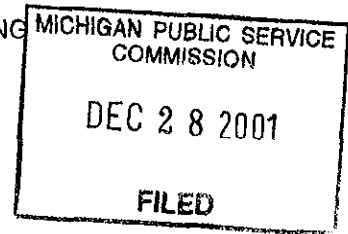


LOOMIS, EWERT, PARSLEY, DAVIS & GOTTING
A PROFESSIONAL CORPORATION
232 SOUTH CAPITOL AVENUE, SUITE 1000
LANSING, MICHIGAN 48933
TELEPHONE (517) 482-2400 FACSIMILE (517) 482-7227



JACK C. DAVIS, PC
KARL L. GOTTING, PC
DAVID M. LICK
HARVEY J. MESSING
JAMES R. NEAL
KENNETH W. BEALL
MICHAEL G. OLIVA
JEFFREY W. BRACKEN
CATHERINE A. JACOBS
RONALD W. BLOOMBERG
MICHAEL H. RHODES
HOWARD J. SOIFER

JEFFREY L. GREEN
GARY L. FIELD
SHERRI A. WELLMAN
KELLY K. REED
JEFFREY S. THEUER
DANIEL L. PULTER
ELDONNA M. RUDDOCK
KEVIN J. RORAGEN
THERESA A. SHEETS
JARED A. ROBERTS
LISA A. HANSON
PETER J. KULICK

PLUMMER SNYDER
(1900-1974)
GEORGE W. LOOMIS
QUENTIN A. EWERT
WILLIAM D. PARSLEY
OF COUNSEL
SUE ANN GEIERSBACH
OF COUNSEL-SPECIAL
PROJECTS

December 28, 2001

Dorothy Wideman
Michigan Public Service Commission
6545 Mercantile Way
Lansing, Michigan 48911

Re: Upper Peninsula Power Company
MPSC Case No. U-12134

Dear Ms. Wideman:

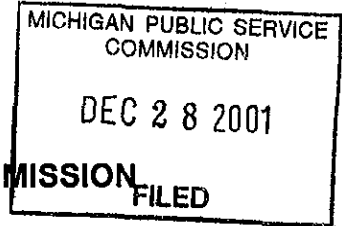
Enclosed for filing are an original and four (4) copies of the Compliance Plan of Upper Peninsula Power Company. Also enclosed for filing are an original and four (4) copies of Upper Peninsula Power Company's Request for Waivers. Finally, enclosed is an original Proof of Service. These documents are also being electronically filed (the Compliance Plan and Exhibit A to the Request will be scanned in at a later date.

Very truly yours,

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

Sherri A. Wellman

SAW/mkm
Enclosure



STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the approval of a code of
conduct for **CONSUMERS ENERGY COMPANY**
and **THE DETROIT EDISON COMPANY.**

Case No. U-12134

COMPLIANCE PLAN OF
UPPER PENINSULA POWER COMPANY

Upper Peninsula Power Company ("UPPCO") files this Compliance Plan as required by the Code of Conduct adopted by the Michigan Public Service Commission ("Commission") pursuant to the October 29, 2001 Order on Rehearing and December 4, 2000 Opinion and Order ("the Orders") in Case No. U-12134.

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 its service areas in the Upper Peninsula of Michigan.

Paragraph VI of the Code of Conduct, attached to the October 29, 2001 Order on Rehearing as Exhibit A, provides that:

"Each electric utility or alternative electric supplier shall file a code of conduct compliance plan within 60 days of the order on rehearing on this code of conduct by the Commission. The compliance plan shall:

1. Designate a corporate officer of the electric utility or alternative electric supplier who will oversee compliance with the code of conduct and be available to serve as the Commission's primary contact regarding compliance with the code.
2. Include an affidavit signed by the designated corporate officer certifying that the electric utility or alternative electric supplier will comply fully with the code of conduct.

3. Include a clear organization chart of the parent or holding company showing all regulated entities and affiliates and a description of all services and products provided between the regulated entity and its affiliates.

The electric utility or alternative electric supplier shall file revisions to its compliance plan needed to keep the information contained therein current.

In the compliance filing, the electric utility or alternative electric supplier may request a waiver from one or more provisions of this code of conduct. The electric utility or alternative electric supplier carries the burden of demonstrating that such a waiver will not inhibit the development or functioning of the competitive market.”

Pursuant to the above Paragraph VI, UPPCO submits the following Compliance Plan:

1. Diane L. Ford is the designated corporate officer of UPPCO who will oversee compliance with the Code of Conduct and be available to serve as the Commission’s primary contact regarding compliance with the Code of Conduct. Ms. Ford is Vice President - Controller of UPPCO. Her primary address and telephone number are 700 North Adams, Green Bay, Wisconsin 54301 and (920) 433-1453.

2. By signing this Compliance Plan filing, Diane L. Ford certifies that UPPCO will fully comply with the Code of Conduct as modified by any waivers granted to UPPCO by the Commission.

3. An organization chart of the parent or holding company showing all regulated entities and affiliates and a description of all services and products provided between the regulated entity and its affiliates is attached as Attachment A.

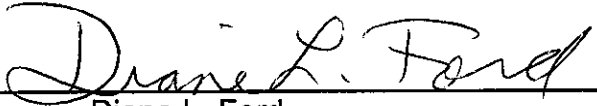
4. UPPCO will annually file revisions to this Commission as needed to keep the information contained herein current with any significant changes.

5. This Compliance Plan filing is made in response to the Orders issued by the Commission and the directive set forth in the adopted Code of Conduct. It is not a voluntary filing by UPPCO. UPPCO reserves the right to withdraw the Compliance Plan in the future based upon further orders of the Commission, rulings made by courts, tribunals or agencies, or changed circumstances.

6. As part of this compliance filing, in accordance with Paragraph VI of the Code of Conduct, UPPCO is contemporaneously filing a Request for Waivers from certain provisions of the Code of Conduct.

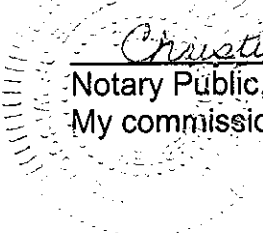
7. UPPCO reserves the right to make additional waiver requests at any time in the future.

I, Diane L. Ford, swear or affirm that the foregoing statements are true to the best of my knowledge, information and belief.



Diane L. Ford

Subscribed and sworn to before me
this 26 day of December, 2001.


Christine A. Wroner
Notary Public, Brown County, Wisconsin
My commission expires 7-21-2002

Listing of WPS Resources Corporation Affiliate Companies
(Including Wisconsin Public Service Corporation and Upper Peninsula Power Company)

WPS Resources Corporation (WPSR): Formed in December 1993 as a nonutility subsidiary of Wisconsin Public Service Corporation (WPSC). Became the parent holding company pursuant to Docket 9405-YO-100 on September 1, 1994.

Wisconsin Public Service Corporation (WPSC): Formed in July 1883 as a regulated electric and gas utility. Currently serving customers in an 11,000 square-mile area of northeastern and central Wisconsin and an adjacent portion of Upper Michigan.

WPS Leasing, Inc.: Formed in October 1994 as a nonutility subsidiary of WPSC to provide targeted financing to specific projects.

WPS Investments, LLC: Formed in December 2000 as a nonutility subsidiary of WPSC to hold certain rights and interests in the transmission facilities of WPSC and subsequently a membership interest in American Transmission Company.

American Transmission Company LLC: Formed on June 13, 2000 as a single purpose, for profit transmission company to construct, operate, maintain, and expand the transmission facilities under its control in order to provide adequate, reliable transmission service under a single, system-wide rate.

ATC Management Inc.: Formed on June 13, 2000, this affiliate manages the American Transmission Company LLC.

WPSR Capital Trust I (Statutory Business Trust): Formed on June 9, 1998 to issue its securities and investing the proceeds in an equivalent amount of 7.00% Junior Subordinated Deferrable Interest Debentures of WPS Resources Corporation due in 2038.

WPS Energy Services, Inc.: Formed in September 1994 to provide electric supply services. In January 1995 this company was merged with Packerland Energy Services, Inc, a company that was formed to provide gas supply services. Is a subsidiary of WPS Resources Capital Corporation.

WPS Power Development, Inc.: Formed in May 1995 to participate in the development of electric generation projects and to provide services to the unregulated electric power generation industry. Is a subsidiary of WPS Resources Capital Corporation.

WPS Visions, Inc.: Formed in July 1996 as a subsidiary of WPS Resources Corporation in order to participate in the development of a national marketing concept.

PDI Stoneman, Inc.: Formed in April 1996 as a subsidiary of WPS Power Development, Inc. Owns 100% of LB Mid-American, Inc., and 66-2/3% of Mid-American Power, LLC.

PDI Operations, Inc.: Formed in May 1996 as a subsidiary of WPS Power Development, Inc. to provide operating services to the Stoneman power plant. Name was changed from PDI Stoneman Operations, Inc. to PDI Operations, Inc. on May 15, 1997.

Mid-American Power, LLC: Formed during 1996 as the owner of the Stoneman facility. 66-2/3% ownership shares are held by PDI Stoneman, Inc. and 33-1/3% by B. M. Stoneman, Inc. (a subsidiary of Burns & McDonnell).

Mid-American Power Ventures, LLC: Formed in August 1996 to develop power production facilities with other partners. Owned 100% by WPS Power Development, Inc.

Neulite Industries of Wisconsin, LLC: Formed in September 1996 to own, construct, and operate light weight aggregate processing facilities. WPS Power Development, Inc. owns 50%, and Neutralysis Wisconsin, Inc. owns 50%.

Upper Peninsula Power Company (UPPCO): Acquired as the result of a merger with UPEN, Inc. September 1998. A regulated utility supplying electric energy to customers in Michigan's Upper Peninsula. Is a subsidiary of WPS Resources Corporation.

Upper Peninsula Building Development Company: Acquired as the result of a merger with UPEN, Inc. September 1998. Owns and leases corporate headquarters to Upper Peninsula Power Company. Is a subsidiary of WPS Resources Corporation.

Penvest: Acquired as the result of a merger with UPEN, Inc. September 1998. Holds investments in communications, real estate, and an unsecured loan within the service territory of UPPCO. Is a subsidiary of WPS Resources Corporation.

Renewable Fibers International, LLC: Formed January 1998 to develop and operate business activities related to the continuous fiber liberation of wood chips which is a more efficient process for paper companies. WPS Power Development, Inc. has a 33-1/3% membership interest and Hoffman Environmental Systems, Inc. has a 66-2/3% membership interest.

Wisconsin Woodgas, LLC: Formed January 1998 to own and operate a gasification facility that converts biomass feedstock into biomass gas for sale to Wisconsin Energy Operations LLC. Is a subsidiary of WPS Power Development, Inc.

Wisconsin Energy Operations, LLC: Formed January 1998 to own and operate a facility that generates process steam for sale to Webster Industries Incorporated. WPS Power Development, Inc. has a 49% membership interest and Webster Industries Incorporated has a 51% membership interest.

ECO Coal Pelletization #12, LLC: Formed June 1998 to own and operate a facility that combines coal fines and a binder to create synthetic fuel. In 2001, WPS Power Development, sold the assets of this entity to another company and bought out its original partner. WPS Power Development now owns 100% of this company, which owns 100% of Synfuel Solutions, LLC.

Synfuel Solutions, LLC: Formed in 2001 to own 33 1/3% interest in Snyfuel Operations, LLC.

Synfuel Operations, LLC: Formed in 2001 to own and operate a facility that combines coal fines and a binder to create synthetic fuel. This company is owned 33 1/3 % by Synfuel Solutions, LLC and 66 2/3% by an unrelated outside party.

WPS Resources Capital Corporation: Formed January 13, 1999 as an intermediate holding company for certain nonregulated subsidiaries including WPS Energy Services, Inc. and WPS Power Development, Inc. and a vehicle to provide debt financing for said nonregulated subsidiaries.

WPS Nuclear Corporation: Formed in April 1999 as a subsidiary of the holding company to own one-third of the Nuclear Management Company, LLC.

PDI New England, Inc.: Formed in June 1999 as a subsidiary of WPS Power Development, Inc. for the ownership and operation of United States based electrical generating facilities and related transmission facilities acquired from Maine Public Service Company.

PDI Canada, Inc.: Formed in June 1999 as a subsidiary of WPS Power Development, Inc. for the ownership and operation of Canadian based electrical generating facilities and related transmission facilities acquired from Maine Public Service Company.

WPS Northern Nevada, LLC.: Ownership and operation of generation assets acquired as part of the Tracy-Pinon acquisition in October 2000. Owned 100% by WPS Power Development, Inc.

Sunbury Holdings, LLC: Formed in November 1999 as a subsidiary of WPS Power Development, Inc. to be a holding company for Sunbury Generation, LLC and Penfield Collieries, LLC.

Sunbury Generation LLC: Formed in November 1999 as a subsidiary of Sunbury Holdings, LLC to own generating assets in Pennsylvania.

Penfield Collieries, LLC: Formed in November 1999 as a subsidiary of Sunbury Holdings, LLC to own fuel-related assets in Pennsylvania.

WPS Westwood Generation, LLC: Formed in September 2000 as a subsidiary of Sunbury Holdings, LLC owns a circulating fluidized bed plant located in Pennsylvania. WPS Westwood Generation, LLC named was changed from CinCap VI, LLC during January 2001.

Combined Locks Energy Center, LLC: Formed in September 2000 as a 100% owned subsidiary of WPS Power Development, Inc. Combined Locks Energy Center is a steam and electric power production facility located in Combined Locks, Wisconsin at the Appleton Coated paper mill site. The company will sell steam on site to the paper mill and will sell electricity to the wholesale electric market.

Nuclear Management Company, LLC: Formed during 1999 to provide maintenance, operation, and decommissioning services to nuclear power plants. Owned one-quarter each by WPS Nuclear Corporation, WEC Nuclear Corporation, Northern States Power Company, and Alliant Energy Nuclear, LLC.

Brown County C-LEC, LLC: Formed during 1999 to provide competitive local exchange service and telephone communication service in the Green Bay, Appleton, and De Pere areas of Wisconsin. Owned 40% by WPS Resources and 60% NET-LEC, a wholly owned subsidiary of Northeast Communications of Wisconsin.

Superior Spectrum Communications: Acquired as a result of a merger with UPEN, Inc. in September 1998. The telecommunications company is owned one-third each by Penvest, Hiawatha Telephone, and Baraga Telephone.

Badger Energy Services LLC: Formed August 22, 2000 to sell propane and related energy services in Wisconsin. WPS Resources Corporation, Oconto Electric Cooperative, Central Wisconsin Electric Cooperative, Adam-Columbia Electric Cooperative, Larsen Cooperative, Tomorrow Valley Cooperative Services, and Bay Lakes Cooperative each own one-seventh of this limited liability company.

WPS-ESI Gas Storage, LLC: Formed August 25, 1999. Owns a gas storage facility in Michigan. WPS Energy Services, Inc. is a 75% owner and Lawrence Exploration Inc. is a 25% owner.

Wisconsin River Power Company: Formed April 7, 1947. Operates two hydroelectric plants on the Wisconsin River and proportionately sell the energy output to the two companies which own all of the outstanding shares of stock of Wisconsin River Power Company. Wisconsin Public Service Corporation owns 66.88% and Wisconsin Power and Light Company owns 33.12% of Wisconsin River Power Company.

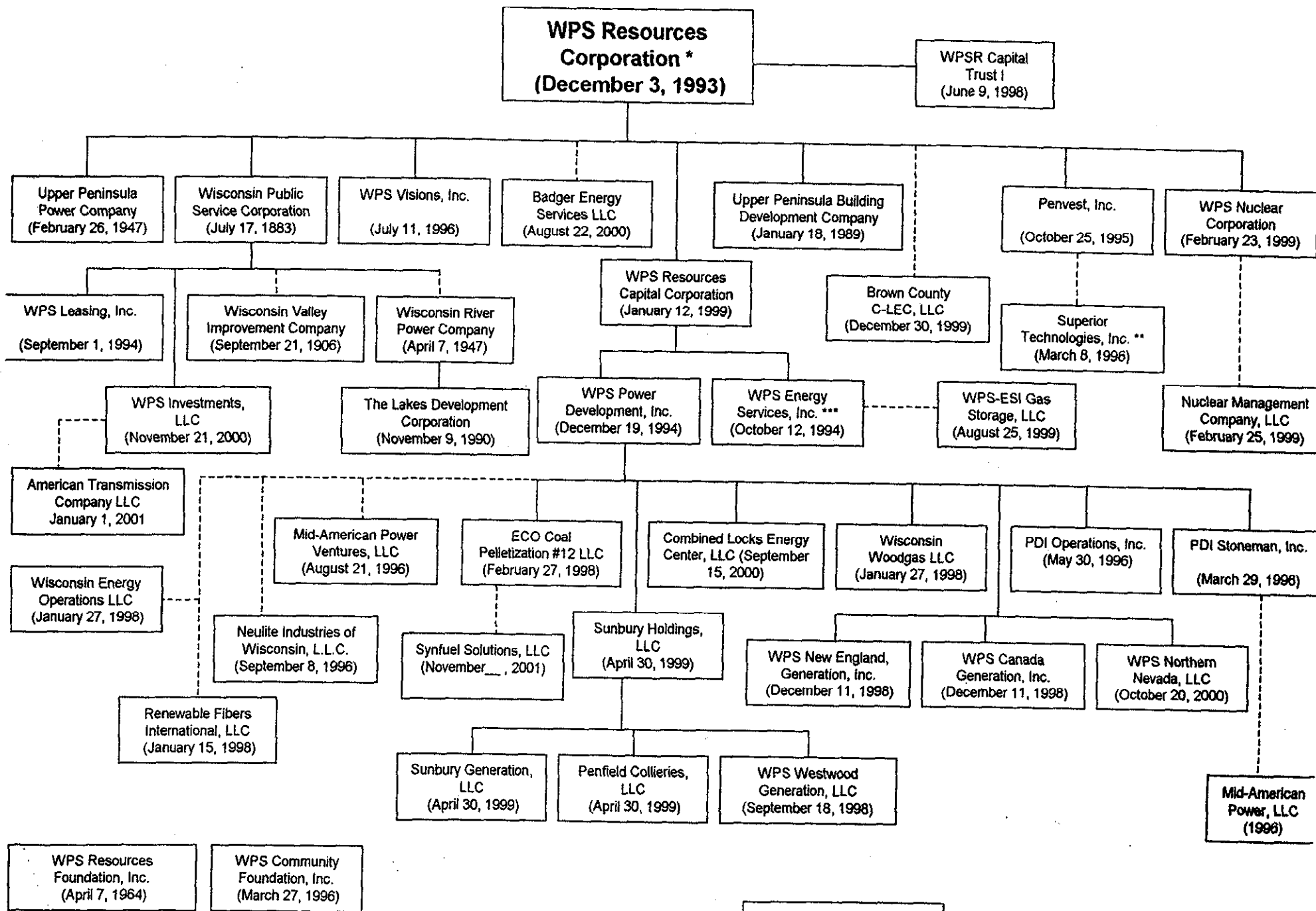
Lakes Development Company (Subsidiary of Wisconsin River Power Company): Formed November 9, 1990. Owns Federal Energy Regulatory Commission project land including a marina and campground.

Wisconsin Valley Improvement Company: Formed September 21, 1906. Operate a system of dams and water reservoirs on the Wisconsin River and tributary streams to produce as nearly a uniform stream flow as practicable through all seasons and charges water tolls to benefited power plant owners as determined semiannually by the Public Service Commission of Wisconsin. WPSO owns 27%, Consolidated Water Power owns 24%, Wisconsin River Power Company owns 14%, Wisconsin Power and Light Company owns 12%, Georgia-Pacific owns

10%, Wausau-Mosinee Paper Corporation owns 5%, Weyerhaeuser Company owns 3%, PCA Hydro, Inc. owns 3%, Kimberly Clark Corporation owns 1.5%, and Tomahawk Power & Pulp owns .5%.

Wisconsin Public Service Foundation, Inc.: Formed April 7, 1964. Makes charitable contributions.

WPS Community Foundation, Inc.: Formed March 27, 1996. Is a charitable foundation to fund solar use.



— Wholly-owned subsidiary
 - - - Partial ownership

* Holding company structure became effective on September 9, 1994.
 ** Doing business in Michigan as Superior Spectrum, Inc.
 *** FSG Energy Services is a division of WPS Energy Services, Inc.

MICHIGAN

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

MICHIGAN PUBLIC SERVICE COMMISSION
DEC 28 2001
FILED

In the matter of the approval of a code of)
conduct for **CONSUMERS ENERGY COMPANY**)
and **THE DETROIT EDISON COMPANY**)

Case No. U-12134

**UPPER PENINSULA POWER COMPANY'S
REQUEST FOR WAIVERS**

Upper Peninsula Power Company ("UPPCO" or the "Company") files this Request for waivers of Code of Conduct provisions as required by the Michigan Public Service Commission ("Commission") pursuant to its October 29, 2001 Order on Rehearing and December 4, 2000 Opinion and Order issued in Case No. U-12134. In connection with this Request, UPPCO respectfully represents to the Commission as follows:

I. INTRODUCTION

1. UPPCO is a Michigan corporation, with principal offices located in Houghton, Michigan, and is a public utility engaged in the generation, purchase power, electric distribution and sale of electric energy in the Upper Peninsula of Michigan.

2. UPPCO serves certain cities, villages and townships located in the counties of Alger, Baraga, Delta, Houghton, Iron, Keweenaw, Marquette, Menominee, Ontonagon and Schoolcraft.

3. UPPCO is a wholly owned subsidiary of WPS Resources. UPPCO and Wisconsin Public Service Corporation ("WPS Corp") are affiliated companies. UPPCO is also affiliated with the American Transmission Company, LLC ("ATCLLC"). As part of its Compliance Plan, which is being contemporaneously filed with this Request, UPPCO has included an organization chart of WPS Resources showing all regulated and unregulated affiliates.

4. The Commission's October 29, 2001 Order on Rehearing adopted the Code of Conduct (sometimes referred to as the "Code") attached to the Order as Exhibit A. Section VI of the Code directs electric utilities and alternative electric suppliers to file a compliance plan with the Commission within 60 days of the order on rehearing. As part of the compliance filing, the electric utility or alternative electric supplier may request a waiver from one or more provisions of the Code. Pursuant to this section of the Code, UPPCO seeks waivers of certain Code provisions as relating to specific services and/or activities described below.

II. UNREGULATED SERVICES PROVIDED TO AFFILIATED, REGULATED ENTITIES

5. UPPCO provides the following unregulated services to its regulated affiliate WPS Corp in the state of Michigan:

- a. Accounting, engineering, tax, printing, generating substation and distribution dispatch, information technology, Automatic Meter Reading services, billing and other corporate support functions as listed in Exhibit A attached hereto.

Conversely, UPPCO receives unregulated services from WPS Corp, see paragraph 6 of Wisconsin Public Service Corporation's Request for Waiver being contemporaneously filed in this docket.

6. As clarified in the October 29, 2001 Order on Rehearing, the Code of Conduct has "limited application". The Code applies only to the relationship between regulated and unregulated service offerings. "A utility or alternative electric supplier may not utilize its regulated services to subsidize, provide competitively sensitive information, or grant preferential treatment to its unregulated affiliates." (Emphasis added.) (pp 13-14 of the Order on Rehearing) Therefore, services provided by the utility to regulated affiliates are not covered by the Code of Conduct. If, however,

the Commission determines that the intent of the Code is to regulate services between regulated affiliates, UPPCO requests a waiver from Sections IIA, IIB, IIC, IID, IIE, IIIA and IIIC of the Code and any other Code provision that the Commission may deem applicable, for all of the services provided and received as listed in paragraph 5. ¹ UPPCO submits that such a waiver will not inhibit the development or functioning of the competitive market nor will it result in cross-subsidization, information sharing or preferential treatment for the following reasons.

The services shared between its regulated affiliates achieve economies of scale and scope. As a result, the regulated affiliates are better able to provide higher quality service at lower prices. For instance, requiring UPPCO to either provide these services through separate, independent divisions, or to discontinue these services,² thereby requiring WPS Corp to hire and train additional employees and possibly purchase duplicative equipment and facilities, will destroy the scales of economy and result in higher rates to Michigan retail electric customers. Furthermore, the laws of the state of Wisconsin, which have the same intent as the Code, i.e. to prevent cross-subsidization, information sharing or preferential treatment, already govern the relationship between WPS Corp and UPPCO. These Wisconsin laws have been effectively providing for the functional separation needed to prevent cross-subsidization between regulated and unregulated services. Specifically,

¹Petitions for Rehearing of the October 29, 2001 Order on Rehearing have been filed with the Commission. The petitioners request revisions to certain code provisions. If the requested relief is granted, UPPCO reserves the right to amend this Waiver Request, if necessary, to seek further exemption.

²Economically, UPPCO cannot provide these services if a waiver is not granted. Reorganizing under the Code would require the creation of separate business entities that would have to be fully staffed to provide engineering, billing, construction, etc., services that are currently shared with UPPCO's regulated operations. Creating such fully staffed separate entities would seriously degrade, if not destroy, the efficiencies and economies of scale that currently exist in the WPS Resources corporate structure.

services that are considered “unregulated” are governed by Wisconsin’s Public Utility Holding Company laws. Sec. 196.795 Wis Stats. et seq. Under these laws, “no public utility affiliate [of a holding company] may provide any nonutility product or service in a manner that unfairly discriminates against any competing provider of the products or service.” (Sec. 196.795(5)(dr)) Pursuant to Sec. 196.795 et seq., WPS Corp and UPPCO filed and received approval of an affiliate interest agreement with the Public Service Commission of Wisconsin (“PSCW”). (See Exhibit A). Granting a waiver will assist UPPCO in avoiding jurisdictional inconsistencies. Likewise, cross-subsidization can be remedied through the Commission’s existing regulatory rate processes. Additionally, all of the services provided by UPPCO to WPS Corp or vice versa relate to or further the utility’s regulated service. Often times UPPCO is the only entity in the area that has the expertise required by WPS Corp in connection with providing its regulated business. This is a result of the Upper Peninsula being a mostly sparsely populated, rural area. Finally, no complaints have been received regarding the provisioning of these services as taking business away from a potential competitor. The market for providing regulated support services simply does not exist. The granting of the requested waivers is, therefore, appropriate under these circumstances.

7. UPPCO provides the following types of services to ATCLLC in the state of Michigan:

- a. Construction, operation, and maintenance services in UPPCO’s service territories, including but not limited to, daily operation, maintenance and repairs, storm and emergency restoration, and system operating services; and
- b. Engineering services for the design, engineering, and planning of construction, operation, and maintenance services for the transmission system in the UPPCO service territory.

8. For the reasons set forth in paragraph 6 herein, services provided by the utility to regulated affiliates are not covered by the Code of Conduct. However, if the Commission determines that the

intent of the Code is to regulate services between regulated affiliates, UPPCO requests a waiver from Sections IIA, IIB, IIC, IID, IIE, IIIA and IIIC of the Code and any other Code provision that the Commission may deem applicable, for these services.³ UPPCO submits that such a waiver will not inhibit the development or functioning of the competitive market nor will it result in cross-subsidization, information sharing or preferential treatment for the following reasons.

At the end of June, 2001, UPPCO transferred its electric transmission facilities to the ATCLLC. The ATCLLC now provides transmission services to UPPCO at rates approved by the Federal Energy Regulatory Commission ("FERC"). The transmission-support services provided by UPPCO to the ATCLLC achieve the efficiencies and economies of scale. As a result, UPPCO is able to receive transmission services from the ATCLLC at lower rates. If UPPCO was either required to provide these services through a separate, independent division, or to discontinue these services,⁴ thereby requiring ATCLLC to hire and train numerous employees and purchase duplicative equipment and materials, the scales of economy would be destroyed. The scales of economy would also be hindered by the affiliate transaction pricing provisions of the Code. Without a waiver, ATCLLC operating costs will increase and such increased costs will be passed on to UPPCO and its Michigan electric retail customers. Moreover, as an affiliate of the Wisconsin holding company, UPPCO's relationship with ATCLLC is governed by affiliate transaction laws of Wisconsin, Sec. 196.795 *et seq.*, and a FERC approved agreement. Additionally, UPPCO is the only entity in its service territory that can provide these transmission-support services to the ATCLLC; special

³Footnote 1 is repeated herein.

⁴Economically, UPPCO does not believe that it can provide services to ATCLLC through a fully staffed separate business entity. Currently, these types of services are shared with UPPCO's regulated operations. Separation would create a loss of workforce efficiencies.

equipment and expertise is required to provide these services. The lack of equipment and expertise is a result of these services being a limited specialty with few customers and the Upper Peninsula being a mostly sparsely populated, rural area. Finally, no complaints have been received regarding the provisioning of these services as taking business away from a potential competitor. The market for electric transmission support services simply does not exist in the Upper Peninsula. The granting of the requested waivers is, therefore, appropriate under these circumstances.

III. UNREGULATED SERVICES PROVIDED TO ELECTRIC CUSTOMERS AND/OR UNAFFILIATED THIRD PARTIES

9. UPPCO provides the following types of services to electric customers and/or unaffiliated third parties in the state of Michigan:

- a. Construction, operation, and maintenance services for gas, electric, telecommunication systems, and cable TV companies, such as pole line moves, re-conditioning, transformer and service installations;
- b. Installation, operation, and maintenance services for street lighting systems for customers, and municipals;
- c. Underground cable inspection and testing services;
- d. Locating services for underground equipment for telecommunications, gas companies, private, municipal and cooperative utilities;
- e. Electric equipment sales such as transformers, poles, etc., to customers, private, municipal and cooperative utilities or telecommunication companies;
- f. Meter reading services and meter equipment testing services for private, municipal and cooperative utilities. This includes manual and automated systems for gas, electric, and water systems;
- g. Operation of an oil-fired combustion turbine for the City of Escanaba;
- h. Installation, maintenance and repair of private lighting for customers;
- i. Engineers, plans, constructs, operates and maintains electric generation units

in partnership with customers, private, municipal and cooperative utilities;

- j. Engineers, plans, constructs, operates and maintains automatic switch gear to provide dual fuel feed service for customers or private, municipal, and cooperative utilities; and
- k. Power quality, energy conservation and load management services for customers or private, municipal and cooperative utilities.

10. UPPCO requests a waiver from Sections IIA, IIB, IID, and IIE of the Code and any other Code provision that the Commission may deem applicable, for all of the services listed in paragraph 9.⁵ UPPCO submits that such a waiver will not inhibit the development or functioning of the competitive market nor will it result in cross-subsidization, information sharing or preferential treatment for the following reasons.

As discussed, because UPPCO is wholly owned by a Wisconsin holding company, Wisconsin laws regulate these services with the intent to prevent cross-subsidization, information sharing and preferential treatment of unregulated affiliates. Wisconsin law dictates that “no public utility affiliate [of a holding company] may provide any nonutility product or service in a manner that unfairly discriminates against any competing provider of the product or service.” Further, these services are separately accounted for and the time and materials billed in order to fully recover UPPCO’s costs. Ratepayers are therefore fairly compensated for the use of the Company’s regulated assets. Further, the additional revenues received by UPPCO from providing these services will disappear if a waiver is not granted. Replacing such revenues may increase UPPCO’s electric utility rates. Additionally, many of the services listed in paragraph 9 are not provided on a regular basis, not wide-spread and are not marketed or promoted to customers. With respect to the services listed in paragraph 9a, b,

⁵Footnote 1 is repeated herein.

c, d, e, g, h, i and j, often times, UPPCO, as a utility with specialized expertise and equipment, is the only entity which can perform these services for these electric customers or unaffiliated third parties. Likewise, because of the rural characteristics of the Upper Peninsula of Michigan, there simply is no other entity offering such services. For most, if not all of these services, customers or other third parties look to UPPCO because there is an inability to find a vendor with all of the necessary skills or equipment, or there is a need to perform the service, in a timely fashion to eliminate or prevent a hazard, i.e. underground facilities locating. UPPCO does not believe that it can economically perform these necessary services if a waiver is not granted. Therefore, if UPPCO is prevented from providing these services in its current manner, customers and third parties will no longer have access to services which may in certain instances result in public safety issues. Finally, no complaints have been received regarding the provisioning of these services as taking business away from a potential competitor. The granting of the requested waivers is, therefore, appropriate under these circumstances.

IV. BOOKS AND RECORDS

11. UPPCO also requests a waiver from Section VIIA of the Code of Conduct as requiring all documentation relating to the Code to be kept in the state of Michigan. As set forth in UPPCO's Compliance Plan, Code oversight responsibilities rest with Diane L. Ford, Vice President-Controller. Ms. Ford's business office is in the Company's headquarters in Green Bay, Wisconsin. Therefore, maintaining such documentation in Michigan will not be convenient or administratively efficient. UPPCO therefore, requests authority to maintain all relevant documentation in its affiliates Wisconsin offices, and represents that information requests made by the Commission and its Staff will be provided on a timely basis.

12. UPPCO represents that its Request for Waivers may be granted on an ex parte basis. The Company represents that approval of the waivers without hearings will save time and expense and will not increase cost of service or rates for UPPCO's electric customers in Michigan. However, if this Request is subject to contested hearings, UPPCO reserves the right to file direct and rebuttal testimony, conduct discovery, etc., so as to promote its positions.

WHEREFORE, Upper Peninsula Power Company respectfully requests the Michigan Public Service Commission to grant its Request for Waivers in Toto.

Respectfully submitted,

Dated: December 28, 2001

UPPER PENINSULA POWER COMPANY



One of Its Attorneys
Harvey J. Messing (P23309)
Sherri A. Wellman (P38989)
Loomis, Ewert, Parsley, Davis & Gotting, P.C.
232 S. Capitol Avenue, Suite 1000
Lansing, Michigan 48933
(517) 482-2400

AFFILIATED INTEREST AGREEMENT

THIS AGREEMENT is entered into this 16th day of February, 1999, between Wisconsin Public Service Corporation, a Wisconsin public utility corporation headquartered in Green Bay, Wisconsin ("WPSC") which is a wholly owned subsidiary of WPS Resources Corporation ("WPS Resources") and Upper Peninsula Power Company, a Michigan public utility corporation headquartered in Houghton, Michigan ("UPPCO") which is a wholly owned subsidiary of WPS Resources. All of the parties to this agreement shall be collectively referred to as "Parties" or "Affiliates".

WITNESSETH

WHEREAS, WPSC is an affiliated interest with UPPCO pursuant to Section 196.795, Wisconsin Statutes; and

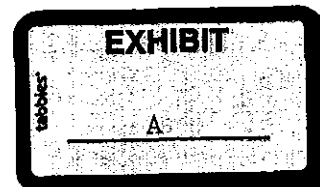
WHEREAS, WPSC and UPPCO as Parties to this Affiliated Interest Agreement ("Agreement"), are utility operating companies and are engaged in the business of providing electric power and energy, and WPSC is also engaged in the distribution and sale of natural gas; and,

WHEREAS, the Parties desire to plan and operate their utility businesses through integration of certain activities to maximize possible economies of scale by sharing services, employees, properties, information systems, and/or anything else of commercial value to the recipient or transferee; and,

WHEREAS, from time to time WPSC and UPPCO may perform various services for each other involving the use of employees as defined in Section 196.795, Wisconsin Statutes; and,

WHEREAS, from time to time the Parties may make their property, as defined in Section 196.795, available to or for use by each other; and,

WHEREAS, the Parties intend that this Affiliated Interest Agreement shall establish the terms, conditions, and procedures which shall apply to the sharing of certain activities and other transfers of assets, property, rights or things of any kind between WPSC and UPPCO, which



services are not provided for in other agreements between the Parties, and also intend to request that the Public Service Commission of Wisconsin ("PSCW") approve this agreement pursuant to Sections 196.52 and 196.795, Wisconsin Statutes.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

WPSC and UPPCO, in consideration of the mutual promises made in this Agreement, agree as follows:

1.0 Provision of Services, Property, Employees, etc.

- 1.1 WPSC and UPPCO may request from one another the furnishing of property, services, employees, rights, interests or other things, or anything of commercial value to the transferee or recipient.
- 1.2 WPSC and UPPCO shall have the right, at their sole discretion, to refuse to provide services, to provide employees or property, or to transfer any right, interest or other thing if so requested; there shall be no exclusive right or right of first refusal associated with the provision of such services, property or things of value; and receiving a refusal to a request under this Agreement shall not be a prerequisite for WPSC or UPPCO to obtain from an independent third party any property, service or thing which is subject to this Agreement.
- 1.3 Refusals of requests by WPSC or UPPCO under Section 1.2 shall not terminate this Agreement.

2.0 Term of Agreement.

2.1 WPSC and UPPCO intend that the provisions of this Agreement shall continue indefinitely and shall control until and unless this Agreement, or any portion of it, is amended by a written agreement which is approved by the PSCW. The Agreement may be terminated upon 60 days notice from any Party, but such termination shall not be effective without the approval of the PSCW.

3.0 Types of Services Provided by WPSC.

3.1 The term "services" shall include management, supervisory, construction, engineering, accounting, legal, financial, human resources, information services, and other administrative services, as well as customer service and accounting, billing, plant operations, distribution operations, transmission operations, or other services.

3.2 The type of services which WPSC may render to UPPCO or UPPCO may render to WPSC are separated into two categories described below. Different methods of establishing charges for each category of services are also enumerated.

3.2.1 Category 1: System Services (transactions performed primarily by WPSC and WPS Resources). WPSC employees have historically and continue to perform most of the functions related to maintenance of shareholder records, investor relations and communications, etc. for all companies in the WPSR system.

Examples of the types of services falling into this Category 1 include, but are not necessarily limited to, the following:

- Stockholder relations, such as responding to stockholder inquiries, appearing before analyst groups and other stockholder communications;

- Bondholder services, including administration of indenture requirements, supervising paying agents and trustees, and responding to bondholder inquiries;
- Maintenance of stockholder records and performance of stock and other securities transfers and recordation;
- Administration of payment of dividends and interest on securities;
- Administration of stock plans such as automatic dividend reinvestment and stock purchase plans, customer stock ownership plans and employee stock ownership plans;
- Preparation and submittal to stockholders, the Securities and Exchange Commission and any other appropriate state or federal agency, of required reports relating to WPSC or Affiliates;
- Advice and assistance in the solicitation and tabulation of proxies, the preparation of proxy solicitation materials and the filing and distribution of such materials;
- Advice and assistance in the planning and conduct of stockholders', directors' and investor relations' meetings;
- Listing of securities on appropriate securities exchanges;
- Maintenance of corporate records and documents;
- Preparation of financing documents, including indentures, registration statements, prospectuses, stock certificates, loan agreements, bonds and any other documents or instruments required or related to the issuance, sale or purchase of securities by federal or state laws or regulations.

3.2.2 Category 2: All Other Services. These include administrative services and other operational functions which WPSC could perform for UPPCO or UPPCO could perform for WPSC.

Examples of the types of services falling into this Category 2 include, but are not necessarily limited to, the following:

- Establishment and maintenance of accounting systems and books of accounts and financial records;
- Advice and assistance regarding audits;
- Advice and assistance regarding accounting, financial and statistical matters;
- Consolidation of accounting data;
- Advice and assistance in connection with tax payments and accruals, including preparation, filing, and, where appropriate, prosecution of federal and state tax returns, reports, protests and claims and all matters relating thereto;
- Advice and assistance regarding the preparation for and response to tax audits;
- Advice and assistance in corporate communications, public relations, and governmental affairs;
- Advice and assistance in purchasing activities, materials management, and warehouse activities;
- Provision of office services such as office automation, photocopying, photography, mail, messenger, printing, and telephones;

- Advice and assistance regarding development of software, procurement of hardware, and use of electronic data processing equipment and other activities related to information technology services;
- Advice and assistance with telecommunication services, including wireless technology;
- Advice and assistance regarding risk management, including insurance matters;
- Advice and assistance regarding cash management and accounts payable, including borrowing activities and bank relations;
- Advice and assistance with budgeting and financial planning;
- Advice and assistance in Human Resource management activities such as employment, training, management development, equal employment opportunity, labor relations, safety, employee issues, employee compensation, employee benefits, and organization design;
- Provision of employee benefits for both qualified and unqualified employee welfare and pension plans and related programs;
- Advice and assistance regarding engineering and construction matters, including provision of drafting services;
- Advice and assistance regarding environmental matters, including testing and analysis;
- Advice and assistance with maintaining customer records and accounts;
- Advice and assistance with advertising and marketing;

- Advice and assistance with operating, maintaining, and constructing generation facilities such as planning, designing and engineering, licensing, administrative support, etc.;
- Advice and assistance with operating, maintaining, and constructing electric distribution systems such as planning, testing, training, establishing standards and work practices, administrative support, etc.;
- Advice and assistance with operating, maintaining, and constructing the electric transmission system such as engineering and design services, testing and repair, licensing, planning, administrative support, etc.
- Advice and assistance with regulatory matters, such as rate design, cost allocation, rate case work, changing regulations, and special studies;
- Advice and assistance with economic analyses;
- Advice and assistance with forecasting activities;
- Advice and assistance with contract administration;
- Advice and assistance with legal matters;

This list is not intended to be all inclusive since the Parties intend to share any and all services which either party provides.

4.0 Determination and Payment of Costs for Services, Property, and Employees Between WPSC and Affiliates. All services provided from WPSC to UPPCO shall be at cost, and all services provided from UPPCO to WPSC shall be at cost, as hereinafter provided.

4.1 Determination of Cost.

4.1.1 Labor Cost.

- A. Each employee of WPSC or UPPCO who in any month was involved in providing any service to the other Party, shall for that month identify the actual time spent providing such services and report the total time spent providing services in the Corporate Labor System.
- B. Based on actual compensation for that individual and the total of hours actually worked, a direct labor dollar hourly rate shall be computed for each such employee identified pursuant to paragraph 4.1.1A.
- C. An overhead shall be established and shall be applied to direct labor dollars (product of Items A and B) to include:
 - 1. Costs associated with pensions, other post-employment benefits, social security taxes, unemployment compensation, health, dental and life insurance, training, vacation, sick, holiday and other employee benefits;
 - 2. Average cost of administrative and general costs including, but not limited to, telephone, office supplies, property insurance and miscellaneous expenses, and excluding regulatory commission expense and other nonrelated expenses;
 - 3. Costs of office space, furniture and equipment based upon current ratepayer cost of capital as authorized by the appropriate Commission.

4.1.2 Equipment Cost. Costs for equipment, other than office furniture and equipment, used in provision of services for or provided will include all

operating expenses, applicable overheads, maintenance, depreciation, return on investment and taxes, income taxes, sales or otherwise. Return on investment shall be calculated using the ratepayer cost of capital authorized by the appropriate Commission. Transportation and vehicle costs used in providing services will be determined based on relative total hours or miles of use or on a vehicle loading applied to labor costs, as appropriate, and will include repairs, maintenance, fuel, depreciation, return on investment and, where appropriate, rental expense. Return on investment shall be calculated using the ratepayer cost of capital authorized by the appropriate Commission.

4.1.3 Materials and Supplies Cost. Costs of materials and supplies specifically used in rendering service to the other Party will be directly determined and charged. All appropriate overheads will follow the assignment of the direct costs. The costs of material will include relative invoice price, shipping expenses, and net of purchase discounts. Appropriate overheads added to the price would include costs of operations which relate to the function of purchasing, receiving, testing, storing, dispensing and accounting for items. Overheads shall also include such items as operation and maintenance costs, rents, depreciation of facilities and equipment.

4.1.4 Other Direct Costs. Other direct costs including but not limited to contract labor, contract services, employee reimbursement for meals and lodging and other costs not included in labor, equipment, materials and supplies will be either accumulated and billed to Affiliates based on actual charges or allocated as a loading on labor costs as appropriate.

4.1.5 Cost to Affiliate. The sum of the direct and indirect charges calculated in accordance with paragraphs 4.1.1, 4.1.2, 4.1.3, and 4.1.4, above, shall constitute the total costs of services provided.

4.1.6 Cost Records. Costs of labor, equipment, materials and supplies, depreciation, and other reasonable overheads provided shall be determined in accordance with accounting standards customarily used by such businesses. Each Party will maintain a cost accounting system to accumulate all costs related to services requested by the other Party on an activity, department, project, function, work order, or other appropriate basis as determined by the requesting Party and which are adequate to enable its actual costs in connection with transactions hereunder to be audited and tracked by regulatory bodies having jurisdiction. Costs will be directly assigned to the extent practicable. Where costs cannot be directly assigned, but they have been incurred for the benefit of both Parties, such common costs will be proportionately charged based on a proper ratio, agreed to by the Parties, reflecting the benefits to each Party. Each Party will also maintain records demonstrating the basis and calculation for any allocations to the other Party. Such records will also include:

- A. Time records of hours worked by employees.
- B. Labor charges to the benefiting Party will be determined from such records; including the costs of benefits, payroll taxes, pension, and insurance.
- C. Employee-related expenses and other costs will be maintained by functional group, and will be directly assigned whenever possible,

or allocated if necessary, to the appropriate activity, project, function, or work order.

4.2 Charges for Category 1 - System Services. Category 1 services provided shall be charged at cost which is determined under the methods laid out in Section 4.1. Charges for these services shall be allocated to all companies in the WPS Resources system based upon their respective individual percentages of total assets, operating expenses (less income taxes), and gross payroll compared to the sum of the percentages of these three items for the entire WPS Resources system. Where these are performed by WPSC, WPSC shall bill WPS Resources for WPS Resources' allocated portion of the appropriate charge. Where these services are performed by UPPCO, UPPCO shall bill WPS Resources for the WPS Resources and other affiliate's allocated portion of the appropriate charge. WPS Resources will then allocate these costs as appropriate to all WPS Resources Affiliates.

4.3 Method of Billing. Each Party shall, as soon as practicable after initial close each month, bill the intercompany charges to the other Party. Each Party will by the 20th of each month render a monthly statement to each other that reflects the billing information necessary to identify the costs charged for the previous month. Bills shall be paid no later than 10 days following the date of the rendered bill. Interest shall accrue on payments which are over due at the prime rate of interest as published in the *Wall Street Journal Midwest Edition* from the date interest first accrues through the date of payment.

5.0 Capacity, Energy and Transmission Services.

Long term electric capacity and energy and transmission services between WPSC and UPPCO will be provided pursuant to the applicable cost-based tariff or agreement filed with the FERC.

Opportunity sales of electric capacity and energy and transmission services will be provided in accordance with the requirements of the:

- (1) then current administrative rules in the Wisconsin Administrative Code, Chapter 117,
- (2) the then current requirements of the FERC approved WPSC market based rates tariff. In the event WPSC offers power to an affiliate at negotiated rates pursuant to this Market Based Rate Tariff, WPSC (a) will not charge the affiliate a rate lower than the rate it charges to non-affiliates; (b) will offer any discount below a specified cost-based rate ceiling which it offers to the affiliate simultaneously to similarly situated third parties by posting the discount offer on an electronic bulletin board; (c) will post on an electronic bulletin board the actual transaction price for any power sale to the affiliate simultaneously with the transaction; and (d) will report any above-cost sales to the affiliate in its quarterly transaction reports under this Market Based Rate tariff.
- (3) and the requirements of the then current FERC Filed Statement of Policy and "Code of Conduct" with Respect to the Relationship Between Wisconsin Public Service Corporation, and Upper Peninsula Power Company and Their Non-operating Affiliates (see attachment #1). In addition, WPSC will notify the PSCW of any proposed changes to the provisions of this FERC "Code of Conduct".

6.0 Miscellaneous.

- 6.1 This Agreement shall become effective upon its execution by all Parties and its approval by the PSCW.
- 6.2 This Agreement may be amended or modified by mutual agreement of WPSC and UPPCO at any time. Any such modification or amendment shall not become effective until approved by the PSCW.
- 6.3 If any governmental or regulatory agency or court of competent jurisdiction holds that any provision of this Agreement is rendered invalid or results in the impossibility or impracticability of performance hereof, the remainder of this Agreement shall not be affected thereby and shall continue in full force and effect. In the event any provision of this Agreement is so held invalid, the Parties hereto shall promptly renegotiate in good faith new provisions to restore this Agreement as nearly as possible to its original intent and effect.

7.0 Representations and Warranties.

- 7.1 Each Party hereto has the right, power, and authority to enter into and perform its obligations under this Agreement.
- 7.2 Each Party has taken all requisite corporate action to approve execution, delivery, and performance of this Agreement, and this Agreement constitutes a legal, valid and binding obligation of each Party enforceable in accordance with its terms.
- 7.3 The fulfillment of obligations hereunder will not constitute a material violation of any existing applicable law, rule, regulation, or order of any governmental authority. WPSC and UPPCO acknowledge that all or portions of this Agreement may be challenged before regulatory agencies or a court of competent jurisdiction by other persons or entities not Parties hereto. In such event, WPSC and UPPCO agree that each will use its best efforts before such agencies and courts to support the pursuit and accomplishment of the Parties' mutual endeavors hereunder.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed on its behalf by its officers thereunto duly authorized as of the day and year first above written.

WISCONSIN PUBLIC SERVICE CORPORATION

UPPER PENINSULA POWER COMPANY

By _____

By _____

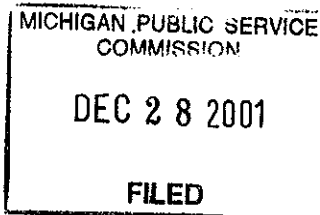
Patrick Schrickel

Clarence Fisher

President and Chief Operating Officer

President and Chief Executive Officer

N:\GROUP\EXEC\DLF\UPPCO\AFFILINT.WPD



STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the approval of a code of)
conduct for CONSUMERS ENERGY COMPANY)
and THE DETROIT EDISON COMPANY)

Case No. U-12134

PROOF OF SERVICE

STATE OF MICHIGAN)
)
INGHAM COUNTY)

Ellie S. Vlahos, employed at Loomis, Ewert, Parsley, Davis & Gotting, P.C. being duly sworn affirms that on December 28, 2001 she served a copy of Compliance Plan of Upper Peninsula Power Company and Upper Peninsula Power Company's Request for Waivers upon the attached service list:

via first class mail with postage fully prepaid and depositing same in the United States Mail receptacle.

Handwritten signature of Ellie S. Vlahos over a horizontal line, with the typed name Ellie S. Vlahos below it.

Subscribed and sworn to before me on December 28, 2001.

Handwritten signature of Sandra L. Russell over a horizontal line, with the typed name Sandra L. Russell, Notary Public, Ingham County, Michigan, and My commission expires: 4/23/03 below it.

SERVICE LIST

Case No. U-12134

Alpena Power Company

James D. Florip
Gillard Bauer Mazrum Florip
Smigelski & Gulden
109 E. Chisolm
Alpena, MI 49707

Detroit Edison Company

Bruce R. Maters
Jon P. Christinidis
The Detroit Edison Company
2000 Second Avenue, 688 WCB
Detroit, MI 48226

Consumers Energy Company

John C. Shea, Esq.
Consumers Energy Company
M-1074
212 W. Michigan Avenue
Jackson, MI 49201-1923

Indiana Michigan Power Company

Daniel L. Stanley
Honigman Miller Schwartz & Cohn
222 N. Washington Square, Suite 400
Lansing, MI 48933

Robert A. W. Strong

Clark Hill PLC
255 S. Old Woodward Avenue, 3rd Floor
Birmingham, MI 48009

Midland Cogeneration Venture

Michael J. Brown
Howard & Howard
222 N. Washington Square, Suite 500
Lansing, MI 48933

New Energy, Inc.

Jack D. Sage
Varnum Riddering Schmidt & Howlett LLP
P.O. Box 352
Grand Rapids, MI 49501

Michigan Electric Cooperative Assn.**DTE Edison America, Inc.****Edison Sault Electric Company**

Albert Ernst
Dykema Gossett PLLC
800 Michigan National Tower
Lansing, MI 48933

Unicom Energy, Inc.

John M. Dempsey
Dickinson Wright, PLLC
215 S. Washington Square, Suite 200
Lansing, MI 48933

Energy Michigan

Eric J. Schneidewind
Varnum Riddering Schmidt & Howlett LLP
201 N. Washington Square, Suite 210
Lansing, MI 48933

ABATE

Robert A. LeFevre
Clark Hill PLC
2455 Woodlake Circle
Okemos, MI 48864

Michigan Alliance for Fair Competition**Fiber Link, Inc.**

Haran C. Rashes
Clark Hill PLC
2455 Woodlake Circle
Okemos, MI 48864

PG&E Corporation

Michael S. Ashton
Frasier Trebilcock Davis & Foster, PC
1000 Michigan National Tower
Lansing, MI 48933

Ms. Freddi L. Breenberg

1603 Orrington Avenue, Suite 1050
Evanston, IL 60201

**Michigan Petroleum Association and
Michigan Association of Convenience
Stores**

Don L. Keskey
Knaggs Harter Brake & Schneider PC
1375 S. Washington Avenue, Suite 300
Lansing, MI 48910

Administrative Law Judge

Hon. George Schankler
Michigan Public Service Commission
Lansing, MI 48911

E-mail only

Jeanne Beachnau
jbeachnau@dykema.com
Mindy Smith
msmith@dickinson-wright.com.

Attorney General Jennifer M. Granholm

Orjiakor N. Isiogu
Assistant Attorney General
6520 Mercantile Way, Suite 2
P.O. Box 30218
Lansing, MI 48909

MPSC Staff

David Gadaletto
Assistant Attorney General
6545 Mercantile Way, Suite 15
Lansing, MI 48911