



Wisconsin Utility Investors, Inc. Legislative/Regulatory Update

Volume 6 • Issue 2 • April 2008

REGULAR SESSION ENDS BUT BUDGET DEFICIT REMAINS UNRESOLVED

The Wisconsin Legislature's regular session has ended for the year, but it continues to work in special session attempting to address the state's deficit, caused, in part by reduced tax revenues resulting from a weakened economy. The Republican controlled Assembly has adopted its version of a budget repair bill, relying mostly on spending cuts to balance the books. The Democrat controlled Senate has adopted amendments to the Governor's original proposal which include, among other items, the combined reporting method of taxing multi-state corporations in Wisconsin. The Senate version also includes a hospital assessment and a \$13 increase on rental car fees in three southeastern counties to pay for the KRM commuter rail project. Republicans continue to oppose tax increases as a way of resolving the budget mess. It remains to be seen how this impasse will be resolved.

STATUS OF LEGISLATIVE/REGULATORY ISSUES FOLLOWED BY WUI

ENVIRONMENTAL TRUST FINANCING • Senate Bill 448, which had been strongly opposed by WUI and utilities, failed to pass during the final days of the session. The bill, which could have forced utilities to use so-called "environmental trust financing", allowing no return to shareholders, is almost certain to return in 2009 as policymakers seek ways to mitigate rate increases resulting from greenhouse gas legislation, mercury, NOx and SO2 reductions.

LICENSING OF ELECTRICIANS • Senate Bill 167 creates a statewide system of licensure, including testing, for electricians, electrical contractors and inspectors within the Department of Commerce. The bill contains numerous exemptions, including maintenance of wiring on dairy farms but not installation, and utility workers working on utility property and projects. The bill, supported by WUI, has passed both houses and was signed into law by the Governor on March 5th as WI Act 63.

METALS THEFT/RECYCLING • Senate Bill 473, supported by WUI, makes it easier for law enforcement officials to catch and prosecute scrap metal thieves and the unscrupulous scrap metal dealers who knowingly purchase stolen materials. The bill creates a paper trail for law enforcement to follow. The bill has passed both houses and was signed by the Governor on March 11 as 2008 WI Act 64.

LEAD WINDOW REPLACEMENT BILL • Legislative Reference Bureau 0855, opposed by WUI, would have allowed homeowners to apply for loans to replace lead windows in homes built before 1950. However, it specified no energy efficiency standards, would have required utilities to contract with an administrator, and required the Public Service Commission to promulgate rules on program details. The bill died when the session expired March 13th.

CAIR • The Clean Air Interstate Rule included provisions, which were opposed by utilities. The rule was returned to the Department of Natural Resources, but later taken up and passed by the Joint Committee on Administrative Rules where it was upheld on a tie vote, allowing it to go into effect.

continued

Legislative/ Regulatory Update

is published bimonthly
for the members of the
Wisconsin Utility Investors.

April 2008

Volume 6, Number 2

2006 - 2007

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CAMR • Despite continued WUI and utility opposition to certain provisions, the Clean Air Mercury Rule has yet to be resolved. The latest proposal includes retaining current state rules until 2010, at which point larger utilities (WPS, AE, WE) could either opt for a 90% reduction by 2015-2017, or reduce by 70% by 2015-2017, 80% by 2018-2021 and 90% by 2021 and thereafter while also reducing SO₂ & NO_x above what is required under the federal CAIR rules. Action is expected by the Department of Natural Resources Board at its May meeting.

SPECIAL COMMITTEE ON NUCLEAR POWER • Three bills, which would have resulted in lifting the moratorium on building additional nuclear facilities in the state. WUI had strongly supported the bills. Although passed by the Assembly and having a hearing in the Senate, the bills died when the session expired March 13th.

GROSS RECEIPTS TAX SUNSET • The state budget, as enacted, included an item, supported by WUI and utilities which retained a 1.59% gross receipts tax which had originally been enacted to prevent double or even triple taxation of certain sales. It had been scheduled to increase to 3.19%.

DEPARTMENT OF REVENUE STUDY COMMITTEE • Assembly Bill 654, supported by WUI, eliminated a provision enacted in earlier legislation, creating a study, which could have resulted in recommendations for placing non-generating utility property under local property taxes. Such a change would have been difficult to administer and could have resulted in greatly increased taxes. The bill passed both houses and awaits the Governor's signature.

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