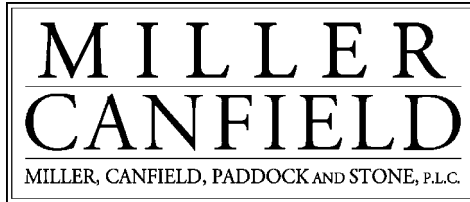


Founded in 1852
by Sidney Davy Miller



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June 5, 2006

Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way, Suite 7
Lansing, MI 48911

Re: Upper Peninsula Power Company
MPSC Case No. U-14914

Dear Ms. Kunkle:

Enclosed for electronic filing is Upper Peninsula Power Company's Application in the above captioned matter. If you should have any questions, please advise.

Very truly yours,

Sherri Wellman

Digitally signed by Sherri Wellman
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US, O = Miller Canfield
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Sherri A. Wellman

SAW/lab
Enclosures
cc: David Kyto

S T A T E O F M I C H I G A N
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of	)	
UPPER PENINSULA POWER COMPANY	)	
for approval of journal entries related to the	)	Case No. U-14914
transfer of property and other related approvals.	)	
	)	

APPLICATION

UPPER PENINSULA POWER COMPANY (“UPPCO” or the “Company”) seeks Michigan Public Service Commission (“Commission” or the “MPSC”) approval of journal entries and other approvals as related to the transfer of its Atlantic Substation to the American Transmission Company, LLC (“ATCLLC”) and in support thereof, UPPCO respectfully represents as follows:

1. UPPCO is a Michigan corporation with its principal offices located at Houghton, Michigan and is engaged as a public utility in the generation, purchase, distribution and sale of electric energy in the Upper Peninsula of Michigan. UPPCO is a subsidiary of WPS Resources Corporation (“WPSR”).

2. UPPCO serves certain cities, villages and townships located in the counties of Alger, Baraga, Delta, Houghton, Iron, Keweenaw, Marquette, Menominee, Ontonagon and Schoolcraft. UPPCO’s primary service area is known as its Integrated System, serving directly or indirectly, various communities and localities in each of the above-named counties, except Iron County. In Iron County, UPPCO serves in and about the City of Iron River, such service area being known as UPPCO’s Iron River System.

3. As of April 30, 2006, WPS Investments, a subsidiary of WPSR, owns 33.35% of the voting security of ATCLLC, and currently, UPPCO has a 6.11% ownership interest in WPS Investments.

4. In June 2001, UPPCO transferred its ownership and control of its transmission facilities to ATCLLC. Pursuant to filings made, and the Commission's December 20, 2000 Opinion and Order issued in Case No. U-12706, UPPCO sought and received MPSC approval of the classification of its transmission facilities, and the journal entries associated with the transfer in accordance with the requirements of the Uniform Systems of Accounts ("USOA"). Furthermore, in Case No. U-12706, UPPCO served notice on the Commission of the transfer pursuant to its affiliate transaction guidelines.

5. In June 2001, as planned, UPPCO did not transfer to ATCLLC its Atlantic Substation, but instead retained ownership to fulfill future distribution initiatives. UPPCO has now determined that it is more appropriate for the ATCLLC to own and control the Atlantic Substation and to integrate the Atlantic Substation into its transmission system. Therefore, UPPCO recently negotiated an Asset Acquisition Agreement ("Agreement") with ATCLLC for the sale of the Atlantic Substation (inclusive of all lands and equipment). The Agreement requires ATCLLC to pay UPPCO approximately \$406,000 for the transfer.

6. Subpart 5 G of the USOA provides in pertinent part:

"When regulated utility property with an original cost of \$100,000 or more is sold, conveyed or transferred to a subsidiary or associated company...the utility shall furnish the commission the particulars of its determination of the value of the property and request approval of the proposed journal entries to record the transaction. ..."

UPPCO seeks the requisite Commission approval of the Atlantic Substation transfer pursuant to Subpart 5 G, and any other provision of the USOA as determined applicable by the Commission

and in support thereof, attached hereto as Exhibit A is an appraisal of the Atlantic Substation as prepared by Peter S. Huck of American Appraisal Associates, Inc. Also, attached as Exhibit B are the proposed journal entries to record the transfer.

7. Also to the extent that the Code of Conduct established in Case No. U-12134 is applicable to this transaction, UPPCO hereby represents that the transfer is consistent with the mandates of section IIIC of the Code in that the approximate sale price of \$406,000 was calculated based on the fully allocated embedded cost which, as determined by the appraisal (Exhibit A), is also the fair market value of the Atlantic Substation. While the approximate sale price is \$406,000, the exact sale price will be based on the fully allocated embedded cost as determined on the date of closing.

8. UPPCO represents that a similar request for approval of the transfer is being concurrently sought before the Public Service Commission of Wisconsin.

9. UPPCO represents that approval of this Application will not result in an increase in cost of service to UPPCO's customers. In the filing in Case No. U-14745, UPPCO's 2006 general rate case, UPPCO removed the plant and related revenue requirements associated with the Atlantic Substation from base rates.

10. Finally, because approval of this Application will not result in an increase in the cost of service, UPPCO requests the Commission to approve the Application without the time and expense of notice and hearing.

WHEREFORE, Upper Peninsula Power Company respectfully requests the Michigan Public Service Commission to issue an ex parte order:

A. Approving the Application, and

B. Granting such other and further relief as may be lawful and equitable.

Respectfully submitted,

UPPER PENINSULA POWER COMPANY

Dated: June 5, 2006

By:

**Sherri
Wellman**

Digitally signed by Sherri
Wellman
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US, O = Miller Canfield
Date: 2006.06.05 11:24:42 -
04'00'

One of Its Attorneys
Harvey J. Messing (P23309)
Sherri A. Wellman (P38989)
MILLER, CANFIELD,
PADDOCK and STONE, PLC
One Michigan Avenue, Suite 900
Lansing, MI 48933
(517) 487-2070

Attorneys for Upper Peninsula Power Company

LALIB:142221.1\130062-00001

EXHIBIT A

UPPER PENINSULA POWER COMPANY

INDEPENDENT ENGINEER'S CERTIFICATE

(As required by Section 7.03 of the Indenture)

The undersigned, Peter S. Huck of American Appraisal Associates, Inc., an independent engineer (as defined in the Indenture hereinafter mentioned) engaged to furnish this certificate,

DOES HEREBY CERTIFY, in compliance with Section 7.03 of the Indenture of Mortgage of Upper Peninsula Power Company ("the Company") dated May 1, 1947, (Indenture) to U.S. Bank Trust National Association (successor to Continental Bank, formerly known Continental Illinois National Bank and Trust Company of Chicago, successor to City National Bank and Trust Company of Chicago), Trustee, as follows:

(1) The Company has contracted to sell to American Transmission Company LLC, a Wisconsin limited liability company ("ATC"), transmission property described on the Releases of Property attached hereto (the "Property"), and which property is bondable property as defined in Section 1.27, and which the Company desires to have released from the lien of the Indenture. It is my opinion that as of the date hereof, the fair value of the Property to be released is \$406,000.

(2) It is my opinion that as of the date hereof, that the fair value to the Company of the consideration to be received by the Company for the Property to be released is not less than \$406,000.

(3) In the opinion of the undersigned, the proposed release of the Property from the lien of the Indenture will not impair the security under the same in contravention of the provisions thereof.

(4) He has read the definition contained in Section 1.25 of the term "independent" and he is independent within the meaning of such definition.

(5) He has read the pertinent conditions, provisions, and covenants of Sections 2.06 and 7.03 of the Indenture pursuant to which this certificate is furnished and the definitions in the Indenture relating thereto.

(6) In the opinion of the undersigned, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenants or conditions have been complied with, and such examination or investigation, upon which the statements or opinions contained in this certificate are based,

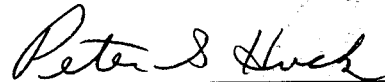
consisted of an investigation of the Property and economic and market factors affecting the fair value thereof and has consulted with Company personnel who have knowledge of the relevant facts regarding the Property and its nature, the terms of transfer, the usefulness of the transfer to the Company, and the Property as part of the security under the Indenture.

(7) In the opinion of the undersigned, upon delivery of this certificate to the Trustee, all such pertinent conditions, provisions, and covenants of the Indenture will have been complied with.

(8) Insofar as the statements or opinions contained in this certificate relate to legal matters, such statements are based upon representations by counsel.

May 30, 2006

Date



Peter S. Huck, P.E., ASA

American Appraisal Associates, Inc.

Sworn Statement

Peter S. Huck deposes and says that he is the Independent Engineer describe in and who signed the above Independent Engineer's Certificate. This certificate is true to the best of my knowledge.



Signed and sworn to before me in Milwaukee County, Wisconsin on May 30, 2006



Leanne Michels

Notary Public

My Commission expires on February 18, 2007

EXHIBIT B

**Proposed Accounting Entries
Atlantic Substation Sale to ATC
Values as of 4/30/06**

	Debit	Credit
(1)		
102 Electric Plant Purchased or Sold		406,021
241 Sales Tax Payable		695
131 Cash	406,716	
(2)		
102 Electric Plant Purchased or Sold	406,021	
101 Electric Plant in Service		448,510
108 Accumulated Depreciation	42,597	
592 Maintenance of Station Equipment		108
(3)		
241 Sales Tax Payable	695	
131 Cash		695

All values as of 4/30/06