



THE INVESTOR'S VOICE

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PROPOSED 2009-11 STATE BUDGET WILL BE PAINFUL FOR TAXPAYERS



In mid February, Wisconsin Governor Jim Doyle announced his proposals for the state's 2009-11 biennial budget. Plans for dealing with the state's projected \$5.7 billion deficit include a combination of \$597 million in state agency spending reductions, utilization of several billion in federal stimulus dollars and \$2.2 billion in new and increased taxes.

The cuts, not including reductions in state agency requests, amount to \$597 million in general purpose revenue (GPR) spending. The budget also proposes a lapse of \$334 million to the general fund from other fund sources and permanently shifts \$106 million in GPR spending to other fund sources. The budget relies heavily on federal resources through the federal stimulus package. The Governor proposes maintaining GPR spending at 2007-08 levels. He plans to rely on a return to more normal revenue growth in future budgets to replace the "one time" federal infusion of cash.

Problematic tax increases include \$215 million in higher corporate taxes, \$344 in higher taxes on tobacco products, a three percent gross receipts tax on oil companies (\$272 million) and a new top income tax bracket on married filers earning more than \$150,000 per year. The income tax increase is estimated to bring in an additional \$312 million. Other increases include a \$181 million increase in capital gains taxes, higher sales taxes (\$82 million) and a \$650 million tax on hospital services. The proposals raise troubling questions at a time when taxpayers are already being adversely affected by painful economic conditions.

WUI STRONGLY OPPOSES THE 50% INCREASE IN CAPITOL GAINS TAXES!

The 50% tax increase on capital gains taxes contained in Governor Doyle's budget will cost investors \$85 million over the next two years. Under current law 60% of realized gains are exempt from taxes; the provision lowers that to just 40%. The rise in the capital gains tax will adversely affect seniors, many of whom depend on capital gains for their retirement income. Capital gains make up an average of 23% of a senior's yearly income compared to just 9% of non-seniors. Individuals age 65 and up are also 2 1/2 times more likely to realize capital gains than someone under 65. Seniors depend on capital gains to pay their bills more than anyone else. This tax damages their ability to do so.

CALL YOUR LEGISLATOR TODAY at 1-800-362-9472 or go to WWW.WUIINC.ORG, CLICK POWERLINES AND E-MAIL THEM

TELL THEM YOU OPPOSE HIGHER TAXES ON INVESTORS

Wolter to Head New State Office of Recovery and Reinvestment

Wisconsin Governor Jim Doyle has appointed Madison Gas and Electric Chairman, President and CEO Gary J. Wolter to head a newly created Office of Recovery and Reinvestment. The agency hopes to distribute federal money from the federal stimulus bill in a manner which will promote job creation projects and investments in long-term economic growth in Wisconsin. Although the details of the federal stimulus package are still in development, the Office of Recovery and Reinvestment will continue efforts to explore avenues to deploy funds as well as work with local governments, schools, non-profits and the business community on possible projects that will create jobs and provide long-term investment in Wisconsin.



Gary J. Wolter



Utility Protests PSCW Lobbying Requirement

Wisconsin Public Service Corporation, a subsidiary of Integrus Energy Group, has complained that the State Public Service Commission had no authority to require that the company lobby the Wisconsin Legislature in support of Governor Jim Doyle's global warming task force. Officials stated that the requirement violated the company's free speech rights. Language in a Public Service Commission order tells the utility that it "should" support a proposal adopted by the Global Warming Task Force last year to expand the amount of renewable energy used in the state by 2025.

State Representative Phil Montgomery (R-Ashwaubenon) said, "This is kind of like a police officer picking up someone for speeding on I-43 and saying, 'If you write a check to the Police Benevolent Association, we'll forget about this whole speeding deal'." The company's complaints were supported by business industry groups including Wisconsin Manufacturers and Commerce, the Wisconsin Industrial Energy Group and Wisconsin Utility Investors.

Wisconsin Public Service to Refund Electric Fuel Cost to Customers

Wisconsin Public Service Corporation, a subsidiary of Integrus Energy Group, has filed a request with the Public Service Commission of Wisconsin to make a refund of almost \$5 million to Wisconsin electric retail customers for an over-recovery of 2008 fuel costs. The refund to each customer will be based on actual use and would amount to about \$3.36 for the typical residential customer using 630 kilowatt-hours of electricity monthly. The refund is due to lower fuel and purchased power costs in the second half of 2008. The company said most customers will see portions of the refund on both March and April bills.

\$10 Billion Transmission Project Proposed

ITC Holdings Corporation, a Michigan company, has proposed building a \$10 billion to \$12 billion high-voltage line bringing energy to Wisconsin and other states including Minnesota, Iowa and the Dakotas. Designed to bring so called Green Power from areas with more wind, the proposed lines would be over 3,000 miles in length. To be able to build the line, a number of changes would be required in the way such lines are regulated. The company said the 765,000 volt lines would greatly increase the ability of bring new power into the state.

All Wisconsin investor-owned utilities have major investments in transmission lines here, either directly in the case of Xcel Energy or through the American Transmission Company (ATC). ATC is wholly owned by Wisconsin Energy, Alliant Energy, Wisconsin Public Service, We Energies and Madison Gas and Electric and has provided a reliable return for investors in each of those companies. WUI will watch this proposal carefully to ensure the investments made by our investor-owned utilities are not harmed.



Madison Gas and Electric Electricity Customers to Receive Refund

A typical Madison Gas and Electric residential customer will receive a one-time, \$12.50 refund on their electricity bill because of lower than expected costs for fuel used to generate power in 2008. The refunds are scheduled to begin in late March after review by the Public Service Commission of Wisconsin. Refunds for commercial and industrial customers will vary by rate classification and the amount of electricity used last year.

Newman Promoted at MGE

Jeff Newman has been promoted to Chief Financial Officer and Secretary at Madison Gas and Electric. Newman, 46, joined the company in 1984 and became Treasurer in 1997. He will retain his roles as Vice President and Treasurer.

Xcel Energy Files Application For Largest Biomass Plant in Midwest

Following more than a year of study and planning, Xcel Energy has announced that it has filed an application for a Certificate of Authority with the Public Service Commission of Wisconsin to install biomass gasification technology at its Bay Front Power Plant in Ashland, Wisconsin. When completed, the project will convert the plant's remaining coal-fired unit to biomass gasification technology, allowing it to use one hundred percent biomass in all three boilers and making it the largest biomass plant in the Midwest. Currently, two of the three operating units at Bay Front use biomass as their primary fuel to generate electricity.

The project, estimated at \$58 million, will require additional biomass receiving and handling facilities at the plant, an external gasifier, minor modifications to the plant's remaining coal-fired boiler and an enhanced air quality control system. The total generation output of the plant is not expected to change significantly as a result of the project.

Last year, Xcel Energy installed NOx (nitrogen oxide) emission control equipment on the two boilers that primarily burn wood, allowing both to continue to operate into the foreseeable future. When evaluating various alternatives for the remaining boiler, which primarily burns coal, it was determined that expanding Bay Front as a biomass resource was preferred over incurring significant environmental compliance costs relating to the Clean Air Interstate Rule and regulations on mercury emissions.

When complete, the project will reduce emissions of nitrogen oxides by more than 60 percent, sulfur dioxides by more than 80 percent and particulate matter by more than 80 percent. In addition, displacing coal with sustainably harvested biomass will also reduce net carbon dioxide emissions, contributing to the company and State of Wisconsin's carbon management goals.

The primary source of biomass at Bay Front is expected to be the lower quality, unused materials that are currently left in area forests following traditional harvests, such as treetops, logging slash, damaged trees, underutilized species, and the cull and mortality classed trees. Initial investigations conducted by Xcel Energy show more than ample supplies of this lower quality biomass within the area.



When complete, the project will reduce emissions of nitrogen oxides by more than 60 percent, sulfur dioxides by more than 80 percent and particulate matter by more than 80 percent.

UPPCO Seeks Bids for AuTrain Hydroelectric Project



Upper Peninsula Power Company (UPPCO), a subsidiary of Integrys Energy Group, has issued a Request for Proposal to sell the AuTrain Dam and hydroelectric project property near Munising, Michigan. The company is currently examining all its options for the dam, which needs significant modifications to conform to Federal Energy Regulatory Commission (FERC) rules regarding its ability to withstand a Probable Maximum Flood (PMF). A PMF is sometimes referred to as a 10,000-year flood.

The cost of modifications to the dam and currently forecasted electricity prices suggest that this asset is not competitive with other generating resources available to UPPCO. Selling the dam and land to an independent power producer is one of the options UPPCO is considering in lieu of petitioning FERC for approval to abandon and remove the dam.

Interstate Power Receives Decision from Iowa Utilities Board

Interstate Power and Light Company (IPL), a subsidiary of Alliant Energy Corporation, has received an oral decision from the Iowa Utilities Board (IUB)



concerning its ratemaking principles request for the company's proposed construction of the 649-megawatt Sutherland Generating Station Unit 4 in Marshalltown, Iowa.

In its decision, the IUB established a return on equity of 10.1 percent and a cost cap of \$2816.00 per kilowatt, excluding AFUDC. IPL had requested a return on equity of 12.55 percent and a cost cap of \$3483.00 per kilowatt, excluding AFUDC. IPL has proposed to own 350 megawatts of the facility's output, with the remaining output owned by other partners or included in purchased power agreements.

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Wisconsin Power and Light to Hold Base Rates Flat in 2009

Despite a double digit drop in sales among nearly half of its top twenty customers, Wisconsin Power and Light Company (WPL), a subsidiary of Alliant Energy Corporation, will hold base rates flat in 2009.

"While we believe the facts support the filing of an emergency rate relief request, we recognize the challenges the current economic downturn has placed on many of our customers," according to Barbara Swan, President-Wisconsin Power and Light. "We are hopeful this decision provides some stability to our customers - large and small - during this challenging time."

In December, 2008, it was announced that WPL's projected retail sales were expected to be about six percent below the levels assumed in retail customer rates. Given the forward-looking test year that Wisconsin regulators use for rate-making purposes, the dramatic sales decline makes it nearly impossible for the company to recover costs authorized by the Public Service Commission of Wisconsin in its recent rate case.



*Barbara Swan, President,
Wisconsin Power and Light*



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