



THE INVESTOR'S VOICE

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Bernie Bridge

Bridge Out at Public Service Commission - Ebert to Fill Void

Wisconsin Public Service Commission Chairwomen Bernie Bridge has left her position to become Division Administrator of the Division of Children and Family Services in the Wisconsin Department of Health and Family Services. She began her tenure as PSCW Commissioner and Chair in 2003 after serving as a staff attorney in the Wisconsin Department of Justice. In that role, she spent ten years as second-in-command to then Attorney General Jim Doyle.



Dan Ebert

Governor Doyle has named her former Executive Assistant Dan Ebert as her successor, both as Commissioner and Chairman. Ebert was appointed Executive Assistant in February of 2003. Prior to that, he had served as Transition Personnel Director for Governor Doyle and had held staff position in both the U.S. Senate and House of Representatives in Washington, DC. He is a Watertown, Wisconsin, native with a Bachelor's Degree in Political Science and Economics from the University of Wisconsin, Whitewater.

Dan Schoff, who previously served three terms in the Wisconsin Assembly representing the Beloit area, will fill the Executive Assistant position. He has been Administrator of the Department of Administration Division of Energy since July, 2004.

Fixed Return on Equity Ratemaking Method Gets Green Light

Senate Bill 79, which provides a new option for utility ratemaking, has now passed both houses of the Wisconsin Legislature and has been signed by the Governor. WUI had strongly supported this measure and provided testimony at both the Senate and Assembly Energy and Utility Committees. The bill, introduced by Senator Rob Cowles (R) Green Bay, Chairman of the Senate Committee, has the potential to slow the rate of growth in electric rates by reducing the cost of financing new construction and will provide greater regulatory certainty for utilities and their shareholders.



Senator Rob Cowles

With the state in a major utility building cycle, the Public Service Commission has predicted demand for energy will grow by approximately 2.5% per year. This equates to a need for at least one new major power plant every two years. Under present law, plants can either be funded using traditional ratemaking methods or by lease financing. The "fixed return on equity" method, provided for in this legislation will provide the Commission with more flexibility in determining the best approach in any given situation.



Legislature Focuses on Budget, but Considers Other Bills

The Legislature's Joint Committee on Finance (JFC) has begun the task of rewriting the Governor's proposed state budget (Assembly Bill 100). The document, which should be completed, have passed both houses and sent to the Governor for his signature by the end of June, will be considerably different than the version originally submitted by Doyle. Executive sessions have been held, during which the Committee considered testimony from each agency to determine which items will remain in the final bill. During these sessions, members of the Legislative Fiscal Bureau and the Department of Administration's Budget Office briefed the Committee.

In other action, various committees are considering other bills which have been introduced thus far in the session. Some of these, of interest the WUI members include:

AB 205 - Public Intervenor - This bill, authored by Representative Spencer Black (D-Madison) and others, seeks to recreate the Office of Public Intervenor in the Department of Justice. WUI opposes this measure.

AB 245 & Companion Bill SB 115 - Aid Payments for Wind Farms - These bills would lower the threshold for shared utility aid payment to municipalities hosting wind farms. WUI supports the bill.

AB 277 - Air Provisions - This bill authorizes the Department of Natural Resources to exempt qualifying persons from getting construction permits, provides that certain air permits will not expire, and contains other provisions including requiring the Department of Administration to report regulatory barriers to manufacturing growth. The bill will not affect utility companies.

AB 278 - "Job Creation Act II" - This bill contains a variety of provisions including nuisance lawsuit reforms, expert witness testimony changes, personal shareholder liability elimination, and other items. While the bill has many positive aspects, the Governor has hinted he would veto it because of some of the changes it contains. WUI has not taken a position on the bill at this time.

AB 304 - Revolving Door Prohibitions - This bill, also authored by Representative Black, would prohibit Public Service Commissioners, Executive Assistants, and Division Administrators from going to work for regulated utilities within twelve months of leaving their state jobs. It contains heavy fines and imprisonment as punishment. WUI has not taken a position on this bill.

SB 110 - Increased Renewable Power - This bill would require that 15% of all electric energy produced come from renewable resources by December 31, 2016. WUI opposes this unrealistic proposal.

SB 81 - Exemption for Renewables - This bill creates a sales tax exemption for the sale of a renewable resource and for the sale of any item of personal property that uses a renewable resource. It also provides for grants in the area of renewables technologies. WUI has not taken a position on this bill.

SB 164 - Identity Theft Protections - This bill requires entities possessing personal information about individuals to notify those individuals when the information has been accessed without authorization. While attempting to correct a serious concern, the measure is drafted in a way that could create an administrative nightmare for many businesses. As presently drafted, WUI joins Wisconsin Manufacturers and Commerce, the insurance industry, bankers and other businesses in opposing it.

AUSA and Edison Electric Association Meetings Held in Chicago

On April 21, WUI staff joined executives from six other state utility shareholder organizations in Chicago for a meeting of AUSA, the Alliance of Utility Shareholder Associations. The gathering discussed membership programs, policy development, and other organizational concerns. In the afternoon, members joined with participants in an Edison Electric Institute (EEI) grassroots planning session. That meeting was held for governmental affairs executives from many midwestern utilities.

AUSA representatives welcomed Michelle Wynn, Executive Director of the newly created Oklahoma Utility Shareholders Association. AUSA is working with EEI to encourage other states to develop their own utility shareholder organizations.



Alliant Energy Sells Cogenex Energy Services Business

Alliant Energy Corporation has announced it successfully completed the sale of its energy services business to Constellation Energy Projects & Services Group, Inc., a subsidiary of Constellation Energy of Baltimore, Md. Cogenex Corp. and Energy Performance Services, Inc. (collectively Cogenex), primarily based in Lowell, Mass., were part of Alliant Energy Resources, Inc.'s Integrated Services Co. business platform. The Cogenex sale will result in net cash proceeds of approximately \$35 million, which will be available to AER for debt reduction.

In July of 2004, Alliant Energy announced plans to divest certain ISCO businesses, citing continued efforts to narrow its strategic focus to primarily domestic utility operations. With the sale of ISCO's NG Energy Trading and energy management business in 2004, the Cogenex sale completed the three ISCO divestitures announced last year.

"The sale of Cogenex is consistent with Alliant Energy's efforts to continue to narrow our business scope and concentrate on those investment opportunities now available in our core domestic utility operations," according to



**ALLIANT
ENERGY**

Eliot Protsch, Alliant Energy senior executive vice president and chief financial officer.

In another unrelated matter, Alliant Energy has announced the settlement of an arbitration award the company received in a dispute related to an expansion of its Brazilian natural-gas fired generating facility. Alliant Energy and a Cataquazes subsidiary each hold a 50% direct interest in the facility. Earlier this year, Alliant Energy won an arbitration award from the International Court of Arbitration for an amount in local currency equivalent to approximately \$22 million (U.S.) associated with alleged breaches of

contract related to the financing and construction for the expansion of the facility.

The arbitration panel determined that Cat-Leo Energia S.A. improperly interfered with plans to complete the expansion. The panel determined Alliant Energy would receive the awarded funds in exchange for its direct 50% interest in the facility. The award was unsuccessfully challenged by Cat-Leo at the arbitral tribunal; however, enforcement of the award through the appropriate Brazilian courts could require a significant amount of time to process and effectuate.

Kewaunee Update: \$200 Million to Be Returned to Customers

The Public Service Commission of Wisconsin (PSCW) has issued its formal order approving the sale of the Kewaunee Nuclear Power Plant by Wisconsin Public Service and Wisconsin Power and Light to Dominion Resources. The companies may now close the sale following the current unplanned outage.

The plant was originally shut down on February 20 to resolve technical design issues with the backup feed water system. The companies had expected the plant to return to service in April. However, to ensure safety and reliability of the Kewaunee Plant, it was decided to do a thorough examination to determine if there were potential similar design issues in any other plant processes. This detailed review is time intensive and, while no significant issues were expected, the review and analysis will not be completed until mid- to late May. The plant will be restarted when any identified issues are satisfactorily resolved. Under contract terms, the plant must operate for 48 hours and ramp up to full power, before the sale can be closed.

After closing, Public Service and Wisconsin Power and Light will receive nearly \$200 million in decommissioning funds which can be returned to customers in a manner approved by the PSCW. While the specifics of the return haven't been determined, the funds will provide a positive impact on the electric rates of the utilities.

May is the Month for Company Annual Meetings

May is the most popular month for utility annual meetings. Wisconsin Energy held its annual meeting in Milwaukee on Thursday, May 5, and will be followed by MGE Energy on May 10, in Middleton, WPS Resources May 19 in Green Bay, Alliant Energy also on May 19 in Cedar Rapids, Iowa and Xcel Energy on May 25 in Minneapolis, Minnesota. WUI staff members will be attending many of these meetings.

The WUI Board of Directors will be meeting in Milwaukee May 24 to review its annual audit, progress being made in its membership recruitment program and other items.

MGE Power Plant Receives ISO Certification

Blount Station, owned and operated by Madison Gas and Electric (MGE), is the first power plant in Wisconsin to receive ISO 14001 certification for environmental management. This internationally recognized system requires continually setting goals and producing tangible results. In 2004, the Blount team set a record for burning alternate fuel and found a new way to recycle more than 20,000 tons of fly ash each year.

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DNR Reissues Water Permit for Oak Creek Power Plant

The Wisconsin Department of Natural Resources (WDNR) has reissued a Wisconsin pollutant discharge elimination system permit for the combined Oak Creek Power Plant and Elm Road Generating Station.

The WDNR determined that the proposed cooling water intake structure and water discharge meets regulatory requirements and that the permit should be reissued for the expanded facility subject to specific limitations and conditions. The permit establishes requirements for the construction of a cooling water intake structure that meets "Best Technology Available" requirements for minimizing adverse environmental impacts.

We Energies consulted with several state and federal regulatory agencies on the water intake system. Based on feedback received from agency staff, the company proposed a design that minimizes adverse environmental impacts and improves the cooling water structure at the Oak Creek Power Plant.

A lawsuit filed by Clean Wisconsin and S.C. Johnson and Son, of Racine, asks a judge to throw out the permit. It claims the cooling system will harm aquatic life in the lake. However, The proposed water discharge has been thoroughly reviewed and studies show that local fish and aquatic life will be protected.



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