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WUI SUPPORTS NUCLEAR POWER AS AN IMPORTANT PART OF STATE'S ENERGY MIX

At a hearing before the Wisconsin Assembly Energy and Utilities Committee on December 18th, Wisconsin Utilities Investors (WUI) Chairman Roger Cole and WUI Executive Director Robert Seitz testified about the importance of nuclear energy as a vital part of the state's energy supply. Cole and Seitz appeared in support of three bills (AB 346, 347 and 348) which would allow for the reconsideration of the use of new nuclear energy projects in the state. Wisconsin now gets approximately twenty percent of its electrical energy from existing nuclear plants; however, under current law, utilities and the Public Service Commission are essentially denied the right to even consider new nuclear energy projects along with coal, natural gas, wind, hydro and other energy sources.

Cole told committee members, "Regardless of what we attribute global climate change to, reduction of CO2 emissions is the law of the land. We do not think we can overlook any of the options that are available to the state when it comes to providing reliable electrical generation that attempts to meet new emission standards." He told the group that, "Although state energy use has grown at an average rate of 1.9 percent over the past five years, to keep the economy growing, the state will need to have new sources of power regardless of how successful we are in promoting conservation and maximizing renewables. WUI feels that the nuclear option must be in the mix as an emission free source of energy that is proven to be reliable and safe. We strongly support lifting the limits on nuclear energy."



Roger Cole, Chairman, WI Utility Investors

Seitz told the Committee, "The bills will allow the state's system for developing and implementing sound energy policy to function. With this in mind, we favor all three bills. Wisconsin has a system in place that has been a model for other states in developing an energy policy that protects the environment and consumers while allowing investor-owned utilities the opportunity to produce a reasonable return for investors. We may not agree with every decision of Wisconsin's Public Service Commission. But, we respect and appreciate the fact that Wisconsin has a body whose purpose is to plan for and implement policy that provides Wisconsin with clean, safe, economical, reliable energy. The PSC has the mechanisms in place to consider all the factors that go into developing Wisconsin's energy mix."



Bob Seitz, WUI Executive Director

Seitz concluded, "The body we established as experts to take a non-partisan look at all of the issues affecting energy is required, by statute, to close their eyes and plug their ears when anyone mentions nuclear energy as a future option for Wisconsin."

Wisconsin now gets approximately twenty percent of its electrical energy from existing nuclear plants; however, under current law, utilities and the Public Service Commission are essentially denied the right to even consider new nuclear energy projects along with coal, natural gas, wind, hydro and other energy sources.

NUCLEAR ENERGY REVISITED

BY BRUCE BARNABY

So! How would you like to buy a nuclear power plant?

It has been a long time since anyone has spoken these words. But times have changed and words like these that were unspeakable a few years ago are now being thought about and, in fact, spoken. Indeed even staunch environmentalists like Patrick Moore, a founder of Greenpeace, have spoken in favor of nuclear power. Mr. Moore testified before a US House of Representatives subcommittee recently on "Nuclear Power Generation as an approach of Meeting America's Energy Needs". He and other environmentalists find, "nuclear energy as a practical means of reducing greenhouse gas emissions while meeting the world's increasing energy demands."

How will it start?

The nuclear reactor is the heart of the power plant and we have two vendors of nuclear reactors in the US: General Electric (GE) and Westinghouse Nuclear. (Note Westinghouse Nuclear is owned by British Nuclear Fuels Group (BNFP) and is now up for sale with a Japanese company showing interest.) (Additional note for this reissue in 2007, Westinghouse is now a group company of Toshiba Corporation.) Both companies are active in the international market and have web sites describing their products and services. GE markets Advanced Power Systems that cover a variety of activities from servicing existing GE systems to engineering studies for new applications, including nuclear reactors.

Westinghouse Nuclear markets the AP 600/AP 1000 family of advanced nuclear reactors using newly licensed technology. That means new reactor designs have been submitted to the Nuclear Regulatory Commission (NRC) for review and approval. That does not mean that a full up reactor has been built and tested, but rather that the overall design has been prepared and individual components have been designed and analyzed. Most of the new design features are safety related, seeking effective and economical ways of achieving safety mandated since the Three Mile Island incident 25 years ago.

Congress has passed and the President has signed a National Energy Bill with provisions intended to increase our use of nuclear energy. Some electric utility companies had already been exploring the possibility of building new nuclear power plants. Two provisions of the bill are likely to provide a kick-start because they apply only to the first half dozen advanced nuclear power plants. These first half dozen plants will be eligible for a 1.8 cent per kilowatt-hour production tax credit (PCT) and standby support for plant construction against regulatory or judicial delays. The tax credit will not begin until electricity is produced, but the effect may be readily factored into future financial statements because there is experience with PCTs. The standby support is more like insurance; you hope you don't need it. Utilities and investors who were building and investing in

nuclear plants 25 years ago were blindsided when requirements were changed as a result of Three Mile Island. Changes and delays increased costs beyond original commitments. Standby support would cover delay before a plant is put into operation. Just how will this work? That is not clear as yet. The DOE must supply the framework.



Just as important, and not limited to the first six reactors, are federal loan guarantees for innovative technologies including advanced nuclear reactors. This is also a form of insurance with the U.S. Treasury acting only as holder of funds paid by parties who want to be insured. This kind of insurance is presently in use for some high tech programs. The provision is said to be self-financing, "thus not costing taxpayers a dime". The actual bill is 1725 pages long. No doubt some of the language was arrived at during the final hectic negotiating on the Conference Report and will take some time to fully analyze and digest.

While there is no shortage of private financing for new nuclear power plants, investors remain cautious. They are looking for some sharing of financial risk (standby support) in case the NRC changes the requirements during the course of these long-term projects. Remember we are talking about projects that may take 10 years.

Just like all aspects of supplying the public with electricity, WHERE is the big unanswered question. Utilities will probably start where they already have a site - maybe a site of an old plant that may be replaced with a new, perhaps larger one, or a site that has ample space for an additional reactor.

So consumers and investors, get ready for the second generation of nuclear power plants. It will be an exciting ride.

For the Conference Report on the energy Policy Act of 2005 go to the Senate Committee on Energy & Natural Resources web site, <http://energy.senate.gov/public/>



BRUCE BARNABY IS A PHD PHYSICIST, A MEMBER OF THE AMERICAN NUCLEAR SOCIETY AND DEDICATED TO FOLLOWING NUCLEAR ENERGY. HE IS A MEMBER OF THE NEW MEXICO UTILITY SHAREHOLDER ASSOCIATION.



PERMITTING MOVES FORWARD FOR NEW ALLIANT GENERATING FACILITY

On December 20th, the Public Service Commission of Wisconsin (PSCW) determined that the application for the Certificate of Public Convenience and Necessity application of Wisconsin Power and Light Company (WPL), a subsidiary of Alliant Energy (LNT), was "complete," thus allowing the construction process to proceed at the Nelson Dewey Generating Station in Cassville, Wisconsin. The proposed project is a planned expansion of the existing Nelson Dewey facility on the shores of the Mississippi River. The circulating fluidized bed system is unique because, in addition to utilizing coal, it can also burn renewables such as switchgrass, corn stalks and wood. The plant is designed to generate 300 megawatts of electricity, enough to provide power to 300,000 homes. By law, the PSCW has up to 360 days (180 days plus an optional 180 day extension) to make a final ruling on the proposed expansion. Public input throughout this process is encouraged.

THE PLANT IS DESIGNED TO GENERATE 300 MEGAWATTS OF ELECTRICITY, ENOUGH TO PROVIDE POWER TO 300,000 HOMES.

ALLIANT SIGNS DEAL FOR HUGE IOWA COAL PLANT

A proposed \$1 billion coal-burning power plant in central Iowa will be owned by the Iowa utility unit of Alliant Energy Co., two rural electric cooperatives and a municipal electric cooperative, the companies have announced. Alliant subsidiary Interstate Power and Light Co. will own the plant with the Central Iowa Power Cooperative and the Corn Belt Power Cooperative. The three have signed a joint operating agreement. The fourth partner, North Iowa Municipal Electric Cooperative Association, said it is conducting required public hearings to join the project.

THE OUTPUT IS ESTIMATED TO BE ENOUGH TO POWER MORE THAN 472,000 HOMES AND BUSINESSES.

Under the agreement, the partners will use a share of the 630 megawatt generating station to be built near an existing Alliant-owned power plant at Marshalltown, which is in central Iowa roughly between Cedar Rapids and Des Moines. The output is estimated to be enough to power more than 472,000 homes and businesses.

WE ENERGIES RATE REQUEST AND RETURN CUT BY STATE PUBLIC SERVICE COMMISSION

In a tentative decision made in mid December, the Public Service Commission (PSCW) voted to allow We Energies a 3.4 percent rate increase in 2008 and 2009 and increased the amount of



money to be returned to customers from the sale of the Point Beach Nuclear Power Plant, trimming the utilities original request. The company

had sought to raise rates a net of 7 percent, when proceeds from the Point Beach sale were considered. Final rates should be set by early January. The PSCW decision follows a disturbing trend of reducing the rate-of-return on equity allowed utilities and their shareholder. The 10.75 percent allowed in 2008 and 2009 is a reduction from the 11.2 percent allowed during the past two years.

SCRAP METAL BILL GETS ASSEMBLY HEARING

The Wisconsin Assembly Energy and Utilities Committee held a December hearing on AB 560, relating to the sale and purchase of scrap metal. Wisconsin Utility Investors strongly supports this effort to thwart the dangerous and expensive theft of metal,



especially copper, from utility facilities. Both WUI Chairman Cole and Executive Director Seitz supported the bill at the hearing. A Senate hearing is expected during January. Let your legislators know you support it.



2006 - 2007

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XCEL PRAIRIE ISLAND NUCLEAR REACTOR SHUT DOWN TO REPAIR BACK-UP GENERATOR

Operators at Prairie Island Nuclear Generating Plant, located near Red Wing, Minnesota, shut down Unit 1 on December 21st after equipment on one of the unit's two emergency back-up diesel generators failed a required test. The other Unit 1 back-up generator was down for planned maintenance at the time.



be used to support Unit 1 if needed. Repairs are being made.

Back-up generators provide power to safety systems if the plant were to lose off-site power. (Nuclear plants not only send power to the grid, they receive energy back for operational purposes.) Both back-up generators on Unit 2 are available and could

INTEGRYS ENERGY SERVICES TURNING TRASH INTO ELECTRICITY

IntegrYS Energy Services has announced that all four units at its recently completed Winnebago Energy Center, a landfill gas-to-electricity plant located in Rockford, Illinois, are now operational and actively supplying electric power to the grid.



The 6.4-megawatt plant uses methane gas produced by decomposing trash to power four Caterpillar engines, which generate electric power that flows back to the grid. Using the methane produced by decomposing trash to create electricity means this greenhouse gas is beneficially used and not flared or emitted to the atmosphere.. The 6.4 megawatts of green power generated at the Winnebago Energy Center is annually equivalent to taking 56,000 cars off the road; planting 76,000 acres of trees, or powering 5,000 homes. The facility is an important energy resource because methane generation from the landfill is fairly constant, unlike other renewable sources that are dependent on local wind or solar resources. The plant has potential for expansion to 8 megawatts.

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