delayed payment charge of 2% shall be applied to the unpaid balance if the bill is not paid in full on or before the due date thereon.

Continued on Sheet No. 11.1

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By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated
In Case No: U-14745

RATE "A-1" - RESIDENTIAL SERVICE - URBAN AND RURAL

N

Continued from Sheet No. 11.0

CONTRACT: None required

RULES APPLYING:

Service is governed by the Company's Standard Rules and Regulations.

N

SEASONAL BILLING:

N

Service shall be billed for six months. Billing cycles for the business months of May through October shall apply for facilities normally utilized during summer months and November through April for facilities normally utilized during winter months.

N

N

N

N

N

N

N

N

Service may remain connected during the off-season, and incidental use during such period may be included with the first billing of the following season, however, the Company may issue bills for electric service to seasonal electric customers during the off-season period if the customer's electric usage since the last issued bill exceeds 500 kWh of electric energy. This option is available starting in May 2007.

Issued:
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated
In Case No: U-14745

RATE "AH-1" - RESIDENTIAL ELECTRIC HEATING SERVICE - URBAN AND RURAL

WHO MAY TAKE SERVICE:

Any customer in a single family dwelling or a duplex for residential and farm purposes, provided the major electric space heating facilities are permanently installed and are the primary source of space heating. This rate is also available to certain multiple dwellings in accordance with the standard rules. Optional Power Supply Service is available only to Customers not taking power supply service under rate schedule RAST, or not required to receive service under rate schedule PSDS.

TERRITORY APPLICABLE:

All territory served in the Company's Interconnected System.

CHARACTER OF SERVICE:

Single-phase, alternating current, 60 hertz, nominally at 120/240 volts.

RATE: DISTRIBUTION SERVICE

Service Charge:

\$8.00 per customer per month plus,

Energy Charge:

For billing months of June through September

\$0.06074 per kWh for all kWh

For billing months of October through May

\$0.06074 per kWh for the first 500 kWh

\$0.04137 per kWh for the excess

POWER SUPPLY SERVICE (Optional)

Energy Charge:

For billing months of June through September

\$0.07120 per kWh for all kWh

For billing months of October through May

\$0.07120 per kWh for the first 500 kWh

\$0.06525 per kWh for the excess

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 25.1.

MINIMUM CHARGE:

The service charge included in the rate.

TERMS OF PAYMENT:

Bills are due in 17 days from date of bill. A delayed payment charge of 2% shall be applied to the unpaid balance if the bill is not paid in full on or before the due date thereon.

Continued on Sheet 12.1

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By J F Schott
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Effective for Service
On and After:
Issued Under Auth. of
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Dated
In Case No: U-14745

RATE "C-1" - GENERAL SERVICE	
	WHO MAY TAKE SERVICE: Any customer for commercial or industrial purpose with a billing demand of 25 kw or less. Optional Power Supply Service is available only to Customers not taking power supply service under rate schedule RAST, or not required to receive service under rate schedule PSDS.
	TERRITORY APPLICABLE: All territory served in the Company's Interconnected System.
	CHARACTER OF SERVICE: Single or three-phase, alternating current, 60 hertz at standard available voltages.
R	RATE: <u>DISTRIBUTION SERVICE:</u> Service Charge: \$12.00 per customer per month plus,
R	Energy Charge: \$0.04640 per kWh for all kWh
R	<u>POWER SUPPLY SERVICE (Optional)</u> Energy Charge \$0.09874 per kWh for all kWh
	MINIMUM CHARGE: The service charge included in the rate.
	POWER SUPPLY COST RECOVERY CLAUSE: This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 25.1.
	TERMS OF PAYMENT: Bills are due in 21 days from date of bill. A delayed payment charge of 2% shall be applied to the unpaid balance if the bill is not paid in full on or before the due date thereon.
	CONTRACT: None required.
	RULES APPLYING: (1) Service is governed by the Company's Standard Rules and Regulations. (2) Conjunctional billing will not be permitted in cases where the customer is presently being served lighting and power loads through separate meters. In these instances, whenever the customer at his expense will arrange his wiring to receive energy through one single metered service, then this rate shall apply to his entire requirements.

Issued:
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated
In Case No: U-14745

RATE "H-1" - COMMERCIAL ELECTRIC HEATING SERVICE

WHO MAY TAKE SERVICE:

Any customer for commercial purposes provided that their electric space heating facilities are permanently installed and are the primary source of space heating. Optional Power Supply Service is available only to Customers not taking power supply service under rate schedule RAST, or not required to receive service under rate schedule PSDS.

TERRITORY APPLICABLE:

All territory served in the Company's Interconnected System.

CHARACTER OF SERVICE:

Single or three-phase, alternating current, 60 hertz, nominally at 120/240 volts.

RATE: DISTRIBUTION SERVICE

Service Charge:

\$12.00 per customer per month plus,

Energy Charge:

For billing months of June through September

\$0.04640 per kWh for all kWh

For billing months of October through May

\$0.04640 per kWh for first 1000 kWh

\$0.02481 per kWh for the excess

POWER SUPPLY SERVICE (Optional)

Energy Charge:

For billing months of June through September

\$0.09874 per kWh for all kWh

For billing months of October through May

\$0.09874 per kWh for first 1000 kWh

\$0.08061 per kWh for the excess

MINIMUM CHARGE:

The service charge included in the rate.

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 25.1.

TERMS OF PAYMENT:

Bills are due in 21 days from date of bill. A delayed payment charge of 2% shall be applied to the unpaid balance if the bill is not paid in full on or before the due date thereon.

CONTRACT:

None required.

RULES APPLYING:

Service is governed by the Company's Standard Rules and Regulations.

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By J F Schott
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Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated
In Case No: U-14745

RATE "P-1" - LIGHT AND POWER SERVICE

WHO MAY TAKE SERVICE:

Any customer for light and power purposes with a billing demand greater than 25 kw but less than 200 kw. To qualify, the customer must maintain a demand greater than 25 kw for three consecutive months and at least once in each succeeding twelve-month period. Optional Power Supply Service is available only to Customers not taking power supply service under rate schedule RAST, or not required to receive service under rate schedule PSDS.

TERRITORY APPLICABLE:

All territory served in the Company's Interconnected System.

CHARACTER OF SERVICE:

Single or three-phase, alternating current, 60 hertz at standard available voltages.

RATE: DISTRIBUTION SERVICE

Capacity charge per kw of billing demand per month \$2.08 per kw

Energy Charge:

\$0.01630 per kwh for the first 200 kwh per kw of billing demand

\$0.01630 per kwh for the excess

POWER SUPPLY SERVICE (Optional)

Capacity charge per kw if billing demand per month \$8.42 per kw

Energy Charge:

\$0.08415 per kwh for the first 200 kwh per kw of billing demand

\$0.04895 per kwh for the excess

MINIMUM CHARGE:

The capacity charge for 25 kw or the contract minimum, whichever is greater.

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 25.1.

POWER FACTOR BILLING ADJUSTMENT:

This rate is subject to the Company's Power Factor Billing Adjustment as shown on Sheet No. 9.12.

Continued on Sheet No. 15.1

Issued:
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated
In Case No: U-14745

RATE "WP-1D" - LARGE LIGHT AND POWER

WHO MAY TAKE SERVICE:

Any customer for light and power purposes with a billing demand over 200 kW, served at standard available distribution voltages. To qualify, the customer must maintain a demand greater than 200 kW for three consecutive months and at least once in each succeeding twelve-month period. Optional Power Supply Service is available only to Customers not taking power supply service under rate schedule RAST, or not required to receive service under rate schedule PSDS.

TERRITORY APPLICABLE:

All territory served in the Company's Interconnected System.

CHARACTER OF SERVICE:

Three-phase, alternating current, 60 hertz at standard available voltages.

RATE:

DISTRIBUTION SERVICE

Service Charge:

\$250.00 per customer per month plus,

Capacity charge per month:

Peak Demand Charge \$1.00 per kW

Energy Charge

On Peak Energy Charge \$0.01231/kWh

Off Peak Energy Charge

\$0.00795/kWh

POWER SUPPLY SERVICE (Optional)

Capacity charge per month:

Peak Demand Charge \$7.50 per kW

Energy Charge

On Peak Energy Charge \$0.07189/kWh

Off Peak Energy Charge

\$0.04644/kWh

On-Peak hours shall be between 7:00 a.m. and 11:00 p.m., Monday through Friday excluding holidays.

Off-peak hours shall be all hours between 11:00 p.m. and 7:00 a.m., Monday through Friday and all hours of the day on Saturday, Sunday and legal holidays. Legal holidays shall include New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

MINIMUM CHARGE:

The capacity charge or the contract minimum, whichever is greater.

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 25.1.

Continued on Sheet No. 16.1

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Effective for Service
On and After:
Issued Under Auth. of
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Dated
In Case No: U-14745

RATE "WP-1T" - LARGE LIGHT AND POWER

WHO MAY TAKE SERVICE:

Any customer for light and power purposes with a billing demand over 200 kW, served at Bus Bar, transmission or sub transmission voltages. To qualify, the customer must maintain a demand greater than 200 kW for three consecutive months and at least once in each succeeding twelve-month period. Optional Power Supply Service is available only to Customers not taking power supply service under rate schedule RAST, or not required to receive service under rate schedule PSDS.

TERRITORY APPLICABLE:

All territory served in the Company's Interconnected System.

CHARACTER OF SERVICE:

Three-phase, alternating current, 60 hertz at standard available voltages.

RATE: DISTRIBUTION SERVICE

Capacity charge per month:

Peak Demand Charge \$2.74 per kW

POWER SUPPLY SERVICE (Optional)

Capacity charge per month:

Peak Demand Charge \$5.66 per kW

Energy Charge

On Peak Energy Charge \$0.08619/kWh

Off Peak Energy Charge \$0.05419/kWh

On-Peak hours shall be between 7:00 a.m. and 11:00 p.m., Monday through Friday excluding holidays.

Off-peak hours shall be all hours between 11:00 p.m. and 7:00 a.m., Monday through Friday and all hours of the day on Saturday, Sunday and legal holidays. Legal holidays shall include New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

MINIMUM CHARGE:

The capacity charge or the contract minimum, whichever is greater.

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 25.1.

Continued on Sheet No. 16.3

Issued:
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Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated
In Case No: U-14745

SCHEDULE A

WHO MAY TAKE SERVICE:

Any paper mill with at least 15,000 kW of coal-fired steam generation.
Optional Power Supply Service is available only to Customers not taking power supply service under rate schedule RAST, or not required to receive service under rate schedule PSDS.

TERRITORY APPLICABLE:

All territory served in the Company's Interconnected System.

CHARACTER OF SERVICE:

Three-phase, alternating current, 60 hertz at standard available voltages.

RATES: DISTRIBUTION SERVICE

Firm Demand Charge per month:

\$2.10 per KW

Interruptible Demand Charge per month:

\$2.10 per kW

POWER SUPPLY SERVICE (Optional)

Firm Demand Charge per month:

\$8.90 per KW

Interruptible Demand Charge per month:

\$1.40 per kW

On-Peak Energy \$0.06714 per kWh

Off-Peak Energy \$0.04215 per kWh

On-Peak hours shall be between 7:00 a.m. and 11:00 p.m.,
Monday through Friday excluding holidays.

Off-peak hours shall be all hours between 11:00 p.m. and 7:00 a.m.,
Monday through Friday and all hours of the day on Saturday, Sunday and
legal holidays. Legal holidays shall include New Year's Day, Memorial
Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

MINIMUM CHARGE:

The total of the contract demands at the applicable rates plus any energy rate.

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 25.0.

Continued on Sheet No. 16.5.1

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Effective for Service
On and After:
Issued Under Auth. of
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Dated
In Case No: U-14745

R

SCHEDULE A

Continued from Sheet No. 16.5

POWER FACTOR BILLING ADJUSTMENT:

This rate is subject to the Company's Power Factor Billing Adjustment as shown on Sheet No. 9.12.

CONTRACT:

One year or more.

TERMS OF PAYMENT:

Bills are due in 21 days from date of bill. A delayed payment charge of 2% shall be applied to the unpaid balance if the bill is not paid in full on or before the due date thereon.

DETERMINATION OF BILLING DEMAND:

Billing demand shall be the greatest of:

- (1) The maximum 15-minute demand in KW
The calculation of firm demand for billing purposes shall be the maximum metered demand in kW, less the interruptible contracted demand, less any emergency energy being used at the time of the metered peak.
- (2) Total of the contract firm demands and the contract interruptible demands.

EMERGENCY ENERGY PROVISION:

Emergency energy is defined as electric energy furnished to Customer upon call to assist in maintaining electric service in the event of a breakdown of facilities or other occurrence which may make necessary the call for such power in order to help maintain adequate electric service on Customer's system. Emergency power is on and if, as, and when available basis and is interruptible without notice.

Rates are \$.50 per kW per month as a standby charge plus 110% of the out-of-pocket cost for energy. Customer will receive a credit against its demand charge for firm service equal to \$.50 per kW of contracted standby charge.

RULES APPLYING:

Service is governed by the Company's Standard Rules and Regulations.

INTERRUPTIBLE OPTION:

See Schedule CP-I Sheet No. 18.00 for interruptible service.

R

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D

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M.P.S.C. No. 7
UPPER PENINSULA POWER COMPANY
(To combined cancelled tariff sheets)

First Revised Sheet No. 16.5.2
Third Revised Sheet No. 16.6
Second Revised Sheet No. 16.7
Original Revised sheet No. 16.8

*These sheets have been cancelled and
are reserved for future use.*

Issued:
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After: XX-XX-XX
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

RATE "WP-3"

WHO MAY TAKE SERVICE:

Any customer for light and power purposes with a billing demand over 5,000 kW with a minimum of 500 kW of on-site generation, served at Transmission or Sub Transmission available voltages. To qualify, the customer must maintain a demand greater than 5,000 kW for three consecutive months in any twelve-month period. Once qualified for this rate schedule, Customer must attain a demand in excess of 5,000 kW once in each succeeding twelve-month period to remain eligible for this rate schedule. A minimum of 1,000 kW of interruptible load is required for interruptible service. Company retains the right to limit Interruptible loads to 8 Mw in total under this rate schedule.

Optional Power Supply Service is available only to Customers not taking power supply service under rate schedule RAST, or not required to receive service under rate schedule PSDS.

TERRITORY APPLICABLE:

All territory served in the Company's Interconnected System.

CHARACTER OF SERVICE:

Three-phase, alternating current, 60 hertz at standard available voltages.

RATE:

DISTRIBUTION SERVICE

Firm Demand Charge \$2.30 per kW

Interruptible Demand Charge \$2.30 per kW

POWER SUPPLY SERVICE (Optional)

Firm Demand Charge \$8.70 per kW

Interruptible Demand Charge \$1.20 per kW

On Peak Energy Charge \$0.06762/kWh

Off Peak Energy Charge \$0.04471/kWh

MINIMUM CHARGE:

The capacity charge or the contract minimum, whichever is greater.

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 25.1.

POWER FACTOR BILLING ADJUSTMENT:

This rate is subject to the Company's Power Factor Billing Adjustment as shown on Sheet No. 9.12.

Continued on Sheet No. 16.10

Issued:
By J F Schott
VP - Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

R	RATE "WP-3"
N	Continued from Sheet No. 16.9 CONTRACT: One year or more. TERMS OF PAYMENT: Bills are due in 21 days from date of bill. A delayed payment charge of 2% shall be applied to the unpaid balance if the bill is not paid in full on or before the due date thereon. DETERMINATION OF BILLING DEMAND: Billing demand shall be the greatest of: (1) The maximum 15-minute demand in kW, subject to the off-peak provision. (2) 60% of the greatest billing demand of the previous 11 months. (3) 200 kW. OFF-PEAK HOUR PROVISION: With respect to off-peak hours, billing demand shall be the greater of 33 1/3% of the maximum 15-minute demand in kW created during the off-peak hours or the maximum 15-minute demand in kW created during the on-peak hours; provided that the maximum off-peak demand shall not exceed the installed capability of the substation facility provided to the customer. SCHEDULE OF OFF-PEAK HOURS: (For Demand and Energy) Off-peak hours shall be all hours between 11:00 p.m. and 7:00 a.m., Monday through Friday and all hours of the day on Saturday, Sunday and legal holidays. Legal holidays shall include New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. SCHEDULE OF ON-PEAK HOURS: (For Demand and Energy) On-peak hours shall be all hours between 7:00 a.m. and 11:00 p.m., Monday through Friday not including legal holidays described in Off Peak hours. RULES APPLYING: Service is governed by the Company's Standard Rules and Regulations. INTERRUPTIBLE OPTION: See Schedule CP-I Sheet No. 18.00 for interruptible service.

Issued:
By J F Schott
VP - Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

M.P.S.C. No. 7
UPPER PENINSULA POWER COMPANY
(To combined cancelled tariff sheets)

Original Revised Sheet No. 16.11
Original Revised Sheet No. 16.12
First Revised Sheet No. 16.13
Original Revised Sheet No. 16.14
First Revised Sheet No. 16.15
Original Revised Sheet No. 16.16

*These sheets have been cancelled and
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Issued:
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After: XX-XX-XX
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

Commercial Power - Interruptible Rider "CP-I"

WHO MAY TAKE SERVICE:

Any customer taking service under the WP-3 tariff or the Schedule A tariff.

1. CONTRACTS

Customers desiring interruptible service shall be required to sign individual customer contracts. Customer contracts shall have a minimum term of five years with a two year cancellation notice. After (date rate effective plus one month), customers desiring the commencement of interruptible service at the start of or during a calendar year shall be required to sign a contract prior to April 15th of the preceding year, unless otherwise approved by the company. Normally customers that are both new and unanticipated may contract for service at any time.

Company reserves the right to deny interruptible service if customer is not able to demonstrate reasonable ability to comply with interruptible requirements.

Unless mutually agreed otherwise by the parties, the contract shall be in effect for a minimum initial term of five years, and from year to year thereafter unless the company or the customer shall, at least 24 months before the end of such period or any one year period thereafter, serve upon the other party a written notice of election to terminate service at the end of such designated period. Customer retains the same right as other firm customers to obtain power supply from an Alternate Energy Supplier.

The maximum hours of interruption in a calendar year shall not exceed 600 hours.

2. CONTRACTED DEMAND NOMINATIONS

Customer shall contract for a given amount of firm and interruptible demand. Customer may elect to contract specific amounts for each month of the calendar year or may choose to contract the same amount each month.

a. Variable Interruptible Demand

The contracted firm demand shall be billed as the system demand at the appropriate system demand charge. Any excess monthly demands above the firm demand shall be considered as variable interruptible demand.

b. Nomination Revisions: Demand nominations shall be revised at least annually on or before April 15th to cover the first succeeding calendar year and before September 15th to cover the second through the fifth succeeding calendar years. Said revision shall delete data for expired demand nominations and add additional nominations to cover a complete 60 month period. On any revision the renomination of any demands for any year shown in a previous nomination or revision of a previous nomination is permitted; provided however, that said revision cannot include any of the following except as allowed in paragraph 2.c, unless otherwise approved by the company:

Continued on Sheet No. 18.01

Issued:
By J F Schott
VP - Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

Commercial Power - Interruptible Rider "CP-I"

Continued from Sheet No. 18.00

- a decrease in firm demand; or
- a decrease in variable interruptible demand in conjunction with a comparable increase in firm demand;.

The company shall approve all requests for increases in firm demand, subject to the conditions of paragraph 5.

Should a customer fail to supply a revised demand nomination for the next year on or before April 15th, the customer's demand nomination on file with the Company for the next year shall be used for both billing and interruptible compliance verification.

Should a customer fail to supply revised nominations for years 2-5 on or before September 15th, nominations previously made for years 2-4 will be used and the year 4 nomination will be used for the new year 5 nomination.

c. Demand Nomination Revisions

The annual revision of demand nominations from previous years may include a decrease in peak load period firm demand or a decrease in variable interruptible demand in conjunction with a comparable increase in peak load period firm demand at the time of the annual revision according to one of the following two renomination options:

- 1) The above nominations for the next calendar year may be reduced by 5% (Option 1) or 25% (Option 2) (rounded up to nearest 100 Kw) of the firm nomination (On Peak Demand Period) plus interruptible shown for this calendar year on the latest effective nomination. The company reserves the right to limit to plus or minus 5 Mw the total adjustments by all customers selecting Option 2. The total adjustment shall be determined by the total increase in firm nominations.
- 2) The above nominations for the second calendar year may be reduced by 5% (Option 1) or 0% (Option 2) (rounded up to nearest 100 Kw) of the firm nomination (On Peak Demand Period) plus interruptible shown for this calendar year on the latest effective nomination.
- 3) The above nominations for the third calendar year may be reduced by 10% (Option 1) or 0% (Option 2) (rounded up to nearest 100 Kw) of the firm nomination (On Peak Demand Period) plus interruptible shown for this calendar year on the latest effective nomination.
- 4) The above nominations for the fourth calendar year may be reduced by 15% (Option 1) or 0% (Option 2) (rounded up to nearest 100 Kw) of the firm nomination (On Peak Demand Period) plus interruptible shown for this calendar year on the latest effective nomination.

Continued on Sheet No. 18.02

Issued:
By J F Schott
VP - Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

Commercial Power - Interruptible Rider "CP-I"

Continued from Sheet No. 18.01

5) There are no restrictions on the reductions permitted for firm nominations effective for the Off Peak demand periods.

6) The re-nomination option for a calendar year must be chosen at the time of the first required re-nomination for that calendar year and shall not be changed, unless otherwise approved by the company. For customers with new interruptible contracts, Option 1 shall apply for the first three calendar years.

d. Demand Nomination Transfer Agreements

Interruptible customers who execute special contracts shall be allowed to enter into written agreements with the Company to transfer interruptible load from one customer to another for one or more calendar months with written notice to the company at least 10 days prior to any calendar month in which any such agreement commences. Such agreements shall require that balancing demand renominations be made by the agreeing parties such that firm demand nominations do not change in total from those previously nominated. Transfers of interruptible load are required to be 200 Kw or more between customers.

3. INTERRUPTIONS

Customers shall be subject to two types of interruptions - Emergency and Economic. Emergency interruptions may be declared to reduce load to maintain the reliability of power system. Economic interruptions may be declared during times in which the price of electricity in the regional market significantly exceeds the cost of operating typical Company peaking generation. For the purposes of this tariff, an Economic Interruption Trigger Price (EITP) will be used to define this cost.

A. ECONOMIC INTERRUPTIONS

Day Ahead LMP Market

1. Occurrence

Company's Locational Marginal Price (LMP) at the MISO node "UPPC.INTEGRATD" exceeds the Company's Buyout Threshold (EITP).

EITP = The Greater of \$0.06/kWh or $1.25 \times 13900 \text{ BTU/kWh} \times \text{SEMCO Effective Gas Rate}$ for gas fired generation. The Company reserves the right to increase the EITP to manage hours of interruption during the year.

2. Notification

The Company shall provide notification of economic buyout hours upon the settlement of the MISO market. Notification will be sent to customers the earlier of, 8:00 am of the operating day or one hour before the start of an interruption.

Continued on Sheet No. 18.03

Issued:
By J F Schott
VP - Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After
Issued Under Auth. of
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Commercial Power - Interruptible Rider "CP-I"

Continued from Sheet No. 18.02

3. Buyout Price

Buy-out prices will be set at 110% of the market price plus any applicable additional costs or credits assessed by MISO passed through without markup..

Real Time LMP Market

1. Occurrence

If Day Ahead LMP is less than EITP, Economic interruptions can still occur when real time LMP is expected to exceed EITP and either due to loss of a generator or significantly higher than expected loads, Company is incurring real time LMP costs in excess of the EITP.

2. Notification

The company shall endeavor to provide notice of interruption with as much lead time as possible. Notice to interrupt will be by a signal to designated equipment of the customer or, at the discretion of the company, through some designated verbal means. Under normal circumstances, a minimum of one hour will be given before each interruption. This is subject to change due to unmanageable capacity situations which could require interruption of loads to maintain system standards of operations. Customer will make good faith efforts to assist the Company in these unplanned situations to help maintain system standards of operations, however, customers will not be subject to real time pricing or penalties until a minimum of the one hour notification period has passed.

A. ECONOMIC INTERRUPTIONS

Management of Interruptible Hours

1. After 150 hours of the combination of emergency or economic interruption, the Company reserves the right to increase the EITP to manage the annual interruptible hours. Upon reaching 150 hours in any calendar year, the Company shall promptly review the situation including but not limited to the system conditions, time of year, prospects for future interruptions, and other relevant factors, and shall make a good faith determination whether, under the circumstances presented, the EITP should be increased. The Company shall communicate such review and determination to customers taking service under this tariff.
2. If the total hours of requested interruption equals the maximum contracted hours of interruption during any calendar year, the customer's interruptible load will have the same characteristics of firm system customer load for the balance of the calendar year.
3. The company will equalize the hours of interruption on an annual basis for all customers taking service under this interruptible rider to the extent reasonably practical.

Continued on Sheet No. 18.04

Issued:
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VP - Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After
Issued Under Auth. of
Mich Public Serv Comm
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In Case No: U-14745

Commercial Power - Interruptible Rider "CP-I"

Continued from Sheet No. 18.03

Settlement Agreements

Customers will be billed the most current market price and fees available at the time of billing. If billing occurs before the seven day market settlement, 20% will be added to the market price. If billing occurs after the seven-day settlement, 10% will be added to the market price. Adjustments will be made to previous billings after final settlements have been made with the market authority. If adjustments are within a maximum of 5% or \$100, no adjustments will be made.

B. EMERGENCY INTERRUPTIONS

1. Occurrence

Emergency Interruptions may occur when the Company, the Transmission Operator or the Reliability Authority feel the distribution, transmission equipment, or supply to firm customers is in jeopardy. Such interruptions will be declared according to MPSC, MISO and company standard rules and regulations.

2. Notification

The company shall endeavor to provide notice of interruption with as much lead time as possible. Notice to interrupt will be by a signal to designated equipment of the customer or, at the discretion of the company, through some designated verbal means. Under normal circumstances, a minimum of one hour will be given before each interruption. This is subject to change due to unmanageable capacity situations which could require interruption of loads to maintain system standards of operations.

3. PENALTY BILLING

When notified of an interruption, the customer shall reduce load to the contracted firm demand nomination as soon as possible and no later than the minimum one hour notification period. Each declaration of an interruption shall be considered an occurrence.

Penalty Procedure

Failure to reduce load to the firm nomination as explained above when notified for an emergency interruption shall result in the customer being penalty billed for the demand difference between the maximum load (or minimum generation) on line during the interruption and the specified load (or generation) levels above.

Failure to comply when notified for an interruption shall result in the customer being penalty billed the incremental costs incurred by the Company as a result of the customer's failure to comply. Incremental costs include but are not limited to purchase power costs, energy imbalance and other MISO fees, and fees and costs dictated by the applicable regional reliability council.

Continued on Sheet No. 18.05

Issued:
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Green Bay, Wisconsin

Effective for Service
On and After
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In Case No: U-14745

Commercial Power - Interruptible Rider "CP-I"

Continued from Sheet No. 18.04

B. EMERGENCY INTERRUPTIONS (cont.)

The customer agrees to endeavor to reduce demand (or increase generation) to a level not to exceed the specified contract demand or some higher load (or lower generation) level requested by the company, in accordance with the timetable requested by the company. It is understood that failure to comply with the timetable requested may result in the forced interruption of electric service to the customer's total demand at time of unmanageable load conditions for the company. Penalty billing in accordance with this clause shall occur if:

1. The company provided a minimum of one hour to interrupt in advance and the customer fails to eliminate the interruptible demand which is designated for interruption by the time requested, or,
2. The company provides less than the contracted notice to interrupt, the contracted notice period has expired, and the customer has not eliminated at least 100% of the interruptible demand which is designated for interruption.

4. CUSTOMERS USING GENERATORS TO REDUCE FIRM DEMAND

Such customers may elect to operate generating units monthly at full load to exercise the units and prove reliability. Customer may also run units on line to reduce incidental peak demand. Test periods will be coordinated with the Company and customer will inform Company of use of generators at partial loads. Customers having generation may enter into separate agreements to allow customer's generators to be contracted by Company, ATC or MISO for other purposes.

5. CUSTOMER MARKET BID PROCESS

Customers may submit bids containing hourly interruptible load and maximum prices to the Company for the day ahead market for price protection in the real time market.

- a. Bids must consist of total hourly consumption and maximum price per kWh.
- b. Customers are financially obligated to their price and volume defined in the customer's bid. Customers will be charged 110% of the market clearing price.
- c. Customers will be charged 110% of the real time prices plus Company costs that occur during the Operating Day for any interruptible load in excess of their purchased block of energy.

Continued on Sheet No. 18.06

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Commercial Power - Interruptible Rider "CP-I"

Continued from Sheet No. 18.05

- d. Customers will be credited 90% of real time prices that occur during the Operating Day for any interruptible load that is less than their purchased block of energy.
- e. Bids must be received by the Company by 5:00pm EST two days before the operating day begins. (example: If the operating day is Thursday, bids must be received by Tuesday at 4:00 pm) The Company will make best efforts to accommodate bids received up to midnight prior to the operating day.
- f. Upon settlement of the market, the Company will provide a mechanism to notify customers of the 24 hourly clearing prices and volumes for the operating day.
- g. Bids must be in increments of 100 KW.
- h. Customers are allowed three pricing levels, as defined by the Company which may change based on changing market conditions.
- i. Customers are still subject to emergency interruptions or economic interruptions for additional hours if the LMP is greater than the trigger price and there is an unplanned event such as loss of unit or significantly higher system load than expected.
- j. Customers will be awarded a pro rata share of the Company's aggregate bid when partial bids are awarded at the clearing price.

5. FIRM SERVICE REQUESTS

Upon notice of cancellation or reduction of interruptible service, the company will endeavor to supply the interruptible load on a firm basis at that date or as soon thereafter as reasonably possible. A notice of cancellation shall be treated as a request for firm service, unless specified otherwise by the customer, as of the date of cancellation. Requests for increases in firm demand shall be treated as requests for firm service as of the requested date. Such requests shall take precedence over any subsequent request for firm service by any customer or potential customer that is not specifically reflected in the most current revision of the company's long range capacity plan. It is further agreed that any portion of the interruptible demand that cannot be served as firm demand, and is still desired by the customer, shall continue to be considered and billed as interruptible demand in accordance with this clause until that load obtains firm status.

6. AUDITS

An interruptible compliance audit shall not be performed by the company if the customer experienced an actual interruption excluding buyouts that was successfully implemented and recorded within the last six months. The interruptible audits shall normally not be required more often than once a year during summer months and once at or near each winter On Peak Period. The necessity of an actual interruption or acceptance of other means of verifying ability to interrupt shall be under the sole control of the company. It is the intent of the company that the duration of interruptions for audit purposes will not be extended beyond the time necessary to satisfy the conditions of the audit. Penalty billing will apply if an actual interruption for audit purposes is not successfully completed.

Continued on Sheet No. 18.07

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In Case No: U-14745

Commercial Power - Interruptible Rider "CP-I"	
N	Continued from Sheet No. 18.06
N	7. <u>NO PENALTY FOR CUSTOMER CESSATION OF OPERATIONS</u>
N	Nothing set forth in this Interruptible Rider "CP-I" shall obligate a
N	customer to make any payments to the Company for future services pursuant
N	to the provision of this interruptible rider, CP-I, if, prior to the end
N	of the term of any contract entered into by the customer and the Company
N	pursuant to this rider, the customer ceases, for any reason, business
N	operations and no longer has any need for electrical generation provided
N	by the Company.

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Green Bay, Wisconsin

Effective for Service
On and After
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

RATE "CP-IB" - Capacity Buyback Rider

WHO MAY TAKE SERVICE:

Available under a special contract for up to 24 months, as opportunities arise, in an amount determined by the Company reflecting the Company's opportunity to sell or purchase limited term capacity and the price of other capacity alternatives. This service will be made available to customers submitting written bids for additional interruptible load and demand credit rates. This service will be applicable to firm loads that the Company would not approve for interruptible service under the demand renomination or initial contract provisions of the Cp-I Interruptible Rider. If the amount of load bid exceeds the Company's need for capacity, customer bids will be accepted by the Company on the basis of lowest effective demand credit rate taking into account both price and the coincidence of the bidder's interruptible load with the Company's peak periods. Where all load at a given effective demand credit rate bid cannot be accepted, acceptance will be based on the earliest bid date(s). Acceptance of bids is at the discretion of the Company.

TERRITORY APPLICABLE:

All territory served in the Company's Iron River District or Interconnected District.

MONTHLY RATE

Demand Charge/Credit

The level of the monthly demand credit per Kw applied to the firm system demand charge for contracted demands under this Rider will be determined by the demand credit rate in bids accepted by the Company. The level of the monthly demand credit under this Rider shall not exceed the customer's normal monthly demand credit under the Cp-I Rider. For purposes of contracts under this Rider the Minimum Demand Credit paragraph of the Cp-I Rider shall not apply.

RULES AND PROCEDURES

Bid Format

Customers desiring to bid for service under this Rider shall be required to include the amount of the applicable load in Kw's, the term of the customer's desired contract period, and the level of the monthly demand credit per Kw. Bids terminating prior to the Company's desired contract period will not be considered. Bids may be updated or revised in writing at any time.

Contracts

Customers with bids accepted by the Company will sign individual customer contracts. The contracts shall not become effective until the date of the Company's limited term capacity need or sale.

General

Except as noted above all rules and procedures of the Cp-I Interruptible Rider shall be applicable.

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Effective for Service
On and After:
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Mich Public Serv Comm
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RATE "CP-RR" - Large Light and Power Response Rewards (Pilot)

WHO MAY TAKE SERVICE:

This schedule is available on an optional basis to commercial customers that meet the qualifications of the WP-1D rate schedule. The Company reserves the right to limit participation to 10 customers. This tariff shall be effective until December 31, 2008, unless extended by the Company. Customers desiring to take power supply service from an alternative energy supplier (AES) must move to the WP-1D rate schedule at the end of their contract period to take service from an AES.

TERRITORY APPLICABLE:

All territory served in the Company's Interconnected System.

CHARACTER OF SERVICE:

Three-phase, alternating current, 60 hertz at standard available voltages.

RATE: Service Charge: \$250.00 per month

Capacity charge per month:
Peak Demand Charge \$8.50 per kW

Energy Charges
On Peak Energy \$0.06890/Kwh
Off Peak Energy \$0.05167/Kwh
Critical Peak Energy \$0.30000/Kwh

On-Peak hours shall be between 7:00 a.m. and 11:00 p.m.,
Monday through Friday excluding holidays.

Off-peak hours shall be all hours between 11:00 p.m. and 7:00 a.m.,
Monday through Friday and all hours of the day on Saturday, Sunday, and
Legal holidays. Legal holidays shall include New Year's Day, Memorial
Day, Independence Day, Labor Day, Thanksgiving day and Christmas Day.

Critical-Peak hours shall occur anytime during On-Peak or Off-Peak
periods up to 300 hours per year at the sole discretion of the Company.

NOTIFICATION OF CRITICAL PEAK PRICE:

Company shall provide a minimum of 1 hour notice to customers prior to
the start of a Critical Peak pricing period and a minimum of 30 minutes
notice for the ending of a Critical Peak pricing period.

Continued on Sheet No. 18.21

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RATE "CP-RR" - Large Light and Power Response Rewards (Pilot)	
Continued from Sheet No. 18.20	
N	MINIMUM CHARGE:
N	The capacity charge or the contract minimum, whichever is greater.
N	POWER SUPPLY COST RECOVERY CLAUSE:
N	This rate is subject to the Company's Power Supply Cost Recovery as
N	shown on Sheet No. 25.1.
N	POWER FACTOR BILLING ADJUSTMENT:
N	This rate is subject to the Company's Power Factor Billing Adjustment
N	as shown on Sheet No. 9.12.
N	CONTRACT:
	One year or more.
N	TERMS OF PAYMENT:
N	Bills are due in 21 days from date of bill. A delayed payment charge
N	of 2% shall be applied to the unpaid balance if the bill is not paid in
N	full on or before the due date thereon.
N	DETERMINATION OF BILLING DEMAND:
N	Billing demand shall be the greatest of:
N	(1) The maximum 15-minute demand in kW, subject to the off-peak
N	provision.
N	(2) 60% of the greatest billing demand of the previous 11 months.
N	(3) 200 kW.
N	OFF-PEAK HOUR PROVISION:
N	With respect to off-peak hours, billing demand shall be the greater of
N	33 1/3% of the maximum 15-minute demand in kW created during the off-
N	peak hours or the maximum 15-minute demand in kW created during the on-
N	peak hours; provided that the maximum off-peak demand shall not exceed
N	the installed capability of the substation facility provided to the
N	customer.
N	SCHEDULE OF OFF-PEAK HOURS:
N	Off-peak hours shall be all hours between 11:00 p.m. and 7:00 a.m.,
N	Monday through Friday and all hours of the day on Saturday, Sunday and
N	legal holidays. Legal holidays shall include New Year's Day, Memorial
N	Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.
N	RULES APPLYING:
N	Service is governed by the Company's Standard Rules and Regulations.
Continued on Sheet No. 18.22	

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Effective for Service
On and After:
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RATE "CP-RR" - Large Light and Power Response Rewards (Pilot)

Continued from Sheet No. 18.21

SPECIAL TERMS AND PROVISIONS

1. This rate schedule will apply for a minimum of one year from the date consumption under this tariff is initiated unless otherwise approved by the Company.
2. Any customer choosing to be served on this rate schedule thereby waives all rights to any billing adjustments arising from a claim that the bill for the customer's service would be cheaper on any alternative rate schedule for any period of time, as stated on Sheet 9.10 paragraph 2a of UPPCO's tariff book. This principle is also reflected in Rule 401 of the MPSC's Rules for Services Supplied by Electric Utilities, R460.3401, which provides that "the selection of the best available rate is the responsibility of the customer."
3. Availability is subject to the ability of the Company to obtain and install the required metering.
4. Any customer choosing to be served on this rate schedule must sign a contract agreeing to the terms and conditions of this tariff.
5. The Company shall have the sole discretion to initiate critical peak pricing periods up to 300 hours during the calendar year. Customers shall be provided with a minimum of one-hour notice prior to initiation of a critical peak pricing period and a minimum of 30 minutes prior to ending a critical peak pricing period. The minimum length of an interruption shall be two hours and the maximum length of an interruption shall be eight hours.

Issued:
By J F Schott
VP - Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated
In Case No: U-14745

RATE "SL-2" - STREET LIGHTING SERVICE

CANCELLED

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By J F Schott
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Green Bay, Wisconsin

Effective for Service
On and After: XX-XX-XX
Issued Under Auth. of
Mich Public Serv Comm
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In Case No: U-14745

RATE "SL-3" - STREET LIGHTING SERVICE

WHO MAY TAKE SERVICE:

Any municipality for customer owned, operated and maintained street lighting and/or traffic signal system.

TERRITORY APPLICABLE:

All territory served in the Company's Interconnected System.

CHARACTER OF SERVICE:

Single-phase, alternating current, 60 hertz, nominally at 120/240 volts.

RATE:

\$0.11521 per kWh per month

MINIMUM CHARGE:

None.

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 25.1.

TERMS OF PAYMENT:

Bills are due in 21 days from date of bill. A delayed payment charge of 2% shall be applied to the unpaid balance if the bill is not paid in full on or before the due date thereon.

CONTRACT:

Customers will sign 3 year individual customer contracts.

RULES APPLYING:

Service is governed by the Company's Standard Rules and Regulations.

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By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After: XX-XX-XX
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

RATE "SL-4" STREET LIGHTING SERVICE

CANCELLED

Issued:
By J F Schott
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Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

RATE "SL-5" - STREET LIGHTING SERVICE

WHO MAY TAKE SERVICE:

Any municipality owning its own street lighting system including poles, fixtures, wires, transformers, time switches and other accessories. Additions to mercury vapor lighting services are closed to new customers.

TERRITORY APPLICABLE:

All territory served in the Company's Interconnected System.

HOURS OF SERVICE:

All night - Dusk to Dawn

CHARACTER OF SERVICE:

Single-phase, alternating current, 60 hertz at the Company's distribution voltage.

RATE:

<u>Sodium Vapor</u>		<u>Per Lamp Per Month</u>
<u>Lumens</u>	<u>Watts</u>	<u>All Night</u>
9,000	100	\$ 7.66
14,000	150	\$ 9.06
37,000	250	\$11.77
45,000	400	\$14.94

Mercury Vapor

<u>Lumens</u>	<u>Watts</u>	<u>All Night</u>
7,500	175	\$ 9.55
20,000	400	\$ 17.71

Including minor repairs,
lamp cleaning and lamp
renewals by the Company

Additional Wood Pole
Span of Conductor

Monthly Charge
\$ 2.78/pole
\$ 2.01/span

MINIMUM CHARGE:

None.

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 25.1.

TERMS OF PAYMENT:

Bills are due in 21 days from date of bill. A delayed payment charge of 2% shall be applied to the unpaid balance if the bill is not paid in full on or before the due date thereon.

Continued on Sheet No. 21.5.1

Issued:
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

RATE "SL-5" - STREET LIGHTING SERVICE

N Continued from Sheet No. 21.5

R CONTRACT:
Customers will sign 3 year individual customer contracts.

RULES APPLYING:
Service is governed by the Company's Standard Rules and
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Effective for Service
On and After:
Issued Under Auth. of
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RATE "SL-6" - STREET LIGHTING SERVICE

WHO MAY TAKE SERVICE:

Any municipality from Company owned, operated and maintained street lighting system as available. Additions to mercury vapor lighting services are closed to new customers.

TERRITORY APPLICABLE:

All territory served in the Company's Interconnected System.

HOURS OF SERVICE:

All night - Dusk to Dawn

CHARACTER OF SERVICE:

Single-phase, alternating current, 60 hertz at the Company's distribution voltage.

RATE:

<u>Sodium Vapor</u>		<u>Per Lamp Per Month</u>
<u>Lumens</u>	<u>Watts</u>	<u>All Night</u>
9,000	100	\$11.95
14,000	150	\$14.51
27,000	250	\$16.48
45,000	400	\$23.18
<u>Mercury Vapor</u>		
<u>Lumens</u>	<u>Watts</u>	<u>All Night</u>
7,500	175	\$12.19
20,000	400	\$22.39
<u>Metal Halide</u>		
<u>Lumens</u>	<u>Watts</u>	<u>All Night</u>
36,000	400	\$24.48
110,000	1,000	\$45.11
		<u>Monthly Charge</u>
Additional Wood Pole		\$ 2.78/pole
Span of Conductor		\$ 2.01/span

MINIMUM CHARGE:

None.

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 25.1.

TERMS OF PAYMENT:

Bills are due in 21 days from date of bill. A delayed payment charge of 2% shall be applied to the unpaid balance if the bill is not paid in full on or before the due date thereon.

Continued on Sheet No. 21.7

Issued:
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Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

RATE "SL-6" - STREET LIGHTING SERVICE

Continued from Sheet No. 21.6

CONTRACT:

Customers will sign 3 year individual customer contracts.

RULES APPLYING:

- (1) Service is governed by the Company's Standard Rules and Regulations.
- (2) Requested higher-than-standard mounting heights are considered a refundable special facility. The customer is required to pay the cost difference of a standard pole and the special pole.
- (3) Customers shall pay time and material costs for installation of lights in areas that the customer has previously requested removal of lights if the both requests happen within a twelve-month time period.
- (4) Customers requesting ornamental facilities will be required to pay a special facilities payment of 24% of the cost difference between standard lighting facilities and ornamental facilities in advance for system maintenance. Standard lighting facilities shall be defined as a standard cobrahead lighting fixture on a standard utility pole. This payment is due upon installation of the facilities.

Issued:
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

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Issued:
By J F Schott
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Green Bay, Wisconsin

Effective for Service
On and After: XX-XX-XX
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

RATE "Z-3" - DUSK TO DAWN OUTDOOR SECURITY LIGHTING

WHO MAY TAKE SERVICE:

Any customer for dusk to dawn outdoor security lighting where customer takes service at the same premises under a standard rate schedule. Additions to mercury vapor lighting services are closed to new customers.

TERRITORY APPLICABLE

All territory served in the Company's Interconnected System.

HOURS OF SERVICE:

Daily from dusk to dawn.

CHARACTER OF SERVICE:

Single-phase, alternating current, 60 hertz, nominally at 120 volts.

RATE: Sodium Vapor

<u>Lumens</u>	<u>Watts</u>	<u>Monthly Charge</u>
9,000	100	\$13.37/Lamp
27,000	250	\$20.52/Lamp
45,000	400	\$24.83/Lamp

Mercury Vapor

<u>Lumens</u>	<u>Watts</u>	<u>Monthly Charge</u>
7,500	175	\$11.87/Lamp
20,000	400	\$22.18/Lamp

Metal Halide

<u>Lumens</u>	<u>Watts</u>	<u>Monthly Charge</u>
36,000	400	\$24.66/Lamp
110,000	1,000	\$45.39/Lamp

Additional Wood Pole
Span of Conductor

Monthly Charge
\$2.78/pole
\$2.01/span

Each lighting unit shall consist of a mast arm mounted sodium vapor fixture installed, owned, operated and maintained by the Company.

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 25.1.

TERMS OF PAYMENT:

Bills are due in 21 days from date of bill. A delayed payment charge of 2% shall be applied to the unpaid balance if the bill is not paid in full on or before the due date thereon.

Continued on Sheet No. 22.2

Issued:
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

RATE "Z-3" - DUSK TO DAWN OUTDOOR SECURITY LIGHTING

Continued from Sheet No. 22.1

CONTRACT: Customers will sign 3 year individual customer contracts.

RULES APPLYING:

- (1) Service is governed by the Company's Standard Rules and Regulations.
- (2) Company will provide normal maintenance to the lighting unit including the fixture, lamp, ballast, photoelectric control, mounting brackets and all necessary wiring. Company will furnish all electric energy required for operation of unit.
- (3) Normal lamp replacement shall be the responsibility of the Company. Breakage by vandalism or malicious mischief shall be at Customer's expense.
- (4) For service under this schedule, installation of the unit must be on an existing utility pole upon which the Company's secondary lines are already attached.
- (5) The customer shall make a special facilities, non-refundable payment for any conductor costs over 200 feet or for additional poles that are required to support the area light secondary.
- (6) Requested higher-than-standard mounting heights are considered a refundable special facility. The customer is required to pay the cost difference of a standard pole and the special pole. Customers shall pay time and material costs for installation of lights in areas that the customer has previously requested removal of lights if the both requests happen within a twelve-month time period.
- (7) Customers shall pay time and material costs for installation of lights in areas that the customer has previously requested removal of lights if the both requests happen within a twelve-month time period.

Issued:
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

POWER SUPPLY COST RECOVERY -- INTERCONNECTED SYSTEM

A. PSCR Factors:

All rates for electric service shall include an amount up to the Power Supply Cost Recovery Factor (the PSCR Factor) for the specified billing period as set forth below.

The PSCR Factors for a given month will consist of an increase or decrease of 0.010748 mills per kWh for all customers in the Integrated System for each full 0.01 mill increase or decrease in the projected power supply costs for that month above or below a cost base of 52.05 mills per kWh, rounded to the nearest one-hundredth of a mill per kWh. The projected power supply costs per kWh shall equal the total projected net power cost in that month divided by the sum of that month's projected net system kWh requirements. Net system kWh requirements shall be the sum of net kWh generation and net kWh purchased and interchanged.

An amount not exceeding the PSCR Factor for each month shall be placed into effect in the first billing cycle of that monthly billing period and shall continue in effect until the first billing cycle of a subsequent month for which a subsequent PSCR Factor becomes operative.

B. Monthly Reports:

Not more than 45 days following the last day of each billing month in which a PSCR Factor has been applied to customers' bills, the Company shall file with the Commission a detailed statement for that month of the revenues recorded pursuant to the PSCR Factor and the allowance for cost of power supply included in the base rates established in the latest Commission order for the Company and the cost of power supply.

C. Annual Reconciliation:

All fuel cost and purchased and net interchanged power revenues received by the Company, whether included in base rates or collected pursuant to a fuel and purchased power cost adjustment clause or a power supply cost recovery clause, shall be subject to annual reconciliation with the cost of fuel and purchased and net interchanged power. Such annual reconciliations shall be conducted in accordance with the reconciliation procedures described in Section 6j(12) to (18) of 1939 PA 3, as amended, including the provisions for refunds, additional charges, deferral and recovery, and shall include consideration by the Commission of the reasonableness and prudence of expenditures charged pursuant to any fuel and purchased power cost adjustment clause in existence during the period being reconciled.

Continued on Sheet No. 25.1

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Green Bay, Wisconsin

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Dated
Case No. U-14745

POWER SUPPLY COST RECOVERY INTERCONNECTED SYSTEM

Continued from Sheet No. 25.0

Should the Company apply lesser factors than those above, or if the factors are later revised pursuant to Commission Orders or 1982 PA 304, the Company will notify the Commission and file a revision of the following list.

ALL CLASSES

Interconnected System

Power Supply Cost Recovery Factors

Billing Months	Maximum Authorized Factor \$/kWh	Actual Factor Billed \$/kWh
January 2006	\$0.03180	\$0.03180
February 2006	\$0.03180	\$0.03180
March 2006	\$0.03180	\$0.03180
April 2006	\$0.03180	\$0.03180
May 2006	\$0.03180	\$0.03180
June 2006	\$0.03180	\$0.03180
July 2006	0	
August 2006	0	
September 2006	0	
October 2006	0	
November 2006	0	
December 2006	0	

The factors for the months January through June reflect a PSCR base of 22.59 mills per kWh and a loss adjustment of 0.010794.

Issued
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for bills rendered
for the billing months
of July-Dec 2006
Issued under the authority of
Mich Public Serv Comm
Dated
Case No. U-14745

RATE "A-2" - RESIDENTIAL SERVICE - URBAN AND RURAL

WHO MAY TAKE SERVICE:

Any customer in a single family dwelling or a duplex for residential and farm purposes. This rate is also available to certain multiple dwellings in accordance with the standard rules. Optional Power Supply Service is available only to Customers not taking power supply service under rate schedule RAST, or not required to receive service under rate schedule PSDS.

TERRITORY APPLICABLE:

All territory served in the Company's Iron River District.

CHARACTER OF SERVICE:

Single-phase, alternating current, 60 hertz, nominally at 120/240 volts.

RATE: DISTRIBUTION SERVICE

Service Charge:

\$8.00/Mo. for Year-Round,
\$16.00/Mo. for Seasonal

Energy Charge:

\$0.05572 per kWh for all kWh

POWER SUPPLY SERVICE (Optional)

Energy Charge:

\$0.05083 per kWh for all kWh

MINIMUM CHARGE:

The service charge included in the rate.

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 45.1.

TERMS OF PAYMENT:

Bills are due in 17 days from date of bill. A delayed payment charge of 2% shall be applied to the unpaid balance if the bill is not paid in full on or before the due date thereon.

CONTRACT: None required.

RULES APPLYING:

Service is governed by the Company's Standard Rules and Regulations.

Continued on Sheet 30.1

Issued:
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated
In Case No: U-14745

RATE "A-2" - RESIDENTIAL SERVICE - URBAN AND RURAL

N Continued from Sheet 30.0

N SEASONAL BILLING:

N Service shall be billed for six months. Billing cycles for the
N business months of May through October shall apply for facilities
N normally utilized during summer months and November through April for
N facilities normally utilized during winter months.

N Service may remain connected during the off-season, and incidental use
N during such period may be included with the first billing of the
N following season, however, the Company may issue bills for electric
N service to seasonal electric customers during the off-season period if
N the customer's electric usage since the last issued bill exceeds 500
N kWh of electric energy. This option is available starting in May
N 2007.

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Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated
In Case No: U-14745

RATE "AH-2" - RESIDENTIAL ELECTRIC HEATING - SERVICE - URBAN AND RURAL

WHO MAY TAKE SERVICE:

Any customer in a single family dwelling or a duplex for residential and farm purposes, provided the major electric space heating facilities are permanently installed and are the primary source of space heating. This rate is also available to certain multiple dwellings in accordance with the standard rules. Optional Power Supply Service is available only to Customers not taking power supply service under rate schedule RAST, or not required to receive service under rate schedule PSDS.

TERRITORY APPLICABLE:

All territory served in the Company's Iron River District.

CHARACTER OF SERVICE:

Single-phase, alternating current, 60 hertz, nominally at 120/240 volts.

RATE: DISTRIBUTION SERVICE

Service Charge:

\$8.00 per customer per month plus,

Energy Charge:

For billing months of June through September

\$0.05572 per kWh for all kWh

For billing months of October through May

\$0.05572 per kWh for the first 500 kWh

\$0.04384 per kWh for the excess

MINIMUM CHARGE:

The service charge included in the rate.

POWER SUPPLY SERVICE (Optional)

Energy Charge:

For billing months of June through September

\$0.05083 per kWh for all kWh

For billing months of October through May

\$0.05083 per kWh for the first 500 kWh

\$0.05058 per kWh for the excess

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 45.1.

Continued on Sheet No. 31.1

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On and After:
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RATE "C-2" - GENERAL SERVICE

WHO MAY TAKE SERVICE:

Any customer for commercial or industrial purpose with a billing demand of 25 kw or less. Optional Power Supply Service is available only to Customers not taking power supply service under rate schedule RAST, or not required to receive service under rate schedule PSDS.

TERRITORY APPLICABLE:

All territory served in the Company's Iron River District.

CHARACTER OF SERVICE:

Single or three-phase, alternating current, 60 hertz at standard available voltages.

RATE: DISTRIBUTION SERVICE

Service Charge:

\$12.00 per customer per month plus,

Energy Charge:

\$0.03968 per kwh for all kwh

POWER SUPPLY SERVICE (Optional)

Energy Charge:

\$0.06796 per kwh for all kwh

MINIMUM CHARGE:

The service charge included in the rate.

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 45.1.

TERMS OF PAYMENT:

Bills are due in 21 days from date of bill. A delayed payment charge of 2% shall be applied to the unpaid balance if the bill is not paid in full on or before the due date thereon.

CONTRACT:

None required.

RULES APPLYING:

- (1) Service is governed by the Company's Standard Rules and Regulations.
- (2) Conjunctional billing will not be permitted in cases where the customer is presently being served lighting and power loads through separate meters. In these instances, whenever the customer, at his expense, will arrange his wiring to receive energy through one single metered service, then this rate shall apply to his entire requirements.

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Effective for Service
On and After:
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Dated
In Case No: U-14745

RATE "H-2" - COMMERCIAL ELECTRIC HEATING SERVICE	
WHO MAY TAKE SERVICE:	Any customer for separately metered space heating loads provided that for space heating their major electric space heating facilities are permanently installed and are the primary source of space heating. Optional Power Supply Service is available only to Customers not taking power supply service under rate schedule RAST, or not required to receive service under rate schedule PSDS.
TERRITORY APPLICABLE:	All territory served in the Company's Iron River District.
CHARACTER OF SERVICE:	Single or three-phase, alternating current, 60 hertz, nominally at 120/240 volts.
RATE:	<u>DISTRIBUTION SERVICE</u>
R	Service Charge:
	\$12.00 per customer per month plus,
	Energy Charge:
	For billing months of June through September
R	\$0.03968 per kWh for all kWh
	For billing months of October through May
R	\$0.03968 per kWh for the first 1,000 kWh per month
R	\$0.03020 per kWh for the excess
	<u>POWER SUPPLY SERVICE (Optional)</u>
	Energy Charge:
	For billing months of June through September
R	\$0.06796 per kWh for all kWh
	For billing months of October through May
R	\$0.06796 per kWh for the first 1,000 kWh per month
R	\$0.05919 per kWh for the excess
MINIMUM CHARGE:	The service charge included in the rate.
POWER SUPPLY COST RECOVERY CLAUSE:	This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 45.1.
TERMS OF PAYMENT:	Bills are due in 21 days from date of bill. A delayed payment charge of 2% shall be applied to the unpaid balance if the bill is not paid in full on or before the due date thereon.
CONTRACT:	None
RULES APPLYING:	Service is governed by the Company's Standard Rules and Regulations.

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VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated
In Case No: U-14745

RATE "P-2" - LIGHT AND POWER SERVICE

WHO MAY TAKE SERVICE:

Any customer for light and power purposes with a billing demand greater than 25 kw but less than 200 kw. To qualify, the customer must maintain a demand greater than 25 kw for three consecutive months and at least once in each succeeding twelve-month period. Optional Power Supply Service is available only to Customers not taking power supply service under rate schedule RAST, or not required to receive service under rate schedule PSDS.

TERRITORY APPLICABLE:

All territory served in the Company's Iron River District.

CHARACTER OF SERVICE:

Single or three-phase, alternating current, 60 hertz at standard available voltages.

RATE: DISTRIBUTION SERVICE

Capacity charge per kw of billing demand per month:
\$7.00 per kw

Energy Charge:

\$0.00580 per kwh for the first 200 kwh per kw of billing demand
\$0.00580 per kwh for the excess

POWER SUPPLY SERVICE (Optional)

Energy Charge:

\$0.08119 per kwh for the first 200 kwh per kw of billing demand
\$0.06717 per kwh for the excess

MINIMUM CHARGE:

The capacity charge for 25 kw or the contract minimum, whichever is greater.

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 45.1.

POWER FACTOR BILLING ADJUSTMENT:

This rate is subject to the Company's Power Factor Billing Adjustment as shown on Sheet No. 9.12.

Continued on Sheet No. 34.1

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Effective for Service
On and After:
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In Case No: U-14745

RATE "WP-2" - LARGE LIGHT AND POWER

WHO MAY TAKE SERVICE:

Any customer for light and power purposes with a billing demand over 200 kW, served at standard available voltages. To qualify, the customer must maintain a demand greater than 200 kW for three consecutive months and at least once in each succeeding twelve-month period.

TERRITORY APPLICABLE:

All territory served in the Company's Iron River District.

CHARACTER OF SERVICE:

Three-phase, alternating current, 60 hertz at standard available voltages.

RATE: DISTRIBUTION SERVICE

Capacity charge per kW of billing demand per month:
\$6.60 per kW

Energy charge per kWh per month:
\$0.00111 per kWh for all kWh

POWER SUPPLY SERVICE (Optional)

Energy charge per kWh per month:
\$0.07580 kWh for all kWh

MINIMUM CHARGE:

The billing demand or the contract minimum, whichever is greater.

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 45.1.

POWER FACTOR BILLING ADJUSTMENT:

This rate is subject to the Company's Power Factor Billing Adjustment as shown on Sheet No. 9.12.

CONTRACT:

One year or more.

TERMS OF PAYMENT:

Bills are due in 21 days from date of bill. A delayed payment charge of 2% shall be applied to the unpaid balance if the bill is not paid in full on or before the due date thereon.

DETERMINATION OF BILLING DEMAND:

Billing demand shall be the greatest of:

- (1) The maximum 15-minute demand in kW, subject to the off-peak provision.
- (2) 60% of the greatest billing demand of the previous 11 months.
- (3) 200 kW.

Continued on Sheet No. 35.1

Issued:
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
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Dated
In Case No: U-14745

RATE "SL-7" - STREET LIGHTING SERVICE

CANCELLED

Issued:
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

RATE "SL-10" - STREET LIGHTING SERVICE

WHO MAY TAKE SERVICE:

Any municipality from Company owned, operated and maintained street lighting systems. Additions to mercury vapor lighting services are closed to new customers.

TERRITORY APPLICABLE:

All territory served in the Company's Iron River District.

HOURS OF SERVICE:

Daily from dusk to dawn.

CHARACTER OF SERVICE:

Single-phase, alternating current, 60 hertz at Company's distribution voltage.

RATE:

<u>Sodium Vapor</u>		<u>Per Lamp Per Month</u>
<u>Lumens</u>	<u>Watts</u>	<u>All Night</u>
5,670	70	\$10.35 (Closed)
9,000	100	\$11.96
14,000	150	\$13.30
27,000	250	\$17.52
45,000	400	\$20.74

Mercury Vapor

<u>Lumens</u>	<u>Watts</u>	<u>All Night</u>
7,500	175	\$10.76
20,000	400	\$20.44

Metal Halide

<u>Lumens</u>	<u>Watts</u>	<u>All Night</u>
36,000	400	\$21.54
110,000	1000	\$34.83

Additional Wood Pole
Span of Conductor

<u>Monthly Charge</u>
\$ 2.78/pole
\$ 2.01/span

MINIMUM CHARGE:

Contract minimum.

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 45.1.

TERMS OF PAYMENT:

Bills are due in 21 days from date of bill. A delayed payment charge of 2% shall be applied to the unpaid balance if the bill is not paid in full on or before the due date thereon.

Continued on Sheet No. 40.1

Issued:
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated
In Case No: U-14745

RATE "SL-10" - STREET LIGHTING SERVICE

Continued from Sheet No. 40.0

CONTRACT:

Customers will sign 3 year individual customer contracts.

RULES APPLYING:

- (1) Service is governed by the Company's Standard Rules and Regulations.
- (2) Requested higher-than-standard mounting heights are considered a refundable special facility. The customer is required to pay the cost difference of a standard pole and the special pole.
- (3) Customers shall pay time and material costs for installation of lights in areas that the customer has previously requested removal of lights if the both requests happen within a twelve-month time period.
- (4) Customers requesting ornamental facilities will be required to pay a special facilities payment of 24% of the cost difference between standard lighting facilities and ornamental facilities in advance for system maintenance. Standard lighting facilities shall be defined as a standard cobrahead lighting fixture on a standard utility pole. This payment is due upon installation of the facilities.

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By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated
In Case No: U-14745

RATE "Z-2" - DUSK TO DAWN OUTDOOR SECURITY LIGHTING

CANCELLED

Issued:
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

RATE "Z-4" - DUSK TO DAWN OUTDOOR SECURITY LIGHTING

WHO MAY TAKE SERVICE:

Any customer for dusk to dawn outdoor security lighting where customer takes service at the same premises under a standard rate schedule. Additions to mercury vapor lighting services are closed to new customers.

TERRITORY APPLICABLE:

All territory served in the Company's Iron River District.

HOURS OF SERVICE:

Daily from dusk to dawn.

CHARACTER OF SERVICE:

Single-phase, alternating current, 60 hertz, nominally at 120 volts.

RATE: Sodium Vapor

<u>Lumens</u>	<u>Watts</u>	<u>Monthly Charge</u>
9,000	100	\$ 8.88/Lamp
27,000	250	\$15.97/Lamp
45,000	400	\$16.79/Lamp

Mercury Vapor

<u>Lumens</u>	<u>Watts</u>	<u>Monthly Charge</u>
7,500	175	\$ 9.17/Lamp
20,000	400	\$16.72/Lamp

Metal Halide

<u>Lumens</u>	<u>Watts</u>	<u>Monthly Charge</u>
36,000	400	\$16.71/Lamp
110,000	1,000	\$28.46/Lamp

	<u>Monthly Charge</u>
Additional Wood Pole	\$2.78/pole
Span of Conductor	\$2.01/span

Each lighting unit shall consist of a mast arm mounted sodium vapor fixture installed, owned, operated and maintained by the Company.

TERMS OF PAYMENT:

Bills are due in 21 days from date of bill. A delayed payment charge of 2% shall be applied to the unpaid balance if the bill is not paid in full on or before the due date thereon.

POWER SUPPLY COST RECOVERY CLAUSE:

This rate is subject to the Company's Power Supply Cost Recovery as shown on Sheet No. 45.1.

Continued on Sheet 41.2

Issued:
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

RATE "Z-4" - DUSK TO DAWN OUTDOOR SECURITY LIGHTING

Continued from Sheet No. 41.1

CONTRACT: Customers will sign 3 year individual customer contracts.

RULES APPLYING:

- (1) Service is governed by the Company's Standard Rules and Regulations.
- (2) Company will provide normal maintenance to the lighting unit including the fixture, lamp, ballast, photoelectric control, mounting brackets and all necessary wiring. Company will furnish all electric energy required for operation of unit.
- (3) Normal lamp replacement shall be the responsibility of the Company. Breakage by vandalism or malicious mischief shall be at customer's expense.
- (4) For service under this schedule, installation of the unit must be on an existing utility pole upon which the Company's secondary lines are already attached.
- (5) The customer shall make a special facilities, non-refundable payment for any conductor costs over 200 feet or for additional poles that are required to support the area light secondary.
- (6) Requested higher-than-standard mounting heights are considered a refundable special facility. The customer is required to pay the cost difference of a standard pole and the special pole.
- (7) Customers shall pay time and material costs for installation of lights in areas that the customer has previously requested removal of lights if the both requests happen within a twelve-month time period.

Issued:
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

RATE "SL-11" - STREET LIGHTING SERVICE

CANCELLED

Issued:
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After:
Issued Under Auth. of
Mich Public Serv Comm
Dated:
In Case No: U-14745

POWER SUPPLY COST RECOVERY -- IRON RIVER SYSTEM

A. PSCR Factors:

All rates for electric service shall include an amount up to the Power Supply Cost Recovery Factor (the PSCR Factor) for the specified billing period as set forth below.

The PSCR Factor for a given month will consist of an increase or decrease of 0.010748 mills per kWh for all of its customers in the Iron River System for each full 0.01 mill increase or decrease in the projected power supply costs for that month above or below a cost base of 52.05 mills per kWh, rounded to the nearest one-hundredth of a mill per kWh. The projected power supply costs per kWh shall equal the total projected net power cost in that month divided by the sum of that month's projected net system kWh requirements.

An amount not exceeding the PSCR Factor for each month shall be placed into effect in the first billing cycle of that monthly billing period and shall continue in effect until the first billing cycle of a subsequent month for which a subsequent PSCR Factor becomes operative.

B. Monthly Reports:

Not more than 45 days following the last day of each billing month in which a PSCR Factor has been applied to customers' bills, the Company shall file with the Commission a detailed statement for that month of the revenues recorded pursuant to the PSCR Factor and the allowance for cost of power supply included in the base rates established in the latest Commission order for the Company and the cost of power supply.

C. Annual Reconciliation:

All fuel cost and purchased and net interchanged power revenues received by the Company, whether included in base rates or collected pursuant to a fuel and purchased power cost adjustment clause or a power supply cost recovery clause, shall be subject to annual reconciliation with the cost of fuel and purchased and net interchanged power. Such annual reconciliation shall be conducted in accordance with the reconciliation procedures described in Section 6j(12) to (18) of 1939 PA 3, as amended, including the provisions for refunds, additional charges, deferral and recovery, and shall include consideration by the Commission of the reasonableness and prudence of expenditures charged pursuant to any fuel and purchased power cost adjustment clause in existence during the period being reconciled.

Continued on Sheet No. 45.1

Issued
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for bills rendered
for the billing months
of July-Dec 2006
Issued under the authority of
Mich Public Serv Comm
Dated
Case No. U-14745

POWER SUPPLY COST RECOVERY IRON RIVER SYSTEM

Continued from Sheet No. 45.0

Should the Company apply lesser factors than those above, or if the factors are later revised pursuant to Commission Orders or 1982 PA 304, the Company will notify the Commission and file a revision of the following list.

Iron River System

Power Supply Cost Recovery Factors

Billing Months	Maximum Authorized Factor \$/kWh	Actual Factor Billed \$/kWh
January 2006	\$0.00183	\$0.00183
February 2006	\$0.00183	\$0.00183
March 2006	\$0.00183	\$0.00183
April 2006	\$0.00183	\$0.00183
May 2006	\$0.00183	\$0.00183
June 2006	\$0.00183	\$0.00183
July 2006	(\$0.01319)	
August 2006	(\$0.01319)	
September 2006	(\$0.01319)	
October 2006	(\$0.01319)	
November 2006	(\$0.01319)	
December 2006	(\$0.01319)	

The factors for the months January through June reflect a PSCR base of 38.10 mills per kWh and a loss adjustment of 0.010880.

Issued
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Effective for bills rendered
for the billing months
of July-Dec 2006
Issued under the authority of
Mich Public Serv Comm
Dated
Case No. U-14745

Michigan Public Service Commission

UPPER PENINSULA POWER COMPANY

PRESENT AND PROPOSED REVENUES BY RATE SCHEDULE

Rate Schedule	Present Revenue (\$)	Proposed Revenue (\$)	Proposed Increase (\$)	% Increase
INTEGRATED SYSTEM				
A-1	30,372,994	32,651,677	2,278,683	7.5%
AH-1	4,007,609	4,308,145	300,536	7.5%
C-1	9,940,861	10,367,410	426,550	4.3%
H-1	1,368,713	1,444,731	76,018	5.6%
P-1	8,030,421	8,341,987	311,565	3.9%
WP-1 Distribution	7,100,005	7,100,067	62	0.0%
WP-1 Transmission	5,811,120	5,811,396	276	0.0%
WP-3	2,709,341	2,709,355	14	0.0%
Schedule A	4,904,927	4,905,065	137	0.0%
Z	302,633	325,319	22,686	7.5%
SL	1,020,610	1,097,105	76,495	7.5%
Total	75,569,234	79,062,257	3,493,022	4.6%
IRON RIVER SYSTEM				
A-2	1,888,189	2,029,885	141,696	7.5%
AH-2	188,023	202,127	14,105	7.5%
C-2	1,004,370	1,079,690	75,319	7.5%
H-2	65,988	70,935	4,947	7.5%
P-2	460,667	495,230	34,563	7.5%
WP-2	546,886	587,885	40,999	7.5%
Z	28,201	30,317	2,116	7.5%
SL	83,095	89,326	6,231	7.5%
Total	4,265,419	4,585,396	319,977	7.5%
MPSC JURISDICTIONAL	79,834,653	83,647,653	3,813,000	4.8%