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July 27, 2004

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

Re: Upper Peninsula Power Company
2004 PSCR Plan and Factors
MPSC Case No. U-13904 [e-file]

Dear Ms. Kunkle:

Enclosed for electronic filing is the Supplemental Testimony and Exhibits of Cheryl A. Salmon. Also enclosed is a Proof of Service.

Very truly yours,

LOOMIS, EWERT, PARSLEY,
DAVIS & GOTTING, P.C.

SAW/lb
Enclosure

Sherri A. Wellman

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 cost supply recovery)
plan and authorization of monthly power)
supply cost recovery factors for the calendar)
year 2004.)
_____)

Case No. U-13904

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss.
INGHAM COUNTY)

Lisa Becker, employed at Loomis, Ewert, Parsley, Davis & Gotting, P.C. being duly sworn affirms that on July 27, 2004 she served a copy of the **Supplemental Testimony and Exhibits of Cheryl A. Salmon** upon the attached service list via first class mail with postage fully prepaid and depositing same in the United States Mail receptacle.

Lisa A. Becker

Subscribed and sworn to before me
on July 27, 2004

Tina Barlow, Notary Public
Ingham County, Michigan
My commission expires September 9, 2008

SERVICE LIST
MPSC CASE NO. U-13904

Thomas McClear
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Honorable Daniel E. Nickerson, Jr.
Administrative Law Judge
Michigan Public Service Commission
6545 Mercantile Way, Suite 14
P.O. Box 30221
Lansing, MI 48909

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)
plan and authorization of monthly power)
supply cost recovery factors for the calendar)
year 2004. _____)

Case No. U-13904

SUPPLEMENTAL TESTIMONY AND EXHIBITS

OF

CHERYL A. SALMON

1 Q. Would you please state your name, business address and the name of your employer.

2 A. My name is Cheryl A. Salmon. My business address is 600 N. Adams Street, Green Bay,
3 WI 54307-9002. I am employed by Wisconsin Public Service Corporation (“WPS Corp”).

4 Q. What is your position with WPS Corp?

5 A. As of May 2004, I am employed by WPS Corp as Manager-Upper Peninsula Power
6 Company (“UPPCO”) Power Supply. UPPCO is an affiliate of WPS Corp. I am responsible
7 for the management of UPPCO’s power supply.

8 Q. State briefly your educational and related work experience.

9 A. I have a Bachelor of Science Degree in Business Administration from the University of
10 Wisconsin-LaCrosse. I have been employed by WPS Corp since February of 1989. I have
11 worked in the Electric Distribution Engineering, Gas Engineering, Electric Supply & Control
12 and in the Gas Supply Department. In my previous position in Electric Supply I was
13 responsible for the administration of all electric bulk power sales and purchase contracts
14 and service agreements. I was also responsible for the accounting, budgeting, billing and
15 reporting activities for electric bulk power sales and purchase contracts and service
16 agreements. Additionally, I was responsible for the accounting, budgeting, billing and
17 reporting activities for electric power transactions. In my position in the Gas Supply

1 Department my responsibilities included planning, selection, contracting and operation of
2 gas supplies and transportation services for WPS Corp.

3 Q. Have you sponsored testimony before the Michigan Public Service Commission
4 previously?

5 A. Yes, I presented testimony in Case No. U-13623.

6 Q. What is the purpose of your testimony in the proceeding?

7 A. The purpose of my testimony is two-fold. First, I will adopt the Direct Testimony and
8 Exhibits of Terrie S. Taylor as pre-filed in this case on September 30, 2003. Second, I will
9 address changes to UPPCO's 2004 PSCR plan which include (1) capacity and energy
10 purchases pursuant to a purchase power agreement ("PPA") between UPPCO and Ameren
11 Energy Marketing Company ("Ameren"), and (2) capacity and energy purchases pursuant
12 to a PPA between UPPCO and White Pine Copper Refinery, Inc. ("White Pine").

13 Q. Are you sponsoring any exhibits in this proceeding?

14 A. Yes, in addition to the pre-filed exhibits of Ms. Taylor, Exhibit A-__(TAT-1), Exhibit A-
15 __(TAT-2) and Exhibit A-__(TAT-3), I will be sponsoring the following exhibits:

16 Exhibit A-__(CAS-4) Ameren PPA

17 Exhibit A-__(CAS-5) Capacity Requirements

18 Q. Were Exhibits A-__(CAG-4) and (CAG-5) prepared by you or under your direction and
19 supervision?

20 A. Yes, they were.

21 **TERRIE S. TAYLOR'S TESTIMONY AND EXHIBITS**

22 Q. Ms. Salmon, why are you adopting the pre-filed testimony and exhibits Terrie S. Taylor in
23 this case?

24 A. In May 2004, Ms. Taylor was promoted and took a new position with WPS Corp. At that
25 time, I replaced her as the Power Supply Manager for UPPCO. My responsibilities as
26 Manager include sponsoring testimony and exhibits in support of UPPCO's PSCR plan
27 filings.

1 Q. Have you reviewed the testimony and exhibits of Terrie S. Taylor as filed in this proceeding
2 on September 30, 2003?

3 A. Yes.

4 Q. Do you agree with Ms. Taylor's direct testimony and exhibits, and as of the date of this
5 filing, do you adopt them as your own?

6 A. Yes.

7 **AMEREN PPA**

8 Q. Please generally describe the Ameren PPA.

9 A. The Ameren PPA is an all-inclusive capacity, energy and transmission purchase that
10 replaces 50 MW of planned energy purchases from WPS Corp system sales and from the
11 Pulliam 31 combustion turbine ("P31") for the calendar year 2004.

12 Q. Please briefly describe the background associated with the need for the Ameren PPA and
13 the relationship to the swap agreement with We Energies.

14 A. At pages 8-14 of what is now my direct testimony (formerly Ms. Taylor's testimony), I
15 describe UPPCO's swap agreement with We Energies and UPPCO's efforts to meet its
16 obligations under the swap agreement. As explained, in order to satisfy the terms of the
17 swap agreement, UPPCO entered into the P31 PPA for a 5-year term (2003-2006).
18 Recently, UPPCO was able to arrange for the Ameren PPA as a cost savings to the P31
19 PPA for the calendar year 2004.

20 Q. Will you please describe the background that allowed UPPCO the opportunity to pursue
21 the Ameren PPA.

22 A. Yes, on October 17, 2001, UPPCO issued a Request for Approval ("RFP") for firm system
23 capacity and energy for 2003 through 2007 to 39 prospective suppliers that included, but
24 was not limited to, utilities, power marketers, municipalities, and cooperatives. The RFP
25 also specified that the capacity and energy would need to have a firm level of reliability and
26 delivery to the We Energies control area in Wisconsin as required to satisfy the 5-year
27 swap agreement.

1 Through this competitive bidding process, UPPCO received nine responses. Firm
2 transmission was not included with any of the responses. Even though firm transmission
3 was not included with any of the responses, UPPCO identified Ameren's proposal as
4 reasonable for pursuing and submitted a firm transmission request on the Midwest
5 Independent System Operator ("MISO") transmission system in December 2001.
6 MISO identified that a System Impact Study ("SIS") was required for this transmission
7 request to assess the adequacy of the transmission system and any other affected systems
8 to accommodate this request coming into Wisconsin. The agreement for the SIS was
9 entered into in January of 2002 with an estimated completion time of 60 days. Since the
10 MISO needed additional time to study this request, the SIS was not completed in time to
11 pursue the Ameren proposal in 2003. UPPCO continued to pursue the transmission
12 request by requiring MISO to study transmission availability for year 2004. The SIS was
13 completed at the end of September 2003 with results of sufficient available transfer
14 capability on the transmission system to support this request for year 2004, but uncertain
15 transfer capability rollover rights for year 2005 through 2007. As a result, UPPCO did not
16 have the intermediary firm transmission through ComEd and submitted a firm point-to-point
17 transmission request for 65 MW on the ComEd transmission system to coordinate with the
18 approved firm transmission on the MISO system. In addition, UPPCO contacted Ameren to
19 determine the availability for year 2004 for a firm product with firm point-to-point
20 transmission from the Ameren transmission system. Ameren provided UPPCO with a price
21 on 50 MW for a firm all-inclusive product that included capacity, energy, and transmission.
22 UPPCO received approval from ComEd on UPPCO's 65 MW firm point-to-point
23 transmission request at the end of November 2003 for year 2004 with uncertain transfer
24 capability rollover rights for years 2005 through 2007. Ameren received approval for its
25 redirect on its 50 MW firm point-to-point transmission requests at the end of December
26 2003. With all the firm transmission pieces in place for 2004, UPPCO executed a one (1)
27 year PPA with Ameren Energy Marketing Company on December 29, 2003, for delivery of

1 50 MW of capacity and energy to the We Energies control area in Wisconsin. A copy of the
2 Ameren PPA is sponsored as my Exhibit A-__ (CAS-4).

3 Q. Please describe how the Ameren PPA satisfies the swap agreement with We Energies.

4 A. After receiving notice in late September 2003 from MISO that sufficient available transfer
5 capability existed on the transmission system to support the confirmation of the MISO
6 request for year 2004, UPPCO made a proposal to We Energies that involved delivery of
7 capacity and energy from two sources that would satisfy the requirements for the swap
8 agreement. As addressed, the requirements of the swap agreement state that UPPCO will
9 receive capacity and energy from the We Energies control area in the Upper Peninsula of
10 Michigan and in turn UPPCO will provide an equivalent capacity and energy amount
11 delivery to We Energies control area in Wisconsin. UPPCO must also provide a
12 nomination to We Energies by the end of September each year in regards to the delivery
13 point of the capacity and energy to its control area in Wisconsin.

14 For 2003, the capacity and energy to satisfy UPPCO's swap obligation was delivered on
15 existing firm transmission with rollover rights from the WPS Corp P31 Agreement to the We
16 Energies control area in Wisconsin. For 2004 to satisfy UPPCO's swap obligation, (1) 50
17 MW of capacity and energy will be delivered from the Ameren Agreement and (2) 65 MW of
18 capacity and 15 MW of energy will be delivered from the P31 Agreement. UPPCO was
19 required to keep the path from the WPS Corp P31 Agreement in place for 2004 due to the
20 existing rollover rights on this transmission since both the MISO and ComEd transmission
21 requests have uncertainties in regards to rolling over and obtaining firm transmission for
22 2005 through 2007. We Energies agreed to accept this proposal as its MISO designated
23 network resources and in return will give UPPCO 65 MW of capacity with reserves from the
24 Presque Isle Power Plant. These additional reserves will help UPPCO in meeting the Mid-
25 America Interconnected Network ("MAIN") audit and minimum short term (up to one year
26 ahead) planning reserve margin.

27 Q. Is UPPCO seeking Section 6j(13)(b) approval of the associated capacity charges?

1 A. Yes. This Ameren PPA, beginning January 1, 2004, and ending December 31, 2004 has
2 associated capacity exceeding six months. The capacity included in the Ameren PPA is
3 essential to increase the reliability of the product and to acquire firm transmission on the
4 Ameren and ComEd transmission systems and also to acquire firm network resource
5 transmission on the MISO system.

6 Q. Based on your foregoing discussion regarding the process UPPCO went through in
7 entering into the Ameren PPA, did this agreement overall represent UPPCO's least cost
8 option?

9 A. Yes, the Ameren PPA, including costs for the ComEd transmission, as compared to the
10 forecasted P31 Agreement energy purchase, will be a total estimated cost savings to
11 UPPCO of approximately \$1.8 million for year 2004. The actual savings will be dependent
12 upon the actual transmission related expenses incurred and the energy purchases that
13 would have been available from WPS Corp under the P-31 contract.

14 Q. Please describe how UPPCO determined the cost savings from the Ameren PPA
15 purchases.

16 A. UPPCO evaluated a number of factors involved in determining the cost savings from the
17 Ameren PPA. The factors include the following: (1) access to and availability of firm point-
18 to-point transmission on the Ameren and ComEd transmission systems, (2) access to and
19 availability of firm, network resource transmission on the MISO system for delivery to the
20 We Energies control area in Wisconsin, (3) product type and availability to support a firm,
21 network resource delivery to We Energies, (4) existing rollover rights associated with the
22 network transmission for the P31 Agreement, (5) future rollover rights associated with the
23 firm point-to-point and network transmission for the Ameren PPA, (6) cost evaluation of the
24 Ameren PPA purchase, including transmission costs across the ComEd system, as
25 compared to the P31 Agreement energy purchase, and (7) counter party creditworthiness.
26 Of the listed factors, the availability of firm transmission system delivery to a specific point
27 of receipt were the most challenging factors. As a means to determine any cost impacts,
28 the cost comparison pricing scenarios of the Ameren PPA and P31 Agreement energy

1 purchases were evaluated through the use of a busbar cost comparison model. The
2 results of this comparison determine the least cost option impact to UPPCO's ratepayers.

3 Q. Can you identify any other benefits associated with the Ameren PPA?

4 A. Yes, in addition to being a reliable, low cost source of power, the PPA also adds diversity to
5 UPPCO's portfolio, which enhances system reliability and provides more price certainty.

6 Q. What is your overall evaluation of the Ameren PPA?

7 A. UPPCO believes that the agreement and associated capacity charges are reasonable and
8 prudent.

9 **WHITE PINE PPA**

10 Q. In the 2004 PSCR Plan, the Company indicated the potential need for additional capacity,
11 has the Company secured the additional capacity for 2004?

12 A. Yes. The Company has entered into a PPA with White Pine, located near White Pine,
13 Michigan. White Pine operates an approximate 40 MW coal fired power plant with natural
14 gas back-up capability. The White Pine PPA becomes effective on July 1, 2004, and shall
15 continue in effect until January 1, 2005. The White Pine PPA is for 10 MW of capacity, with
16 a minimum of 6 MW and a maximum of 10 MW of energy on a 24 hour basis for the six
17 month period.

18 Q. Please describe the need for the capacity and energy purchases associated with the White
19 Pine PPA.

20 A. UPPCO is required to meet MAIN summer audit requirements for the period June 15
21 through August 31, with short term planning reserves of 14.12% . In addition to the MAIN
22 reserve requirements, UPPCO experienced an 8 MW reduction in hydro capacity due to the
23 Silver Lake Dam incident in 2003. UPPCO has used the storage capability to maximize
24 hydro generation during peak load hours. The loss of water storage facilities enhanced
25 UPPCO's need for additional capacity. My Exhibit A-__ (CAS-5) sets forth the Company's
26 Capacity Requirements and shows how the Ameren and White Pine PPAs serve to meet

1 those requirements. Without the White Pine PPA, UPPCO's short term planning reserves
2 would have been .66% for the month of July, and 1.85% for the month of August.

3 The White Pine PPA also includes an energy portion. The need for the additional energy
4 will be used to offset the loss of hydro energy production by approximately 10% due to the
5 Silver Lake Dam incident in 2003. The energy purchased from White Pine will also offset
6 any of the other purchases that were identified in the 2004 PSCR plan. One additional
7 benefit gained from the energy purchase is the opportunity to minimize the Company's
8 need for the Portage and Gladstone combustion turbine operation. Portage Generating
9 Station and Gladstone Generating Station are normally expected to be used only for
10 system security, replacement of interrupted power purchases, and for periodic testing of the
11 units.

12 Q. Please describe the process UPPCO used to evaluate the White Pine PPA.

13 A. UPPCO evaluated a number of factors, which included the following: (1) access to and
14 availability of transmission service, (2) power supply options from other marketers, and (3)
15 the economics of installing diesel generation. Of the listed factors, the availability of firm
16 transmission and the access to other markets determined UPPCO's initial direction.

17 UPPCO contacted WE Energies for a supply quote however, it was unable to provide a
18 quote for capacity and energy for the time period requested. Due to unavailability of
19 transmission service into the Upper Peninsula ("UP"), the only option available was to find a
20 source within the UP to serve the Company's capacity and energy needs.

21 UPPCO also evaluated the option to install diesel generation. However, this option was not
22 economically feasible in comparison to purchased power.

23 Q. Is UPPCO seeking Sec. 6j (13)(b) approval of the capacity charges associated with the
24 White Pine PPA?

25 A. No, the associated capacity charges do not exceed six months.

- 1 Q. What is your overall evaluation of the White Pine PPA?
- 2 A. UPPCO believes that the PPA is reasonable and prudent.
- 3 Q. Does this complete your supplemental testimony?
- 4 A. Yes it does.

EXHIBIT A-__ (CAS-4)



**MASTER POWER PURCHASE AND SALE AGREEMENT
CONFIRMATION LETTER**

This Confirmation Letter will confirm the agreement between Ameren Energy Marketing Company ("AEM") and the Upper Peninsula Power Company, ("UPPCO"), regarding the sale of System Firm Capacity and Energy under the terms and conditions of the ~~Master Power Purchase and Sale Agreement~~ (the "Agreement"). Terms used but not defined herein shall have the meanings ascribed to them in the EEL. The terms of this Confirmation Letter are as follows:

Date: December 23, 2003

Seller: AEM

Buyer: UPPCO

Delivery Term: ~~_____~~

Product: ~~_____~~
"Firm Transmission Contingent - Contract Path".

System Firm Capacity and Energy purchased under this Confirmation Letter shall be subject to the contingencies stated in the definition of "System Firm" and "Firm Transmission Contingent - Contract Path" of Schedule P of the EEL.

In addition to the contingencies stated in the definition of "System Firm" and "Firm Transmission Contingent - Contract Path" in Schedule P of the EEL, this Product may also be interrupted in order to serve: (a) Native Load Customers of Union Electric Company, d/b/a AmerenUE and Central Illinois Public Service Company, d/b/a AmerenCIPS; (b) Firm Power Customers of Ameren Energy, Ameren Energy Marketing, or both; (c) System Firm Customers of Ameren Energy, Ameren Energy Marketing, or both whose contracts were entered into prior to the date of this Confirmation Letter.

Price: ~~_____~~ per megawatt-hour

Hourly Quantity: ~~_____~~ megawatts of System Firm Capacity and Energy for all hours of every day of the Delivery Term of this Confirmation

Letter, including NERC holidays. The Parties understand and agree that this Transaction is a take or pay transaction.

Delivery Point(s):

The Delivery Point(s) shall be the Ameren/ComEd Interface or a mutually agreeable alternate delivery point.

Transmission:

Buyer's Contract Path shall be from the Delivery Point(s) to the Upper Peninsula Power Company ("Ultimate Sink"). Buyer shall be responsible for all costs and all arrangements for all transmission and ancillary services from the Delivery Point. Seller shall be responsible for all costs and all arrangements for all transmission and ancillary services to the Delivery Point.

In the event that, during the Delivery Term of this Confirmation Letter, transmission required for deliveries of this Transaction will be pursuant to the tariff(s) of one or more regional transmission organizations ("RTO"), and the transmission scheduling practices and protocols of such RTO(s) conflict with the rights and/or obligations of a Party under this Confirmation Letter in the opinion of one or both of the Parties, then the Parties will promptly meet and negotiate in good faith an agreement as to how compliance shall be established and maintained, attempting in all events to restore or maintain for each Party as nearly as possible, its respective rights, obligations and benefits under this Confirmation Letter; provided, however, that such compliance shall not result in an adverse economic impact to either Party.

Condition of Confirmation:

This Confirmation Letter is expressly conditioned upon:

- 1) The Parties receiving approval of transmission services requests required to deliver the Hourly Quantity to the Ultimate Sink by December 29, 2003.

In the event that one of the Parties transmission request(s) has not been approved by December 29, 2003 and the Parties fail to mutually agree upon another date by which this transmission condition is to be satisfied, then this Confirmation Letter shall be of no force or effect.

- 2) Seller agrees that no other utility or entity shall have contractual rights to such System Firm Capacity and Energy as a designated network resource.
- 3) The successful negotiation and full execution of an EEI Cover Sheet between Seller and Buyer prior to December 29, 2003.
- 4) Seller meeting its Mid-America Interconnected Network ("MAIN") planning reserve margin at such time as MAIN shall

perform its audit, which the Parties anticipate will occur during the month of April, for its combined System Firm service obligation.

- 5) Seller receiving approval from the Ameren Risk Management Steering Committee for this Transaction.

Other:

If, for any reason, the terms stated in this Confirmation Letter conflict with the terms of the EEI, then the terms of this Confirmation Letter shall govern.

Scheduling Contact:

Ameren Energy Real Time Operations at (314)-613-9500 or (314)-613-9550.

Please confirm that the terms stated herein accurately reflect the agreement between UPPCO and AEM by returning an executed copy of this Confirmation Letter by facsimile to (314) 613-9073. Your response should reflect the appropriate party in your organization who has the authority to enter into this Transaction.

Ameren Energy Marketing Company

Upper Peninsula Power Company

By: [Signature]
 Name: Andrew M. Serri
 Title: Vice President

By: [Signature]
 Name: Lawrence T. Bergard
 Title: President

MAIN 2004 Summer Capacity Audit

Approved by SATF February XX, 2004

The 2004 Summer Capacity Audit will be conducted in three periods.

June 15 through June 30

July 1 through July 31

August 1 through August 31

Each Template page has 3 separate columns, one for each period.

Each time period will be evaluated seperately. This might be considered three separate audits, however the entire audit will be conducted during a single visit.

Prior to the audit visit, it is expected that the entity being audited will complete the Template pages [1.Load] through [17. Purchase Template] as much as possible. This will greatly help the Auditors in completing their task.

The [Top Sheet] and [Summary] are calculated values by the spreadsheet.

The [17. Purchase Template] is to be replicated for as many purchases as necessary. Please transfer OASIS data to these sheets and have the OASIS printouts available for Auditor inspection.

The Auditors will need to take the [17. Purchase Template] data with them upon exiting for later comparision of tansactions. This needs to include OASIS information.

Summary				
Audit Date 5/13/04		SUMMER 2004 PEAK LOAD AND RESOURCE AUDIT		
		UPPCo		
INFORMATION ON THIS SHEET GOES TO MAIN BOARD				
Line No.		6/15 6/30	7/1 7/31	8/1 8/31
		MW	MW	MW
A	MW Adjusted Demand	65	72	71
B	MW Adjusted Capacity	78	82	83
C	MW Projected Capacity Surplus for 2004 Summer	13	10	11
D	% Projected Reserve Margin for 2004 Summer	19.57%	14.57%	15.89%
E	Other Net Purchases under contract but not included in above	45	45	45
F	Other Net Purchases planned but not under contract	-	-	-
G	Retail Load served by Others	-	-	-
H	Retail Load Served Outside Control Area	-	-	-
I	Wholesale Load not included in line "A" above	42	42	42
J	Wholesale Resources not included in Line "B" above	56	56	57

Footnotes To Line Items:	
A	Algebraic sum of: +Projected peak demand under normal peak-making temperature and humidity conditions. -Interruptible Load included in peak demand if any (Planned and under contract to be interrupted at time of MAIN peak) -Purchases for which interruption of supply is on a one-for-for or pro-rata basis with the seller's firm load, and for which the seller is carrying reserves. +Sales for which interruption of supply is on a one-for-one or pro-rata basis with the seller's firm load, and for which the seller is carrying reserves.
B	Algebraic sum of: +Expected available generating capacity 2004 summer ratings +Purchases for which interruption of supply is contingent on specific unit(s) or Seller's system. -Sales for which interruption of supply is contingent on specific unit(s) or Seller's system.
C	Algebraic sum (Lines B-A)
D	Percent of Surplus vs Adjusted Demand (Lines C/A)
E	Other Net Purchases under contract but not included above due to not having an exact match to Lines A or B, is not included in reserve calculations.
F	Planned Net Purchases and Sales for information only. (Optional)
G	Load served by Others (ARES)
H	Load Served Outside Control Area (ARES)
I	Projected wholesale load
J	Projected resources for wholesale load

Audit **SUMMER 2004 PEAK LOAD AND RESOURCE AUDIT**

Date		6/15	7/1	8/1
5/13/04		6/30	7/31	8/31
TOP SHEET				
UPPCo				
Line No.		MW	MW	MW
1	Projected 2004 Summer Peak Demand	129	136	135
2	Interruptible Load included in 1 if any (Under Contract which can be interrupted at time of Summer Peak Demand)	4	4	4
3	Generating Capacity Expected to be Available for 2004 Summer	61	55	55
4	Firm Power Purchases (Firm Power and Firm Path)	65	65	65
5	Firm Power Sales (Firm Power)	5	5	5
6	Unit or System Power Purchases (Includes White Pine 10 Mw Jul-Dec)	16	28	28
7	Unit or System Power Sales	-	-	-
8	MW Adjusted Demand (1-2-4+5)	65	72	71
9	MW Adjusted Capacity (3+6-7)	78	82	83
10	MW Projected Capacity Surplus for 2004 Summer (9-8)	13	10	11
11	% Projected Reserve Margin for 2004 Summer (10/8)	19.57%	14.57%	15.89%
12	Other Net Purchases under contract but not included in above Lines 4, 5, 6 or 7.	45	45	45
13	Other Planned Net Purchases not under contract	-	-	-
14	Retail Load served by others, excluded in projected peak demand (Line # 1 above)	-	-	-
15	Retail External Load served but not included in peak demand (Line #1 above)	-	-	-
16 a	Excluded Wholesale Load	42	42	42
16 b+c	Excluded Wholesale Resources	56	56	57
Footnotes To Line Items:				
1	Projected peak demand, net of station services, under normal peak-making temperature and humidity conditions . Projected peak demand includes adjustments for utility indirect DSM programs such as conservation programs, improvements in efficiency of electric energy use, rate incentives and rebates.			
2	Interruptible Load included in 1 if any (Planned and under contract to be interrupted at time of MAIN peak)			
3	Expected available generating capacity, net of station services, 2004 summer ratings			
4	Purchases for which interruption of supply is on a one-for-one or pro-rata basis with the seller's firm load, and for which seller is carrying reserves.			
5	Sales for which interruption of supply is on a one-for-one or pro-rata basis with the seller's firm load, and for which seller is carrying reserves.			
6	Purchases for which interruption of supply is contingent on specific unit(s) or Seller's system..			
7	Sales for which interruption of supply is contingent on specific unit(s) or Seller's system.			
8	Algebraic sum (Lines 1-2-4+5)			
9	Algebraic sum (Lines 3+6-7)			
10	Algebraic sum (Lines 9-8)			
11	Percent of Surplus vs Adjusted Demand (Lines 10/8)			
12	Other Net Purchases under contract but not included above due to not having an exact match to Lines 4, 5, 6 or 7.			
13	Other Net Purchases planned but not under contract.			
14	Load served by Others (ARES)			
15	Load Served Outside Control Area (ARES)			
16a	Imports for ARES Load. Portions or all of this amount may be included in line 4 or line 6.			
16 b&c	Exports for ARES Load. Portions or all of this amount may be included in line 5 or line 7.			

Audit
Date

SUMMER 2004 PEAK LOAD AND RESOURCE AUDIT

5/13/04

Load
UPPCo

6/15 6/30	7/1 7/31	8/1 8/31
MW	MW	MW
129.1	135.9	135.2

Line No.		6/15 6/30	7/1 7/31	8/1 8/31
1	Projected 2004 Summer Peak Demand	129.1	135.9	135.2
<p>Auditor will obtain member's most recent official published forecast for its 2004 summer load obligation under normal peak-making temperature and humidity conditions. Member will identify to Auditor all wholesale load connected to members system that is not included ("excluded") in the forecast, if any. Member will explain the rationale for "excluding" such load. Auditor will not make any adjustment to the member's reported forecast for purposes of the report summary. Auditor will enter Member's load forecast on Line 1 of the template for the Member.</p>				
<p>Retail Load served by ARES will be reported on a control area basis. That is, ARES will provide the auditors the amount of retail load to be served within each control area.</p>				
<p>For a "Dynamic Purchase and/or Sale" made external to MAIN the amount should not be included above as Load. Rather it should be treated as any other Purchase and/or Sale. Categorization of the Purchase and/or Sale will be determined by the specifics of the contract, including transmission. The following templates for a Purchase and/or Sale will determine where to record the transaction.</p>				

Audit Date

5/13/04

SUMMER 2004 PEAK LOAD AND RESOURCE AUDIT

Interruptible Load
UPPCo

6/15 6/30	7/1 7/31	8/1 8/31
MW	MW	MW
4	4	4

Line No.		MW	MW	MW
2	Interruptible Load included in 1 if any (Under Contract which can be interrupted at time of Summer Peak Demand)	4	4	4
<p>Auditor will obtain Member's forecast for its 2004 summer interruptible load. Auditor will review the Interruptible Tariff(s) or contract(s) to confirm that at least one of the following two provisions exist for the period from June 15 through August 31: (1) Load may be curtailed at the Member's sole discretion to protect system security or reliability, or (2) Load may reasonably be expected to be curtailed at the Member's discretion at times of 2004 summer peak making conditions via other curtailment provisions, e.g. curtailment due to costs, or supply constraints. Auditor will confirm that curtailment provisions are not limited to conditions on the Member's system only, or the Member's state only, and that curtailments may reasonably be expected to be enforceable for overall conditions in MAIN. Auditor will confirm that the amount of load on Tariffs(s) or contract(s) equals or exceeds the forecast by the Member. Auditor will confirm that notice provisions, if any, do not exceed 24 hours. Auditor will enter Member's load forecast on Line 2 of the template for the Member if the above c</p>				

Jefferson Smurfit Stone - 8 MW is firm and 4 MW is interruptible (paper mill)

Audit **SUMMER 2004 PEAK LOAD AND RESOURCE AUDIT**

Date

5/13/04

Firm Purchases
UPPCo

6/15 6/30	7/1 7/31	8/1 8/31
MW	MW	MW
65	65	65

Line No.	
4	Firm Power Purchases (Firm Power and Firm Path)
	Firm transmission path source to sink
	Seller has contracted to supply across peak conditions, with no unilateral curtailment option
	Seller has contracted to supply reserves
	Seller and Purchaser have agreed that Purchaser will count transaction as a reduction in demand obligation and Seller will count transaction as an addition to demand obligation.
	A PURCHASE WORKSHEET is included - Use one worksheet for each purchase and include or attach OASIS information.
	Member will provide the Auditor with the total amount of Firm Power purchases being reported by the Member. The Auditor will review the contracts for such Firm Power purchases and will confirm the following:
	In all cases, the Auditor must identify the specific generating units, or system of generating units, from which the supply will originate, and all intervening systems and the related power supply contracts.
	The entire transmission path from the source supply to the load is firm transmission under OATT of all intervening systems.
	The related power supply contract(s) MW, and stated term that covers 2004 summer on peak periods.
	The related power supply contract(s) is described as firm.
	The related power supply contract(s) specifically stipulate that all non-firm sales of the supplier must be curtailed before this transactions is curtailed or reduced.
See Note Below	The related power supply contract(s) has no provision that gives the supplier a unilateral right to not deliver energy under the contract without curtailing, on a pro-rata basis, all of the supplier's firm power obligations, including firm native load.
	The related power supply contract(s) has no provision that gives the supplier or any intervening party a unilateral right to not deliver the supply and only incur an economic penalty.
	The supplier has stated in the contract that the Seller will maintain the supply and Seller will count the sales as a demand obligation in regulatory and reliability reporting, and a specific statement that the purchaser will count the supply as firm. In the event a Seller is obtaining the contracted supply form another party, all contracts between the seller and the generating units used to provide the supply must contain this same provision. If no specific language is in the contract(s) Purchaser and Seller may certify for the auditor.
	Any contract that has provisions for liquidated damages, or other economic consequences to the supplier is not Firm unless all the aforementioned provisions are in the contract also.
	To the extent the Auditor confirms the above the reported MW amount will be entered on Line 4.
	In the event the Auditor finds one or more of the above provisions is not reasonably met, the amount of that transaction may be netted into the entry on line 12.
	The auditor will cross check any reported purchases from another MAIN member.
Note:	Note: For contracts meeting the 1999 audit criteria and entered into prior to 1/18/00 the following 1999 audit provision applies: The related power supply contract(s) has no provision that gives the supplier or any intervening party a unilateral right to not deliver the supply without first, or at the same time, curtailing all or a proportional amount of all other of the supplier's or intervening party's firm sales.

Audit **SUMMER 2004 PEAK LOAD AND RESOURCE AUDIT**

Date
5/13/04

System/Unit Purchases
UPPCo

		6/15 6/30	7/1 7/31	8/1 8/31
Line No.		MW	MW	MW
6	Unit or System Power Purchases	16.40	27.50	27.50
Firm transmission path source to sink				
Seller has contracted to supply across peak conditions, with no unilateral curtailment option except as specified in contingencies below.				
Seller has NOT contracted to supply reserves				
Seller and purchaser have clearly agreed Purchaser will count purchase as an increase in available capacity and Seller will count it as an available capacity reduction.				
A PURCHASE WORKSHEET is included - Use one worksheet for each purchase and include or attach OASIS information.				
Member will provide the Auditor with the total amount of Unit or System Power purchases being reported by the Member. The Auditor will review the contracts for such Unit or System Power purchases and will confirm the following:				
In all cases, the Auditor must identify the specific generating units, or system of generating units, from which the supply will originate, and all intervening systems and the related power supply contracts.				
The entire transmission path from the source supply to the load is firm.				
The related power supply contract(s) MW, and stated term that covers 2004 summer on peak periods.				
The related power supply contract(s) specifically stipulate that all non-firm sales of the supplier must be curtailed before this transactions is curtailed or reduced.				
For System Power Purchases, the related power supply contract(s) will have a priority of service as firm as or immediately following the Seller's firm obligation (firm obligations include Seller's native load and firm capacity obligations) and previously contracted capacity obligations. For Unit Purchases , the related power supply contracts will be described as contingent only upon the availability of specified unit(s) and defined unit contingencies.				
The related power supply contract(s) has no provision that gives the supplier or any intervening party a unilateral right to not deliver the supply and only incur an economic penalty.				
The supplier has stated in the contract that the Seller will maintain the supply and Seller will count the sales as a capacity obligation in regulatory and reliability reporting, and a specific statement that the purchaser will count the supply as a capacity resource. If no specific language is in the contract(s) purchaser and seller may certify for the auditor.				
Any contract that has provisions for liquidated damages, or other economic consequences to the supplier is not available capacity unless all the aforementioned provisions are also in the contract.				
To the extent the Auditor confirms the above the reported MW amount will be entered on Line 6.				
In the event the Auditor finds one or more of the above provisions is not reasonably met, the amount of that transaction may be netted into the entry on line 12.				
The auditor will cross check any reported purchases from another MAIN member.				

Capacity Purchase Agreement contract between the City of Escanaba and UPPCO that entitles UPPCO to capacity from the 18 MW Escanaba combustion turbine dated 5/22/02 MISO OASIS #75218819	11.4	17.5	17.5
Capacity Purchase Agreement contract between Wisconsin Electric Power Company and UPPCO entitles UPPCO to 5 MW of firm capacity from the Presque Isle Power Plant for June 2004	5	0	0
Dated 4/28/02 MISO OASIS #75332904			
Capacity Purchase agreement between UPPCO and White Pine Copper Refinery, Inc. that entitles UPPCO to capacity from the 20 MW steam turbine generator dated 5-12-04. MISO OASIS # 75681101.	0	10	10
Total Capacity in MW	16.4	27.5	27.5

Audit Date

SUMMER 2004 PEAK LOAD AND RESOURCE AUDIT

5/13/04

System/Unit Sales
UPPCo

6/15	7/1	8/1
6/30	7/31	8/31

Line No.		MW	MW	MW
7	Unit or System Power Sales			
<p>Seller has contracted to supply across peak conditions, with no unilateral curtailment option except as specified in contingencies below.</p>				
<p>Seller has NOT contracted to supply reserves</p>				
<p>Seller and purchaser have clearly agreed Purchaser will count purchase as an increase in available capacity and Seller will count it as an available capacity reduction.</p>				
<p>Member will provide the Auditor with the total amount of Unit or System Power sales being reported by the Member. The Auditor will review the contracts for such Unit or System Power sales and will confirm the following:</p>				
<p>The related power supply contract(s) MW, and stated term that covers 2004 summer on peak periods.</p>				
<p>Member will provide the Auditor with the total amount of Unit or System Power sales being reported by the Member. The Auditor will review the contracts for such Unit or System Power sales and will confirm the following:</p>				
<p>For System Power Purchases, the related power supply contract(s) will have a priority of service as firm as or immediately following the Seller's firm obligation (firm obligations include Seller's native load and firm capacity obligations) and previously contracted capacity obligations. For Unit Purchases, the related power supply contracts will be described as contingent only upon the availability of specified unit(s) and defined unit contingencies.</p>				
<p>The related power supply contract(s) has no provision that gives the supplier or any intervening party a unilateral right to not deliver the supply and only incur an economic penalty.</p>				
<p>The supplier has stated in the contract that the Seller will maintain the supply and Seller will count the sales as a capacity obligation in regulatory and reliability reporting, and a specific statement that the purchaser will count the supply as a capacity resource.</p>				
<p>Any contract that has provisions for liquidated damages, or other economic consequences to the supplier is not available capacity unless all the aforementioned provisions are also in the contract.</p>				
<p>To the extent the Auditor confirms the above the reported MW amount will be entered on Line 7.</p>				
<p>In the event the Auditor finds one or more of the above provisions is not reasonably met, the amount of that transaction may be netted into the entry on line 12.</p>				
<p>The auditor will cross check any reported sales to another MAIN member.</p>				

Audit **SUMMER 2004 PEAK LOAD AND RESOURCE AUDIT**

Date
5/13/04

Other Net Purchases
UPPCo

		6/15 6/30	7/1 7/31	8/1 8/31
Line No.		MW	MW	MW
12	Other Net Purchases under contract but not included in above Lines 4, 5, 6 or 7.	45	45	45
<p>Any transactions which the Member wants to include and has reported to the Auditor for inclusion in the information but the Auditor reasonably determined did not meet the definitions in template 4,5,6 or 7.</p> <p>This is likely to include transactions where provisions are different than defined in this template including, but not limited to:</p> <p>Purchases for which curtailment is unclear.</p> <p>Purchases for which curtailment is allowed unilaterally but with compensation.</p> <p>Purchases for which the specific source of supply or system of supply is unclear.</p> <p>Purchases for which a portion of the transmission path is not firm.</p> <p>Purchases for which a the transmission path may be firm, but the supply is not firm.</p> <p>Purchases for which curtailment is allowed with advance notice.</p> <p>Purchases for which the agreement on what party counts the supply is unclear, and not certified by Member.</p> <p>Purchases for which interruption of supply is contingent on a combination of factors on the seller's system.</p> <p>Purchases for which interruption of supply requires the seller to compensate the buyer for replacement energy and which the seller may interrupt supply for a specified number of hours without replacement energy compensation.</p>				
<p>This Line is for information only. It does not enter into the reserve margin calculations.</p>				

For 2004, 45 Mw for June and July and August on firm transmission of W-2 interruptible service from WPS. MISO OASIS #75560646,75405053 and 75520734.

Audit
Date

SUMMER 2004 PEAK LOAD AND RESOURCE AUDIT

5/13/04

Other Planned Net Purchases
UPPCo

		6/15 6/30	7/1 7/31	8/1 8/31
Line No.		MW	MW	MW
13	Other Planned Net Purchases NOT under contract and not included in above Lines 4, 5, 6 or 7.	-	-	-
13a	Purchases planned, but not currently under contract.			
13b	Sales planned, but not currently under contract			
Line 13 is the algebraic sum of Lines 13a and 13b.				
This Line is for information only. It does not enter into the reserve margin calculations.				

Audit Date **SUMMER 2004 PEAK LOAD AND RESOURCE AUDIT**

5/13/04

Excluded Wholesale Load and Resources
UPPCo

		6/15 6/30	7/1 7/31	8/1 8/31
Line No.		MW	MW	MW
16a	Estimated Summer 2004 Wholesale Load Excluded from Line 1 To be included on Line "I" on Summary	42.000	42.000	42.000
16b	Estimated Generating Capacity Expected to be Available for 2004 Summer To be included on Line "J" on Summary	41.364	40.749	42.420
16c	Estimated Net Power Purchases To be included on Line "J" on Summary	15.000	15.000	15.000
This template includes the summation of all Exclusions				
This Line is for information only. It does not enter into the reserve margin calculations.				

2004 15 Mw Enbridge/Iron River load is served by Alliant. MISO OASIS #'s 75559467 for 9 MW & 75559466 for 6 MW
Contract references:
Power Supply Agreement & Addendum between Upper Peninsula Power Company and Wisconsin Power & Light Company

27 Mw load is served by The City of Escanaba's 26.3 Mw (1-13.1 & 2-13.2 Mw units) Steam Plant and 18 Mw combustion turb
Escanaba Steam Plant
Escanaba CT rated capacity
Total

26.3	26.3	26.3
15.064	14.449	16.12
41.364	40.749	42.42

line 16a = 15 +27
line 16b = 26.3 + Escanaba rated capacity
line 16c = 15

ine that became operational on 3/14/03

Audit **SUMMER 2004 PEAK LOAD AND RESOURCE AUDIT**

Date

5/13/04

Retail Load Served Outside Control Area (ARES)
UPPCo

6/15	7/1	8/1
6/30	7/31	8/31

Line No.		MW	MW	MW
15	Retail Load served outside control area not included in Sales or Projected Demand	0	0	0

The auditor will review Retail load served external to the control area that is not Summer 2004.

This Line is for information only. It does not enter into the reserve margin calculations.

Agreement Energy
Dispatch Agreement

ad) load in Iron River, MI

Escanaba CT

