UPPER PENINSULA POWER COMPANY

Summary of Employee Benefits Costs

Test Year Ended December 31, 2012

Line No.	Sub-Account Description	2010 Actual $	2012 Forecast $	Increase $	Increase %	Forecast Method
1	926080 A&G Dental Benefits	$ 105,715	$ 116,551	$ 10,836	10.3%	UPPCO Estimate
2	926090 A&G Medical Benefits	$ 1,287,477	$ 1,501,713	$ 214,236	16.6%	UPPCO Estimate
3	926300 IBS Billed Benefits	$ 1,003,950	$ 1,158,805	$ 154,855	15.4%	Exhibit A-3 (CMP-1), Schedule C26
4	926016 Commuter Tranportation Benf *	$ 317	$ -	$ (317)	-100.0%	Exhibit A-3 (CMP-1), Schedule C26
5	926100 Benefits Expense - Awassa Lodge *	$ 337	$ -	$ (337)	-100.0%	Exhibit A-3 (CMP-1), Schedule C26
6	926315 Long Term Disability Benefit *	$ (9,137)	$ -	$ 9,137	-100.0%	Exhibit A-3 (CMP-1), Schedule C26
7	926325 Short Term Disability Benefit *	$ 181	$ -	$ (181)	-100.0%	Exhibit A-3 (CMP-1), Schedule C26
8	**Subtotal - UPPCO Estimate**	**$ 2,388,840**	**$ 2,777,069**	**$ 388,230**	**16.3%**	
9						
10						
11	926007 Company Match 401K	$ 206,436	$ 213,392	$ 6,956	3.4%	Inflationary
12	926020 Time Away From Work Residual Balance	$ 1,574,251	$ 1,627,295	$ 53,044	3.4%	Inflationary
13	926025 Time Away From Work - Clearing	$ (1,539,378)	$ (1,591,247)	$ (51,869)	3.4%	Inflationary
14	926026 IBS Billed Non Productilve Time - Residual Balance	$ (8,999)	$ (9,302)	$ (303)	3.4%	Inflationary
15	926050 Human Resources Dept General	$ 61,050	$ 63,107	$ 2,057	3.4%	Inflationary
16	926070 Christmas Gift Check Expense - Retirees	$ 8,685	$ 8,977	$ 293	3.4%	Inflationary
17	926100 Benefits Expense - Awassa Lodge	$ 110	$ 114	$ 4	3.4%	Inflationary
18	926120 Joint Plant A&G & Non-Utility Loading	$ (285,695)	$ (295,322)	$ (9,626)	3.4%	Inflationary
19	926135 Fully-Insured Long Term Disability Premium Exp	$ 26,172	$ 27,053	$ 882	3.4%	Inflationary
20	926140 A&G ESOP Contribution Expense	$ 155,325	$ 160,558	$ 5,234	3.4%	Inflationary
21	926170 A&G Capitalized Pensions and Benefits	$ (576,579)	$ (596,006)	$ (19,428)	3.4%	Inflationary
22	926190 Goal Sharing	$ 27,055	$ 27,967	$ 912	3.4%	Inflationary
23	926191 IBS Billed Incentive Residual	$ 19,439	$ 20,094	$ 655	3.4%	Inflationary
24	926250 Company Provided Life Insurance	$ 23,304	$ 24,090	$ 785	3.4%	Inflationary
25	926255 Defined Contribution Plan Exp	$ 12,978	$ 13,415	$ 437	3.4%	Inflationary
26	926260 Executive Deferred Compensation ESOP Match	$ 403	$ 416	$ 14	3.4%	Inflationary
27	**Subtotal - Inflationary Items**	**$ (295,443)**	**$ (305,398)**	**$ (9,955)**	**3.4%**	
28						
29	926011 A&G Opererating Employee Sick Leave	$ 24,670	$ 20,835	$ (3,835)	-15.5%	Actuarial Analysis
30	926060 A&G Pension Expense	$ 1,507,771	$ 2,884,145	$ 1,376,374	91.3%	Actuarial Analysis
31	926180 A&G Post Retirement Medical	$ 1,426,540	$ 1,854,433	$ 427,894	30.0%	Actuarial Analysis
32	926210 & 926220 Pension Restoration and Supp Pension Plan Exp	$ 80,358	$ 66,358	$ (14,000)	-17.4%	Actuarial Analysis
33	926305 Post Retirement Life	$ 65,755	$ 91,503	$ 25,748	39.2%	Actuarial Analysis
34	926315 Long Term Disability Benefit	$ 3,612	$ (2,955)	$ (6,567)	-181.8%	Actuarial Analysis
35	**Subtotal - Actuarial Analysis**	**$ 3,108,706**	**$ 4,914,319**	**$ 1,805,614**	**58.1%**	
36						
37	**TOTAL EMPLOYEE BENEFIT COSTS**	**$ 5,202,102**	**$ 7,385,990**	**$ 2,183,888**	**42.0%**	

* These are IBS Billed Benefits that flowed through the incorrect account for 2010 actual. Should have flowed throught account 926300 (line 3).

UPPER PENINSULA POWER COMPANY

Summary of IBS Employee Benefits Costs

Test Year Ended December 31, 2012

Line No.	Sub-Account Description	2010 Actual $	2012 Forecast $	Increase $	Increase %	Forecast Method
1	926080 A&G Dental Benefits	$ 773,206	$ 852,460	$ 79,254	10.3%	UPPCO Estimate
2	926090 A&G Medical Benefits	$ 10,610,094	$ 12,375,614	$ 1,765,520	16.6%	UPPCO Estimate
3	**Subtotal - UPPCO Estimate**	**$ 11,383,300**	**$ 13,228,073**	**$ 1,844,773**	**16.2%**	
4						
5						
6	926016 Commuter Transportation	$ 17,718	$ 18,315	$ 597	3.4%	Inflationary
7	926020 Time Away From Work Residual Balance	$ 16,963,732	$ 17,535,323	$ 571,591	3.4%	Inflationary
8	926025 Time Away From Work - Clearing	$ (16,606,729)	$ (17,166,290)	$ (559,561)	3.4%	Inflationary
9	926050 Human Resources Department General	$ 826,493	$ 854,342	$ 27,849	3.4%	Inflationary
10	926070 Christmas Gift Check - Retirees	$ 5,642	$ 5,832	$ 190	3.4%	Inflationary
11	926100 Benefits Expense - Awassa Lodge	$ 5,156	$ 5,330	$ 174	3.4%	Inflationary
12	926120 Joint Plant A&G & Non-Utility Loading	$ (746,340)	$ (771,488)	$ (25,148)	3.4%	Inflationary
13	926135 Fully-Insured Long Term Disability Premium	$ 301,800	$ 311,969	$ 10,169	3.4%	Inflationary
14	926140 A&G ESOP Contribution Expense	$ 5,044,797	$ 5,214,781	$ 169,984	3.4%	Inflationary
15	926170 A&G Capitalized Pensions and Benefits	$ (762,643)	$ (788,340)	$ (25,697)	3.4%	Inflationary
16	926190 Goal Sharing	$ 874,306	$ 903,766	$ 29,460	3.4%	Inflationary
17	926200 Employee Benefits Tuition Reimbursement	$ 316,619	$ 327,287	$ 10,668	3.4%	Inflationary
18	926250 Company Provided Life Insurance	$ 247,655	$ 256,000	$ 8,345	3.4%	Inflationary
19	926255 Defined Contribution Plan Exp	$ 344,506	$ 356,114	$ 11,608	3.4%	Inflationary
20	926260 Executive Deferred Compensation ESOP Match	$ 20,972	$ 21,679	$ 707	3.4%	Inflationary
21	**Subtotal - Inflationary Items**	**$ 6,853,684**	**$ 7,084,618**	**$ 230,934**	**3.4%**	
22						
23	926017 Post Retirement Welfare FAS 106	$ 1,108,733	$ 1,663,937	$ 555,204	50.1%	Actuarial Analysis
24	906019 Supplemental Employee Retirement Plan	$ 42,755	$ 91,265	$ 48,510	113.5%	Actuarial Analysis
25	926060 A&G Pension Expense	$ 10,737,844	$ 12,790,666	$ 2,052,822	19.1%	Actuarial Analysis
26	926180 A&G Post Retirement Medical	$ 35,173	$ 32,550	$ (2,623)	-7.5%	Actuarial Analysis
27	926210 Pension Restoration and Supp Pension Plan Exp	$ 612,837	$ 749,338	$ 136,501	22.3%	Actuarial Analysis
28	926220 Supplemental Employee Retirement Plan	$ 452,103	$ 677,166	$ 225,063	49.8%	Actuarial Analysis
29	926305 Post Retirement Life	$ 4,052	$ 2,307	$ (1,745)	-43.1%	Actuarial Analysis
30	926315 Long Term Disability Benefit	$ (83,515)	$ (63,164)	$ 20,351	-24.4%	Actuarial Analysis
31	926325 Short Term Disability Benefit	$ 4,927	$ -	$ (4,927)	-100.0%	Actuarial Analysis
32	**Subtotal - Actuarial Analysis**	**$ 12,914,909**	**$ 15,944,065**	**$ 3,029,156**	**23.5%**	
33						
34	**TOTAL EMPLOYEE BENEFIT COSTS**	**$ 31,151,893**	**$ 36,256,756**	**$ 5,104,863**	**16.4%**	
35						
36	Allocation Percentage from IBS to UPPCO	3.2%	3.2%			
37						
38	Allocation Dollars from IBS to UPPCO	**$ 995,648**	**$ 1,158,805**	**$ 163,157**	**16.4%**	