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WUI Intervening in the PSC Fuel Rules Case

Unfair Fuel Cost Recovery Rules Have Cost Wisconsin Utility Shareholders Over $100 Million During the Past Year

Although the Public Service Commission of Wisconsin (PSCW) has the statutory duty to equally balance and protect the respective interests of both utility customers and utility shareholders, the current system used to make adjustments in rates to reflect either fuel cost decreases or increases is heavily weighted against the interests of shareholders. Under present rules, deceases in fuel costs must be immediately passed through to customers once fuel costs fall below budget by just one-half of one percent of those contained in the utility's most recent rate case. However, companies can only seek to recover increased costs if they amount to an increase of more than 2% of the amount set in the most recent rate case. Further, the PSCW can set utility rates subject to refund to protect shareholders in a falling cost environment, but there is no "subject to surcharge" provision to equally protect shareholders in a rising market. Finally, because utility rates cannot be increased without notice and a hearing, there is an inherent lag in any utility recovering prudently incurred fuel costs in a timely fashion. This inequitable system has resulted in companies and shareholders having to absorb added costs of more than $100 million over the past year.

"Since Wisconsin Utility Investors, Inc. (WUI) represents the substantial interests of its members, it has petitioned the PSCW to be part of these negotiations to make certain individual shareholders are represented and saved from future fuel price changes which are beyond companies' control."

Because of this highly unfair situation and the increasing volatility in fuel prices, the PSCW may open a docket to consider changing the fuel rules to make them fairer. Since Wisconsin Utility Investors, Inc. (WUI) represents the substantial interests of its members, it has petitioned the PSCW to be part of these negotiations to make certain individual shareholders are represented and saved from future fuel price changes which are beyond companies' control.

WI Legislature Finished for the Year. Really!

The Wisconsin Legislature's final floor period for 2006 ended on May 4. Proposals not acted upon by that date should be dead for this session. Of course, the Legislature can always take formal action to extend the session. WUI will provide a scorecard in the next Legislative/ Regulatory Update.

WUI Board Meets In Madison

The Wisconsin Utility Investors Board of Directors met in Madison April 20th to review progress on the organization's 2006 program. Members were briefed on current WUI legislative activities and progress being made in promoting use of the organization's new "Powerlines" website which makes it easy to contact both state and federal policymakers on issues affecting shareholders. Many members have already used the system to contact federal lawmakers about the dividends tax and other issues. Board members reviewed graphs showing email and regular mail use by WUI members over the past several months. Lobbyists and utility company officials have been impressed by the system, and several have shown an interest in implementing similar programs.

Just a Click Away at WUIINC.ORG

Wisconsin Power and Light Announces Details of its 2006-2013 Generation Plans

Wisconsin Power and Light Company (WP&L), a subsidiary of Alliant Energy Company, has announced new details of its energy supply plans for the period from 2006 through 2013. The plans reflect increased growth in demand and the need to use both baseload generation and wind generation to meet the expanding needs of WP&L's residential and business customers. Barbara Swan, WP&L President, said, "Electricity demand in our service territories has grown on average about three percent per year and we expect this growth rate to continue." She said the plan will be balanced and will keep rates competitive. The plan will now increase baseload generation by 300 megawatts (MW). The company has also added 200 MW of wind generation to the plan, which had originally called for 100 MW. The wind generation may either be owned by the company or purchased.

WIND FARM DETAILS

WP&L has entered into an option-to-purchase agreement with Midwest Wind Energy (MWE) for developmental rights to the Cedar Ridge Wind Farm, located in the Towns of Eden and Empire, just southeast of Fond du Lac, Wisconsin. WP&L will decide within the next several months whether to take ownership of the Cedar Ridge Wind Farm. If it decides to make the purchase, it expects the project to be fully operational by the end of 2007, with a capacity of between 80 and 99 MW.

BASELOAD PLANS

The company plans to locate an additional unit at one of two existing sites; either Nelson Dewey Generating Station in Cassville, Wisconsin, or Columbia Energy Center in the Town of Pacific, near Portage, Wisconsin. The company prefers adding a 300 MW circulating fluidized bed unit to the two existing coal fired units at the Nelson Dewey site. However, the final decision will be made by the PSCW. The American Transmission Company, which owns and operates most transmission facilities in the state, has indicated that because of its unique location, the Nelson Dewey site has the potential to increase the state's import capacity by from 400 to 600 MW. The state's present import capacity is limited to approximately 1900 MW. Were the Columbia site to be chosen, the company would use subcritical pulverized coal technology with the best available emission control technologies. The company has voluntarily reduced NOx emissions by 60 percent since 2002 at the Columbia site.

BENEFITS TO THE COMMUNITIES

Utility power plants pay gross receipts to the state in place of local property taxes. However, local governments receive shared revenue payments from the state based upon utility property located there. If the Nelson Dewey site is chosen, the Village of Cassville would receive and additional $580,000 annually, and Grant County an additional $380,000. At the Columbia site, the Town of Pacific would receive an added $380,000 and Columbia County an additional $580,000.

WUI Chairman Cole Responds to Critical Appleton Post Crescent Editorial

Roger Cole, Chairman, WI Utility Investors

In a strongly worded letter to the editor, Wisconsin Utility Investors Chairman Roger Cole scolded the Appleton Post Crescent over an editorial that suggested Wisconsin Energy Corporation was benefiting financially from rate increases resulting from increased fuel costs. The newspaper editorial implied that the utility increases were analogous to big oil company profits. Cole said, "Wisconsin has a very strict system in place to ensure the shareholder-owned utilities don't profit from higher fuel prices." He noted that WUI members are ordinary citizens, many retired and relying on company dividends. He said, "Your editorial looks for some faceless organization to pass the bill onto for the higher fuel costs. But remember, you are proposing to pass the bill to people with familiar faces. They are your parents, grandparents and other small investors who did the right thing over the years by investing for their own retirement." As indicated by the article on page one, far from benefiting from fuel price increases, companies and shareholders are being severely penalized.

Public Service Commission Questions Wisconsin Public Service Corporation Over Weston Environmental Disclosures

The Public Service Commission of Wisconsin (PSCW) has asked the state attorney general's office to review the failure of Wisconsin Public Service Corporation (WPS) to fully disclose all available environmental control options when presenting the Weston 4 generation facility to the commission for approval. Connie Lawniczak, Director of Environmental Services at WPS, said the company maintains it provided accurate information to regulators. Administrative Law Judge Jeffrey Boldt had criticized the company. He made minor changes, but approved the permit that had been issued by the State Department of Natural Resources (DNR). New power plants are required to install the most modern pollution control technology in order to receive a DNR permit, however, Lawniczak said that although the company probably should have provided more information, it believed and continues to believe, that the technology in question is not sufficiently developed to be used at the Wausau plant.

Guardian Pipeline Hosts Open Houses to Discuss Natural Gas Transmission Line Expansion

Guardian Pipeline, LLC, has hosted a series of open houses to provide stakeholders with information and solicit feedback about its proposed expansion and extension project. The project would extend the existing pipeline along a 106-mile route from Ixonia, in Jefferson County, Wisconsin, to the Green Bay, Wisconsin, area. New compression facilities would be added along the existing pipeline in Walworth County and in DeKalb County, Illinois. The proposed project will increase natural gas capacity and will ensure adequate supplies of competitively priced natural gas needed to support Wisconsin's growing economy. The selection of Guardian by Wisconsin Public Service Corporation and Milwaukee-based We Energies, to supply new capacity was the result of a 15-month competitive bidding process. Last month, the parent companies of the Milwaukee and Green Bay utilities said they were selling their ownership stake in Guardian Pipeline for $77 million. Their ownership amounted to 33 percent. The proceeds will be split evenly between the two companies. Guardian will then be fully owned by Northern Border Partners of Omaha, Nebraska.

In Wisconsin, natural gas consumption has increased almost 25 percent since 1990. More than two-thirds of all Wisconsin households heat with natural gas. Despite relatively mild winters, residential use of natural gas increased 19 percent from 1990 to 2004 as the number of gas customers increased by approximately 46 percent. During that same period, the number of commercial and industrial gas customers increased by nearly 43 percent.

Boston Globe Op-Ed Piece Underscores Importance of Dividend and Capital Gains Tax Reductions

In an excellent op-ed piece written by Louis Lataif, Dean of the Boston University School of Management, the author stresses that, contrary to misleading rhetoric from opponents, the Dow Jones Industrial average increased by 25 percent and the dividend payouts by American companies have tripled over the past three years since the dividend and capitol gains tax rate cuts were implemented. Lataif pointed out that this “represents an estimated $5.8 trillion increase in the wealth effect for the 80 million American households owning equities.” Opponents had predicted, and continue to imply that the tax cuts would be costly. Instead, the Congressional Budget Office says, rather than decreasing tax revenues, they increased dramatically. In 2002, federal tax revenues from capitol gains were $49 billion. By 2005, that number had increased to $80 billion. Lataif said, “Before 2004, we double-taxed dividends, once as corporate income and then as ordinary income to recipients. This dual action had the perverse effect of discouraging the payment of dividends and increasing the volatility of stock prices - hurting ordinary American much more than the wealthy.” WUI has urged its members to contact federal policy-makers to let them know the importance of continuing the dividend tax reduction. If you have not already done as hundreds of other WUI members have already done, please go to the WUI website (www.wuiinc.org) and use “Powerlines” to let your representatives in Congress know how important this matter is to utility investors.

Misuse of Tree Cuttings Law Prompts Quick Legislative Action

An obscure provision in state law prohibiting the cutting of raw forest products on land with tax liens against it has been seized upon by transmission line opponents as a way of slowing or stopping utility work on affected properties. The provision, designed to prevent property owners from profiting by cutting timber while delinquent on their taxes, would prevent utilities from doing work on easements needed to ensure safety and reliability of service. Two bills, AB 1174 and SB 683 correct the problem by creating an exemption to the current statute for utilities, co-ops and railroads.

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We Energies Blue Sky Green Field Wind Project Could Power 45,000 Homes

We Energies, subsidiary of Wisconsin Energy, has filed a Certificate of Public Convenience and Necessity application with the Public Service Commission of Wisconsin (PSCW) for authorization to construct what will be known as the Blue Sky Green Field Wind Project.

The proposed wind project will be located in the towns of Calumet and Marshfield in northeast Fond du Lac County. It is designed to generate up to 203 megawatts of electricity, enough energy to power approximately 45,000 residential homes. The project will consist of approximately 88 wind turbines with an installed cost of up to $346 million, which includes allowance for funds used during construction.

"We look forward to seeing this project through the regulatory process and beginning construction," said Andy Hesselbach, Blue Sky Green Field project manager. "In addition to providing our customers with needed generation, it is also a significant step toward meeting our renewable energy requirements for the years ahead."

The PSCW approval timeframe varies depending on the size and complexity of the project, but may take six months to a year. Because the actual construction and commercial operation dates are dependent on approval from the PSCW and the availability of turbine equipment, commercial operation is anticipated to begin in 2007 or 2008.

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