

Helping You Manage Energy Use and Costs

Just as we are committed to lowering our costs, we want to help you manage your energy use and costs. When you visit **Home Energy Advice** at uppc.com, you'll find a wealth of tools and information to help you learn more about your energy use and how to manage it.

You can also visit efficiencyunited.com for information on energy-saving programs and rebates offered through **Efficiency United**.

For More Information

If you have any questions about the rate request or how the proposed changes may affect you, please contact us. Residential customers can call 24-Hour Customer Service at **800-562-7680**. Business customers can call the Business Solutions Center at **800-337-8445**. Copies of the rate filing application are available at uppc.com and at UPPCO's office in Ishpeming. Customers may make arrangements to review the application by calling UPPCO.

IMPORTANT Information About Your Rates



UPPCO Requests An
Increase In Rates



On June 30, 2010, Upper Peninsula Power Company (UPPCO) applied to the Michigan Public Service Commission (MPSC) for permission to raise retail electric base rates by 16.8%.

While the net effect on customers will vary by rate classification, if approved, the average residential customer in our Integrated System using 500 kilowatt-hours of electricity per month would see an increase of approximately \$16.60 per month. An average residential customer in our Iron River System using 500 kilowatt-hours a month would see an increase of approximately \$18.85.

As part of the filing, UPPCO is anticipating interim rates to go into effect January 1, 2011, to help recover costs during the time the MPSC is reviewing our full case. UPPCO expects the MPSC to make a final decision by June 2011. If the final rate increase approved by the MPSC is lower than the interim rates, customers will be refunded any over collection plus interest.

The Commission oversees the rates we charge and must approve any rate increases. The actual increases may change as we work with the Commission and conditions change.

Increased Business Costs Are The Primary Reason For The Request

The major drivers in UPPCO's request are directly related to the following increased expenses:

- Hydroelectric projects
- Reduced retail and wholesale electric sales
- Increased cost for reading meters monthly
- General inflation

We know rate increases are difficult for our customers. However, it's important to understand that the regulated utility business is unlike any other business. UPPCO has very high fixed costs — including maintaining and repairing over 3,300 miles of electric

lines and poles as well as other energy delivery facilities (such as electric substations and hydroelectric plants) to ensure the safe and reliable energy that customers absolutely depend upon. We simply can't cut back on the activities that make sure the lights come on when the switch is turned.

Other Proposed Changes

As part of the rate case filing, we have also requested a Cost of Service Rate Plan — as required by Michigan law — that will adjust UPPCO's rates annually through 2024, so the rates better reflect the true costs to provide service to each customer class.

Lower Operating Costs Help To Hold Down Increase

While we must always be prepared to meet our customers' electric needs, you can be certain that we are doing what we can to keep costs as low as possible. In fact, UPPCO was able to reduce the rate increase request through savings efforts such as workforce reduction, the sale of renewable energy certificates, and efforts to avoid costly improvements at Au Train and Cataract hydroelectric projects.

