



Wisconsin Utility Investors, Inc. Legislative/Regulatory Update

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ISSUES AFFECTING UTILITY SHAREHOLDERS HIGHLIGHTED FOR 2008

As we prepare to move into 2008, Wisconsin Utility Investors continues to follow a variety of legislation. Some measures are very important, while others must be monitored to make certain they are not amended in ways that could adversely affect utility shareholders. Some of these issues have been previously discussed, however, Update reports on their current status.

UTILITY AID PAYMENTS: In 2003, then Representative Scott Jensen proposed a bill which would have changed the calculation for utility aid payments to local government from a value-based system for plants built before 2004 - capped at \$125 million - to a megawatt capacity-based calculation. The bill also placed utility general structures on the local property tax, as well as distribution substations. Portions of this proposal were included and passed in the state budget. The same megawatt capacity-based payments to communities hosting power plants in operation after 2004 would also apply to those operating before that date. Under the plan, communities would receive \$2,000 per megawatt of capacity or \$4,000 per megawatt for renewable energy-driven sources, provided the new payment would be higher than under the previous system. The plan also repealed the previous utility aid distribution formula. The new payment system will begin in 2009 and requires the Department of Revenue to convene a study group of utility representatives and others to assess the feasibility and desirability of imposing local property taxes on utilities, co-ops and municipally owned facilities, other than power plants. It will be due May 1, 2009. Under the enacted version, aid payments will increase from the current \$19.9 million to \$29.5 million over the 2009-10 biennium.

GROSS RECEIPTS TAX SUNSET: Under current law, gross electricity sales are taxed at a rate of 1.59%. This rate is scheduled to sunset in 2008 and return to 3.19%. The rate was reduced in the 2001 budget to avoid a situation in which electricity customers were being double and even triple-taxed on electric sales due to market conditions that were in flux at that time. Gross revenues earned after December 31, 2009, would have been subject to a rate of 3.19%. This would have amounted to a multi-million dollar tax increase on electricity customers. To avoid this de facto tax increase on electricity customers and pre-empt any fiscal effect on the 2010 budget, the utilities and WUI supported eliminating the sunset in the current budget. It was approved and signed into law by the Governor.

LICENSING OF ELECTRICIANS: Currently, local jurisdictions may license electricians, electrical contractors or inspectors, but they are not required to do so. This has led to a patchwork of regulation between communities and a situation in which not-necessarily-qualified individuals are, for example, installing wiring on dairy farms. AB 294 and SB 167 create a statewide system of licensure, including testing, for electricians, electrical contractors and inspectors within the Department of Commerce. Both houses have held hearings, but the measures have not yet made it to the respective floors for action.

THEFT OF METALS: Theft of scrap metals, especially copper, has been fueled by the rising price of these materials and thefts from utility substations have resulted in some deaths. This endangers utility workers, the thieves, citizens and can threaten reliability and lead to expensive repairs and the cost of unplanned outages for customers. The chairs of the respective utility committees have authored a bill to deal with this issue. WUI supports this effort.

continued

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LEAD WINDOW REPLACEMENT: Representative Steve Wieckert, Republican of Appleton, has drafted a bill requiring utilities to fund and administer a \$20 million lead window replacement program with public benefits funds. WUI believes that one alternative might be to allow "Focus on Energy" dollars to be used to correct this problem.

SPECIAL COMMITTEE ON NUCLEAR POWER: The Legislative Council's Special Committee on Nuclear Power has recommended three bills which would repeal the moratorium on construction of nuclear power plants in Wisconsin; require the Public Service Commission (PSCW) to investigate future electric supplies after the operating licenses of nuclear power plants in the state expire; and require the PSCW to advocate on matters related to the centralized interim storage and license application for a federal repository for high level nuclear waste. Although the bills were inserted in the Assembly GOP caucus version of the state budget, they were not ultimately included. No legislative action has been taken on these proposals since our last report but an Assembly hearing on the bill lifting the moratorium is expected during December.

ENVIRONMENTAL ISSUES: Many controversial environmental issues including mercury, clean air and climate change will continue to be examined and debated in the second year of the session.

**THE WISCONSIN UTILITY INVESTORS BOARD OF DIRECTORS,
OFFICERS AND STAFF ALL WISH YOU HAPPY HOLIDAYS
AND A PROSPEROUS AND ENJOYABLE NEW YEAR.**

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