Wisconsin Utility Investors, Inc.

Legislative/Regulatory Update

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WUI ANNUAL MEETING RETURNS TO PACKERLAND!

MAKE RESERVATIONS NOW TO ATTEND THE WUI ANNUAL MEETING at the Green Bay Resch Center by calling WUI at (608) 663-5813 or emailing at jae.benson@gmail.com.

The 2008 WUI Annual Meeting of Members will be held on September 25th at the Green Bay Resch Center, overlooking the Packer's Don Hutson Training Facility. **The meeting is free to WUI members and guests considering membership**. Its an opportunity to learn about the issues shareholder-owned utilities will face in the coming legislative session from national speakers, our Wisconsin companies and legislative leaders. Energy is the number one issue in the United States and the WUI Annual Meeting is the number one place to get inside information on the energy picture. As an added bonus this year, WUI will sponsor a roundtable on lifting Wisconsin's ban on new nuclear power and what it could mean for our future. The doors will open at 8:30 am with the Nuclear Energy Roundtable beginning at 9:00am. The Annual meeting will begin at 10:15am and lunch will be served at noon. The Resch Center at 1901 S. Oneida St. is within walking distance of historic Lambeau Field. Reservation information will be in the mail soon. Watch for it!

Natural Resources Board Approves Mercury Reduction Rule

On June 25, the Natural Resources Board approved a rule that would require utilities operating in Wisconsin to reduce mercury emissions by 90 percent by 2015. The highly controversial rule will now be reviewed by the legislature, with hearings likely to be held before the respective environmental committees. Under state law, a committee could send the rule back to the agency for revisions. Large coal-fired power plants must either meet a 90 percent mercury emission reduction by January 1, 2015 or opt into a multi-pollutant alternative. The multi-pollutant alternative, aimed at alleviating ozone and particulate matter pollution, requires the affected power plants to achieve nitrogen oxides (NOx) and sulfur dioxide (SO2) reductions beyond those currently required by federal and state regulations. Under the multi-pollutant approach, an additional six years (2021) is allowed to achieve the 90 percent mercury emission reduction standard, with interim targets set at 70 percent (2015) and 80 percent (2018).

WUI, utilities, and the state the business community opposed had opposed the rule as unnecessary and ineffective in making any impact on mercury deposition in the state while costing utility customers hundreds of millions of dollars.

Wisconsin Utility Investors Comments on Proposed Fuel Rule

WUI has advised the Public Service Commission of Wisconsin that it generally supports the proposed fuel rule reforms as an improvement on a system that, by virtue of its cumbersome nature, is causing instability that harms our members both as shareholders and as ratepayers. However, the proposed reforms do not go far enough in bringing fairness and stability to both rates and dividends. WUI members invest their savings in Wisconsin's shareholder owned utilities because of the companies' history of producing stable returns shielding retirement savings from excessive risk. Increased volatility in the fuel markets creates a serious challenge to the stability of utility investments. In 2005 alone, it is estimated that well over $100 million was lost due to the inability of Wisconsin utilities to make rate adjustments in a timely manner. Coming at the end of the year, these costs could not be significantly absorbed in company operations. Thus, fuel cost volatility amounted

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to a penalty charged against the dividends of investors. Investors in Wisconsin utilities were uniquely penalized while investors in utilities serving neighboring states were protected by streamlined or automatic adjustment mechanisms. WUI said it has been difficult to explain to Wisconsin retirees why the dividend that often provides their only income other than social security should be put at greater risk in their home state than most other states. In a fluid investment market featuring many stable utility investment choices, Wisconsin's current fuel rules also place our companies at a competitive disadvantage in securing the capital that is projected to be increasingly necessary in coming years.

To the extent the proposed rules will better address the most excessive volatility in fuel costs, they are an improvement over the current rules. However, the inclusion of a deadband of 2 percent virtually ensures the new rules will be unfair to both ratepayers and shareholders in any given year. WUI believes the deadband is unnecessary within the context of the new process. If the state is to have a process that compares actual costs to projected costs, that process should make the entire adjustment necessary to bring stability and fairness to the system. WUI believes believe the rule would be improved and simplified if all net fluctuations were addressed.

Companies have every incentive to manage costs. In looking at examples of volatility in recent years, we see no fuel cost escalation caused by poor management practices, making the deadband a solution in search of a problem. The additional oversight provided in the proposed rule provides a reasonable failsafe against inadequate management by the companies. The regular, transparent oversight provided in the proposed rule will improve rate stability to the extent possible in an increasingly unstable fuel market. WUI said making the process regular, annual and transparent, the proposed rule should greatly ease the administrative burden on the Commission by virtually eliminating the ad-hoc nature of the current system. The administrative burden would be the same if the end result was complete fairness and stability through adjusting for all net fluctuations.

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