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WUI TO PROVIDE COMMENTS ON PROPOSED FUEL RULE REFORMS

The Public Service Commission of Wisconsin (PSCW) has issued a second information draft of proposed fuel rule reforms which have been sought by utilities, Wisconsin Utility Investors and others. WUI has been fighting since 2005 to reform these unfair rules which have cost investors over \$100 million in a single year. WUI has been an intervenor in the process of developing the new rules. The rule drafted by PSC staff represents a good faith effort to address an issue that unfairly lowers the return on investments. It is a good first step, but, key reforms that WUI has urged still need to be addressed. The major shortcoming remains the percentage that fuel costs must rise above projected levels before companies and their investors can recover costs. At the proposed 2 percent level, investors could lose tens of millions of dollars before fuel rates are adjusted. That is not acceptable. WUI believes state regulation should not prevent companies from recovering the full cost of fuel. As of press time, WUI staff is analyzing the rule and will prepare a full response to the PSC that seeks to protect the rights and dividends of WUI members.



COURT RULES IN FAVOR OF WE ENERGIES IN DANE COUNTY CASE

The State Court of Appeals has rejected attempts by groups claiming to represent consumers to force We Energies to return some \$52 million in profits. In a decision by the Dane County Appeals Court, Judge C. William Foust ruled that We Energies was entitled to keep the disputed profit it earned in 2001-03. The money was the result of cost cutting measures taken after We Energies parent company, Wisconsin Energy Corporation, bought Wicor Incorporated, the parent of Wisconsin Gas, in 2000.



MANY LEGISLATIVE AND ADMINISTRATIVE ISSUES REMAIN UNRESOLVED



The ongoing stalemate over the Wisconsin Biennial Budget has pushed a number of ongoing legislative and regulatory issues out of the spotlight; however, some are progressing or have been included in versions of the budget under consideration.

Licensing of Electricians: At present, local jurisdictions may license electricians, electrical contractors or inspectors, but they are not required to do so. This has led to a patchwork of regulation between communities and a situation in which not-necessarily-qualified individuals are, for example, installing wiring on dairy farms. AB 294 and SB 167 would create a statewide system of licensure, including testing, for electricians, electrical contractors and inspectors within the Department of Commerce. The bills contain numerous exemptions, including maintenance of wiring on dairy farms. But they cover installation and utility workers working on utility property and projects. Amendments have been agreed upon to improve the bills, and a hearing should be scheduled around the middle of September. WUI generally approves of the measures.

Theft of Metals: The theft of scrap metals, particularly copper, has been fueled by the rising price of these materials. Copper stolen from utility substations has even resulted in some deaths. These activities

MANY LEGISLATIVE AND ADMINISTRATIVE ISSUES REMAIN UNRESOLVED (continued from page 1)

endanger utility workers, the thieves, citizens and can threaten reliability and lead to cost increases caused by repairs and unplanned outages to customers. Model legislation has been recommended, and utilities have made a number of suggestions to improve the legislation. Hearings on the measure or measures will be held in the Senate and Assembly during September. When final drafts are reviewed, WUI expects to be able to support these bills.

Lead Window Replacement: A bill draft, LRB 0855/2, would require utilities to fund and administer a \$20 million lead window replacement program out of public benefits funds. Under the draft, owners of dwellings constructed before 1950 could apply for loans to replace lead windows with lead-free, "energy efficient" windows, though the bill does not specify any standard for energy efficiency. The loans would be for purchasing only, not installation. The utilities would be required to contract with an administrator, and PSC would promulgate rules on loan program details, but income could not be considered for loan applicants. As of this date, a bill has not been introduced, and WUI will reserve its judgment until that time.

Clean Air Interstate Rule (CAIR): The proposed Department of Natural Resources (DNR) Clean Air Interstate Rule (CAIR), CR 06-104, includes cap and trade provisions but allocates NOx emission allowances for Wisconsin differently than the federal version, favoring sources in Manitowoc and Whitewater over investor-owned company sources. It also uses an emission output vs. heat input calculation and requires an adjustment to baseline every five years. Integrys and Xcel had sought changes to return to the federal version of the rule when it was learned that they would receive 11% and 17% fewer emissions allowances, respectively. The Assembly Natural Resources Committee returned the rule to DNR seeking unspecified modifications, partly due to the fact that DNR staff admittedly used out-dated EPA emissions data in calculating the allowances. DNR declined to amend the draft rule. The rule was then referred to the Joint Committee for the Review of Administrative Rules where a hearing was held and an executive session resulted in a tie vote, causing the committee's jurisdiction to expire. As a result the rule is now in effect.

Clean Air Mercury Rule (CAMR): Earlier this year, the DNR Board voted to authorize public hearings on a 90% emission reduction of mercury by 2018, but staff would also have to document a threat to public health as required by Act 118 - the Jobs Creation Act. DNR presented the Natural Resources Board (NRB) with a seminar on mercury with invited speakers in Stevens Point during July. The latest draft rule offered by DNR staff also eliminates the cap and trade and credit banking provisions that were originally included in the rule. As previously reported, WUI testified at hearings around the state pointing out the need to contain costs by restoring cap and trade; and research showing that eliminating all utility emissions would only reduce mercury

deposition by about 1%, resulting in the continuation of fish advisories on all Wisconsin lakes. The comment period officially ended June 11th, and the Wisconsin Utilities Association filed supplemental comments regarding the procedural deficiencies in the rulemaking proceeding. WUI would strongly prefer adoption of the federal rule. The DNR Board continues to review the matter and is expected to take further action later this year.

UNRESOLVED LEGISLATIVE AND ADMINISTRATIVE ISSUES

Licensing of Electricians

Theft of Metals

Lead Window Replacement

Clean Air Interstate Rule
(CAIR)

Clean Air Mercury Rule
(CAMR)

Special Committee on
Nuclear Power

Gross Receipts Tax Sunset

Special Committee on Nuclear Power: The Legislative Council's Special Committee on Nuclear Power has recommended three bills to the Joint Legislative Council for introduction. They include AB 346, which recommends repealing the moratorium on construction of nuclear power plants in Wisconsin and AB 347, which requires the Public Service Commission of Wisconsin to investigate future electric supplies. WUI supports these measures.

Gross Receipts Tax Sunset: Under present law, gross electricity sales are taxed at a rate of 1.59%. This rate is scheduled to sunset in 2008 and return to 3.19%, as a result of recommendations of a 2000-01 Wisconsin Department of Revenue (DOR) study committee. The rate was reduced in the 2001 budget, also at the recommendation of the DOR study committee, to avoid a situation in which electricity customers

were being double and even triple-taxed on electric sales due to market conditions that were in flux at that time. Double taxation occurred because utilities were often required to purchase electricity from merchant generating plants such as Calpine Energy to meet customer demand, triggering one level of taxation between the merchant and the utility. Another level of taxation was imposed on customers when gross revenues taxes were imposed on the sale of the electricity between the utility and the customer. Thus, rather than eliminating the levels of taxation, the study committee recommended and the state approved, lowering the rate of taxation to ensure that customers' bottom lines remained relatively stable.

Gross revenues earned after December 31, 2009, will be subject to a rate of 3.19%. This is essentially an \$18 million tax increase on electricity customers, and it does not account for the change in status of the Kewaunee nuclear plant from a utility-owned plant to a merchant plant with the additional level of taxation between Wisconsin Public Service Corporation and Dominion Power due to the power purchase agreement, and increases the potential of an additional level of taxation between We Energies & Florida Power and Light Company should the sale of Point Beach Nuclear Power Plant be completed. Thus, the potential tax increase to ratepayers will be significantly higher. To avoid this de facto tax increase on electric customers and pre-empt any fiscal effect on the 2010 budget, utilities have suggested eliminating the sunset in the current budget. In August, the Budget Conference Committee approved the proposal. WUI supports it. ■

BRIDGE COLLAPSE SPARKS XCEL ENERGY TRAFFIC CONGESTION RELIEF PLAN

In an effort to help alleviate long-term traffic congestion due to the rerouting of traffic following the tragic Interstate 35W bridge collapse, Xcel Energy has announced a plan to assist its employees with transportation alternatives.



The loss of a main traffic artery that carried 140,000 vehicles daily was expected to result in major traffic delays for commuters entering downtown Minneapolis from the north until a new replacement bridge is constructed.

The Interstate
35W bridge
carried 140,000
vehicles daily.

Xcel Energy's three-pronged approach includes:

- Urging its approximately 2,000 employees working in Minneapolis whose commutes are affected by this event to use mass transit, with a goal of having at least 20 percent of employees using bus or light rail. As an incentive, the company is providing a \$50 dollar per month subsidy to any employee using a Metro Transit Pass for downtown Minneapolis routes. The subsidy will be offered for the duration of the bridge reconstruction project. Currently Xcel Energy employees pay \$69 per month to use Metro Transit. Managers will be encouraged to work with employees to coordinate work schedules with mass transit.
- Urging managers to work with downtown Minneapolis employees to explore flextime options -- shifting start and stop times to earlier or later.
- Providing ongoing information to employees about alternative transportation methods and routes through its internal communications tools. Employees who aren't near public transportation routes, for example, will be encouraged to form carpools with neighbors or other employees.



INTEGRYS ENERGY GROUP SIGNS AGREEMENT TO SELL SUBSIDIARY

IntegrYS Energy Group, Inc. has announced that it has reached a definitive agreement to sell its oil and natural gas production subsidiary, based in Houston, Texas, to a subsidiary of El Paso Corporation. IntegrYS had previously announced its intention to sell the production company before the end of 2007. The Board of Directors of the respective companies have approved the transaction, which is subject to normal and customary conditions to closing, including buyer's completion of title and environmental due diligence. The parties expect to close the sale on or about September 30, 2007. The gross purchase price is approximately \$875 million.

"This transaction is consistent with our asset management strategy to sell non-core assets that we expect will lower our business risk profile," said Steven P. Eschbach, IntegrYS Energy Group's Vice-President - Investor Relations. "We expect the net after-tax proceeds of about \$600 million to \$650 million will be used to significantly reduce our short-term debt and strengthen our balance sheet."

WISCONSIN POWER AND LIGHT COMPANY IMPROVES GAS RELIABILITY IN BELOIT



A new \$240,000 project has begun which will improve natural gas distribution system on Beloit Wisconsin's East Side. WPL, a subsidiary of

Alliant Energy, will replace about 18,000 feet of aging underground natural gas mains in the area bounded by Dewey Ave. to the east, Riverside (Route 51) to the west, West Hart Road to the north and Briar Lane to the south. The project is expected to last up to three months.

NOT YET A DUES PAYING WUI MEMBER?

Wisconsin Utility Investors is fighting in Madison to protect your utility investments by working to influence pending legislation and regulations.

Your \$15 membership will help the organization be effective in carrying out its work. If you haven't already done so, please consider sending in your membership dues today.

Thank you!



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WISCONSIN UTILITY INVESTORS

10 East Doty Street, Suite 500
Madison, WI 53703-3397
P: 608 663.5813 • F: 608 283.2589
www.wuiinc.org

PUBLIC INFORMATIONAL MEETINGS HELD ON DANE COUNTY TRANSMISSION PROJECT



During August, the American Transmission Company (ATC) hosted a series of public informational open house meetings to share information about the proposed Rockdale - West Middleton transmission line project. ATC has encouraged the public to learn more about the two proposed route options that will be included in the regulatory application the company will submit to the PSCW in October.

ATC has proposed two alternative routes: The northern route generally follows I-90 and the Beltline highway west toward Middleton. The southern route follows a path mostly through rural areas offset from county highways. ATC's public involvement process began more than two years ago when the company first introduced a proposal for a 345-kilovolt electric transmission line between the towns of Middleton and Christiana. More than 17,000 households were invited to attend 18 open houses in the past couple of years and to provide input and feedback. The final route options for the transmission line were directly influenced by ATC's public involvement activities. The yearlong regulatory review will begin in October when ATC files its construction application for the project.



**DON'T MISS
THESE GREAT
WUI MEETINGS!**

Annual Meeting • Waukesha • September 27th
Madison Regional Meeting • October 17th
Green Bay Regional Meeting • October 18th
Eau Claire Regional Meeting • November 15th

For details and reservations, call WUI at 608-663-5813 or
email toniseitz@starband.net.

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Wisconsin Utility Investors
10 East Doty Street
Suite 500
Madison, WI 53703-3397