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June 27, 2006

Via Electronic Filing

Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
P.O. Box 30221
Lansing, Michigan 48909

Re: UPPCo 2006 Rate Case; MPSC Case No. U-14745
Exhibits - Calumet Electronics Corporation

Dear Ms. Kunkle:

Accompanying this letter are Exhibits CE-1 through CE-8 and CE-10 through CE14 as admitted during the hearing held on April 17, 2006. Exhibit CE-9 is also attached but it was not admitted during the hearing.

Very truly yours,

PLUNKETT & COONEY, P.C.

Michael J. Brown

Digitally signed by Michael J. Brown
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MJB:im
Attachments

Branches.18050.51106.1506684-1

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-14410

MOTION FOR PARTIAL AND IMMEDIATE RATE RELIEF

Upper Peninsula Power Company ("UPPCO") moves that the Michigan Public Service Commission ("Commission") enter an order pursuant to Section 6a of 1939 PA 3, as amended, MCL 460.6a granting UPPCO partial and immediate rate relief in this proceeding at the earliest possible time. In support of this Motion, UPPCO states as follows:

1. Contemporaneously with the filing of this Motion, UPPCO has filed an Application with supporting testimony and exhibits, requesting the Commission to determine that UPPCO's existing retail electric rates are unreasonably low and inadequate. The Application further requests that the Commission authorize UPPCO to amend its electric rates so as to produce additional electric revenues in the annual amount of not less than $5,698,828. This final level of rate relief is based upon a 2005 test year.

2. In its Application and supporting testimony, exhibits and workpapers, UPPCO has represented and shown that its presently-authorized earnings level for its electric business is based upon the Commission's Opinion and Order dated December 20, 2002, in Case No. U-13497 which utilized a projected 2003 test year. Since that

time, UPPCO has experienced significant growth in Operation and Maintenance ("O&M") expenses above the levels reflected in current rates.

3. UPPCO urgently requires partial and immediate rate relief in this proceeding while its request for approximately $5,698,828 of permanent rate relief is pending before the Commission. UPPCO is limiting its request for partial and immediate rate relief to $4,547,800, notwithstanding the fact that the supporting testimony and exhibits demonstrate a final revenue deficiency of approximately $5,698,828. UPPCO is minimizing its request for partial and immediate rate relief in an effort to reduce controversy and expedite Commission consideration of this Motion. The supporting evidence submitted by UPPCO in this proceeding reflects the requested partial and immediate rate relief as the Michigan retail jurisdictional increase in certain non-fuel O&M expenses, and the margin revenue loss from one large retail customer, from 2003 to 2005.

4. To be meaningful, partial and immediate rate relief must be granted as early as possible.

5. As noted above, UPPCO is limiting the relief it is seeking in this Motion to only $4,547,800 even though the testimony and exhibits accompanying its filing support final rate relief of approximately $5,698,828. UPPCO has based its request for partial and immediate rate relief upon an overall rate of return of 8.59%, which includes a rate of return on common equity of 11.40%. This rate of return on common equity, which is at the level authorized by the Commission in Case No. U-13497, is less than the required rate of return on common equity of not less than 12.00%.

6. To preclude the possibility of excess revenue being retained by UPPCO as a result of an order granting partial and immediate rate relief, UPPCO agrees that it will refund the amount, if any, by which the revenue collected under an order granting partial and immediate rate relief in aggregate exceeds the amount of final rate relief determined by the Commission's final order in this proceeding. Any such refund would be made in such manner as may be lawfully provided by order of the Commission. Concurrently with its filing of the rates authorized by a Commission order granting partial and immediate rate relief, UPPCO will file an undertaking to make such a refund.

7. UPPCO proposes that the partial and immediate rate increase of $4,547,800 be allocated among its electric customers in the manner set forth in Exhibit A attached hereto.

WHEREFORE, UPPCO respectfully requests as follows:

A. That the Commission set an early date for hearing on this Motion for Partial and Immediate Rate Relief;

B. That the Commission determine that UPPCO should be granted partial and immediate rate relief in the annual amount of not less than $4,547,800;

C. That the Commission authorize UPPCO to implement surcharges to collect the amount of partial and immediate rate relief as set forth on Exhibit A to this Motion; and

D. That the Commission grant UPPCO such other and additional relief as may be lawful and proper.

Respectfully submitted,

UPPER PENINSULA POWER COMPANY

Dated: February 4, 2005

By: Sherri A. Wellman

Signature Not Verified

Digitally signed by Sherri A. Wellman
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Attorneys for Upper Peninsula Power Company

Upper Pennisula Power Company
Allocation of Interim Rate Increase
Equal Percentage

INTEGRATED SYSTEM	Current Revenue	Class kWh	Proposed Revenue 6.04%	Increase $	Surcharge
(1)	(2)	(3)	(4)	(5)	(6)
A-1	$29,019,274	227,473,597	$30,771,614	$1,752,340	$0.00770 per KWh
AH-1	$3,769,580	33,623,798	$3,997,207	$227,627	$0.00677 per KWh
C-1	$9,759,053	70,943,445	$10,348,357	$589,304	$0.00831 per KWh
H-1	$1,295,804	12,603,148	$1,374,052	$78,248	$0.00621 per KWh
P-1	$7,533,146	73,636,638	$7,988,038	$454,892	$0.00618 per KWh
WP-1-Distribution	$6,711,333	81,833,687	$7,116,599	$405,266	$0.00495 per KWh
WP-1-with transmission	$4,866,404	57,678,345	$5,160,264	$293,860	$0.00509 per KWh
WP-3	$2,474,994	34,902,000	$2,624,447	$149,453	$0.00428 per KWh
Schedule A	$4,534,904	76,759,000	$4,808,746	$273,842	$0.00357 per KWh
Z-1/Z-3	$288,384	1,768,061	$305,798	$17,414	$0.00985 per KWh
SL	$946,365	5,491,532	$1,003,512	$57,147	$0.01041 per KWh
Subtotal	$71,199,241	676,713,251	$75,498,634	$4,299,393	
IRON RIVER SYSTEM					
A-2	$1,806,700	18,990,350	$1,915,798	$109,098	$0.00574 per KWh
AH-2	$165,776	1,970,480	$175,786	$10,010	$0.00508 per KWh
C-2	$959,429	11,126,587	$1,017,364	$57,935	$0.00521 per KWh
H-2	$55,932	737,585	$59,309	$3,377	$0.00458 per KWh
P-2	$509,297	7,190,666	$540,051	$30,754	$0.00428 per KWh
WP-2	$511,207	7,712,512	$542,076	$30,869	$0.00400 per KWh
Z-2/Z-4	$25,827	211,862	$27,387	$1,560	$0.00736 per KWh
SL	$79,534	423,861	$84,337	$4,803	$0.01133 per KWh
Subtotal	$4,113,702	48,363,903	$4,362,109	$248,407	
Total	$75,312,943	725,077,154	$79,860,743	$4,547,800	
	Total Interim Rate Relief			**$4,547,800**	

1) Rate Schedule
2) Revenues under current rates including PSCR
3) Forecasted 2005 kWh in this case.
4) Proposed Interim Revenue Levels (Annual)
5) Proposed Interim Rate Increase
6) Proposed Surcharge

UPPER PENINSULA POWER COMPANY

MICHIGAN PUBLIC SERVICE COMMISSION
CASE NO. U-14745

Calumet Electronic Corporation's First Discovery Request

01-CEC-04: In light of UPPCo's withdrawal of its application in Case No. U-14410, and its concurrent withdrawal of its motion for partial and immediate rate relief, what, if any, changes in operating procedures and/or operating budget did UPPCo make to account for the fact that it was no longer seeking this $4,547,800 in interim relief?

Objection: The Company objects to this request on the basis that the requested explanation is not likely to lead to the discovery of relevant information. However, without waiving such objection, the Company responds as follows:

Response: As set forth in the Notice of Withdrawal of Filing in Case No. U-14410, pursuant to the terms of the Settlement Agreement and the Michigan Public Service Commission's April 28, 2005 Opinion and Order approving Settlement Agreement in Case No. U-14378, the Company withdrew its filing. The condition to withdraw was a negotiated term, unrelated to the Company's revenue deficiency. As a party to Case No. U-14410, Calumet Electronics Corporation received a copy of this Notice.

Objection by: Counsel

Answered by: Counsel

Dated: April 3, 2006

UPPER PENINSULA POWER COMPANY

MICHIGAN PUBLIC SERVICE COMMISSION
CASE NO. U-14745

Calumet Electronic Corporation's First Discovery Request

01-CEC-08: Given the fact that UPPCo's alleged revenue deficiency is based on a test year ending December 31, 2006, isn't it true that as of March 31, 2006 only approximately 25% of the alleged cost increases for 2006 would have been incurred as of that date?

a. Has UPPCo performed a month-by-month calculation of the proposed costs for the test year ending December 31, 2006?
b. Are all cost items for the test year ending December 31, 2006 expected to be uniformly incurred each month throughout the year?
c. With respect to the seven O&M items adjusted for the projected test year ending December 31, 2006, have those entire adjustments occurred prior to March 31, 2006?
d. At what point during the calendar year do wage increases at UPPCo take effect?
e. Do wage increases for union and non-union personnel occur at the same time of the year? If so, on what date?
f. On what date(s) of the year does UPPCo make its payments to cover the cost of employee benefit programs?

Response: No, it is not true to state that UPPCO has incurred approximately 25% of the cost increases for 2006 as of March 31, 2006, for UPPCO's expenses are not uniformly incurred with time. Please see my responses to question (a) and (b) below.

a. Yes, UPPCO has performed a month-by-month calculation of proposed costs for the test year ending December 31, 2006. Please see the attached spreadsheet, attached as Attachment 01-CEC-08-8a, which contains a month-by-month breakdown of Operation & Maintenance (O&M) costs and Construction Expenditures for the forecasted 2006 test year.

b. No, not all costs are expected to be uniformly incurred each month of throughout the year. Please see the attached spreadsheet, attached as Attachment 01-CEC-08-8a, which contains a month-by-month breakdown of Operation & Maintenance (O&M) costs and Construction Expenditures for the forecasted 2006 test year.

c. No. See responses (a) and (b) above.

d. Non-union wage increases take place the first pay period of the new year, which was January 6. Union employees will receive their 2006 wage increase on April 23.

e. See response to (c) above.

f. Monthly throughout the year.

Answered by: David Kyto, Director – Rate Case Process

Dated: April 3, 2006

UPPER PENINSULA POWER COMPANY

MICHIGAN PUBLIC SERVICE COMMISSION
CASE NO. U-14745

Calumet Electronic Corporation's First Discovery Request

01-CEC-09: On page 25 of your pre-filed testimony, you indicate that UPPCo will be "severely harmed" if UPPCo is not granted an interim rate increase in this case. Please describe the "severe harm" that UPPCo will experience if it is not granted interim relief, and further explain why that "severe harm" could not have been alleviated or eliminated if Case No. U-14410 had continued to its completion.

Objection: The Company objects to the last half of this request as relating to Case No. U-14410 on the basis that the requested explanation is not likely to lead to the discovery of relevant information. However, without waiving such objection, the Company responds as follows:

As set forth in the Notice of Withdrawal of Filing in Case No. U-14410, pursuant to the terms of the Settlement Agreement and the Michigan Public Service Commission's April 28, 2005 Opinion and Order approving Settlement Agreement in Case No. U-14378, the Company withdrew its filing. The condition to withdraw was a negotiated term, unrelated to the Company's revenue deficiency. As a party to Case No. U-14410, Calumet Electronics Corporation received a copy of this Notice.

Response: UPPCO has calculated its 2006 revenue deficiency in this case to be $6,606,856. Therefore, UPPCO is suffering a revenue shortfall of approximately $18,101 per day. Assuming a best case scenario with a 270-day regulatory lag period to complete the adjudication of this case, UPPCO would suffer a revenue shortfall of approximately $4,887,263. A revenue shortfall of $813,792 is approximately equivalent to 100 basis points on common equity for UPPCO. Therefore, a 270-day regulatory lag period would result in an approximate 600 basis point reduction in UPPCO's allowed return. This is "severe" by any reasonable account.

Objection by: Counsel

Answered by: Counsel and David Kyto, Director of Rate Case Process

Dated: April 3, 2006

UPPER PENINSULA POWER COMPANY

MICHIGAN PUBLIC SERVICE COMMISSION
CASE NO. U-14745

Calumet Electronic Corporation's First Discovery Request

01-CEC-20: With respect to your testimony on page 9, did UPPCo investigate the cost of implementing a new CIS system other than the one owned by WPS Corp.? If yes, what other CIS systems were investigated and what was the reason(s) why a different CIS system was not chosen?

Response: No, UPPCO did not investigate the cost of implementing a new CIS system other than the one owned by WPS Corp because UPPCO's customers realize economies of scale through utilizing WPS Corp's CIS system, which can not be realized through a stand alone system. UPPCO's customers also benefit from use of the WPS Corp's CIS System by gaining efficiencies associated with the use of a single Corporate-wide CIS System, i.e. only one system to maintain and update.

Answered by: David Kyto, Director – Rate Case Process

Dated: April 3, 2006

UPPER PENINSULA POWER COMPANY

MICHIGAN PUBLIC SERVICE COMMISSION
CASE NO. U-14745

Calumet Electronic Corporation's First Discovery Request

01-CEC-13: On page 7, line 22 of your pre-filed testimony, you indicate that UPPCo has approximately 3,070 miles of overhead distribution line. In the April 1, 2004 letter from Gary W. Erickson filed in MPSC Case No. U-13975, it states that UPPCo has 2,516 miles of distribution line. How do you explain the discrepancy between these two numbers?

Response: 2,516 miles of overhead distribution line
+ 554 miles of underground distribution line
= 3,070 miles of distribution line

Answered by: Frank Stipech, UPPCO Operations Manager

Dated: April 4, 2006

UPPER PENINSULA POWER COMPANY

MICHIGAN PUBLIC SERVICE COMMISSION
CASE NO. U-14745

Calumet Electronic Corporation's First Discovery Request

01-CEC-17: How many miles of overhead distribution line were trimmed in 2005?

Response: 116 miles of distribution line were trimmed in 2005.

Our management strategy is to first address the areas with the worst line clearance conditions. This has resulted in a high cost per mile and fewer miles per year than would occur once a 6-year cycle is achieved.

Increased funding will allow for increased miles trimmed per year and a lower cost per mile after the 6-year cycle is attained.

Answered by: Frank Stipech, UPPCO Operations Manager

Dated: April 4, 2006

U-14745
Exhibit CE-8
April 17, 2006

UPPER PENINSULA POWER COMPANY

MICHIGAN PUBLIC SERVICE COMMISSION
CASE NO. U-14745

Calumet Electronic Corporation's First Discovery Request

01-CEC-18: How many miles of overhead distribution line were trimmed in 2004?

Response: 121 miles of distribution line was trimmed in 2004.

Our management strategy is to first address the areas with the worst line clearance conditions. This has resulted in a high cost per mile and fewer miles per year than would occur once a 6-year cycle is achieved.

Increased funding will allow for increased miles trimmed per year and a lower cost per mile after the 6-year cycle is attained.

Answered by: Frank Stipech, UPPCO Operations Manager

Dated: April 4, 2006

U-14745
Exhibit CE-9
April 17, 2006

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-14410

DIRECT TESTIMONY OF

FRANK J. STIPECH

FOR

UPPER PENINSULA POWER COMPANY

IN CASE NO. U-14410

February 4, 2005

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-14410

QUALIFICATIONS
OF
FRANK J. STIPECH
PART I

Q. Will you please state your name and business address?

A. My name is Frank J. Stipech and my business address is 600 E. Lakeshore Drive, Houghton, Michigan 49931, which is the principal business office of Upper Peninsula Power Company ("UPPCO"). UPPCO is a wholly owned subsidiary of WPS Resources Corporation ("WPSR"), and is a sister company to Wisconsin Public Service Corporation ("WPS Corp").

Q. What is your position with UPPCO?

A. I am the Regional Operations Manager.

Q. Would you please describe your educational background and business experience?

A. In 1967, I received a BS in Business Education from Northern Michigan University. From 1967 to 1968, I was a vocational instructor at Northern

Michigan University. From 1968 to 1973, I served in the United States Army, after which I was hired by UPPCO. I worked in UPPCO's Human Resources area from 1973 to 1988. In 1988, I moved to the Operating Department as Assistant Western Division Manager. In 1990, I was promoted to Western Division Manager. In 2000, I was promoted to Operations Manager with responsibility for all of UPPCO's electric operations.

Q. Describe your duties as Regional Operations Manager.

A. I am responsible for overall leadership in distribution operations. I manage the systems and provide direction and support to the managers and employees that provide safe and reliable electric power to all of our customers.

FRANK J. STIPECH
DIRECT TESTIMONY
PART II

Q. Are you familiar with the application of UPPCO for authority to increase retail electric rates?

A. Yes, I am.

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

A. The purpose of my pre-filed direct testimony is to explain, in part, the significant changes in the Operations and Maintenance ("O&M") expenses for the 2005 test year as compared to the 2003 historic test year.

Q. Are you sponsoring any exhibits with your testimony?

A. Yes, I am. I am sponsoring Exhibit A-13 (FJS-1).

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

A. Yes, it was.

Q. Please describe Exhibit A-13 (FJS-1).

A. Exhibit A-13 (FJS-1) is a Summary of New Positions in 2004 and 2005.

Q. Please explain, generally, why rate relief is sought at this time.

A. UPPCO last received rate relief in 2002 in Case No. U-13497. Since that time, and through 2005, rather significant additions have been made, or will be made, to the UPPCO distribution plant. These upgrades include

substation upgrades and improvements, as well as general additions and improvements to other distribution plant. In addition, improvements are needed to maintain a reliable vehicle fleet, and computer and communications equipment must be upgraded to keep up with ever changing technology advances. Aging meter reading equipment, which is no longer supported by the manufacturer, requires replacement. Much of these expenditures are needed in part to ensure continued compliance with provisions of Act 141 relating to mandatory performance standards to which Michigan utilities must conform.

Operationally, significant cost increases are being experienced in the area of health insurance for current and retired employees. This is a nationwide problem, which all employers appear to be experiencing. Significant cost increases are being experienced in connection with the implementation of a new Customer Information System, as described later in this testimony. In addition, cost increases are being experienced in distribution and generation maintenance. These increases are driven, in part, by the compliance requirements of Act 141 regarding reoccurring outages, service restoration, service installation, call waiting times and call blockage. These items, plus general inflation and a low 1.9%/year sales growth in the UPPCO service territory, necessitate rate relief. The major drivers for most of the increases are external and beyond UPPCO control. However, they cannot be ignored if UPPCO is to remain in compliance with Federal Energy Regulatory Commission ("FERC") and MPSC mandated standards, and to provide employees with competitive

compensation and benefits.

UPPCO believes it has the right to the opportunity to earn its authorized rate of return. New and improved operating systems are needed to continue to provide safe and reliable electric service to our customers. One of UPPCO's operating concerns is to not jeopardize service, safety to the public, or safety to its employees. The security of UPPCO's facilities has also become an issue since the events of September of 2001. These security measures include, in part:

1. The 2003-04 installation of lighting improvements and electronic surveillance at critical substations and service centers,

2. The 2005 installation of an electronic card entry system at UPPCO buildings, and

3. The 2001 implementation of manned security patrols at hydroelectric and combustion turbine sites.

Failure to be able to afford to provide the system and security improvements UPPCO deems necessary would jeopardize UPPCO's ability to continue to provide long-term safe and reliable service to its customers. UPPCO therefore believes it is necessary, just and reasonable to request and obtain rate relief at this time.

Q. What are the reasons for the significant changes in O&M expenses for the 2005 test year as compared to the 2003 historic test year?

A. There are several changes between the two periods. Mr. Kolb will address some Administrative and General ("A&G") changes in his testimony, and I will explain the operational changes. Each of these costs

is included in Mr. Kolb's Exhibit A-9 (FKK-7), Schedule C11.

First, as detailed in Exhibit A-13 (FJS-1), UPPCO expects to have 10 additional positions filled in 2005 as compared to 2003. Consequently, $509,040 has been added to O&M to account for these additions. The new positions are described below.

2004 Additions:

Eastern Hydro Coordinator. This position incorporates a previously vacant position of Hydro Foreman with additional high-level duties and responsibilities that include operational support of both Eastern and Western Hydro organizations. The high-level duties include responsibilities for increased regulatory requirements from the FERC Division of Dam Safety - Department of Hydro Administration and Compliance, as well as the Michigan Department of Environmental Quality and the Michigan Department of Natural Resources. The regulatory requirements of each of these agencies have resulted in a significant increase in compliance related workload.

Apprentice Line Electrician at the Ishpeming Service Center. This position had been left unfilled for a period of time due to budget constraints and time necessary to recruit and process a new hire. It was necessary to fill this position to meet workload requirements and maintain system reliability at acceptable service levels.

Line Electrician at the Delta Service Center. This position had been vacant in 2003, and was not previously filled due to budget constraints. It was necessary to fill this position to meet workload requirements and maintain system reliability at acceptable service levels.

2005 Additions:

Generation Maintenance Specialist at Victoria. This position is being added in anticipation of the upcoming retirement of current Generation Maintenance Specialists. The filling of this position at this time is required to begin training and knowledge transfer for the eventual retirement of aging work group members. This group has also experienced a significant workload increase due to work associated with FERC license requirements, and additional project commitments at Bond Falls, the Warden Station, and the Portage Station.

Mechanic at the Ishpeming Service Center. UPPCO has historically relied on various vendors to maintain its vehicles. Following review of vendor labor costs, UPPCO has determined that it can improve vehicle service and maintenance levels, and reduce costs, by adding an in-house mechanic.

Administrative Aide at the Ishpeming Service Center. The addition of three employees at the Ishpeming site, and the administrative

support required by the regulatory compliance duties of the Eastern Hydro Coordinator, has created a need for more administrative support at the Ishpeming site.

Vacant Line Electrician – Ishpeming. This position was vacant in 2003, and the filling of this position is necessary to meet workload requirements and maintain system reliability at acceptable service levels.

Substation Coordinator – Eastern. The filling of this position is necessary to meet increased workload due to additional record keeping, improved equipment maintenance schedules and increased substation capital improvements and additions, all aimed at improving system power quality and reliability. Addition of this position will allow the Supervisor of Substation Operations – East to refocus on the leadership requirements of his job.

Designer at the West Houghton Service Center. Workload requirements at the West Houghton Service Center are higher than at any other UPPCO site. The higher volume of work justifies another Designer to assure prompt customer service in keeping with Commission standards for service delivery.

Utilityperson at the West Houghton Service Center. This position replaces a higher-level Meterperson. It is a combination position

that can better serve the combined needs in line, meter, and stores departments at a reduced cost.

Second, Accounts 500 – 514, Power Generation – Steam, have been reduced to $361,480. In 2003, the Warden Station was operational to replace generation lost as a result of the Dead River Flood. The Warden Station is not scheduled for dispatch in 2005. If all of the 2003 expense dollars were carried forward to 2005, it would distort the required O&M dollars to a large extent. The Warden Station is in a "lay up status" and is expected to remain in this condition thru 2005.

Third, Account 543, Maintenance of Reservoirs, Dams, & Waterways, has been increased by $85,000 for an ongoing Bonds Falls Mitigation Payments. Pursuant to the Bond Falls FERC license, UPPCO is required to spend $73,000 per year in 1997 dollars at the project. This amount was inflated by the Consumer Price Index ("CPI") to $85,000 for 2005.

Fourth, Account 553, Maintenance of Generating & Electric Plant, has been increased by $110,000 for normalization of the Gladstone and Portage Combustion Turbine ("CT") maintenance inspections. Periodic inspections of the CTs are required by sound maintenance practices. The estimated cost over a 12-year maintenance cycle for Combustion Inspections and Hot Gas Inspections is $1,320,000. This results in an annual amount of $110,000.

Fifth, Account 556, System Control & Load Dispatching, was increased by $55,831. After Hours Center Dispatching began after mid-year in 2003. Therefore, only a portion of the total year cost was included in the 2003 historic test year. The amount added to the 2005 projected test year represents the additional amount to arrive at a 12-month cost for After Hours Dispatching.

Sixth, Account 593, Maintenance of Overhead Lines, was increased by $770,000 for 2005. This results in a total tree-trimming budget of $2.4 million for 2005. UPPCO tree-trimming specifications are designed to obtain and subsequently maintain a six-year tree-trimming cycle based on regional vegetation growth and minimum clearance guidelines. Average costs over the past four years are $4,440 per line mile. Currently UPPCO has 3,070 miles of overhead distribution line. Therefore, to obtain a six-year cycle it will take $2.27 million per year for approximately six years. An additional amount of approximately $143,000 annually is needed to cover unscheduled maintenance, supervision and herbicide applications. After obtaining the six-year trimming cycle, we anticipate a reduction in line clearance maintenance costs of approximately 50% to maintain the Right-of-Way ("ROW"). Studies show that the cost of maintaining the ROW increase when the optimal trim period has been delayed. This estimate is based on actual experience of other utilities, as well as the experience of our sister utility WPS Corp.

Current line clearance expenditures average $1.2 million, which equates

to a 12-year trim cycle. Fast-growing species in the UPPCO service territory grow at the rate of approximately 1.76 feet per year for side growth. Where obtainable, specifications call for 10 feet of clearance for such fast growing species. A 12-year cycle places trees in the line six years before they would be trimmed on scheduled maintenance. Vegetation in the line is both a safety concern and a reliability concern.

To trim trees more than the minimum established clearance specification is not feasible due to right-of-way limitations, cost restrictions, aesthetics and sound tree health practices. Sound vegetation trimming practices was a subject of Commission concern in Case No. U-13975.

Seventh, Account 902, Meter Reading, was increased by $21,955 for costs associated with a new Outage Management System ("OMS"). The OMS is being implemented corporately within WPS Resources Corporation to increase productivity and reduce outage response and dispatch times. These costs represent UPPCO's cross charges for this new system. A replacement OMS is needed due to limitations and serious technical risks associated with the current Service Restoration System. These limitations and risks are:

1. The current system uses obsolete technology with no vendor support and limited internal support,

2. The current system lacks interactive map graphics to help the Dispatchers rapidly locate and assign crews to outages and analyze outage causes,

3. The current system cannot track temporary changes in the operational model when circuits are switched from their normal state, or to view outage and crew locations geographically, due to the lack of interactive map graphics, and

4. The replacement system will provide better and more accurate information to our customers during the course of an outage.

Eighth, Account 903, Customer Records & Collection Expense, was increased by $990,348 for the cost increases associated with implementation of a new Customer Information System. UPPCO currently utilizes the WPS Corp Customer Information System, which is:

1. Over 15 years old,
2. Obsolete,
3. Inflexible,
4. Unable to accommodate customer choice, and
5. Difficult and expensive to maintain.

Therefore, this system is being replaced in 2005. The requested increase represents the increased cross-charges associated with the new system.

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

A. Yes, it does.

UPPER PENINSULA POWER COMPANY

MICHIGAN PUBLIC SERVICE COMMISSION
CASE NO. U-14745

Calumet Electronic Corporation's First Discovery Request

01-CEC-28: On page 13 of your pre-filed testimony, at lines 16-18, you indicate that customer classes that were over-collecting by more than 7% were provided with rate increases in the 0-7% range. Please provide a list of all factors used by UPPCO in making a determination of what percentage increase to allocate to each customer class within that 0-7% range.

Response: The criteria used in developing the rate design are stated on pages 4 and 5 of Ronda L. Ferguson's Direct Testimony, Part II. These include managing bill impacts, rate stability, and cost-of-service (COS).

The UPPCO residential customers are subsidized by the commercial and industrial customers. Although UPPCO would prefer to have every rate class at the rates indicated in the COS, a 30% increase to the residential customers does not follow the criteria stated in UPPCO's rate design principles. UPPCO is proposing to move the residential customers closer to their COS with each rate case, but this will be a phase-in approach and will take multiple rate cases to reduce the subsidy.

Lighting is the only other rate class in the Integrated System that has a revenue deficiency. UPPCO has proposed significant increases and changes to the lighting tariffs to reduce these subsidies.

A balance of multiple factors need to be considered when looking at rate design. A justification of 0.20% or 0.29% is impossible to do unless the customer's rates were previously set at the Company's COS. At that point, if all of the factors listed in the testimony were met, customer rate increases could be set at their COS which would justify the exact percent increases to each customer class.

Answered by: Ronda Ferguson

UPPER PENINSULA POWER COMPANY

MICHIGAN PUBLIC SERVICE COMMISSION
CASE NO. U-14745

Calumet Electronic Corporation's First Discovery Request

01-CEC-29: On pages 13-14 of your pre-filed testimony, you indicate that UPPCo's proposed rate design for the A-1 customer class reflects UPPCo's desire to eventually eliminate the historical subsidies for that rate class and to better align rates with cost causation. Has UPPCo forecasted the year in which it plans to obtain unity between the rate levels and revenue requirements for the A-1 rate class? If yes, in what year is unity projected to be achieved, and what rate increases are projected between now and that year to achieve unity? If UPPCo has not made that determination, why hasn't it?

Response: UPPCO has not forecasted the year in which unity will be obtained between cost-of-service and the rate schedules. UPPCO is proposing to phase-out the subsidization that exists between residential and the commercial and industrial classes during future rate cases. It is unknown at this time when future rate cases will be filed.

Answered by: Ronda Ferguson

Dated: April 3, 2006

UPPER PENINSULA POWER COMPANY

MICHIGAN PUBLIC SERVICE COMMISSION
CASE NO. U-14745

Calumet Electronic Corporation's First Discovery Request

01-CEC-33: On pages 18-19 of your pre-filed testimony, you indicate the WP-1D customer class will collect approximately 8.46% more revenue than the costs assigned to it within UPPCo's COSS. On lines 10-11 on page 19 of your pre-filed testimony, you indicate the proposed rate changes reflect a 4.29% overall rate increase for the WP-1D customer class. Please describe all factors used by UPPCo in establishing a 4.29% overall rate increase for this customer class instead of, for example, a 5% overall rate increase. Alternatively, please describe all factors used by UPPCo in deciding to impose a 4.29% overall rate increase instead of, for example, a 4% overall rate increase for this customer class.

Response: Please see my response to 01-CEC-28.

Answered by: Ronda Ferguson

Dated: April 3, 2006

UPPER PENINSULA POWER COMPANY

MICHIGAN PUBLIC SERVICE COMMISSION
CASE NO. U-14745

Calumet Electronic Corporation's First Discovery Request

01-CEC-34: On lines 8-10 of your pre-filed testimony on page 19, you indicate that UPPCo is proposing to increase the on-peak energy charge and decrease the off-peak energy charge to reflect the energy costs and send a more appropriate price signal to the customer. Assuming no change in customer load profile, for the customers in the WP-1D class, has UPPCo calculated the net effect of these changes in the energy charge? If yes, what is the total amount of the rate change for the WP-1D customer class?

Response: The net effect for the WP-1D rate class would be zero. The overall increase for the WP-1D rate class would still result in the filed class increase. Changes to the on-peak and off-peak energy rates would have varying impacts on individual customers within the WP-1D rate class.

Answered by: Ronda Ferguson

Dated: April 3, 2006

UPPER PENINSULA POWER COMPANY

MICHIGAN PUBLIC SERVICE COMMISSION
CASE NO. U-14745

Calumet Electronic Corporation's First Discovery Request

01-CEC-35: On page 40 of your pre-filed testimony at line 4, you indicate the billing units for the Response Rewards program were based on an annual use for the average WP-1D customer. In light of the wide disparity of customer load profiles within the WP-1D rate class, how was the "average" calculated? Was this same "average" used in determining the "average customer" referenced on lines 19 and 21 from page 40 of your pre-filed testimony?

Response: The average customer was calculated by using the customer class total billing units divided by the number of customers in the class. For example, the total off-peak energy for the 46 customers in the WP-1D rate class is 34,791,532 kwh, or 759,252 kwh/customer. The forecasted billing units for the 300 critical peak pricing hours was determined by obtaining the actual consumption of all of the WP-1D customers during the 300 highest cost hours in 2004. These billing units are shown on Exhibit A-11 (RLF-1), Schedule E13, page 1 of 1. The individual customer impacts are shown on Exhibit A-11 (RLF-1), Schedule E14, page 1 of 1.

Answered by: Ronda Ferguson

Dated: April 3, 2006