



Wisconsin Utility Investors, Inc. Legislative/Regulatory Update

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SENATE BILL 448 THREATENS UTILITY SHAREHOLDERS THE LONG AND THE SHORT OF THE ISSUE

THE LONG —

Senator Rob Cowles (R-Green Bay) has introduced Senate Bill 448 (SB 448) which would allow the Public Service Commission to mandate borrowing (over shareholder funding) for "environmental control activities." The plan would allow the PSC to require the use of Environmental Trust Bonding, a financing mechanism passed with the support of utilities several years ago as a very limited option for companies that were overly strained funding required environmental costs. The funding was never used because it is so important for companies to balance equity (money that comes from shareholders) with debt (money that is borrowed).

The plan would "securitize" a portion of the rate base for the repayment of bonds to achieve an interest rate below those currently available to companies. "Securitization" amounts to selling a portion of ratepayer revenue in exchange for bonds. That portion of the rate base is essentially "owned" by the lender until the bonds have been repaid.

Currently Wisconsin utilities are ranked among the best-managed in the country. Their solid records in financing projects is a strong factor in that high ranking.

To finance projects, Wisconsin utilities recommend a debt to equity ratio for major projects. The PSC is required to take into account the interests of both ratepayers and the company in approving the mix of funding from shareholders and debt. Senate Bill 448 would allow the PSC to ignore the interest of the company and the investors in mandating 100% borrowing for certain projects.

The mandatory debt approved in this bill could apply to the hundreds of millions of dollars in environmental controls for everything from sulfur and mercury to CO₂. The list and price of "environmental control activities" grows almost daily.

THE SHORT —

SB 448, the Mandatory Debt Bill:

- Forces debt on healthy companies. Governments have driven themselves into debt. Now, some legislators want to drive our utilities into more debt than they can afford.
- Eliminates any return on investment for the projects funded with forced debt. Investors make dividends on investments, not debt.
- Reduces the value of stocks because investors want company borrowing limited.
- Raises the cost of borrowing for companies. Massive increases in state debt have lowered the state's bond rating and increased interest rates on new borrowing. The same thing will happen if the state forces Wisconsin utilities into too much borrowing.

WUI shareholders have invested their savings over many years and rely on dividends for their retirement income. Interference by government mandate in the financial management of utilities risks cutting the income they rely on and reduces the value of their savings. Please contact your legislators and urge them to reject this ill-conceived and potentially damaging legislation.

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Capital projects financed by debt threaten to detract from the value of shareholder ownership. Senate Bill 448 can prevent capital investment that increases equity, allowing depreciation to lower the value of the company. A loss of equity and increase in debt reduces the value of company stock and raises the interest rate for further debt. We fight reductions in allowable return on equity. This goes even further to remove company assets entirely from the possibility of earning a return for shareholders. In short, we would not make a dime on things that are paid for with securitized debt.

If this bill passes, we could end up with the shareholder at risk for investments on which we cannot make a return while the increased percentage of debt to equity lowers stock prices and increases the risk and cost of debt.

Call your legislator today and tell them to oppose SB 448, the Mandatory Debt Bill.

Be polite and respectful and tell them healthy companies shouldn't be forced
into more debt. Tell them that harming utility stock prices hurts you.

ACT TODAY TO PROTECT YOUR INVESTMENT

- Tell Your Legislator Not to Force Utilities into Debt!
- Tell them to OPPOSE SB44 the Mandatory Debt Bill.

Call the Legislative Hotline TODAY at **800-362-9472**

THE MANDATORY DEBT BILL IS SPONSORED BY SENATORS: Rob Cowles (R-Green Bay), Alan Lasee (R- DePere), Julie Lassa (D- Stevens Point) and Representatives Al Ott (R-Forest Junction), Gene Hahn (R-Cambria), Garey Bies (R-Sister Bay), Sheryl Albers (R-Reedsburg), Jim Soletski (D-Green Bay). We should assume these legislators were well-intentioned and explain to them the impact of the Mandatory Debt Bill on our investments.

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