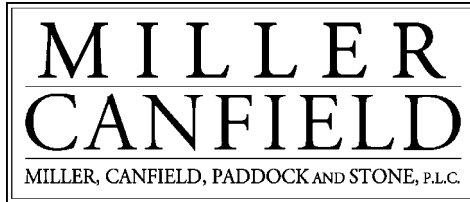


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October 24, 2006

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

Re: Wisconsin Public Service Corporation  
MPSC Case No. U-15114

Dear Ms. Kunkle:

Enclosed for electronic filing please find the Application of Wisconsin Public Service Corporation for approval of a new next day pricing program and related approval.

Very truly yours,

Sherri A. Wellman

SAW/lmcn

Enclosure(s)

cc w/enc: Rhonda Ferguson

LALIB:145562.1\130072-00001  
10/24/06 11:11 AM

**STATE OF MICHIGAN**

**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

In the matter of the application of )  
**WISCONSIN PUBLIC SERVICE CORPORATION** )  
for approval of a new next day pricing )  
program and related approvals. )

Case No. U-15114

**APPLICATION**

Wisconsin Public Service Corporation ("WPS Corp" or the "Company") files this application with the Michigan Public Service Commission ("Commission") seeking approval of a new Next Day Pricing Program and related approvals, and respectfully represents as follows:

1. WPS Corp, a wholly owned subsidiary of WPS Resources, is a public utility organized under the laws of the state of Wisconsin with principal offices located in Green Bay, Wisconsin, and is authorized to do business in the state of Michigan. WPS Corp is engaged, among other things in the generation, distribution and sale of electricity in service areas located in Northeastern Wisconsin and in an adjacent part of Menominee County in the Upper Peninsula of Michigan.

2. WPS Corp seeks to implement an optional offering, known as Next Day Pricing Program ("Next Day"), to its Michigan customers to provide customer improved price signals and an incentive to reduce loads during high cost times for WPS Corp without causing harm to other non-participating customers. Customer load reductions during these higher priced time periods would result in costs savings to WPS Corp and its customers.

3. As proposed, Next Day will be available to large industrial customers that take electric service from WPS Corp under the Cp-1M or CP-I rate schedules at the secondary, primary or transmission voltages. The current Cp-1M tariff reflects both on-peak and off-peak energy rates, which provide some price incentive to customers to shift loads but are minimized as the result of the use of annual average rates.

The on-peak energy rates are generally set to reflect the Company's marginal cost of energy during the on-peak time periods. The marginal energy costs and the resultant CP-1M on-peak energy rates reflect the average cost during all of the on-peak hours for the year.

The actual marginal energy costs may vary significantly from the average depending on system loads, generation availability, and other system conditions. For example, WPS Corp now purchases its generation from the Midwest Independent System Operator ("MISO") market, and in the first twelve months of operation, locational marginal prices ("LMP") varied from \$0.13455/kwh to \$0.03938/kwh during the Cp-1M on-peak time period.

Next Day is intended to reflect this cost variation in the customer's on-peak energy prices. Instead of applying one average on-peak rate for the calendar year, the Next Day pricing program will utilize four pricing levels that are intended to reasonably reflect various system dispatch scenarios/costs. These four pricing periods are (i) Economy, (ii) Mid-Economy, (iii) Peak and (iv) Critical.

4. WPS Corp will implement Next Day by forecasting on a day ahead basis the expected generation system conditions. Based on this forecast, the Company will notify the participating customer of the type of pricing day, Economy, Mid-Economy, Peak or Critical. If a Peak day is selected, the rate of \$0.04450 per kWh is in effect for the on-peak time period. WPS Corp will manage the pricing days over the course of the year so that the number of days for each pricing type is met: 5 Critical Days, 100 Peak Days, 100 Mid-Economy Days, and 46 Economy Days for the calendar year of 2007. This will assure revenue neutrality with the Cp-1M tariff and provide the annual price certainty for the participating customers. Thus, the weighted average of the on-peak prices of Next Day will equal the on-peak energy rate of the standard Cp-1M tariff. A participating customer can lower its costs by reducing load on higher priced days and/or increasing loads on lower priced days.

5. Specifically, under Next Day, the participating customer will receive a price signal for the next day's on-peak pricing level. There are 251 days that have on-peak periods in the 2007

calendar day year. These days will be assigned one of the following on-peak pricing levels.

Critical:	\$0.07282	5 days
Peak:	\$0.04450	100 days
Mid-Economy	\$0.02832	100 days
<u>Economy</u>	<u>\$0.02131</u>	<u>46 days</u>
Weighted Average:	\$0.03437* = CP-1M on-peak energy charge	

\*Prices shown are for transmission voltage customers. Primary and distribution prices vary by loss factors, as shown in the Cp-1M tariff.

The pricing levels were set using the MISO LMP's as a guideline. A calendar year of the LMPs was split into the same four categories listed above. The Cp-1M prices vary by the same ratio that the MISO LMP's vary by category.

6. As states *supra*, for the calendar year 2007, WPS Corp has reflected 251 on-peak days. The number of on-peak days, however, will vary every year depending on how the on-peak days and holidays fall according to the calendar days. WPS Corp is proposing to change the number of economy days each year to make the total number of on-peak days whole in each calendar year. The number of Critical Days, Peak Days and Mid-Economy Days will remain constant at 5, 100, and 100, respectively. The Company will keep the number of Economy Days as a variable in the tariff and note that the average number of on-peak days is approximately 252 days.

7. All other provisions of the Cp-1M tariff would apply to a customer taking service under Next Day. Including, but not limited to off-peak energy charges, customer charges, customer demand charges, demand charges and the Power Supply Cost Recovery Clause.

8. WPS Corp is currently offering, pursuant to Public Service Commission of Wisconsin approved tariffs, Next Day to its Wisconsin electric customers.

9. Attached to this Application as Attachment 1 are proposed tariff sheets reflecting Next Day. These sheets are substantively identical to the Company's Wisconsin approved tariff.

10. Finally, WPS Corp represents that the approval applied for herein is reasonable, and that granting the requested approval will increase existing rates or costs of service. WPS Corp,

therefore, requests the Commission to grant ex parte approval of this Application as soon as practicable so as allow the Company to begin enrolling Michigan customers in Next Day in preparation for the 2007 calendar year.

**WHEREFORE**, Wisconsin Public Service Corporation requests that the Commission by ex parte order:

- A. Approve the Application;
- B. Authorize WPS Corp to implement its electric Next Day Pricing Program in Michigan and approve the tariff sheets attached hereto as Attachment 1; and
- D. Grant WPS Corp such other and further authority as may be lawful and proper.

**WISCONSIN PUBLIC SERVICE CORPORATION**

Dated: October 24, 2006

\_\_\_\_\_  
One of Its Attorneys

Harvey J. Messing (P23309)  
Sherri A. Wellman (P38989)  
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One Michigan Avenue, Suite 900  
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Attorneys for WISCONSIN PUBLIC SERVICE CORPORATION

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10/24/06 11:20 AM

WISCONSIN PUBLIC SERVICE CORPORATION

MPSC Vol No 4-ELECTRIC

Original Sheet No. E12.60

Schedule Cp-ND

Large Commercial and Industrial Service - Next Day		Electric		
<u>AVAILABILITY</u>				
This schedule is available to large commercial and industrial customers who qualify for Cp-1M service and have contracted for the Next Day service by November 15 of the prior year. Interruptible customers desiring this service must be served under the Cp-I tariff. Customers are required to take service under this rider for the entire calendar year. Customers desiring to take power supply service from an alternative energy supplier (AES) must move to the Cp-1M rate schedule at the end of their contract period to take service from an AES.				
<b>Rates:</b>				
<u>Customer Charge: \$/month</u>	<u>Secondary</u>	<u>Primary</u>	<u>Transmission</u>	
	\$100	\$500	\$700	
<u>Demand Charge</u>				
1. <u>Customer Demand:</u>				
Per Kw of maximum demand during the current or preceding 11 months regardless of demand or energy pricing period.				
	2.00/kw	1.50/kw	0.00/kw	
2. <u>On-Peak Demand</u>				
Winter	\$9.26/kw	\$9.05/kw	\$8.90/kw	
Summer	\$9.26/kw	\$9.05/kw	\$8.90/kw	
<u>Energy Charge</u>				
a. <u>On Peak</u>				
By 4:30 PM Eastern Time the previous business day, the Company will notify the Customer of the price for the following business day. Price communicated will be one of four pricing levels: Critical, Peak, Mid Economy and Economy. During the calendar year, the number of these pricing categories shall be fixed in frequency to those contained below. The weighted average of the prices and frequency of days listed below create a weighted average price that equates to the on peak energy rate for the standard CP-1M tariff.				
	<u>Pricing Category</u>	<u># Days/Year</u>	<u>Price - \$/Kwh</u>	
			<u>Secondary</u>	<u>Primary</u>
			<u>Transmission</u>	
	Critical Days	5	\$0.07583	\$0.07382
	Peak	100	\$0.04634	\$0.04511
	Mid Economy	100	\$0.02949	\$0.02871
	Economy	remaining*	\$0.02219	\$0.02160
	Weighted Average		\$0.03579	\$0.03484
				\$0.03437
*On-peak days vary from year to year. This number will change each year. The average number of total on-peak days is 25X				
b. <u>Off-Peak</u>				
	Winter		\$0.01979	\$0.01926
	Summer		\$0.01979	\$0.01926
Continued to Sheet No. E12.61				

Issued: XX-XX-XX  
By J F Schott  
VP Regulatory Affairs  
Green Bay, Wisconsin

Effective for Service  
On and After: XX-XX-XX  
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Mich Public Serv Comm  
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In Case No: U-XXXXX

WISCONSIN PUBLIC SERVICE CORPORATION

MPSC Vol No 4-ELECTRIC

Original Sheet No. E12.61

Schedule Cp-ND

**Large Commercial and Industrial Service - Next Day Electric**

Continued from Sheet No. 12.60

Substation Transformer Capacity: \$0.40/Kva

Customers that take service directly from the company-owned substation (i.e. Company owns no distribution facilities downstream of substation) will be classified as Transmission and receive the Substation Transformer Capacity charge.

Definitions

For customers with company metering equipment installed at:

Secondary	Under 6,000 volts
Primary	6,000 volts to 15,000 volts, inclusive
Transmission	Over 15,000 volts

Winter Months: Oct-May

Summer Months: Jun-Sep

Energy

On-Peak	Winter	6AM-10PM Mon - Fri (Except Holidays)
	Summer	7AM-11PM Mon - Fri (Except Holidays)

Off-Peak	Winter	10PM-6AM Mon - Fri, all day Sat., Sun., and Holidays.
	Summer	11PM-7AM Mon - Fri, all day Sat., Sun., and Holidays.

Demand

On-Peak	Winter	10AM-8PM Mon - Fri (Except Holidays)
	Summer	10AM-11PM Mon - Fri (Except Holidays)

The above listed voltages are phase-to-ground for wye-connected company systems and phase-to-phase for delta-connected company systems.

<u>Minimum Charge</u>	See Sched. Cp-1M starting on Sheet E12.31
<u>Power Supply Cost Recovery Clause</u>	See Sched. PSCR starting on Sheet E10.00
<u>Standby Service</u>	See Sched. Cp-1M starting on Sheet E12.32
<u>Short Term Service</u>	See Sched. Cp-1M starting on Sheet E12.33

Continued to Sheet No. E12.62

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**Large Commercial and Industrial Service - Next Day Electric**

Continued from Sheet No. E12.61

Terms and Conditions:

1. The Next Day Pricing rider is available to customers taking service under firm or customer taking interruptible service under the Cp-I tariff. Participation in the Next Day Pricing Rider shall not reduce the amount of interruptible load the Customer has contracted for or is obligated to interrupt.
2. Customers are required to sign a Next Day Pricing Rider contract. The terms of this contract may include terms and conditions that prevent the circumvention of rate design, gaming, and financial harm to the Company or other customers.
3. The Company shall have the sole discretion to declare the type of pricing day to be in effect on a day ahead basis.
4. Customers are required to participate in the Next Day Pricing for the entire calendar year. In the event a customer no longer qualifies for the Cp tariff during the calendar year, the customer will remain on the Next Day tariff for the remainder of the calendar year and be transferred to the applicable standard tariff effective with the next calendar year.
5. Interruptible Customers shall be subject to applicable buy out prices under the Cp-I interruptible tariff.

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