



Public Service Commission of Wisconsin

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Public Service Commission of Wisconsin Statement On Key Decision Points in Phase 2 of Wisconsin Energy Corporation's Power the Future Proposal

Today, the Public Service Commission discussed the major issues in the application of Wisconsin Energy Corporation (WEC) to build a coal-fired power plant at its Elm Road generating station in Oak Creek. This is the second phase of WEC's Power the Future proposal where they announced plans to build 5 generating units. The Commission already approved Phase 1 of the power the future proposal to build two natural gas combined cycle plants of 545 megawatts each in 2005 and 2008.

The decisions made today in Phase 2 will be finalized in a Commission Order that will be released before the statutory November 10th deadline for the final decision in this case.

Wisconsin Energy Corporation filed their application for a Certificate of Public Convenience and Need (CPCN) for Phase 2 with the Public Service Commission on February 1, 2002 to build two super critical pulverized coal (SCPC) units to go online in 2008 and 2009 and one integrated gasification combined cycle (IGCC) unit to start operation in 2011 at a proposed cost of \$4.15 billion.

Today, the Commission decided the following:

- Additional electric generating power plants are necessary to meet the continued growth in demand for electricity in Southeast Wisconsin.
- A diversity of fuel sources best serves the needs of the state, including coal, gas, renewable energy sources and increased energy efficiency.
- The Integrated Gasification Combined Cycle (IGCC) unit is not cost-effective at this time.
- Two coal-fired Super-Critical Pulverized Coal (SCPC) units should be constructed but the construction timeline should be moved back by 1 year to 2009 and 2010.
- The cost to construct the two SCPC units will be \$2.15 billion, overall.

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- The Return on Equity (ROE) on the lease agreement between Wisconsin Energy Corporation and Wisconsin Electric Power Company will be set at 12.7% with a capital structure that includes 55% equity.
- The Certificate of Public Convenience and Need will be granted for the two SPCP units contingent upon the WEC obtaining the necessary air quality and water permits from the Department of Natural Resources, a prudence requirement on any costs over above the approved amount of \$2.15 billion.
- Mitigation payments will be granted to the City of Oak Creek beginning at the time of construction until the plant's operation date, at which time the City will receive shared revenue payments.

After the meeting, the Commissioners described the basis for their decisions today. PSC Chairperson Burnie Bridge said, "Faced with an aging fleet of coal plants and the need to have additional baseload generation to meet energy demands, the decision today will help fuel the economy and help Wisconsin businesses grow."

"The state needs significant new baseload generation capacity, and these coal-fired facilities take advantage of a stable fuel source to adequately provide electricity for Wisconsin's future," explained Commissioner Ave Bie.

Commissioner Robert Garvin said, "The addition of new coal-fired power plants reaffirms our commitment to fuel diversity and provides the regulatory certainty needed to ensure that Wisconsin's baseload capacity needs are met. Our decision today ensures reliable cost-effective generation will be constructed over the next decade and respects our environmental values."