



Public Service Commission of Wisconsin

Daniel R. Ebert, Chairperson
Robert M. Garvin, Commissioner
Mark Meyer, Commissioner

610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

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Contact: Linda Barth or Amanda Wollin
(608) 266-9600

Coal Rail Shipping Costs Impact Xcel Energy Rates

MADISON – Today the Public Service Commission of Wisconsin (PSC) approved an adjustment in electric rates to cover increased fuel costs, including transportation costs, for Northern State Power Company, a subsidiary of Xcel Energy.

Citing the increasing costs to ship coal by rail, the Commission today approved approximately \$14 million increase for electric service starting in 2007. The average residential customer will see their electric bill increase by about \$1.70 per month, a 2.5 percent increase.

Nearly 40 percent of the Xcel Energy rate increase is due to the increasing costs to ship coal by rail. Sharp increases in costs to ship coal by rail and reliability of rail coal shipments are issues currently under review at the PSC.

“When the one rail line that delivers coal from Wyoming washed out last year and the coal supplies in the state dropped to dangerously low levels, we realized that incident was just the tip of the iceberg regarding rail shipping problems for Wisconsin utilities,” PSC Chairperson Dan Ebert said. “We are conducting a thorough review of the issues and impacts of coal rail shipments and costs to Wisconsin utilities and developing recommendations to address these pressing rail issues. The Xcel Energy rate adjustment today drives home the impact these rail issues are having on electric rates in Wisconsin.”

In January 2006, when natural gas prices were at an all-time high, the Commission authorized new rates for Xcel Energy for two years, but allowed the utility to re-open the rate case for the second year to consider changes in fuel costs. Even though natural gas prices have decreased substantially since the beginning of the year, the utility has seen an increase in the cost of coal and an even larger increase in the cost to ship coal by rail.

Wisconsin produces about 60 percent of its electricity from coal, the majority of which comes from the Powder River Basin in Montana and Wyoming. There is only one track, the Joint Line that delivers coal from that area. Last year, the track was washed out and rail coal deliveries were sharply curtailed. In Wisconsin, utilities had to generate electricity from other, more costly fuel sources. The impact of the rail shipping problem last year cost Wisconsin ratepayers \$73 million more in electric rates.

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Recently, PSC Chairperson Ebert voiced his support for a federal loan for the Dakota, Minnesota and Eastern Railroad to build a second rail line out of the Powder River Basin. He encouraged the Federal Railroad Administration to approve the loan application, which will lead to both enhanced infrastructure and needed competition in the shipping of coal from the Powder River Basin.

The PSC expects to issue the order setting the 2007 rate adjustment for Xcel Energy before the end of the year.

The documents associated with Xcel Energy's rate case application can be viewed on our Electronic Repository System at <http://psc.wi.gov/>. Click on ERF System, select Search Electronic Repository System and enter docket 4220-UR-114.

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