

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of	)	
UPPER PENINSULA POWER COMPANY	)	
for approval of a new electric online power	)	Case No. U-14866
exchange program and related approvals.	)	
_____	)	

At the June 15, 2006 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. J. Peter Lark, Chairman
Hon. Laura Chappelle, Commissioner
Hon. Monica Martinez, Commissioner

OPINION AND ORDER

On April 21, 2006, Upper Peninsula Power Company (UPPCo) filed an application seeking approval of a new electric online power exchange program and related approvals. On May 3, 2006, UPPCo filed Attachments 1 through 3 to the application, which it had inadvertently omitted from the initial filing.

UPPCo proposes to offer a program to provide compensation to its electric customers for voluntary reductions of their load (the Program). Specifically, the Program will allow UPPCo to post an offer for load reduction to customers taking service under its Schedule A and WP-3 tariffs. The company's offer will contain: (1) the compensation price in \$/kilowatt-hour (kWh); (2) the total amount of load reduction the company will purchase in kilowatts (kW); (3) the effective load reduction time period; (4) close time (customers must accept bids prior to this time); (5) applicable penalties; and (6) the time periods for which customer baselines shall be determined. After

posting an offer, the company will send an e-mail alerting customers of the posting. Notification by pager will be an option for customers who purchase a pager from the company. Customers will be required to use the company's designated means of communication to accept the company's offer to receive compensation for load reductions. Customers will be accepted on a first-come, first-served basis until the amount of load nominated by the customer(s) equals the total amount of load reduction contained in the offer or the amount of available load is less than the minimum 500 kW of required load reduction, up until the offer close time. UPPCo will retain the right to withdraw an offer before the offer close time; however, the company will honor prior customer acceptances made before withdrawal. Additionally, customers will be allowed to make counter-offers and post their own offers in order to meet their own unique needs. Proposed tariff sheets reflecting the Program are attached as Exhibit A.

UPPCo represents that the Program was developed and offered to Wisconsin Power Service Corporation's Wisconsin customers in 2001, and to their Michigan customers in 2005, and has proven to be successful.

UPPCo further represents that the Program is in the public interest in that it would be beneficial in dealing with the implementation of the Midwest Independent Transmission System Operator, Inc.'s Day 2 market.

UPPCo proposes to include payments made and penalty charges received under the Program in its power supply costs and requests authority to recover reasonably and prudently incurred Program payments through its power supply cost recovery (PSCR) process. UPPCo also proposes to include a line item in its 45-day PSCR reports to detail monthly Program PSCR expenses.

Finally, UPPCo represents that *ex parte* approval of the application is appropriate, in that recovery of actual Program payments will be the subject of review in future PSCR proceedings.

The Commission agrees that *ex parte* approval is appropriate because approval of UPPCo's application does not result in an increase in customer rates or charges.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 *et seq.*; 1909 PA 300, as amended, MCL 462.2 *et seq.*; 1919 PA 419, as amended, MCL 460.51 *et seq.*; 1939 PA 3, as amended, MCL 460.1 *et seq.*; 1969 PA 306, as amended, MCL 24.201 *et seq.*; and the Commission's Rules of Practice and Procedure, 1999 AC, R 460.17101 *et seq.*

b. UPPCo's application is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

A. Upper Peninsula Power Company's April 21, 2006 application is approved.

B. Upper Peninsula Power Company is authorized to implement its electric online power exchange program as set forth in the application beginning with the first billing month immediately following the issuance of this order.

C. Upper Peninsula Power Company is authorized to include payments made and penalty charges received under the electric online power exchange program in its power supply costs and to recover reasonably and prudently incurred payments through its power supply cost recovery clause. These costs must be identified in the monthly 45-day power supply cost recovery reports.

D. Before implementing the electric online power exchange program, Upper Peninsula Power Company shall file tariff sheets substantially identical to those attached as Exhibit A.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ J. Peter Lark
Chairman

(S E A L)

/s/ Laura Chappelle
Commissioner

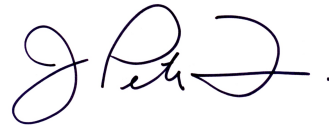
/s/ Monica Martinez
Commissioner

By its action of June 15, 2006.

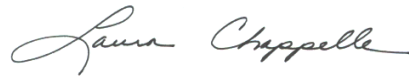
/s/ Mary Jo Kunkle
Its Executive Secretary

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner

By its action of June 15, 2006.



Its Executive Secretary

On-line Power Exchange (OPE)**Electric**AVAILABILITY

This service is available to Customers taking service under the Schedule A or WP-3 tariffs or under a special contract that have a minimum of 500 kW interruptible load.

The Company reserves the right to deny availability to a Customer that receives credit under another load management program.

PURPOSE

The purpose of this tariff is to provide Customers with compensation for interrupting load during peak periods of electric use and to provide the Company with alternative methods to meet system load requirements. The load interrupted by the Customers will be used either to provide service to other Customers of the Company, or for the Company to sell to another utility or supplier. The utilization of this program is at the complete discretion of the Company.

RATESCOMPANY POSTING

At any time, the Company may post an offer for load reduction via communication method(s) designated by the Company. This Company Offer shall contain the following information;

1. Compensation Price in \$/kWh,
2. Total amount of load reduction the Company will purchase in kW,
3. Effective Load Reduction Time Period,
4. Offer Close Time, (Customers must accept bid prior to this time)
5. Whether a penalty is applicable or not, and
6. The time periods for which Customer Baselines shall be determined.

Upon the Company posting a bid, an e-mail alerting Customers of the posting will be sent out.

Customers desiring to accept the Company's offer to receive compensation for load reductions will be required to do so via the communication method(s) designated by the Company. Customers will be accepted on a first-come first-serve basis until the amount of load nominated by the Customers equals the total amount of load reduction contained in the Offer up until the Offer Close Time. The Company retains the right to withdraw an Offer prior to the Offer Close Time, however the Company will honor prior Customer acceptances of the Offer subject to the terms and conditions of this tariff.

Continued to Sheet No. 18.01

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By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

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Mich Public Serv Comm
In Case No.

On-line Power Exchange (OPE)

Electric

Continued from Sheet No. 18.00

CUSTOMER POSTING

At any time, a participating Customer may post an Offer for load reduction via communication method(s) designated by the Company. This offer shall contain the following information;

1. Compensation Price in \$/kWh,
2. Amount of load reduction the Customer will reduce in kW,
3. Effective Load Reduction Time Period,
4. Offer Close Time, (Company must accept bid prior to this time),
5. Whether a penalty is applicable or not, and
6. The time periods for which Customer Baselines shall be determined.

Upon a Customer posting an Offer, an e-mail alerting other Customers of the posting will be sent out. The Company shall have sole discretion to accept and/or reject Offers by Customers. The Company will accept/reject individual Offers based on price, amount of load reduction, the time the bid was submitted and effective, whether a penalty is applicable, impact on the overall system (including geographic or electrical system location of individual Customers) and other items deemed pertinent by the Company.

Notification by pager is an option to Customers that purchase a pager from the Company. Pager notifications are meant to alert Customers of activity on the website.

REFERENCE LOAD SHAPE FOR DETERMINATION OF LOAD REDUCTION

Customer and Company shall mutually agree on one of the methods listed below.

1. AVERAGE LOAD SHAPE

The Company shall provide, by 3:00 PM of the second Friday of each month, an Average Load Shape to Customers who have chosen this option and have an effective contract on file. This Average Load Shape shall be determined by using the load from the last available week of data beginning with Thursday and extending through Wednesday. The two days with the highest and lowest consumption will be eliminated as well as any non-business days and any days classified as holidays under the Customer's normal power supply tariff. The remaining day(s) shall be averaged.

The Average Load Shape is then adjusted by the ratio of energy of Actual Load in the two fifteen minute reference intervals to the energy derived from the Average Load Shape during the same two fifteen minute reference intervals to create the Baseline.

When the Average Load Shape includes days of requested curtailment days by the Company, reduced load due to maintenance, or any abnormal load adjusted days, the Average Load Shape may be derived from representative days other than the defined week when mutually agreed upon by the Customer and the Company.

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2. NEGOTIATED LOAD SHAPE (NLS)

If the Company determines that the Average Load Shape will not provide an acceptable representation of the Customer's expected load, the Company and the Customer may mutually agree on a reference load shape.

DETERMINATION OF AMOUNT OF LOAD REDUCTION

The amount of load the Customer interrupted shall be determined by subtracting the load for each fifteen-minute billing period during the Effective Load Reduction Time Period of the accepted Offer from the Baseline or Negotiated Reference Load Shape.

CUSTOMER COMPENSATION

For the Effective Load Reduction Time Periods, the following calculation shall apply to determine the amount compensation for Customers with accepted Offers:

Load Interrupted (kW) = ((NLS OR B) - actual fifteen-minute load of Customer).
Load Interrupted cannot exceed the Customer's nomination by more than 10% or 1,000 kW, whichever is less.

Customer Payment (\$) = Load Interrupted (kW) * Compensation Price (\$/kWh) for each fifteen minute period during the effective time of the accepted bid.

Where:

B - Baseline. Average fifteen minute load shape of Customer based on the previous week's consumption pattern adjusted to meet the reference intervals as described in the Average Weekly Load Shape definition above.

NON-COMPLIANCE PENALTIES

A Non-Compliance Penalty will not be applicable if the accepted bid price did not include a Non-Compliance Penalty.

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If a Non-Compliance Penalty is part of the accepted bid, the following shall apply;

1. The Customer shall be considered in compliance for all fifteen-minute periods in which the actual amount of load is within the lesser of 30% of the Customers Nomination or 1,000 Kw, of the Customer's Nomination.
2. For fifteen-minute intervals where the amount of Load Interrupted is less than the Customer's Nomination by more than the lessor of 30% of the Customer's Nomination or 1,000 kW, the Customer shall be billed a Non Compliance Penalty based on the formula shown below. The Customer will be credited for the amount of load actually interrupted at the accepted bid price.

Non-Compliance Penalty = (Customer Nomination (kWh))*Accepted Bid Price (\$/kWh)
* 110%.

For times when a Customer fails to reduce load to their minimum required level (Baseline less 70% of their Nomination) and are subject to penalty, the Customer will still be compensated for the amount of load reduced below their Baseline at the Accepted Bid Price.

NOTE: The Company may waive a Non-Compliance Penalty for Force Majeure situations as defined below or for metering errors.

Each customer shall, in accordance with accepted industry practices, operate and maintain equipment and procedures necessary to fulfill the interruptible obligations of this rate schedule and associated contract(s). However, no customer shall be considered to be in default with respect to failure to accomplish required load interruptions hereunder and shall not be liable to the company for the penalties for failure to interrupt hereunder, if prevented from actually and with reasonable safety accomplishing the interruption due to acts of God, wars, blockades, insurrections, riots, explosions, fires, floods, lightning, wind, sabotage or by any other similar or dissimilar cause beyond the reasonable control of the customer. In the event that a customer is unable to fulfill any interruption obligations hereunder by reason of such cause or causes, the customer shall use due diligence to remove such inability with reasonable dispatch. This paragraph does not apply to an inability to interrupt due to shortages, or lack of availability, of alternative fuels or the failure of or lack of access to alternative energy or power sources, or due to failure of the customer's equipment for reasons other than the above specifically excluding from force majeure fires, explosions or other such accidents that originate within the customer's facility.

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Electric

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TERMS AND CONDITIONS

1. Customer is required to sign a contract.
2. Customers taking service under the Company's Response Rewards program are not eligible for this program.
3. Company shall not be liable for any damages or losses resulting from load interruptions caused or induced by the terms and conditions of this tariff.
4. The Company retains the right to deny a Customer from participating in this tariff, prior to start of an interruption, where the Customer is attempting to circumvent the intent or the rate design of this tariff, fails to demonstrate the ability to interrupt load as required under this tariff, an error was made in the posting of an Offer, or receive compensation for load that was not expected to be consumed.
5. Compensation under this tariff will be provided as a credit on the Customer's bill.
6. The Customer shall be responsible for the cost and operation of facilities/equipment required to participate in this program.
7. The Customer will receive compensation only if the Customer's load reduction is in response to an accepted Offer by the Company for such load reduction and the Company has previously accepted the Customer's confirmation of such load reduction.
8. Customers receiving interruptible service from the Company under the CP-I tariff or a special contract are eligible for this service for both the firm and interruptible portion of their load if an interruption is not effective during the Effective Load Reduction Time Period. Participation in this program will not affect service taken under the Schedule A or Wp-3 Tariff or Special Contract. None of the hours of interruption taken under this tariff are applicable in the determination of hours of interruption under the Cp-I tariff. The Customer shall receive no compensation under this schedule for load interrupted to meet the requirements of another tariff.
9. For Customers taking service under the Company's Schedule A or WP-3 rate schedules or special contract, when an economic or emergency interruption is called by the Company, even if the Customer has previously agreed to interrupt load under this tariff, at the time the interruption is called for the tariff, the Customer is to shed the amount of load required under the tariff, or be subject to the applicable buyout prices. Load reductions and compensation under this tariff terminates at the start of the Schedule A, WP-3 or Special Contract interruption for load subject to Schedule A, WP-3 or Special Contract interruption. For these situations only, the Customer shall not be subject to a Non-Compliance penalty under this tariff for failure to supply the required load reduction as part of an Accepted Offer due to the declaration of a Cp-I interruption.

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P R O O F O F S E R V I C E

STATE OF MICHIGAN)

Case No. U-14866

County of Ingham)

Patricia A. Fronta being duly sworn, deposes and says that on June 15th 2006, A.D. she served a copy of the attached Commission order by first class mail, postage prepaid, or by inter-departmental mail, to the persons as shown on the attached service list.

Patricia
A. Fronta

Digitally signed by Patricia
A. Fronta
DN: CN = Patricia A.
Fronta, C = US, O = Case
Management, OU = MPSC
Date: 2006.06.16 13:38:03
-04'00'

Patricia Fronta

Subscribed and sworn to before me
this 15th day of June 2006

Sharron A.
Allen

Digitally signed by Sharron A. Allen
DN: cn=Sharron A. Allen, c=US,
o=MPSC, ou=Case Management,
email=saallen@michigan.gov
Date: 2006.06.16 12:34:21 -04'00'

Notary Public, Ingham County, Michigan
My Commission expires August 16, 2011

SERVICE LIST FOR DOCKET # U – 14866 CASE #

DATE OF PREPARATION: 05/26/2006

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