



Wisconsin Utility Investors, Inc. Legislative/Regulatory Update

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WUI JOINS OTHERS FILING BRIEF IN DNR MERCURY RULE LAWSUIT

Wisconsin Utility Investors and a group of other business organizations have filed a brief in Dane County Circuit Court Branch 4, case No. 08-CV-1884, supporting a petition for writ of mandamus and in opposition to the defendant's (Department of Natural Resources) motion to dismiss. As described in the last issue of the Investor's Voice, WUI and the other plaintiffs have argued that the DNR did not follow legal requirements in preparing the state rule relating to mercury emissions in the state.

UTILITY DIVIDEND TAXES WILL BE A PRESIDENTIAL CAMPAIGN ISSUE

Discussions about dividends and taxes may put some people to sleep, but for utility shareholders, they are of critical importance because utilities have historically distributed a steady stream of their revenues to shareholders as dividends. In 2003, after heavy lobbying by utility shareholders, Congress passed the Jobs and Growth Tax Reconciliation Act which reduced the personal tax rate on qualified dividend income to 15 percent. Before the law, the maximum tax rate on dividend income had been as high as 38.6 percent. The lower tax rate on dividends will expire after 2010, unless Congress acts. If the 15 percent tax rate is not continued, the new, maximum tax rate on dividends is set to be 39.6 percent. Thus far in the presidential race, the presumptive Democrat nominee has indicated he supports increasing it, while the presumptive Republican candidate has said he would support maintaining it at the reduced level.

While affecting all shareholders, the dividend tax issue is particularly important to the electric utility industry. Electric utilities pay out a higher percentage of their earnings as dividends than any other business sector. During 2007, this percentage was 62.1 percent. And since the law went into effect in 2003, the number of electric utilities that have either raised or reinstated their dividend has increased each year. Last year represented the highest percentage of the industry (70.5 percent) paying out a dividend since 1990.

Data from the U.S. Internal Revenue Service finds that retirees make up the largest number of utility shareholders-64 percent of investors holding utility shares are 65 years or older. In looking at the income levels of utility shareholders, the majority are middle and low-income people. In fact, 68 percent of those receiving utility dividends have incomes of \$75,000 or less, and 42 percent of utility shareholders have incomes of less than \$25,000. These shareholders rely on their quarterly dividend checks to help with everyday expenses. They would be particularly harmed if the higher tax rate on dividends went into effect.

As WUI has often pointed out, shareholder income is essentially taxed twice. The utility pays a tax on its earnings, which also reduces the amount of net income that can be paid out to shareholders in the form of dividends. The utility shareholders then pay a tax on their dividend income. All utility shareholders should pay particular attention to this issue as the presidential campaign continues. When this issue is before the congress, we will alert members so they can make their voice heard.

WUI MEETS WITH INVESTORS AT COMPANY ANNUAL MEETINGS

Wisconsin Utility Investors Chairman Roger Cole and WUI staff members manned booths at both the Alliant Energy and MGE Energy annual meetings during May. In addition to greeting and having discussions with current WUI members, a number of new investors were signed-up for membership.

continued

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ALLIANT'S PROPOSED CASSVILLE PLANT RECEIVES SETBACK

The draft of an environmental impact statement from the state Wisconsin Department of Natural Resources, the Public Service Commission of Wisconsin and the Army Corps of Engineers argues that the proposed Alliant coal-fired power plant in Cassville, Wisconsin, would hurt the bed along the Mississippi River, jeopardize rare species of mussels and affect 20 acres of forest land. Alliant wishes to build the new 300 mega-watt plant to meeting growing electric demand. The company has proposed building at Portage as an alternative. Regulatory officials are seeking public comment on the environmental study and will be holding hearings later in the year.

WISCONSIN ENERGY CEO BRIEFS INVESTORS AT COMPANY ANNUAL MEETING

At its May 1 Annual Meeting, Wisconsin Energy CEO and Chairman Gale Klappa told approximately 400 shareholders the company's Power the Future project, which he called "the largest construction program in Wisconsin history" will cut the state's need to import energy. Three new plants will be opened in the next two years including a natural gas plant in Port Washington, set to begin production this summer, and two coal-fired generating plants scheduled to open in 2009 and 2010. However, a judge's ruling on water permits has held up the latter projects. He also told shareholders the company's \$300 million Blue Sky wind power site should be completed shortly.

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