PSC REF#:168980

We Energies
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Milwaukee, WI 53203

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Public Service Commission of Wisconsin
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July 26, 2012

FILED ELECTRONICALLY

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

RE: Joint Application of Wisconsin Electric Power Company and Wisconsin Gas, LLC, both d/b/a We Energies, to Conduct a Biennial Review of Costs and Rates - Test Year 2013
Docket No. 05-UR-106

Dear Ms. Paske:

Enclosed for filing is the bill insert Wisconsin Electric Power Company and Wisconsin Gas LLC (d/b/a We Energies) is sending to all of its customers in Wisconsin regarding the price change request for its gas, electric and steam utilities. The period of insertion is August 1 to September 4, 2012.

Please direct any inquiries regarding this filing to Mr. Jim Schubilske at 414-221-3893.

Sincerely,

Roman A. Draba
Vice President
Regulatory Affairs and Policy

Enclosures

2013-14 Rate Request

Wisconsin Electric Power Company and Wisconsin Gas LLC (doing business as We Energies) filed a request on March 23, 2012, with the Public Service Commission of Wisconsin (PSCW) to increase rates beginning in 2013 for electric and steam utility operations and to decrease rates for natural gas utility operations in Wisconsin. On June 15, 2012, the Company updated its 2013 electric utility's fuel cost estimates.

The rate request also includes a proposed renewable energy tax grant credit to electric base rates over the next two years as part of the Company's Rothschild, Wis., biomass project.

This insert will give you more information about:

- Why we are making this request.
- How the request may affect your energy bill.
- What you can do to save money on your bill.

Reasons for the request

The main reasons for an increase in electric rates are to recover costs for projects previously approved by the PSCW, including:

- Environmental upgrades at the original Oak Creek units
- Glacier Hills Wind Park
- Power the Future/Oak Creek expansion units

The increase in electric rates also is due to the expiration of the Department of Energy (DOE) credit at the end of 2012.

Rate filing process

This insert provides an overview of our request. Your bills will continue to be calculated using current rates until new rates are approved by the PSCW. Following are the next steps in the process:

- The PSCW will conduct a thorough review of our request and will hold a public hearing about our request on Oct. 1 at 6 p.m. at the Best Western Plus Midway Hotel & Suites, Underwood I Room, 1005 S. Moorland Road, Brookfield, Wis.* A party hearing session is scheduled for Sept. 26.
- After taking our information and public testimony into account, the PSCW will set new rates. They may be higher or lower than what we requested.
- If approved, we anticipate the new rates taking effect in January 2013.

** You may contact the PSCW case coordinator, Mary Kettle, at 608-267-2405 or via email at mary.kettle@wisconsin.gov to learn of any scheduling changes or additions.*

We Energies – Energy You Can Depend On

Request overview

If the PSCW grants our rate request, electric customers across all rate classes will see a 3.6 percent non-fuel increase ($99.3 million), 0.5 percent incremental fuel increase ($12.5 million) and 1.0 percent increase due to the expiration of the DOE credit ($26.3 million) for a total overall 5.0 percent increase ($138.1 million) in 2013 and 3.6 percent increase, or $104.1 million, in 2014.

Wisconsin Gas LLC (Wisconsin Gas) customers will see an overall decrease of 2.3 percent (-$15.9 million) in their natural gas rate in 2013 and no change in 2014. Wisconsin Electric Gas Operations (WEGO) customers will see an overall decrease of 0.2 percent (-$1.2 million) in their natural gas rate in 2013 and no change in 2014.

Downtown Milwaukee steam customers will see an overall increase of 6 percent ($1.3 million) in their steam rate in 2013 and a 6 percent increase ($1.3 million) in 2014. Wauwatosa steam customers will see an overall increase of 7 percent ($1 million) in their steam rate in 2013 and a 6 percent increase ($1 million) in 2014.

The impact of the requested increase or decrease on your bill will vary depending on your rate class and amount of electricity, natural gas and/or steam you use.

Electric prices

Proposed monthly change to residential and small commercial electric customers

Customer class	2013 increase	2014 increase
Residential*		
Non-fuel	$4.48 or 5.2%	$2.84 or 3.2%
Incremental fuel	$0.33 or 0.4%	$0.00 or 0.0%
Expiration of DOE credit	$0.66 or 0.8%	$0.00 or 0.0%
Total	$5.47 or 6.4%	$2.84 or 3.2%
Small commercial**		
Non-fuel	$7.92 or 3.0%	$9.50 or 3.5%
Incremental fuel	$1.08 or 0.4%	$0.00 or 0.0%
Expiration of DOE credit	$2.22 or 0.8%	$0.00 or 0.0%
Total	$11.22 or 4.2%	$9.50 or 3.5%

**Assumes customer using 600 kWh per month.*
***Assumes customer using 2,000 kWh per month.*

Proposed average annual change to large commercial and industrial electric customers

Customer class	2013 average increase	2014 average increase
Large commercial and industrial*		
Non-fuel	1.8%	4.2%
Incremental fuel	0.5%	0.0%
Expiration of DOE credit	1.2%	0.0%
Total	3.5%	4.2%

**Assumes large commercial and industrial firm electric customer. Identifying any large commercial or industrial electric customer as a typical customer is difficult because there are many combinations of rate components that impact bills, which can vary significantly.*

Natural gas prices

Proposed average monthly change to residential natural gas customers

Customer type	2013 average decrease	2014
Wisconsin Gas tariffs*	-$1.40 or -2.1%	No change
WEGO tariffs**	-$0.12 or -0.2%	No change

**Assumes customer using 784 therms per year.*
***Assumes customer using 776 therms per year.*

Proposed average monthly change to small commercial natural gas customers

Customer type	2013 average decrease	2014
Wisconsin Gas tariffs*	-2.3%	No change
WEGO tariffs*	-0.2%	No change

**Assumes customer using 1,900 therms per year.*

Proposed average annual change to large commercial and industrial natural gas customers

Customer type	2013 average decrease	2014
Wisconsin Gas tariffs*	-1.6%	No change
WEGO tariffs*	-0.2%	No change

**Assumes large interruptible commercial natural gas customer using 6 million therms annually. Identifying any large commercial or industrial natural gas customer as a typical customer is difficult because there are many combinations of rate components that impact bills, which can vary significantly.*

Steam prices

Proposed monthly change to steam customers

Customer type	2013 increase	2014 increase
Downtown Milwaukee*	$263.09 or 6%	$278.60 or 6%
Wauwatosa*	$564.75 or 6.4%	$509.04 or 5.4%

**Assumes customer using 400 MLBS of steam per month.*

We're working to manage costs

We continue to keep costs as low as possible by improving companywide efficiency while maintaining reliability and service quality. We've also taken the following steps to control costs:

- Held normal, day-to-day operating costs at 2010 levels.
- Restricted hiring to only critical positions.
- Reduced our workforce by nearly 8 percent since 2007.
- Leveraged technology such as automated meter reading to reduce labor costs and enhance customer billing by using actual monthly data rather than estimates every other month.
- Provided cost-effective and convenient online billing and payments, and transactions completed by voice options.
- Negotiated contracts with vendors to reduce costs and increase performance standards.
- Performed market analysis and made appropriate adjustments to control increased health care costs and employee health care contributions.

Ways to save money on your energy bill

Residential customers

My Account – Go online for detailed information about your energy service. You'll get money-saving tips specific to your home and learn more about why your bill changes from month to month. My Account also offers free online bill payment. Enroll at www.we-energies.com/myaccount.

Business customers

Business Account Online – Through a secure Internet connection, you can view and download historic energy use and costs, and project future energy costs with an interactive forecasting tool. Enroll at www.we-energies.com/bao.

For more information

If you have questions about our request, contact us at 800-242-9137 (residential customers) or 800-714-7777 (commercial and industrial customers).

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