

we energies231 W. Michigan Street
Milwaukee, WI 53203
www.we-energies.com

February 19, 2010

Ms. Sandra Paske
Secretary to the Commission
Public Service Commission of Wisconsin
610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

Re: 2010 Fuel Costs - Docket No. 6630-FR-102

Dear Ms. Paske,

On February 19, 2010, Wisconsin Electric Power Company (“Wisconsin Electric” or “Company”) filed with the Public Service Commission of Wisconsin (“Commission”) its fuel cost report for the month of January 2010. That report shows a monthly fuel cost variance of 15.84% for January.

The Company projects that its 2010 monitored fuel cost for the Wisconsin retail jurisdiction will exceed by approximately \$60,532,173 million or 2.28% the current authorized rates for 2010 established by the Commission in its Final Decision in Docket No. 05-UR-104, dated December 18, 2009 (the “Final Decision”). If the Commission approves the proposed fuel rate increase by mid-March, the effective rate increase will be \$48,119,594 or 1.82%.

Based on January actual data and current projections, the Company forecasts that its average cost of fuel for the year 2010 will be \$29.76 per MWh. This represents an increase of 8.81% over the average cost of fuel of \$27.36 per MWh established in the Final Decision and is well outside the Company’s annual fuel cost tolerance band of plus or minus 2 percent.

The increase in average cost of fuel experienced in January and projected for the remainder of the year constitutes an extraordinary increase in the cost of fuel as defined by chapter PSC 116, Wis. Admin. Code. For that reason, Wisconsin Electric hereby requests that the Commission initiate a proceeding under PSC 116, limited in scope to the cost of fuel, to authorize an interim and final rate increase to reflect the extraordinary increase in the cost of fuel.

The increase in average fuel cost is being driven by a number of factors, particularly natural gas and oil costs as well as updated MISO energy market-related costs and updated projections of forced and planned outages.

As it has always done, the Company has undertaken aggressive efforts to mitigate fuel cost increases, but it cannot fully offset the market forces acting to drive fuel costs higher. The last several years have seen sudden and unpredictable changes in fuel prices. Only one year ago, the Company was seeking a 2% reduction in rates due to a decline in fuel costs. In light of such volatility, and because the Company seeks only to be made whole for fuel costs it actually incurs, it agrees, as a condition of the requested relief, to refund to customers any fuel-related charges collected in 2010 in excess of the Company's actual fuel costs for the year 2010.

The details of the Company's projected 2010 fuel costs are contained in attached testimony and exhibits of Paul D. Schumacher and Thomas P. Lorden.

Wisconsin Electric will provide notice to customers of its request for Commission action by means of display advertising in newspapers having general circulation in its Wisconsin service territory.

Sincerely,

A handwritten signature in black ink, appearing to read "Roman A. Draba", with a stylized flourish at the end.

Roman A. Draba
Vice President
Regulatory Affairs and Policy

Attachment
cc Service List 05-UR-104