



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

For Immediate Release – January 11, 2006

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

PSC Approves 2007 Rates for Alliant Customers, Denies ERCO's Request for Special Rates

MADISON - Today, the Public Service Commission of Wisconsin (PSC) set 2007 rates for Wisconsin Power and Light (a subsidiary of Alliant Energy) and turned down a special rate proposed by ERCO Worldwide (ERCO) and the utility.

“I am pleased that today’s decision resulted in moderate increases for Alliant Energy electric customers and a slight decrease in rates for natural gas consumers,” Chairperson Dan Ebert said. “When we look at rates in other states where there are proposed increases of between 40 percent to 70 percent, it’s clear that Wisconsin has made the right decisions in energy investments.”

In a verbal decision today, the Commission set 2007 residential electric rates for Alliant Energy to increase by about 4 percent, or approximately \$2.50 on the average homeowner’s monthly electric bill. The utility requested an increase of over 13 percent. The Commission determined that capital improvements, coal, rail, fuel and costs of transmission were the major factors driving the request. In addition, the Commission slightly decreased residential gas rates.

One major decision in this rate case was the consideration of a special rate request from ERCO and Alliant Energy. While the Commission recognized the environmental, energy efficiency and economic development benefits of the proposal, it unanimously denied ERCO and Alliant Energy’s request for the special rate today. The Commission said it lacked the statutory authority, citing state statutes which prohibit this type of preferential treatment. Instead, the Commission expanded an existing high load factor credit to the company, who in return agrees to increase the amount of time that their utility can interrupt their electric service during peak load times.

ERCO produces chemicals and technology that serve many different industries, including Wisconsin’s paper and pulp industry. Their plant in Port Edwards uses a mercury cell process during production and emits about 1,300 pounds of mercury per year. To help eliminate mercury emissions, ERCO requested a reduction in their electric rates to help them finance equipment to replace the mercury cell process.

(MORE)

ERCO's proposed rate reduction would have shifted about \$25 million in electric costs to other Alliant Energy customers over the next ten years.

"The law does not give the PSC the authority to approve this special rate," according to Commissioner Bert Garvin. "Although we share the same goals to reduce mercury emissions and retain jobs, state statutes do not provide regulators with the authority to approve ERCO's proposal, since it is not based solely on the cost of service or energy use."

"I wholeheartedly support the policy objectives behind ERCO and Alliant Energy's proposal," said Commissioner Mark Meyer, "but we just are not legally authorized to allow it."

The Commission supported an expanded credit for high load customers, like ERCO. "This is a legal step that we can take to help companies like ERCO manage their energy costs," Chairperson Ebert explained. "I understand that Wisconsin industry wants to have certainty in their energy costs. The Commission is dedicated to working with the utilities and customers to ensure fair and stable rates."

When a utility requests a change in rates, the PSC conducts a thorough audit of the utility's forecasted expenses, fuel costs and revenues. In the recent past, increased demand and the volatile natural gas market have resulted in rate changes for Alliant Energy customers. In mid-2005, the Commission approved a modest rate increase, mostly related to acquiring additional generation to meet growing customer demand. Fuel costs, an unregulated commodity, then dramatically spiked and Alliant Energy requested to collect fuel surcharges from their customers. Natural gas costs have since decreased and Alliant Energy customers have seen refunds on their bills reflecting these changes.

Public hearings on Alliant Energy's rate proposal were held in September in Madison, Fond du Lac and Janesville. The testimony provided at the hearings was part of the record the Commission reviewed as it considered all the aspects of the application. The Commission will issue a written order to finalize today's decision and the new rates become effective after the order is issued.

The documents associated with Alliant Energy's rate application can be viewed on the PSC's Electronic Regulatory Filing System at <http://psc.wi.gov/>. Type case number 6680-UR-115 in the boxes provided on the PSC homepage or click on Electronic Regulatory Filing System button.

(END)