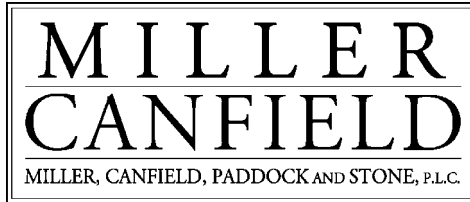


Founded in 1852
by Sidney Davy Miller



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May 16, 2006

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

Re: Upper Peninsula Power Company
2006 PSCR Plan and Factors
MPSC Case No. U-14706

Dear Ms. Kunkle:

On April 28, 2006, a final Settlement Agreement was filed in the above captioned matter. Attachment 1 to the Settlement Agreement was inadvertently omitted from the filing. Therefore, enclosed for filing is Attachment 1 to the Settlement Agreement. Also enclosed is a Proof of Service. Should you have any questions, please advise.

Very truly yours,
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

Sherri Wellman

Digitally signed by Sherri Wellman
DN: CN = Sherri Wellman, C = US,
O = Miller Canfield
Date: 2006.05.16 16:11:28 -04'00'

Sherri A. Wellman

SAW/lab

cc: John Guntlisbergen

M.P.S.C. No. 7
UPPER PENINSULA POWER COMPANY

Exhibit A-3 (JGG-3)
Case No. U-14706
Seventeenth Revised Sheet No. 25.0
Page 1 of 2

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 .010794 mills per kWh for all customers in the Interconnected System for each full .01 mill increase or decrease in the projected power supply costs for that month above or below a cost base of 22.59 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.

The PSCR Factor to be used for each of the 12 months in 2006 is a positive 31.80 mills per kWh.

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.

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 .01088 mills per kWh for all of its customers in the Iron River System for each full .01 mill increase or decrease in the projected power supply costs for that month above or below a cost base of 38.10 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.

The PSCR Factor to be used for each of the 12 months in 2006 is a positive 1.83 mills per kWh.

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.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
UPPER PENINSULA POWER COMPANY)
for approval of a power supply cost recovery))
factors for the calendar year 2006 and)
deferred accounting and recovery authority)
for the effects of hedging of fuel and)
purchased power costs.)

Case No. U-14706

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss.
INGHAM COUNTY)

Lisa A. Becker, employed at Miller, Canfield, Paddock and Stone, P.L.C. being duly sworn affirms that on May 16, 2006 she served a copy of **Attachment 1 to Settlement Agreement** upon the following parties by electronic mail.

Christine Mason Soneral
Dykema Gossett PLLC
124 W. Allegan Avenue, Ste 800
Lansing, MI 48933-1742
e-mail: cmason@dykema.com

Michael J. Brown
Plunkett & Cooney, P.C.
325 East Grand River Avenue, Ste 250
East Lansing, MI 48823
e-mail: MBrown@plunkettcooney.com

Peter Sheldon
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Lansing, MI 48933
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Thomas E. McClear
Assistant Attorney General
215 S. Washington Sq, Suite 200
Lansing, MI 48909
e-mail: mcclear@michigan.gov

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

Subscribed and sworn before me
on the 16th of May 2006.

Edith Loomis
Digitally signed by Edith Loomis
DN: CN = Edith Loomis, C = US,
O = Miller Canfield
Date: 2006.05.16 16:11:15 -04'00'

Edith L. Loomis, Notary Public
Ingham County, Michigan
My commission expires: December 5, 2006

Lisa Becker

Digitally signed by Lisa Becker
DN: CN = Lisa Becker, C = US, O
= Miller Canfield
Date: 2006.05.16 16:11:07 -04'00'

Lisa A. Becker