

Date Mailed
April 4, 2003

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of the Wisconsin Power and Light Company, as an
Electric, Water and Natural Gas Public Utility, to Change Electric,
Water and Natural Gas Rates

6680-UR-112

FINAL DECISION

This is the final decision concerning the application of Wisconsin Power and Light Company (WP&L or applicant) for authority to increase electric, natural gas, and water rates in 2003.

Final overall rate changes are authorized consisting of a \$77,101,000 annual rate increase for Wisconsin retail electric operations (11.78 percent), a \$3,630,000 annual rate increase for natural gas operations (2.14 percent), a \$269,000 annual rate increase for Beloit water operations (6.17 percent), and a \$100,000 annual rate increase for Ripon water operations (9.73 percent). These rate increases are to be applied to the base rates established in the Commission's order in docket 6680-UR-111, dated September 13, 2002, as corrected October 9, 2002. Rates are based on a 12.0 percent return on common equity and will be in effect until superceded by an order establishing new rates.

Introduction

WP&L filed an application on May 7, 2002, for authority to increase its electric, natural gas, Beloit water, and Ripon water rates. The application included financial data for the 2003 test year indicating a revenue deficiency in the test year for each of these retail utility operations.

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WP&L originally requested a \$48.6 million (7.18 percent) increase for electric operations, a \$9.7 million (5.65 percent) increase for natural gas operations, a \$605,000 (12.30 percent) increase for Beloit water operations, and a \$137,000 (12.24 percent) increase for Ripon water operations. The above amounts were increases from estimated present rates based on WP&L receiving all of its requested increase in rates in docket 6680-UR-111. On August 23, 2002, WP&L filed testimony revising its original request. Based on the August 23, 2002, testimony, WP&L requested an \$82.9 million (12.66 percent) increase for electric operations, a \$12.9 million (16.83 percent) increase for natural gas operations, a \$1.4 million (31.38 percent) increase for Beloit water operations, and a \$182,000 (17.22 percent) increase for Ripon water operations. On August 28, 2002, WP&L filed its electric, natural gas, and water cost-of-service studies (COSS) and rate design information.

On September 5, 2002, a prehearing conference was held to determine the issues that will be addressed in this docket and to establish a schedule for the hearing. Hearings in this proceeding were held on October 22, 2002, in Beloit, Wisconsin, and on November 5 and 6, 2002, in Madison, Wisconsin.

The Commission considered this matter at its open meeting on March 13, 2003.

The parties, for purposes of review under Wis. Stat. §§ 227.47 and 227.53, are listed in Appendix A. Others who appeared are listed in the Commission's files.

Findings of Fact

1. A 2003 total company test year fuel cost of \$326,561,000 is reasonable.
2. A 2003 total company test year fuel rules monitoring level of fuel costs of \$273,198,000 is reasonable.

3. It is reasonable to calculate the total cost of electric generation from natural gas using the NYMEX price futures from March 6, 2003.
4. It is reasonable to calculate the total cost of purchase power expense for on-peak energy purchases using the COMED Hub On-Peak energy prices from March 6, 2003.
5. It is reasonable to evaluate the company's margin on sales for resale with the impacts of bookout purchases and sales for resale removed, and it is reasonable to forecast a negative margin on sale for resale of between \$1 and \$2 per MWh.
6. It is reasonable to calculate test year rail costs based on the fourth quarter of 2002 RCAF-U reported by the Surface Transportation Board.
7. It is reasonable to include in test year expenses the costs associated with signed purchase power contracts and that the remaining uncommitted capacity should be priced at the average price of these contracts for the months June through December.
8. It is reasonable to model the energy cost associated with the signed purchase power contracts based on the terms of the agreements.
9. It is reasonable to model the 165 MW of remaining uncommitted capacity as a combustion turbine (CT) with \$11.90 per MWh variable operations and maintenance (O&M) expense with minimum up time of one hour and minimum down time of three hours.
10. It is reasonable to treat the RockGen contract as a tolling agreement where the energy cost associated with RockGen contracted capacity is capped at the running cost of a CT.
11. It is reasonable to allow WP&L to collect from ratepayers the capacity savings of the RockGen contract compared to the WP&L SEI bid of \$3,600,000.

12. It is reasonable to disallow the fixed payments associated with Duke Energy Marketing and Trading contract.

13. It is reasonable to continue monitoring the fuel costs using the following ranges: plus or minus 10 percent monthly; cumulative ranges of plus or minus 10 percent for the first month, plus or minus 6 percent for the second month, and plus or minus 3 percent for the remaining months of the year; and plus or minus 3 percent for the annual range.

14. Presently authorized rates will produce the following operating revenues for the test year ending December 31, 2003, which are inadequate and, therefore, unreasonable:

- a. Wisconsin retail electric service, \$669,638,000.
- b. Natural gas service, \$169,806,000.
- c. Beloit water service, \$4,382,000.
- d. Ripon water service, \$1,032,000.

15. The following estimated rates of return on average net investment rate base at current rates subject to the Commission's jurisdiction for the test year, are inadequate:

- a. Wisconsin retail electric service, 5.06 percent.
- b. Natural gas service, 8.76 percent.
- c. Beloit water service, 8.86 percent.
- d. Ripon water service, 8.25 percent.

16. A reasonable increase in operating revenue for the test year to produce a 10.22 percent return on WP&L's average net investment rate base for Wisconsin retail electric operations is \$77,101,000.

17. A reasonable increase in operating revenue for the test year to produce a 10.20 percent return on WP&L's average net investment rate base for Wisconsin natural gas operations is \$3,630,000.

18. A reasonable increase in operating revenue for the test year to produce a 10.04 percent return on WP&L's average net investment rate base for Beloit water operations is \$269,000.

19. A reasonable increase in operating revenue for the test year to produce a 10.04 percent return on WP&L's average net investment rate base for Ripon water operations is \$100,000.

20. It is reasonable to authorize rate recovery of plant-in-service and related depreciation and deferred income taxes based on the WP&L plant model as adjusted by a reduction in test year construction expenditures of \$17 million.

21. It is reasonable to authorize recovery of economic development costs related to customer assistance activities, but deny recovery of all sales promotion and all other economic development costs consistent with the Commission decision in docket 05-EI-15.

22. It is reasonable for WP&L to recover Alliant Energy Corporation's (Alliant Energy) officer compensation expense based on Commission staff's audited allocation percentages.

23. It is reasonable for WP&L to recover the portion of its projected test year incentive compensation costs that is based on non-financial factors.

24. It is reasonable for WP&L to recover additional costs related to pension and benefit expense.

25. It is reasonable to allocate all common plant and associated expenses based on a direct expense allocator and not to order WP&L to establish any additional systems for tracking common plant costs allocable to two or more utility operations at this time.

26. It is reasonable to forecast natural gas sales based on the 20-year average of heating degree days (HDD) consistent with the Commission's order in docket 05-UI-105.

27. It is unnecessary to initiate an investigation into the legal issues associated with the ownership and operation of Columbia Power Plant at this time.

28. It is reasonable for WP&L to directly assign operating expenses for its water accounts 600 through 678 to Beloit and Ripon water operations.

29. It is reasonable to adjust the Beloit water and Ripon water revenue requirements to reflect the impact of the latest proposed affiliated contract between WP&L and South Beloit Water, Gas, and Electric Company (SBWGE).

30. It is reasonable for WP&L to amortize deferred manufactured gas plant site clean-up costs, over a four-year period, in the annual amount of \$2,345,000.

31. A reasonable level of Wisconsin retail expensed conservation costs recoverable in rates for the test year is \$35,189,000 for electric utility operations and \$10,665,000 for natural gas utility operations. The level for retail electric operations consists of the conservation budget of \$20,419,000, including \$1,000,000 for farm rewiring programs, plus an escrow adjustment of \$14,770,000, which represents the amortization of the projected overspent escrow balance at December 31, 2002, over a two-year period. The level for natural gas operations consists of the conservation budget of \$4,849,000 plus an escrow adjustment of \$5,816,000, which represents

the amortization of the projected overspent escrow balance at December 31, 2002, over a two-year period.

32. It is reasonable for WP&L to amortize the deferred costs of security measures and insurance premiums caused by the terrorist attacks on September 11, 2001, over a 24-month period, in the annual amount of \$1,000,000.

33. It is reasonable for WP&L to provide a comparison of actual security costs deferred up to the effective date of the order in this docket with estimated deferred security costs included in revenue requirements from the order in this docket and present any under or over collection of the deferral for inclusion in the revenue requirement computations in its next available base rate case.

34. It is reasonable for WP&L to continue amortization of deferred incremental costs at the Kewaunee Nuclear Power Plant (KNPP) to adopt current nuclear industry standards in order to resolve issues identified by the Nuclear Regulatory Commission (NRC), over the 32 months beginning on May 1, 2002. On an annual basis, such costs, including carrying costs at the weighted cost of capital, shall amount to \$2,917,000, on a Wisconsin retail basis.

35. It is reasonable to require WP&L to submit a summary of the incremental deferred costs incurred through April 30, 2002, related to compliance with NRC requirements for review in the next rate proceeding, and include a true-up for recovery of costs that the Commission deems prudent in the next rate case.

36. It is reasonable for WP&L to continue amortization of escrowed nitrogen oxide (NO_x) reduction compliance-related costs in the annual amount of \$1,485,000, on a Wisconsin retail basis.

37. It is reasonable to require WP&L to submit a summary of the incremental deferred NO_x reduction compliance-related costs incurred through April 30, 2002, for review in the next rate proceeding, and include a true-up for recovery of costs that the Commission deems prudent in the next rate case.

38. It is reasonable to include in revenue requirement the Commission staff adjustments not contested by any party and not listed separately for a Commission decision.

39. Reasonable inflation rates to use for 2002 and 2003 are 1.6 percent and 2.2 percent, respectively.

40. A long-term range of 47.5 percent to 54.0 percent for WP&L's common equity ratio, on a financial basis, is reasonable and provides adequate financial flexibility.

41. A reasonable estimate of the debt-equivalent of WP&L's off-balance sheet obligations associated with purchased power and operating leases to be imputed into the financial capital structure for the test year is \$219,913,000.

42. It is reasonable to require that the company, within 90 days after the date of this order, meet its commitments to obtain an equity infusion of \$200 million. An equity infusion of \$200 million shall be incorporated into the financial capital structure and ratemaking capital structure for 2003.

43. It is reasonable that, in the event WP&L does not obtain the entire equity infusion by the 90-day deadline, WP&L shall refund to the ratepayers the excess of the cost of equity and associated taxes over the cost of the short-term interest rate for the amount of equity not infused.

44. It is in the public interest that the source of the funds to be infused into WP&L shall be the proceeds of an equity issuance of Alliant Energy.

45. A reasonable financial capital structure for the test year consists of 47.46 percent common equity, 3.31 percent preferred stock, 28.97 percent long-term debt, 2.93 percent short-term debt, 4.62 percent factored accounts receivables, 12.16 percent debt-equivalents of other off-balance sheet obligations, and 0.55 percent advances from associated companies.

46. It is reasonable to revise WP&L's dividend restrictions based on the capital structure in this proceeding, to clarify the calculation of the dividend and to set the dividend restriction at \$70,580,000.

47. It is reasonable to require WP&L to submit a ten-year financial forecast in its next rate proceeding.

48. A reasonable utility capital structure for ratemaking for the test year consists of 51.72 percent common equity, 4.02 percent preferred stock, 35.12 percent long-term debt, 3.55 percent short-term debt, and 5.59 percent factored accounts receivables.

49. A reasonable interest rate for short-term borrowing through commercial paper and the accounts receivables sales program is 1.45 percent for the test year.

50. A reasonable interest rate for WP&L's variable rate demand notes is 0.95 percent for the test year.

51. A reasonable average embedded cost for long-term debt is 7.05 percent for the test year.

52. A reasonable average cost for preferred stock is 5.52 percent for the test year.

53. A reasonable return on utility common stock equity is 12.00 percent.

54. A reasonable weighted average composite cost of capital is 9.04 percent.

55. It is reasonable to use the ratio of net investment rate base plus construction work in progress to capital applicable primarily to utility operations plus deferred investment tax credits when determining the return on net investment rate base in this proceeding.

56. It is reasonable to allow a current return on 50 percent of construction work in progress (CWIP) for electric and natural gas operations when determining the return on net investment rate base in this proceeding.

57. It is reasonable for WP&L to provide a modified Shared Savings Program in 2003. It is reasonable for WP&L to work with Commission staff to make modifications to the Shared Savings Program that will reduce program free-rider levels.

58. If WP&L intends to continue its Shared Savings Program in 2004 with dollars that are in addition to those transferred to public benefits, it is reasonable for it to develop and present in its next rate proceeding Shared Savings program design options that reduce the increment between the administrative fee charged the customer and the shareholder return.

59. It is reasonable for WP&L to work with Commission staff to develop measures of success for WP&L's 2003 customer service conservation activities and energy savings goals that reflect WP&L's 2003 Shared Savings Program budget.

60. It is reasonable to authorize seasonal rates for electric service and the electric rates as shown in Appendix B.

61. It is reasonable to authorize daily customer charges that will replace the monthly customer charges, for electric, natural gas, and water service, no later than May 1, 2003.

62. It is reasonable to approve the other revisions to WP&L's electric rates and service rules as discussed in the Opinion section of this order.

63. It is reasonable to rely on all the natural gas cost-of-service studies to determine revenue allocation and rate design.

64. WP&L's natural gas distribution system has ample capacity to serve all customers at times of system peak.

65. It is reasonable for WP&L to propose a plan to phase-out discounts for natural gas interruptible distribution customers in its next full rate case.

66. It is reasonable to authorize the natural gas rates shown in Appendix C.

67. It is reasonable to change the gas cost recovery mechanism annual reconciliation procedure to allow the company more flexibility in the timing of any refunds or charges.

68. It is reasonable to remove references to manufactured gas from the company's tariffs.

69. It is reasonable to authorize the water rates as shown in Appendices D and E.

70. It is reasonable to approve the other revisions to WP&L's water rates and service rules as discussed in the Opinion section of this order.

Conclusions of Law

The Commission concludes it has jurisdiction under Wis. Stat. §§ 1.12, 196.02, 196.025, 196.03, 196.19, 196.20, 196.21, 196.37, 196.374, 196.395, and 196.40 and Wis. Admin. Code chs. PSC 113, 116, 134, and 185 to enter an order authorizing WP&L to place in effect the rates and rules for electric, natural gas, Beloit water, and Ripon water utility service set forth in Appendices B, C, D, and E, and the fuel cost treatment set forth in Appendix F, subject to the conditions specified in this order.

Opinion

Applicant and Its Business

WP&L is a public utility, as defined in Wis. Stat. § 196.01(5), operating as an electric, natural gas, and water utility in Wisconsin. Its territory extends across the southern portion of the state from Grant County on the west to Walworth County on the east and extends generally northward through the central part of the state to Wood County and Menominee County. WP&L is a wholly-owned subsidiary of Alliant Energy Corporation.

WP&L provides service to approximately 430,000 retail electric customers, 165,000 natural gas customers, and 17,000 water customers. Among the cities served with electricity are Beloit, Janesville, Sheboygan, Fond du Lac, Beaver Dam, Portage, and Monroe. Cities provided with natural gas utility service include Beloit, Janesville, Fond du Lac, Beaver Dam, Ripon, Stoughton, and Portage. The water utility serves the cities of Beloit and Ripon and the towns of Beloit, Turtle, and Ripon.

WP&L also sells electricity at wholesale rates to numerous utilities and cooperatives for resale. The Federal Energy Regulatory Commission (FERC) regulates these wholesale sales that, therefore, are not affected by these proceedings.

WP&L owns SBWGE, which operates as an electric, natural gas, and water utility in South Beloit, Illinois, immediately adjacent to the Wisconsin border. This subsidiary's electric, natural gas, and water requirements are supplied by WP&L.

Income Statement

WP&L, intervenors, and Commission staff presented testimony and exhibits at the hearings concerning their estimates of the costs of WP&L's 2003 Wisconsin retail electric,

natural gas, and water operations. All parties had the opportunity to cross-examine the witnesses. Significant issues pertaining to the income statements are discussed separately below.

Electric Fuel Costs

Sales for Resale

The company, Commission staff, and the Wisconsin Industrial Energy Group (WIEG) all provided testimony with respect to the appropriate average energy-only price for sales for resale (SFR). Until recently, one of the general rules of thumb has been that the average energy-only price for SFR is usually greater than the average, energy-only price for purchased power. This is referred to as having a positive “margin” on SFR.

The company testified that the recent historical margin on SFR has been overstated due to the presence of “bookout” purchases and sales. Bookout purchases and sales result when the company resells an existing purchase to a third party without the energy actually entering into WP&L’s control area. When this occurs, the company classifies the sale and purchase as both a bookout sale and a bookout purchase respectively. The accounting treatment used by the company is to add dollars to both SFR revenues and purchased power expenses, but no MWh. Since no MWh are added to either purchases or SFR, the per-unit prices based on actual historical reported data are larger than what they would have been without the incorporation of the bookouts. Further, since the company’s quantity of purchased energy is much greater than its quantity of SFR, the effect on the unit price of including the bookout sales revenue in SFR is greater than the effect of including bookout purchased energy expense in the purchased energy account.

It is reasonable to evaluate the company's margin on SFR with the impacts of bookout purchases and SFR removed. Without the bookouts, the company's margin on SFR was a positive \$3.42 per MWh in 2000, a negative \$3.61 per MWh in 2001, and a negative \$1.21 for January through August 2002. The company's filed margin for 2003 was a negative \$4.65 per MWh. WIEG proposed a margin of a positive 18 cents per MWh. Given the company's recent history, it is reasonable to assume a negative margin on SFR of between \$1 and \$2 per MWh. The Commission finds that a negative margin between \$1 and \$2 for calculating test year SFR to be deducted from monitored fuel costs.

Rail Transportation Costs (RCAF-U)

The company provided testimony indicating that the fourth quarter RCAF-U (Rail Cost Adjustment Factor, unadjusted for productivity) is 4.33 percent above the third quarter RCAF-U reported by the Surface Transportation Board (STB) and will result in a \$1 million increase in 2003 fuel costs. This change in the RCAF-U is greater than the other recent changes in RCAF-U. WP&L does not have control over the level or timing of the RCAF-U reported by the STB.

WIEG contends it is not appropriate for WP&L to be allowed to pick and choose which new information it brings to the Commission because it could choose information that will only result in an increase in costs. This increase in cost could be offset by other late changes and refinements in other areas not brought to the Commission's attention. WIEG stated that if the fourth quarter update of the RCAF-U is used for the calculation of fuel costs, the Commission should also update for the first quarter of 2003 RCAF-U. WP&L does not object to updating for

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the first quarter of 2003 RCAF-U reported by the STB. However, the record in this proceeding did not include the reported first quarter of 2003 RCAF-U.

The Commission finds that the test year rail costs should be calculated using the fourth quarter RCAF-U reported by the STB resulting in a \$1,000,000 increase in fuel costs above the Commission staff filed estimate.

Purchase Power Capacity

WP&L provided information to intervenors and Commission staff comparing its summer peak load requirement including an 18 percent reserve margin with its currently owned generation and purchased capacity to meet this load. At the time of WP&L's original filing, this comparison showed that it was 463 MW short of its 2003 summer peak load with an 18 percent reserve margin. WP&L priced this uncommitted capacity at its estimate of market prices at the time of the filing for all 12 months of the test year.

Commission staff priced the uncommitted capacity at the installed cost of a combustion turbine based on public information from Wisconsin Electric Power Company's (WEPCO) PTF docket for the months June through December 2003 (the full year would be from June 2003 through May 2004). WIEG provided testimony supporting a cost estimate for the uncommitted capacity similar to the Commission staff estimate. Commission staff and WIEG included the cost for uncommitted capacity for only June through December 2003 because 62.4 percent of the uncommitted capacity is the result of the expiration of purchase power contracts at the end of May 2003.

WP&L provided updated information indicating 298 MW of the 463 MW of uncommitted capacity was recently obtained for 2003. The updated information shows

64 percent of the uncommitted capacity has now been contracted for, leaving 36 percent still uncommitted. The signed contracts were generally for all 12 months (January through December) of the test year at prices below the company's original estimated market price. The annual price of the signed capacity is lower than the cost per MW/month proposed by WIEG and Commission staff for the uncommitted capacity. WP&L stated that it would be appropriate that the cost of the remaining uncommitted capacity be priced out at the average price of the recently signed contracts, and WP&L would support that the test year cost of the remaining uncommitted capacity be only for the months of June through December 2003.

WIEG contends it is not appropriate to include the cost of the recently signed contracts in test year revenue requirement because this was new information filed just prior to the hearing in this proceeding and neither intervenors nor the Commission staff were given enough time to review the contracts for reasonableness. WIEG asserts that WP&L made a poor decision by signing these contracts generally for all twelve months of 2003. WIEG states this is because WP&L does not need the capacity for the entire year in order to serve its load. WIEG proposed that the requested capacity costs should be excluded from the test year for the months January through May.

The company states that the purchase power cost requested for recovery is reasonable for at least two reasons. First, WP&L needs to sign contracts to match the transmission path into WP&L's system. WP&L stated that the need to preserve transmission rights dictated the terms of three of the four contracts recently signed by the company. Secondly, WP&L states, even if it would buy power for just the summer months, the cost to ratepayers would be the same because there is no discount on the annual costs for buying capacity for the shorter time period.

CUB proposed that the Commission disallow all the costs associated with the uncommitted capacity because WP&L did not sign contracts to fulfill this need in a timely matter for Commission staff or intervenor review. CUB stated that WP&L should be required in future proceedings to have purchased power contracts signed and available to be reviewed by intervenors in a timely manner. WP&L states no party disagrees with its need for capacity for the summer of 2003 and that there is a cost for this capacity.

The Commission finds that it is reasonable to include in test year expenses the costs associated with the firm capacity recently contracted by WP&L and that the remaining uncommitted capacity shall be priced at the average capacity price of these contracts for the months June through December. The record shows that WP&L needed to sign a certain level of purchase power contracts on a 2003 calendar basis to maintain transmission path rights. The actual MW/month cost of the contracts signed by WP&L is reasonable, and the average cost of those purchases is a reasonable basis for estimating the test year cost of the remaining uncommitted capacity.

Energy Cost Associated with Uncommitted Capacity

The company in its filing included the energy cost associated with uncommitted capacity at its estimate of market prices for energy. The Commission staff modeled the uncommitted capacity in its economic dispatch model as three 155 MW CT units with similar operating characteristics as if the units were owned and operated by WP&L. The company and the Commission staff agree that the energy cost associated with the recently signed contracts should be modeled based on terms of the agreements.

The company took issue with the variable O&M expenses and the minimum up and down times used by Commission staff for the three 155 MW CT units. Commission staff used approximately \$2 per MWh for variable O&M expenses for the CTs based on the estimated variable O&M expenses for 160 MW CTs in the Power the Future proposal by WEPCO. WP&L proposed that \$11.90 per MWh is a more appropriate estimate of these costs, because all of the O&M expenses for CTs are generally variable as opposed to fixed when it is a part of purchase power agreement. The Commission staff agreed with this change at the hearing.

The other area of dispute between the company and Commission staff is in the area of minimum up and down times. Commission staff chose minimum up and down times the company would be able to achieve if it owned and operated the CTs itself and assumed a minimum up time of one hour and minimum down time of three hours. The company testified that the combustion turbines that are large frame combustion turbines have significantly higher start-up costs and less operating flexibility than smaller, aero-derivative combustion turbine units. In that case, the seller of capacity and energy to WP&L would be likely to offer a tolling agreement based on a large frame combustion turbine with a minimum up time of ten hours and a minimum down time of four hours.

Commission staff included the three 155 MW combustion turbines in the economic dispatch model to provide an estimate of the energy costs associated with WP&L's uncommitted capacity. It is likely that when WP&L signs contracts to meet its summer peak load requirements, the contracts will have an associated energy price. The Commission staff proposed that the energy cost reflect the minimum up and down times as CT's operated by

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WP&L; such an estimate of energy cost would reasonably approximate the energy cost that should result from actual purchase power contracts.

It is reasonable to model the energy cost associated with the recently signed purchase power contract based on the terms of the agreements. The remaining 165 MW of uncommitted capacity is appropriately modeled as a CT using \$11.90 per MWh for variable O&M expense and with a minimum up time of one hour and minimum down time of three hours.

RockGen Contract

WP&L is willing to eliminate the market price risk of the RockGen contract to ratepayers that the Commission found objectionable in docket 6680-UR-110. WP&L is offering to cap the cost of energy associated with RockGen capacity based on the price of natural gas and the running cost of a combustion turbine. This results in the energy price being the same as the price that would be paid under a tolling agreement. Also, WP&L accepts the exclusion of the fixed payments under the Duke contract from test year revenue requirement. Instead, WP&L is requesting rate recovery of the capacity costs savings from the RockGen contract as compared to the capacity cost of a proxy unit, either \$4,000,000 or \$5,800,000, depending on which proxy unit is used as the basis for comparison.

CUB contends that WP&L has not shown that its RockGen contract has resulted in energy and capacity cost savings relative to a proxy unit and, further, that WP&L's proposal would result in rate recovery for the Duke contract which the Commission had previously disallowed. CUB also contends that WP&L should not be allowed rate recovery of any savings even if such savings are shown to exist.

WP&L proposes that it is appropriate to use the WEPCO SEI contract as the proxy unit for comparing the capacity cost of the RockGen contract but also presented calculations using the WP&L SEI bid and the generic Advance Plan 8 CT.

Commission staff testified that the most appropriate basis for comparison is the WP&L SEI bid because it was the lowest cost option at the time WP&L entered into the RockGen contract. Commission staff also testified that WP&L's calculation of the capacity cost savings using its SEI bid overstates the capacity cost savings. The capacity costs for these proxies were for 175 MW units, but WP&L treated such costs as if they were for 150 MW units. Commission staff's calculations used the unit cost for the proxies based on 175 MW units prorated to reflect the 150 MW units as installed by RockGen. WP&L defends its calculations on the basis that the total capacity cost of the 150 MW units at RockGen, using the required dry NOx technology, is comparable to the total capacity cost of its initially anticipated 175 MW units, using wet NOx technology. The Commission staff believes the cost per MW of the comparable SEI bid unit should be based on these units being 175 MW units. The resulting capacity cost savings using Commission staff's calculations is \$3.6 million.

The Commission finds that WP&L may retain cost savings from the RockGen contract if WP&L is willing to accept the energy price risk for the cost of energy above the running cost of CT. The record in this proceeding shows WP&L is willing to accept this energy price risk. The RockGen contract should be treated as a tolling agreement for calculating revenue requirement. The energy cost associated with the RockGen contract is capped at the running cost of a CT, and the test year expenses exclude the fixed payments associated with the Duke contract. It is

reasonable to allow rate recovery of \$3.6 million to reflect capacity savings compared to the WP&L SEI bid based on 175 MW units.

Required coal procurement testimony or management audit of WP&L coal procurement

CUB contends that the current discovery process does not allow the intervenors to sufficiently analyze WP&L's coal purchasing procedures and practices. CUB believes that detailed information concerning the factors actually considered when making procurement decisions is valuable information when it analyzes the reasonableness of WP&L's coal procurement decisions. CUB asks the Commission to require WP&L to file this information in its next rate proceeding.

WIEG proposes that WP&L and its ratepayers would benefit from a management audit of WP&L coal procurement procedures and practices and the study of WP&L's training program for its coal buyers. WIEG states that the testimony provided by WP&L shows that the AES training program is deficient, outside information resources are limited, and the defined guidelines are incomplete and may not be strictly followed. WIEG proposed that the Commission require WP&L to hire a consultant to conduct a management audit of WP&L's coal procurement procedures and practices and its training program.

WP&L believes that neither a management audit nor detailed testimony is needed in the next rate proceeding. Commission staff and rate case intervenors have made data requests and site visits to review price forecasts and the derivation of these forecasts. In addition, the utility is protected by the presumption that its actions are prudent and any party alleging imprudence has the burden of proof. WP&L contends there is no data or facts to support WIEG's allegation that WP&L's procurement group is understaffed or improperly trained. WP&L states the

Commission should not require it to hire a consultant to conduct a management audit because the discovery process gives intervenors an opportunity to review WP&L price forecasts and the derivation of these forecasts.

The discovery process in rate proceedings gives intervenors a reasonable opportunity to review WP&L price forecasts and the basis behind these forecasts. At this time, WP&L is not required to contract for a management audit of its coal procurement practices and procedures or to file detailed information and testimony with its next rate increase request.

Summary of Electric Fuel Costs

The total company test year electric fuel cost of \$326,561,000 reflects the cost of generation, purchased capacity (including third party wheeling) and energy, less the revenue from opportunity sales of energy and capacity. The test year fuel cost divided by the test year estimate of net native energy requirements of 14,464,960 MWh results in an average net fuel cost of \$0.02258 per kWh.

The total cost of natural gas-fired electric generation is based on the NYMEX price futures from March 6, 2003, and actual NYMEX prices as published in the *Gas Daily* and forecasted COMED Hub on-peak purchase power prices based on Megawatt Daily forward pricing and the average of actual on-peak energy prices reported as of March 6, 2003.

Monitoring of Electric Fuel Costs

This is WP&L's first rate case since the modification of the fuel rules in docket 1-AC-197. Monitored fuel costs only include the cost of the fuel itself and purchase power energy. Any capacity costs for purchased capacity that are required to meet reserve requirements are excluded from monitoring and may only be adjusted in a base rate case. Firm transmission

expenses associated with excluded capacity purchases are also excluded. Fuel and ash handling, and SO₂ allowance costs are excluded as well. Based on information in the record, a reasonable test year monitored fuel cost is \$273,204,000. Appendix F shows the monthly fuel costs to be used for monitoring purposes.

Under Wis. Admin. Code § PSC 116.04, the Commission establishes monthly and annual ranges for monitoring the test year fuel forecasts. The following variance ranges are reasonable for monitoring WP&L's fuel costs: (1) for the annual range, plus or minus 3 percent; (2) for the monthly range, plus or minus 10 percent; and (3) for the cumulative range, plus or minus 10 percent for the first month of the year, plus or minus 6 percent for the second month, and plus or minus 3 percent for the remaining months of the year. The method of applying those ranges, established in prior Commission decisions for WP&L, shall continue to be used and applied, using the data in Appendix F for monitoring of fuel costs.

Economic development and sales promotion costs

In its application, WP&L included test year economic development expenses of approximately \$531,000, or \$418,000 on a Wisconsin jurisdictional basis. These test year economic development activities are a combination of customer assistance, load retention, and sales promotion activities. Based on past Commission decisions, including the Commission's order in docket 05-EI-15, *Investigation on the Commission's Own Motion into the Environmental and Economic Impact of Electric Load Growth on the Eastern Wisconsin Utilities*, WP&L withdrew its request for recovery of expenses related to sales promotion programs. Therefore, WP&L is now seeking recovery of \$239,000, or \$188,000 on a Wisconsin jurisdictional basis.

Customer assistance activities involve assisting customers to use WP&L utility services in a safe, efficient, and economical manner. Load retention involves assistance to customers designed to assist existing companies to continue business operations at existing facilities within WP&L's service territory. WP&L's economic development program includes the following major program areas: (1) industrial development, (2) business load retention, (3) industrial prospect coordination, (4) community development assistance, (5) Forward Wisconsin dues, (6) advertising, and (7) market research.

By failing to discuss the specifics of each area and how the activity will achieve its purpose, meet the identified needs, and produce the claimed benefits, WP&L did not meet its burden under the order in docket 05-EI-15 related to the establishment of just and reasonable rates. However, customer assistance programs that are better classified as customer service programs are generally recoverable in rates. Since it is unknown what programs fall under the classification of customer assistance, WP&L shall be allowed to recover 50 percent of the costs that WP&L is now seeking recovery of, or, \$67,000 for retail electric and \$27,000 for natural gas services.

Allocation of Alliant Energy's officer compensation

Wis. Stat. § 196.52 (5) (a), an affiliated interests provision, states, "Commission approval of a contract or arrangement under this section shall not preclude disallowance or disapproval of a payment under the contract or arrangement if upon actual experience under the contract or arrangement it appears that the payments provided for or made were or are unreasonable." Both the audits of Alliant Energy by the Securities and Exchange Commission (SEC) and by Commission staff questioned the reasonableness of the allocation methods used by Alliant

Energy and the level of these charges allocated to WP&L. Therefore, the fact that the allocations may be in accordance with an approved service agreements is not determinative.

According to the service agreements, to the extent possible, shared costs should be directly assigned. If direct assignment is not possible, such costs should be allocated based on a cost-causal relationship. If this is not possible, such costs should be allocated based on one or more allocation ratios.

Therefore, executive compensation expenses shall be allocated in this rate case proceeding using a cost-causal relationship, based on a review of each officer's position and responsibilities. In addition, the method for allocating executive compensation shall take into consideration that WP&L has its own President who is responsible for the operation of the utility and that the time spent on utility activities by the top executives of Alliant Energy may be considered management oversight on behalf of the Alliant Energy shareholders to protect their investment in WP&L and the other utilities. On this basis, the amount allocated to WP&L's retail revenue requirement is reduced by approximately \$786,000.

Incentive compensation costs

WP&L requests recovery in this proceeding of incentive compensation costs as part of a competitive total compensation package to attract, retain, and motivate good employees. WP&L's management incentive plans are based on such factors as earnings per share, compliance with business unit budgets, customer satisfaction, safety, environmental, and other individual, business unit, and corporate factors.

WP&L has not demonstrated that the achievement of financial objectives (earnings per share and compliance with business unit budgets) provides a direct benefit to customers.

Lacking a showing of direct benefit to customers, recovery from ratepayers of the costs associated with these incentives would be inappropriate. Therefore, the revenue requirement in this proceeding shall not include incentive costs based on financial objectives. However, incentive compensation costs based on non-financial factors such as customer satisfaction, safety, and environmental goals may be reasonable as these factors do represent a direct benefit to customers. Accordingly, authorized rates shall include those incentive costs based on non-financial factors.

Pension and benefits expense

WP&L originally requested recovery of test year total company pension and benefit costs of \$32,676,000. This amount was increased by \$283,000 due to a correction of WP&L's calculation of medical expenses for active employees. In addition, Commission staff proposed reducing this amount by \$134,000 for pensions and benefits associated with its adjustment to WP&L's executive compensation allocated to WP&L. On October 16, 2002, WP&L requested recovery of an estimated additional amount of \$3,327,000 on a Wisconsin revenue requirement basis. This request consisted of an increase in pension expense of \$1,294,000 on a Wisconsin retail basis and the revenue requirement impact of \$2,033,000 due to a \$30,000,000 contribution to WP&L's pension fund. On November 15, 2002, WP&L requested an additional amount of \$2,388,000 in pension and benefits expense. The impact of this request on a Wisconsin revenue requirement basis after adjusting for joint plant credits is \$1,617,000. Both additional requests were based on information received from WP&L's outside actuary using a 6.75 percent discount rate.

WP&L computes pension and benefit expense based on past approval from this Commission to implement, for ratemaking purposes, the same accounting requirements that are required by the Financial Accounting Standards Board. One part of this requirement is the use of an annual measurement, which for WP&L takes place on September 30th.

Since the update to pension expense is based on information as of September 30, 2002, and its outside actuary's analysis of this information, WP&L could not have easily anticipated these changes in pension costs. During the audit process in this proceeding, WP&L provided information indicating that all estimates were preliminary and final estimates would not be available until sometime after the September 30, 2002, measurement date. Except for the discount rate, the additional pension costs are based on information provided by an outside third party. The discount rate used is consistent with discount rates being used in other utility rate proceedings. Finally, supporting information is publicly available from WP&L which provides justification for WP&L's increased pension costs. Therefore, WP&L is allowed to include an additional \$4,944,000 in revenue requirement for the update in forecasted pensions and benefits expenses for 2003.

Forecast of natural gas sales

The company's filed estimate of natural gas sales was adjusted to reflect a 20-year average for heating degree days (HDD) when weather normalizing historical actual sales for the residential and small commercial rate classes. This calculation was done pursuant to the final order in docket 05-UI-105, *Investigation on the Commission's Own Motion into the Time Period to be used for Rate Case Weather Normalization for Investor Owned Energy Utilities*, dated September 16, 1993.

WP&L requested that the Commission allow the use of a 10-year average for HDD when weather normalizing historical actual sales for the residential and small commercial rate classes. However, in this proceeding, the forecast of natural gas sales shall be based on a 20-year average for HDD consistent with the order in docket 05-UI-105, because a rate case proceeding for one utility is not the proper venue for revisiting the earlier Commission decision which affected multiple parties. In addition, it is important to be consistent in methodology when calculating weather impacts on historical sales volumes.

Allocation of water account 600 operating expenses between Beloit and Ripon

The city of Beloit continues to question the method used by WP&L to allocate water O&M expenses (accounts 600 through 678) between Beloit water and Ripon water. WP&L currently allocates these expenses based on revenues. Beloit contends that these costs should be based on actual operations at each location and assigned directly, citing such factors as the distance between systems, and the differing operating characteristics of each city's system.

In docket 6680-UR-111, the Commission ordered WP&L to directly assign operating expenses for its water accounts 600 through 678 to Beloit and Ripon water operations. Due to the timing of the Commission's final decision in that proceeding, WP&L did not have enough time to make this change for docket 6680-UR-112. However, WP&L is again required to directly assign operating expenses for its water accounts 600 through 678 to Beloit and Ripon water operations.

Affiliated contract between WP&L and South Beloit Water, Gas, and Electric Company

WP&L provides water services to customers in Beloit through an integrated water system that also serves South Beloit, Illinois. The allocation of operating costs for the system and water plant is governed by an affiliated interest agreement (South Beloit Contract) approved by the Commission on April 29, 1986, in docket 6680-AU-102. WP&L allocated certain of the water plant and expenses between Beloit water and South Beloit water in the test year in accordance with the South Beloit Contract.

In docket 6680-UR-111, the city of Beloit raised a number of concerns regarding the overall equity of the South Beloit Contract, as well as its implementation. Due to these concerns, the city of Beloit began discussions with WP&L for the purpose of revising the South Beloit Contract with the intent to establish a new contract prior to the completion of this current rate proceeding.

In its order in docket 6680-UR-111, the Commission found that it was reasonable to require WP&L to work with the city of Beloit and other interested parties to negotiate a new affiliated interest agreement for the assignment of water system costs to South Beloit prior to the completion of the next rate case proceeding. Due to the timing of the Commission's order in docket 6680-UR-111, however, there has not been enough time to finalize a new contract. To resolve the city's concerns over the lack of a new contract, the parties agreed to WP&L filing an exhibit that sets forth WP&L's estimate of the impact of a new South Beloit Contract as it has been agreed to at this time by the city and WP&L. The parties have also agreed to reflect the results of this exhibit in the revenue requirement for Beloit water.

DSM budgets and accounting

WP&L requested that the December 31, 2002, electric and natural gas conservation escrow balances be amortized over a 24-month period. The amortization period proposed by WP&L is reasonable.

The 2003 test year Wisconsin retail escrowed electric utility conservation expense is \$35,189,000. This consists of a test year conservation budget of \$20,419,000, including \$1,000,000 for farm rewiring programs, plus an escrow adjustment of \$14,770,000, which represents the test year portion of the projected overspent escrow balance amortized over 24 months. The test year Wisconsin natural gas utility conservation expense is \$10,665,000. This consists of the test year conservation budget of \$4,849,000 plus an escrow adjustment of \$5,816,000, which represents the test year portion of the projected overspent escrow balance amortized over 24 months. Both amortizations shall begin with the effective date of this rate order.

Deferred manufactured natural gas plant site clean-up costs

The company included \$2,224,000 in expenses for the amortization of previously deferred manufactured natural gas plant site clean-up (MGP clean-up) costs. This amortization was adjusted to \$2,345,000, to account for updated information. The revised amortization amount was based on a review of actual costs through calendar year 2001 and a four-year amortization period. WP&L's test year treatment regarding the unamortized balance of the deferred costs is in compliance with present Commission practice for costs. It is reasonable to authorize amortization of deferred MGP site clean-up costs, over a four-year period, in the annual amount of \$2,345,000.

Security measures and insurance premiums caused by the terrorist attacks on September 11, 2001

In its order dated December 19, 2001, in docket 6680-EI-109, the Commission, under Wis. Stat. § 196.06 (1), approved a WP&L request to apply deferred accounting treatment to its incremental costs of the security measures and insurance premiums caused by the terrorist attacks on September 11, 2001. WP&L was authorized to defer the costs from December 19, 2001, until new rates become effective as established in its next rate proceeding. In this rate proceeding, the deferred costs of the security measures and insurance premiums caused by the terrorist attacks on September 11, 2001, are estimated to be approximately \$2 million through December 31, 2002. Based on a two-year recovery period, amortization of these costs on an annual basis amounts to \$1 million beginning on the effective date of this order.

Consistent with the Commission's order in docket 6680-EI-109, deferrals will continue until the order is issued in this rate proceeding. WP&L shall provide a comparison of actual security costs deferred up to the effective date of the order in this docket with estimated deferred security costs included in revenue requirements from the order in this docket. WP&L shall present any under or over collection of the deferral for inclusion in the revenue requirement computations in its next available base rate case.

Costs to comply with NRC requirements

In its order dated April 4, 2001, in docket 05-EI-127, the Commission authorized WP&L and Wisconsin Public Service Corporation (WPSC), the co-owners of the KNPP, deferred accounting treatment for the incremental costs at KNPP associated with its accelerated five-year program to adopt current nuclear industry standards in order to resolve issues identified by the Nuclear Regulatory Commission (NRC) within an acceptable timeframe. In docket

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6680-UR-111, the Commission found that it was reasonable to approve rate recovery of these costs, amortized over 32 months beginning in May 2002, including related carrying costs at the authorized weighted cost of capital. The Commission also found that, since actual incremental costs to comply with NRC requirements in 2001 were not known at the time of Commission staff's audit in that proceeding, it was appropriate to require WP&L to submit a summary of the incremental costs for review in its next rate proceeding, and include a true-up for recovery of costs that the Commission deems prudent in the next rate case.

In this rate proceeding, WP&L filed for recovery of the estimated applicable portion of the amortization of previously deferred KNPP NRC requirement costs for 2003 as well as the ongoing level of KNPP NRC requirement costs for operation and maintenance costs for 2003. In addition, these estimated deferral amounts were updated with known actual deferral amounts and estimated amounts to April 2002 for inclusion in the determination of revenue requirements.

The unamortized deferred incremental costs at KNPP are estimated to be approximately \$5,834,000 as of December 31, 2002 on a Wisconsin retail basis. Based on the Commission's decision in docket 6680-UR-111, recovery of these costs shall be over the 32-month period beginning May 1, 2002. Amortization of these costs on an annual basis, therefore, amounts to \$2,917,000, on a Wisconsin retail basis, beginning on the effective date of this order.

Due to the timing of (1) a final order in docket 6680-UR-111, (2) filing by WP&L of its rate case in docket 6680-UR-112, and (3) completion of the review of costs in this docket, a final true up of deferred KNPP NRC requirement costs to April 2002 was not completed or included in the computation of revenue requirements in this case. Thus, WP&L shall provide a comparison of actual KNPP NRC requirement costs deferred through April 2002 with deferral

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amounts actually collected in rates from either interim or final orders in dockets 6680-UR-111 and 6680-UR-112 and present any under or over collection of the deferral for inclusion in the revenue requirements computations in its next available base rate case.

Escrow accounting for NOx reduction compliance costs

The Commission authorized WP&L to escrow its NOx reduction compliance-related costs by its decision dated March 3, 2000, in docket 05-CE-108. WP&L presented in its base rate case in docket 6680-UR-111, an estimate of the deferral of such costs up to the expected date (April 2002) of an order in that docket. Further, WP&L requested that the deferred balances be amortized to expense for rate-making purposes over the period from May 2002 through December 2004 for a total of 32 months. NOx reduction costs incurred after April 2002 are included in plant in service, depreciation expense, and operation and maintenance expenses as applicable because that would be the normal process for such forecasted expenditures. In docket 6680-UR-111, the Commission ordered that until the NOx reduction compliance-related plans and laws become more certain, the Commission could allow WP&L to continue its practice of escrow accounting for NOx reduction compliance-related costs.

In this rate proceeding, WP&L filed for recovery of the estimated applicable portion of the amortization of previously deferred NOx reduction program costs for 2003 as well as the ongoing level of NOx reduction program costs for capital and operation and maintenance costs for 2003. In addition, these estimated deferral amounts were updated with known actual deferral amounts and estimated amounts to April 2002 for inclusion in the determination of revenue requirements. The unamortized NOx reduction compliance-related costs are estimated to be approximately \$2,970,000, as of December 31, 2002, on a Wisconsin retail basis. Based on the

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Commission's decision in docket 6680-UR-111, recovery of these costs shall be over the 32-month period beginning May 1, 2002. Amortization of these costs on an annual basis, therefore, amounts to \$1,485,000, on a Wisconsin retail basis, beginning on the effective date of this order.

With the timing of (1) a final order in docket 6680-UR-111, (2) filing by WP&L of its rate case in docket 6680-UR-112, and (3) completion of the review of costs in this docket, a final true up of deferred NOx reduction program costs to April 2002 was not completed or included in the computation of revenue requirements in this case. Thus WP&L shall provide a comparison of actual NOx reduction program costs deferred through April 2002 with deferral amounts actually collected in rates from either interim or final orders in Dockets No. 6680-UR-111 and 6680-UR-112 and present any under or over collection of the deferral for inclusion in the revenue requirements computations in its next available base rate case.

Inflation rates

A test year revenue requirement based on inflation rates of 1.6 percent for 2002 and 2.2 percent for 2003 is reasonable. The 2002 inflation rate is the actual change in the Consumer Price Index for 2002. The inflation rate for 2003 is based on the average of current estimates from the monthly publication of DRI-WEFA U.S. Economic Outlooks and Blue Chip Economic Indicators. This is a reasonable and objective method of determining the expected rates of inflation.

Summary of Income Statement

In addition to the specific items discussed above, all other Commission staff estimates and adjustments to the applicant's estimates are reasonable and just. Accordingly, estimates of

2003 Wisconsin retail electric, natural gas, Beloit water, and Ripon water operations that are considered reasonable and just for purposes of determining the revenue requirement in this proceeding are as follows:

Operating Income Statements

	Retail Electric <u>(000's)</u>	Retail Natural Gas <u>(000's)</u>	Beloit Water <u>(000's)</u>	Ripon Water <u>(000's)</u>
Operating Revenues				
Sales	\$ 654,297	\$ ---	\$ 4,367	\$ 1,027
Gas Supply Revenue	---	169,605	---	---
Other Operating Revenues	<u>15,341</u>	<u>201</u>	<u>15</u>	<u>5</u>
Total Operating Revenues	\$ 669,638	\$ 169,806	\$ 4,382	\$ 1,032
Operating Expenses				
Fuel and Purchased Power	\$ 249,959	\$ ---	\$ ---	\$ ---
Purchased Gas	---	92,481	---	---
Other Production Expenses	62,370	2,363	365	76
Transmission Expenses	49,430	---	---	---
Distribution Expenses	31,161	8,018	376	121
Customer Accounts Expenses	17,012	3,998	210	40
Customer Service Expenses	2,717	1,753	---	---
Conservation Expenses	35,710	10,663	---	---
Sales Promotion Expenses	92	30	---	---
Administrative and General Expenses	<u>55,478</u>	<u>16,329</u>	<u>721</u>	<u>168</u>
Total Operation and Maintenance Expenses	\$ 503,929	\$ 135,635	\$ 1,672	\$ 405
Depreciation Expense	83,615	12,411	747	185
Taxes Other Than Income Taxes	26,934	3,375	182	44
State and Federal Income Taxes	4,303	4,910	282	42
Deferred Income Tax	<u>5,636</u>	<u>289</u>	<u>284</u>	<u>81</u>
Total Operating Expenses	\$ 624,417	\$ 156,620	\$ 3,167	\$ 757
Net Operating Income	<u>\$ 45,221</u>	<u>\$ 13,186</u>	<u>\$ 1,215</u>	<u>\$ 275</u>

Net Investment Rate Base

WP&L, intervenors, and Commission staff presented testimony and exhibits at the hearings concerning their estimates of WP&L's 2003 Wisconsin retail electric, natural gas, and water net investment rate base. All parties had the opportunity to cross-examine the witnesses. Significant issues pertaining to the net investment rate base are addressed separately below.

Construction expenditures

WP&L seeks recovery in this proceeding of \$197,600,000 in construction expenditures in the test year. WP&L's average annual construction expenditures for the period 1999 through 2001 were \$140,000,000. The \$140,000,000 includes average annual transmission plant expenditures of approximately \$15,000,000. Since transmission plant has been transferred to the American Transmission Company (ATC), WP&L's average annual construction expenditures for the period 1999 through 2001, excluding transmission expenditures, is only \$125,000,000.

Based on historical experience, certain types of construction projects occur on an annual basis. This is the base level of construction expenditures. Typically, this base level is projected to increase from year to year at the rate of inflation. Other types of construction projects occur less frequently and are replaced by new projects in a typical construction budget.

WP&L acknowledges that it has included "blanket budgets" to support unknown capital work in the areas of new customers, pole replacements, and other small-scale rebuilds. It is these blanket budgets to support unknown capital or base level of expenditures that concerns the Commission. Without knowing what is in WP&L's base level of construction expenditures, the Commission may not be able to determine whether some of these high priority projects are also included in the base level of expenditures. The resulting risk is that WP&L's test year level of

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construction expenditures is overstated and, therefore, WP&L will receive double recovery for these projects. Therefore, it is reasonable to base the estimate of WP&L's test year level of construction expenditures on an analysis of historical construction levels and reduce such expenditures by \$33,000,000.

However, WP&L has provided sufficient detailed information showing the need for higher spending levels for rural electric distribution projects. Without the completion of these rural distribution projects, WP&L will have a less reliable distribution system and will have difficulty meeting the plans established in response to dockets 6680-UM-100 and 6680-EI-108. Therefore, the \$33,000,000 disallowance of construction expenditures in this proceeding is reduced to reflect recovery of \$16,000,000 related to rural distribution projects. WP&L is encouraged to complete the necessary construction work on the rural distribution system, to ensure a safe, reliable distribution system.

As a result, WP&L's level of test year construction expenditures is reduced by \$17,000,000. Commissioner Garvin dissents and would include the full \$33,000,000 of construction expenditures at issue, in the calculation of revenue requirement.

Allocation of common plant and associated expenses

In this proceeding, because sufficient information on the location and use of common plant was not readily available, all parties agreed to use an allocator based on direct operating and maintenance expenses, excluding fuel, purchased power, and purchased gas. The city of Beloit, however, repeated its request in docket 6680-UR-111 that WP&L be required to take appropriate measures to ensure that common plant that does not serve water be allocated to electric and natural gas utility operations only.

While direct operating and maintenance expenses, excluding fuel, purchased power, and purchased gas is a reasonable basis for allocating all common plant and associated expenses, consistent with the Commission's order in docket 6680-UR-111, the record does not support a requirement for WP&L to develop a costly, complex tracking system to replace the current allocation method.

Summary of net investment rate base

For purposes of determining the revenue requirement in this proceeding, a reasonable and just estimate of WP&L's test year average net investment rate base for its Wisconsin retail electric, natural gas, and water operations is as follows:

**2003 Test Year
Wisconsin Jurisdictional Net Investment Rate Base**

	Retail Electric (000's)	Retail Natural Gas (000's)	Beloit Water (000's)	Ripon Water (000's)
Plant in Service	\$1,879,426	\$ 297,697	\$ 24,489	\$ 6,766
Less: Accumulated Depreciation	<u>875,689</u>	<u>149,932</u>	<u>6,066</u>	<u>2,249</u>
Net Utility Plant	\$1,003,738	\$ 147,765	\$ 18,423	\$ 4,517
Add: Fuel Inventory	24,428	---	---	---
Stored Natural Gas	---	18,001	---	---
Materials and Supplies	16,123	1,529	58	13
Investment in Assoc. Companies	149	---	---	---
Less: Customer Advances for Construction	28,769	940	1,913	487
Deferred Income Taxes	<u>121,558</u>	<u>15,788</u>	<u>2,864</u>	<u>708</u>
Average Net Investment Rate Base	<u>\$ 894,112</u>	<u>\$ 150,567</u>	<u>\$ 13,704</u>	<u>\$ 3,335</u>

Pro Forma Rate of Return

The estimated operating income for purposes of this proceeding, for the test year ending December 31, 2003, results in a rate of return on net investment rate base of 5.06 percent for

retail electric operations, 8.76 percent for natural gas utility operations, 8.86 percent for Beloit water operations, and 8.25 percent for Ripon Water operations.

Financial Capital Structure and Dividend Restriction

The long-term range for WP&L's common equity ratio, on a financial basis, found reasonable in WP&L's last rate case, was 46.5 to 53.0 percent common equity, based on the guidelines for maintaining an "A" credit rating. In this proceeding, the Commission reviewed four long-term equity range options. One range option was the current long-term range, which had been based on the total debt to total capitalization guidelines of Standard and Poor's (S&P) for "A" credit rated utilities and based on WP&L's off-balance sheet obligations and common equity levels for test year 2002. The second range was also based on S&P guidelines for "A" credit rated utilities, but reflected changes in WP&L's off-balance sheet obligations and common equity levels for test year 2003. The third range approximated the S&P total debt to total capitalization guidelines for "AA" credit rated utilities, while the fourth range proposed would be a range lower than the current 46.5 to 53 percent range, on the basis that the current range may be higher than that actually required by S&P to maintain an "A" rating. The Commission determines that the appropriate guidelines should continue to be set on the basis of an S&P "A" rating. Considering test year impacts of WP&L's off-balance sheet items and an equity infusion, a long-term range of 47.5 to 54.0 percent for WP&L's common equity ratio, on a financial basis, is reasonable and provides adequate financial flexibility at this time. The exact level of the common equity ratio within that range should not be static, but rather should dynamically reflect the circumstances facing WP&L at a given time.

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Consistent with the Commission's determinations in dockets 6680-AU-110 and 6680-UR-111, Commission staff included in the financial capital structure the off-balance sheet obligation associated with WP&L's accounts receivables sales program and equivalent debt associated with purchased power and operating leases. Adjustments for these off-balance sheet obligations are made by S&P and other financial analysts when calculating various financial ratios, including the total debt to capital ratio. WIEG and CUB questioned whether the calculations for debt-equivalents related to purchased power and lease agreements (\$404,647,000 filed by WP&L and \$360,667,000 used by Commission staff) accurately reflected the amount that S&P would calculate and impute in the capital structure. The criticism centered on the argument that S&P would make downward adjustments to reflect the risk or debt-like nature of the capacity payments associated with the leases and that there was no verifiable evidence that S&P would have calculated the debt-equivalents the same as presented in the case. Delayed Exhibit 139 indicated that WP&L was unable to get information from S&P confirming S&P's calculation of the debt-equivalents. In view of the persuasive arguments of WIEG and CUB and lack of confirmation from S&P, the Commission finds that \$219,913,000 is a reasonable estimate of the amount of debt-equivalents to be imputed into WP&L's financial capital structure. This amount represents a 60 percent weighting of the debt-equivalents associated with the operating leases.

Order Point 16 of the Commission's September 13, 2002, Final Decision in docket 6680-UR-111, states "WP&L shall obtain, at minimum, \$260,000,000 of additional equity, pursuant to the commitment made by Alliant Energy in its May 24, 2002, response to the Commission's *Audit Report on Alliant Energy Corporation 2000-2001*, in order to meet the

Commission's long-range equity guidelines." In 2002, \$60,000,000 of equity was committed for infusion and in April 2003, \$200,000,000 is forecasted for infusion. Four issues arose in this case related to the proposed equity infusion. The first was whether the \$200,000,000 equity infusion was necessary in order to maintain WP&L's financial strength. The second was whether WP&L will obtain the infusion on a timely basis. The third issue was the cost of the equity infusion to ratepayers and re-compensation if WP&L does not make the equity infusion in a timely manner. The fourth issue concerns the source of the equity infusion.

Arguments regarding the amount of equity to be required centered on the cost of equity to ratepayers and whether the equity was needed to guarantee WP&L's financial strength. It is in the public interest to require WP&L to obtain a \$200,000,000 equity infusion. Such equity will help WP&L to stay within the Commission's required common equity range. Furthermore, the Commission finds that an appropriate deadline for receipt of the equity infusion is 90 days after the date of this order.

WIEG, CUB, and Commission staff testified to the higher cost to ratepayers of equity in lieu of debt. WIEG testified that if the equity infusion is included in the revenue requirement and WP&L fails to obtain the equity infusion, ratepayers could pay millions of dollars above the cost of service. The Commission shares these concerns. Consequently, in the event that WP&L does not obtain the entire equity infusion by the 90-day deadline, WP&L shall refund to the ratepayers the excess of the cost of equity and associated taxes over the cost of the short-term interest rate for the amount of equity not infused. The company shall work with Commission staff on calculating the refund to ensure that the full revenue impact of compounded equity earnings on the delayed or cancelled equity infusion is accounted for. The refund shall also

include short-term interest on the refund amount pending the refunding. WIEG also testified that if the source of the equity infusion is debt borrowing by Alliant Energy, the equity infusion could be counter productive. This is because if Alliant Energy funds the equity infusion by borrowing additional debt, Alliant Energy's debt leverage will increase which may have negative credit rating implications for Alliant Energy and subsequently WP&L. WP&L testified that Alliant Energy intends to issue new equity and \$200,000,000 of the proceeds are earmarked for infusion into WP&L. It is in the public interest for Alliant Energy to fund infused capital with proceeds from an equity issuance by Alliant Energy.

Incorporating this Commission's determinations on the amount of debt-equivalents to include in the off-balance sheet obligations and the amount of equity infusion to be obtained, WP&L's financial capital structure for the test year consists of 47.46 percent common equity, 3.31 percent preferred stock, 28.97 percent long-term debt, 2.93 percent short-term debt, 4.62 percent factored accounts receivables, 12.16 percent debt-equivalents of other off-balance sheet obligations, and 0.55 percent advances from associated companies. The 47.46 percent common equity, on a financial basis, falls just below the newly adopted common equity guideline of 47.5 to 54.0 percent, but is reasonable due to rounding.

Assessing the reasonableness of WP&L's capital structure depends upon three important principles. First, capital structure decisions must be based on WP&L's needs, not on the needs of the nonutility operations of the holding company. Second, the capital structure should provide adequate flexibility to WP&L and to the Commission to allow proper utility investment now and in the future. Third, the dividend policy of WP&L should be similar to typical electric and

natural gas dividend practices as long as WP&L is below the estimated test year common equity ratio.

The utility's capital needs must take precedence over nonutility needs if ratepayers are to be protected. Wis. Stat. § 196.795 requires the Commission to protect ratepayers from utilities that grant a higher priority to nonutility financial needs. The identification of utility needs goes beyond foreseeable needs. WP&L must have flexibility to finance both foreseen and unforeseen capital requirements.

In previous dockets the Commission recognized the need to protect ratepayers and to ensure that utility needs are placed before nonutility needs in capital structure and dividend policy choices. Consequently, the Commission has maintained a restriction on the dividends that may be paid if the actual average common equity ratio, on a ratemaking basis, is or will fall below the test year authorized level. Two proposed changes to the dividend restriction, one clarifying language to assist in determining compliance with the dividend restriction and the other to update the restriction to reflect the test year capital structure, were not contested. However, while the company's filing included two dividend payments of \$15,778,000 and two payments of \$19,512,000 totaling \$70,580,000, it subsequently requested a dividend formula based on \$2.00 per share and the Alliant Energy share price at the time the equity is issued. Commission staff testified that such formula could substantially increase WP&L's test year dividends to Alliant Energy in light of recent market price declines for Alliant Energy common stock and that to assist in determining compliance with the dividend restriction, the Commission may wish to state in the dividend restriction the dollar amount of the dividends that WP&L may pay. Stating the dollar limit in the dividend restriction is the better alternative. WP&L shall not

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pay dividends, including pass-through of subsidiary dividends, in excess of \$70,580,000 if its actual average common equity ratio, on a ratemaking basis, is or will fall below the test year authorized level.

Ten-Year Financial Forecast

WP&L's ten-year financial forecast is useful to the Commission and should be submitted in future rate cases. WP&L should expand the forecast to include both regulatory and financial capital structures and to contain both the amount and percentage of the various capital components. The ten-year forecast can be combined with other business risk information to assess capital structure needs and rate of return requirements.

Regulatory Capital Structure and Cost of Capital

As in the previous rate case docket, Commission staff deducted WP&L's investment in common equity of ATC net of deferred income taxes associated with transmission assets transferred to the ATC, along with other non-utility items, from its financial common equity to arrive at the common equity amount for its regulatory capital structure. Furthermore, consistent with the Commission's determination in docket 6680-UR-104, the off-balance sheet obligation associated with WP&L's accounts receivables sales program were included in the ratemaking capital structure developed by Commission staff. CUB proposed using an alternate imputed capital structure consisting of 46.75 percent common equity, 4.00 percent preferred stock, 38.25 percent long-term debt, 4.00 percent short-term debt and 7.00 percent factored accounts receivables. In addition, CUB's witness alternately proposed incorporating the debt-equivalents of off-balance sheet obligations into the regulatory capital structure to determine WP&L's

weighted cost of capital. A reasonable utility rate making capital structure for the purpose of establishing just and reasonable rates for the test year consists of 51.72 percent common equity, 4.02 percent preferred stock, 35.12 percent long-term debt, 3.55 percent short-term debt and 5.59 percent factored accounts receivables. These values are calculated by the Commission staff's capital structure and adjusting for the Commission's decisions in this proceeding. These values do not reflect the incorporation of off balance sheet obligations related to purchase power agreements and operating leases.

Short-Term Debt

WP&L's test year capital structure contains approximately \$53,000,000 of short-term debt and \$83,500,000 of accounts receivables sales. The interest rate associated with both types of short-term indebtedness is the commercial paper rate. A reasonable estimate of the average cost of short-term commercial paper for WP&L for the test year is 1.45 percent. This forecast is based on the average of test year commercial paper rate estimates provided by the Blue Chip Financial Forecasts newsletter. This is a reasonable and objective method of determining WP&L's short-term debt costs.

Long-Term Debt

WP&L long-term debt includes \$55,100,000 of variable rate demand bonds. These tax-exempt bonds have an interest rate of approximately 65 percent of the commercial paper rate. Based on a commercial paper rate of 1.45 percent, a reasonable estimate of the average cost of the demand notes for WP&L for the test year is 0.95 percent. The resulting embedded cost of long-term debt of 7.05 percent is reasonable for the test year.

Preferred Stock

The average cost of preferred stock of 5.52 percent is reasonable for the test year.

Return on Common Equity

WP&L, in its filing, requested a return on equity of 13.1 percent for the test year revenue requirement. WIEG's financial witness testified that the cost of common equity is in the range of 9.7 percent to 11.5 percent. WIEG believes that a fair return is 10.5 percent and that the Commission should not award a rate of return higher than 11.5 percent. CUB's financial witness testified that a return on equity in the range of 10.0 to 10.5 percent is reasonable.

The Commission, in its determination of a fair return on common stock equity, must strike a balance between the investor and customer. It would be undesirable to allow a return on equity so high as to be excessive, just as it would be undesirable to allow a return so low as to discourage investors. The authorized return on common stock equity should be commensurate with the earnings of other business enterprises that have similar risks, maintain the financial integrity of the utility, attract and hold capital at reasonable costs, and protect the interests of utility consumers. In view of these considerations and the declining interest rate environment, a 12.00 percent return on utility common stock equity is reasonable in this proceeding for the purpose of establishing just and reasonable rates.

Accordingly, the average utility capitalization ratios, annual cost rates, and the composite cost of capital rate considered reasonable and just for setting rates for the test year are as follows:

	<u>Amount</u> <u>(000's)</u>	<u>Percent</u>	<u>Annual</u> <u>Cost Rate</u>	<u>Weighted</u> <u>Cost</u>
Utility Common Equity	\$ 771,883	51.72%	12.00%	6.21%
Preferred Stock	59,963	4.02%	5.52%	0.22%
Long-Term Debt	524,100	35.12%	7.05%	2.48%
Factored Accounts Receivables	83,493	5.59%	1.45%	0.08%
Short-Term Debt	<u>52,985</u>	<u>3.55%</u>	1.45%	<u>0.05%</u>
Total Utility Capital	<u>\$1,492,424</u>	<u>100.00%</u>		<u>9.04%</u>

The weighted cost of capital of 9.04 percent is reasonable for WP&L for the test year. It generates an economic cost of capital of 13.35 percent and a pre-tax interest coverage ratio of 5.12 times, on the regulatory capital structure, and 3.89 times, on the test year financial capital structure.

Construction Work in Progress (CWIP)

WP&L requested a current return on 50 percent of forecasted electric and natural gas CWIP in this case. WP&L did not request a current return on Beloit water and Ripon water CWIP. Given WP&L's financial health, the adequacy of its cash flow, its quality of earnings, and the level of test year construction expenditures, it is reasonable to allow a current return on 50 percent of electric and natural gas CWIP for the test year. The average CWIP that does not earn a current return will accrue an allowance for funds used during construction (AFUDC) at the adjusted weighted cost of capital of 10.04 percent.

Rate of return on rate base

It is necessary that the 9.04 percent composite cost of capital be translated into a rate of return which can be applied to average net investment rate base and used to compute the overall return requirement in dollars.

The estimate of the WP&L's average net investment rate base plus CWIP for the test year is 90.01 percent of capital applicable primarily to utility operations plus deferred investment tax credit. This estimate reflects all appropriate Commission adjustments, and is a reasonable and just factor for use in translating the composite cost of capital into a return requirement applicable to average net investment rate base.

To allow a return on 50 percent of electric and natural gas CWIP, an adjustment must be added to the return on net investment rate base for the test year. Accordingly, the reasonable and just rates of return on Wisconsin retail electric, natural gas, and water net investment rate bases for ratemaking purposes in this proceeding, computed on the basis of the above findings, are as follows:

	Retail Electric (%)	Retail Natural Gas (%)	Beloit Water (%)	Ripon Water (%)
Cost of Capital	9.04	9.04	9.04	9.04
Average Percent of Utility Net Investment Rate Base Plus Construction Work in Progress to Capital Applicable Primarily to Utility Operations Plus Deferred Investment Tax Credit	90.01	90.01	90.01	90.01
Percent Return Requirement Applicable to Net Investment Rate Base	10.04	10.04	10.04	10.04
Adjustment to Return Requirement to Provide current Return on CWIP	<u>0.18</u>	<u>0.16</u>	<u>0.00</u>	<u>0.00</u>
Adjusted Percent Return Requirement on Net Investment Rate Base	<u>10.22</u>	<u>10.20</u>	<u>10.04</u>	<u>10.04</u>

Revenue Requirement

On the basis of the findings in this order, a \$77,101,000 increase in Wisconsin retail electric revenues, a \$3,630,000 increase in Wisconsin natural gas revenues, a \$269,000 increase in Beloit water revenues, and a \$100,000 increase in Ripon water revenues are reasonable. The indicated rate revisions are computed as follows:

	Retail Electric (000's)	Retail Natural Gas (000's)	Beloit Water (000's)	Ripon Water (000's)
Return Earned on Average Net Investment Rate Base at Present Rates	5.06%	8.76%	8.86%	8.25%
Required Return on Average Net Investment Rate Base	10.22%	10.20%	10.04%	10.04%
Average Net Investment Rate Base (000's)	\$894,112	\$150,567	\$13,704	\$3,335
Amount of Earnings Deficiency on Average Net Investment Rate Base (000's)	\$46,157	\$2,173	\$161	\$60
Revenue Deficiency to Provide for Earnings Deficiency Plus Federal and State Income Taxes at a Combined Rate of 40.135% (000's)	\$77,101	\$3,630	\$269	\$100

Demand-Side Management

Continuation of WP&L's Shared Savings Program

WP&L has provided natural gas and electric energy efficiency services to commercial and industrial (C&I) customers through its Shared Savings Program since 1987. In its August 2000 order in docket 05-BU-100, the Commission established the amount each utility spent in 1998 on defined categories, including energy efficiency, that is to be transferred to the Department of Administration (DOA) for public benefits programs. The Commission also determined it appropriate for WP&L to retain its \$10,933,920 of C&I public benefits dollars,

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which WP&L used for its Shared Savings Program, through the transition period. With the end of this transition, WP&L began transferring all of its public benefits dollars to the DOA beginning January 1, 2003. In docket 6680-UR-111, the Commission determined that WP&L may continue its Shared Savings Program in 2002 at the year 2000 spending level. This level of funding, \$21,502,171 was greater than WP&L's 1998 level of funding of \$10,933,920 for the program, but less than the \$24,701,627 requested by WP&L. This level of funding reflected the need for WP&L to begin the transition to public benefits.

In this proceeding, WP&L requested \$18,942,425 for its Shared Savings Program. This consists of \$10,933,920 in C&I funds that WP&L must transfer to the DOA for public benefits beginning January 1, 2003, and an additional \$7,948,505 to continue its Shared Savings Program. Because the almost \$11,000,000 are public benefits dollars, it is the DOA that will determine the appropriate use of these dollars. WP&L is currently pursuing with the DOA's major markets public benefits program administrator, Milwaukee School of Engineering (MSOE), a contract to allow WP&L to continue to use its C&I public benefits dollars to provide Shared Savings services within its service territory. The Commission was left to determine the appropriateness of WP&L using an additional \$7,948,505 to provide Shared Savings services to its C&I customers.

It is evident that WP&L's Shared Savings Program provides energy savings benefits. However, WP&L's Shared Savings Program may be more costly to ratepayers than is necessary to achieve these savings. This is because the program has not been designed to maximize cost-effectiveness. Of particular concern are the level of free-riders in the program and the cost to the ratepayer to provide the shareholder incentive. Free-ridership is a concern because high levels of

free-riders, if not properly adjusted for, overestimate energy savings achievement. Free-ridership also results in ratepayers paying for energy savings that would have occurred even in the absence of the program. The cost to the ratepayer for the shareholder incentive is of concern because this represents about 70 percent of the total cost of the program. Shareholders currently receive the same level of return on Shared Savings investments as on investments in utility plant. While participating customers pay a three percent administrative fee, ratepayers are responsible for the increment between this administrative fee and WP&L's authorized rate of return.

Also, much is still not known about public benefits. Although all public benefits dollars are now being transferred to the DOA, including WP&L's \$10,933,920 that has provided for Shared Savings services in the past, it is not clear how much money will be available for energy efficiency in 2003. If the entire \$10,933,920 is available for energy efficiency, it is not known if WP&L will be successful in negotiating with MSOE for WP&L to use these dollars to provide Shared Savings in its service territory. If WP&L does not successfully negotiate a contract with MSOE, it provides a strong indication that there are programs out there that are more cost-effective than WP&L's Shared Savings Program in capturing energy efficiency.

Although WP&L's Shared Savings Program has been able to achieve energy savings, with the uncertainties regarding public benefits, it is not known whether these savings would be achieved if WP&L's Shared Savings Program is discontinued. Therefore, it is appropriate for WP&L to continue its Shared Savings Program in 2003 with dollars that are in addition to the \$10,933,920 C&I funds to be transferred to public benefits. However, program modifications are needed to improve the cost-effectiveness of the Shared Savings Program. It is appropriate for WP&L to work with Commission staff to make program modifications that are designed to

reduce free-ridership in the program. If WP&L proposes to continue its Shared Savings in 2004 with ratepayer dollars that are in addition to those transferred to public benefits, WP&L should develop Shared Savings program design options that reduce the increment between the three percent administrative fee charged the customer and the shareholder return. These program design options should be presented by WP&L in its next rate proceeding. These program designs, as well as additional information regarding funding and program implementation of public benefits, will allow the Commission to make a more informed decision regarding the continuation of WP&L's Shared Savings Program.

Appropriate Measures of Success and Energy Savings Goals

While the primary responsibility for providing energy efficiency opportunities has transferred to the DOA, WP&L continues to provide customer service conservation and load management services to all its customers. In addition, the Commission has determined it is reasonable for WP&L to provide a modified Shared Savings Program to its C&I customers in 2003. In docket 05-BU-100, the Commission determined that it is appropriate for Commission staff to work with each utility to develop measures of success for customer service conservation and load management activities and energy savings goals commensurate with the public benefits dollars retained.

WP&L did not propose energy savings goals or measures of success for its 2003 energy efficiency activities. It is appropriate for WP&L to work with Commission staff to develop measures of success for its customer service conservation and load management activities. While WP&L has not retained any public benefits dollars in 2003, the Commission has determined that it is appropriate for WP&L to provide a modified Shared Savings Program with

ratepayer dollars that are in addition to dollars transferred to public benefits. It is reasonable for WP&L to work with Commission staff to develop energy savings goals that reflect the WP&L's Shared Savings Program budget. Measures of success and energy savings goals shall be provided to Commission staff by May 9, 2003.

Electric Revenue Allocation and Rate Design

WP&L proposed a revenue allocation and rate design based upon COSS results that allocated production costs using class demands coincident with the utility's peak load during the four summer months. Such a study is known as a "4-CP study." Although WIEG expressed support for the WP&L cost studies, WIEG proposed a slightly different revenue allocation. Commission staff expressed concerns that the WP&L cost studies do not allocate any fixed production costs to interruptible loads. Commission staff submitted a proposed revenue allocation based upon the cost of service information filed in this case, using other recent rate case experience and taking into account bill impacts and existing rate relationships.

The Commission traditionally has not endorsed a particular COSS methodology for determining class revenue allocations and does not do so here. Rather, the Commission relies upon a range of information, including COSS results, bill impacts and the maintenance of existing rate relationships. Based upon these factors, the revenue allocation and rate design proposed by the Commission staff appropriately reflect the costs to serve the various customer classes and balance the bill impacts within the various customer classes. The customer charges, energy charges and demand charges in the authorized rate design are based on the Commission staff rate design, as adjusted for the final revenue requirement. The interruptible credits and

parallel generation rates are left unchanged. The authorized revenue allocation and rate design for electric utility service is shown in Appendix B.

Seasonal Rate Design

In the applicant's last rate case the Commission deferred the decision to implement a seasonal rate design until applicant's next rate case due to the timing of that order being late in the test year. WP&L and Commission staff both presented seasonal rate designs in this proceeding. The seasonal rate designs were supported by WIEG. The authorized seasonal rate design for electric utility service is shown in Appendix B.

Daily Customer Charges

Historically, customer charges have been assessed on a monthly basis. However, the Commission has previously authorized daily customer charges for Madison Gas and Electric Company (MGE). Both WP&L and Commission staff proposed daily customer charges rather than the current monthly customer charges for electric service. WP&L is in the process of changing its customer billing system to accommodate a daily customer charge and proposed to continue to bill a monthly customer charge until its billing system is capable of charging the daily rates. WP&L argued that it would not be cost-effective to implement daily customer charges until the new billing system was available on April 24, 2003. The authorized rates for electric service, shown in Appendix B, include both monthly and daily equivalent customer charges. The applicant shall switch to billing the new daily customer charges no later than May 1, 2003.

Miscellaneous electric rate issues

The following changes to WP&L's electric rates and service rules, which were uncontested, are approved:

1. The changes to the liability insurance requirement in the electric parallel generation tariff, as proposed by WP&L.
2. Closing the primary service option under the electric General Service tariff to residential customers.
3. Adding tariff language to the electric Experimental Fixed-Price Load Curtailment Rider as proposed by WP&L.
4. Eliminating two decorative lighting options from the electric Ms-1 street lighting service tariff.
5. Replacing the table of daily credits/charges in the electric Ms-1 street lighting service tariff with a formula.
6. Reopening the electric Ms-3 area lighting service tariff to new customers, except for two types of decorative lights.
7. A weekly billing option that the company can apply in cases where a large customer declares Chapter 11 bankruptcy.

Natural Gas COSS

WP&L performed three embedded COSS for this proceeding. Commission staff did not perform COSS specifically tied to this case and utilized the results of two embedded COSS performed for previous rate case docket 6680-UR-111. The most important difference between WP&L's and Commission staff's studies lies in the allocation of distribution mains costs to interruptible classes. WP&L's COSS do not allocate any distribution peak capacity costs to interruptible classes based on the assumption that interruptible customers do not have the right to peak capacity and should not pay for it. Commission staff's COSS allocate peak capacity costs

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to both firm and interruptible customers based on the assumption that WP&L's system has the capacity to serve all its customers at times of system peak, so all customers should share in its cost.

It is reasonable to use all the COSS to establish a range of reasonableness for revenue allocation and rate design. This has been the Commission's policy in the past and continues to be an appropriate policy.

Natural Gas Interruptible Distribution Service

In previous rate case docket 6680-UR-111, Commission staff raised the question of whether the company's interruptible distribution service should be continued in light of the fact that WP&L's distribution system has the capacity to serve all customers at times of system peak. Additionally, Commission staff questioned whether it is appropriate for interruptible distribution customers to receive rate discounts based on COSS that do not allocate any peak capacity costs to interruptible classes. In Order Point 25 of the Final Decision in docket 6680-UR-111, the Commission directed the company to address the following questions in the current proceeding: (1) What value does the ability to interrupt interruptible distribution customers add to WP&L's system? (2) If the ability to interrupt these customers is of value, what rate adjustment should these customers receive in exchange for the option to interrupt them?

WP&L testified that interruptible distribution service should be continued because it offers customers an opportunity to select their priority of service, thereby choosing their level of firmness on the system. Interruptible distribution customers choose lower rates and a lower priority of service while similar-size large firm customers choose to pay a premium for more reliable service. If interruptible distribution service is discontinued, customers would no longer

have these choices. Also, WP&L indicates that interruptible distribution customers provide the utility with the operational flexibility to curtail only those customers that have agreed to be curtailed before firm customers are curtailed. The Wisconsin Paper Council (WPC) and the Wisconsin End-User Gas and Electric Association (WEUGEA) support the company's position.

The question of the appropriateness of offering interruptible service to customers with access to adequate capacity to meet peak demand was previously addressed in Wisconsin Electric Power Company Gas Operations docket 6630-UR-110. Consistent with the policy established in that case, interruptible distribution service is not an appropriate service offering when all customers have access to ample peak distribution capacity. WP&L's interruptible distribution service does provide larger customers with additional service options, and may provide the utility with some operational flexibility. On the other hand, based on the company's response to its data request, Commission staff testified that WP&L's distribution system has ample capacity to serve all customers at times of system peak. WP&L's data request response verifies that WP&L's distribution system does have the capacity to serve all customers during peak periods. Customers currently classified as interruptible essentially receive firm distribution service and should not receive a discount on their rates. Without interruptible distribution service, these customers continue to have options regarding their level of reliability including choosing interruptible natural gas supply service, purchasing back-up natural gas supplies and installing alternate fuel equipment.

In the current proceeding, authorized rates are set to reduce the discount to interruptible distribution customers. In the next full rate proceeding, WP&L shall propose a plan that phases out discounts to interruptible distribution customers.

Daily Natural Gas Customer Charges

WP&L proposes to begin billing daily customer charges for all customer classes no later than May 1, 2003. By this date, the company would be able to change its billing system to allow for daily charges. This proposal was not contested. The Commission finds it reasonable that WP&L identify a monthly customer charge effective when the order in this case is issued, as well as a comparable daily customer that becomes effective on or before May 1, 2003.

Natural Gas Revenue Allocation and Rate Design

WP&L's rate design proposal provides for the continuation of interruptible distribution service discounts and collects a larger percentage of the revenue increase from residential and small commercial customers. Commission staff's rate design proposal provides for phasing out interruptible distribution discounts. Commission staff's proposal maintains Gc-2 Medium Firm Commercial and Industrial and Gc-3 Large Firm Commercial and Industrial rates to move towards the same rates for similar size firm and interruptible customers, and collects approximately the same percentage increase from the other customer classes. WP&L proposes an increase in the residential customer charge from \$6.00 to \$8.00 per month (\$0.2630 per day) while Commission staff proposes an increase to \$7.30 per month (\$0.2400 per day). WEUGEA prefers the company's rate design. WPC believes that the final rate design should closely follow the COSS results.

Commission staff's rate design is reasonable because it moves towards eliminating the discount for interruptible distribution customers, provides similar percentage increases to other customer classes and provides for an appropriate increase in the residential customer charge. Appendix C shows the approved revenue allocation and rate design.

Gas Cost Recovery Mechanism (GCRM) Annual Reconciliation Procedure

WP&L proposes to change the GCRM annual reconciliation procedure to allow the company more flexibility in the timing of refunds and charges. This proposal was not contested. The current provision is premised on the Commission completing the review of the annual results by April 15, which has not always been possible. It is appropriate to change the tariff language to provide for remittance of any refunds to customers during the first complete billing cycle following the Commission's order approving the GCRM annual results, while any charges would be completed over a period no greater than eight complete billing cycles following the order.

Water Revenue Allocation and Rate Design

Commission staff submitted individual COSS for Beloit and Ripon. As in prior WP&L water rate cases, both studies use the American Water Works Association's (AWWA) "Base Extra-Capacity" COSS as the basis to allocate water revenues to the major rate classes.

WP&L also submitted a COSS. WP&L subsequently concurred with the class COSS for Beloit and Ripon as proposed by Commission staff. While all COSS are considered, the Commission staff's COSS for Beloit and Ripon is just and reasonable for water revenue allocation and rate design.

Commission staff designed separate water rates for the Beloit and Ripon systems based on the results of their individual COSS. After review, WP&L supports the rate designs proposed by the Commission staff.

The water rate design and tariff changes that appear in Appendices D and E are adopted.

The rates are set at 100 percent of the revenue requirement with the effective date of this order. Appendix D for Beloit and Appendix E for Ripon, respectively, reflect the revenue adjustments made by the Commission. Appendix D and Appendix E show customer class revenue requirements resulting from the cost analysis compared with revenues at authorized rates for Beloit and Ripon, respectively. The percentage rate increase to any individual customer will not necessarily equal the overall percentage increase to the associated customer class, but will depend on the specific usage level of that customer. The general service water rates and tariffs applicable to the cities of Beloit and Ripon are reasonable in that they appropriately reflect the cost of providing service.

As shown in Appendix D, the public fire protection charge will increase for the city of Beloit because a higher proportion of the annual operating costs are allocated to fire protection than was allocated at the time of WP&L's last rate proceeding, based on current ratios of maximum general service demand to available system fire protection capacity. As shown in Appendix E, the annual public fire protection charge will also increase for the city of Ripon for the same reason. The authorized public fire protection charges applicable to the cities of Beloit and Ripon are reasonable in that they appropriately reflect the cost of providing service.

Miscellaneous service charges

The following changes to WP&L's water rates and service rules, which were uncontested, are approved:

1. Revision of the charges for additional meters for customer convenience.
2. Revision of the water service lateral installation cost to actual cost to be charged.
3. Revision of the water main extension rule, in reference to refunds for additional customers connecting to a water main.

4. Revision of the monthly customer charge to be changed to daily customer charge, similar to electric and natural gas charges, no later than May 1, 2003.

Order

1. This order shall be effective one day after the date of mailing. The authorized rates and rules shall also be effective on the same date, provided that the rates are filed with the Commission and placed in all offices and pay stations of the utility by that date. If the authorized rates and rules are not placed in all offices and pay stations by the effective date of the order, the rates shall become effective on the date that the rates are placed in all offices and pay stations. The applicant shall inform the Commission, in writing, of the date that the authorized rates and rules are to take effect.

2. WP&L is authorized to revise its existing rates and rules for electric and natural gas service using the rate and rule changes authorized in this order and as shown in Appendices B and C.

3. WP&L shall replace the billing of monthly customer charges with the new daily customer charges, shown in Appendices B and C, for electric and natural gas service no later than May 1, 2003.

4. WP&L shall discontinue its existing water rates and rules for service and make effective for water service the rates and rules set forth in Appendices D & E.

5. WP&L shall replace the billing of monthly customer charges with new daily customer charges for water service no later than May 1, 2003. The new daily customer charges will be calculated by amortizing the monthly amounts shown in Appendices D and E and dividing by 365.

6. The fuel costs in Appendix F shall be used for monthly monitoring of WP&L's fuel costs, pursuant to Wis. Admin. Code ch. PSC 116.

7. WP&L shall record annual DSM accrual amounts of \$35,189,000 for Wisconsin retail electric operations (\$20,419,000 of authorized escrowed expenditures, including \$1,000,000 for farm rewiring programs, plus \$14,770,000 for amortization of DSM overspending) and \$10,665,000 for Wisconsin natural gas operations (\$4,849,000 of authorized escrowed expenditures plus \$5,816,000 for amortization of DSM overspending). Both amortizations shall begin with the effective date of this Final Decision. WP&L shall continue to record these amounts until the Commission authorizes new DSM accrual amounts.

8. WP&L shall amortize the deferred costs of security measures and insurance premiums caused by terrorist attacks on September 11, 2001, over a 24-month period, in the annual amount of \$1,000,000, on a Wisconsin retail basis.

9. WP&L shall submit a comparison of actual security costs deferred up to the effective date of this order with estimated deferred security costs included in revenue requirements from this order and present any under or over collection of the deferral for inclusion in the revenue requirement computations in its next available base rate case.

10. WP&L shall amortize the KNPP incremental deferred costs incurred through April 30, 2002, related to compliance with NRC requirements, including carrying costs at the weighted cost of capital, in the annual amount of \$2,917,000, on a Wisconsin retail basis, for 32 months beginning in May 2002.

11. WP&L shall submit a summary of the KNPP incremental deferred costs incurred through April 30, 2002, for review and true-up in the next rate proceeding.

12. WP&L shall amortize escrowed NOx reduction compliance costs in the annual amount of \$1,485,000, on a Wisconsin retail basis.
13. WP&L shall submit a summary of incremental deferred NOx reduction compliance-related costs incurred through April 30, 2002, for review and true-up in the next rate proceeding.
14. WP&L shall directly assign operating expenses for its water accounts 600 through 678 to Beloit and Ripon water operations.
15. WP&L shall amortize MGP clean-up costs in the annual amount of \$2,345,000.
16. WP&L shall submit a ten-year financial forecast in its next rate proceeding. The forecast shall contain both regulatory and financial capital structures and contain both the amount and percentage of the various capital components.
17. WP&L shall not pay dividends, including pass-through of subsidiary dividends, in excess of \$70,580,000 if its actual average common equity ratio, on a ratemaking basis, is or will fall below the test year authorized level of 51.72 percent.
18. WP&L shall obtain, within 90 days of the mailing date of this order, an equity infusion of \$200 million. The source of the funds to be infused into WP&L shall be the proceeds of an equity issuance of Alliant Energy Corporation.
19. In the event that WP&L does not obtain the entire equity infusion by the 90-day deadline, WP&L shall refund to the ratepayers the excess of the cost of equity and associated taxes over the cost of the short-term interest rate for the amount of equity not infused. The company shall work with Commission staff on calculating the refund to ensure that the full revenue impact of compounded equity earnings on the delayed or cancelled equity infusion is

accounted for. The refund shall also include short-term interest on the refund amount pending the refunding.

20. WP&L shall work with Commission staff to make modifications to the 2003 Shared Savings Program that will reduce program free-rider levels.

21. If WP&L proposes to continue its Shared Savings Program in 2004 with dollars that are in addition to those transferred to public benefits, it shall develop and present in its next rate proceeding Shared Savings Program design options that reduce the increment between the administrative fee charged the customer and the shareholder return.

22. WP&L shall develop with Commission staff measures of success for its 2003 customer service conservation and load management activities and energy savings goals that reflect WP&L's 2003 Shared Savings Program budget. These measures of success and energy savings goals shall be filed with the Commission by May 9, 2003.

23. In its next full rate proceeding, WP&L shall propose a plan to phase out discounts for natural gas interruptible distribution customers.

24. Jurisdiction is retained.

Dated at Madison, Wisconsin, _____

By the Commission:

Lynda L. Dorr
Secretary to the Commission

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See attached Notice of Appeal Rights

Notice of Appeal Rights

Notice is hereby given that a person aggrieved by the foregoing decision has the right to file a petition for judicial review as provided in Wis. Stat. § 227.53. The petition must be filed within 30 days after the date of mailing of this decision. That date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

Notice is further given that, if the foregoing decision is an order following a proceeding which is a contested case as defined in Wis. Stat. § 227.01(3), a person aggrieved by the order has the further right to file one petition for rehearing as provided in Wis. Stat. § 227.49. The petition must be filed within 20 days of the date of mailing of this decision.

If this decision is an order after rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not an option.

This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

Revised 9/28/98

APPENDIX A
(CONTESTED)

In order to comply with Wis. Stat. § 227.47, the following parties who appeared before the agency are considered parties for purposes of review under Wis. Stat. § 227.53.

Public Service Commission of Wisconsin
(Not a party but must be served)
610 N. Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

WISCONSIN POWER AND LIGHT COMPANY

By
Mr. Ritchie Sturgeon, Attorney
4902 North Biltmore Lane, P.O. Box 77007
Madison, WI 53707-1007

WISCONSIN END-USER GAS AND ELECTRIC ASSOCIATION (WEUGEA)

By
Ms. Darcy Fabrizius
Manager of Regulatory Affairs
P.O. Box 2226
Waukesha, WI 53187-2226

ENBRIDGE ENERGY PARTNERS, LP

By
Mr. Steve Sandman
Dahlen, Berg & Co.
Representing Lakehead Pipe Line
120 South 6th Street, Suite 850
Minneapolis, MN 55402

CITY OF BELOIT

By
Ms. Lawrie J. Kobza, Attorney
Boardman, Suhr, Curry & Field, LLP
One South Pinckney Street, 4th Floor, P.O. Box 927
Madison, WI 53701-0927

Docket 6680-UR-112

WISCONSIN PAPER COUNCIL

By

Mr. Earl Gustafson
Energy/Projects Manager
250 North Green Bay Road, P.O. Box 718
Neenah, WI 54957-0718

MADISON GAS AND ELECTRIC COMPANY

By

Mr. Jeffrey C. Newman
Vice President and Treasurer
P.O. Box 1231
Madison, WI 53701-1231

WISCONSIN INDUSTRIAL ENERGY GROUP (WIEG)

By

Ms. Linda M. Clifford, Attorney
LaFollette, Godfrey & Kahn
1 East Main Street, Suite 500, P.O. Box 2719
Madison, WI 53701-2719

CITIZENS' UTILITY BOARD

By

Mr. Curt Pawlisch, Attorney
Cullen, Weston, Pines & Bach, LLP
122 West Washington Avenue, Suite 900
Madison, WI 53703

DEPARTMENT OF ADMINISTRATION

By

Mr. Mark Saunders
101 East Wilson Street, 6th Floor
P.O. Box 7868
Madison, WI 53707-7868

**SUMMARY OF ELECTRIC REVENUES
FOR TEST YEAR 2003**

RATE CLASS	Schedule	PRESENT REVENUES	AUTHORIZED REVENUES	DOLLAR INCREASE	PERCENT INCREASE
General Service	Gs-1	\$ 355,722,349	\$ 401,062,200	\$ 45,339,851	12.75%
General Service TOD	Gs-3	5,128,024	5,772,964	644,940	12.58%
General Service Non-metered	Gs-4	221,511	247,993	26,482	11.96%
General Service TOD w/ Water Heating	Gw-1	1,904,933	2,139,317	234,384	12.30%
Controlled Water Heating (17 hr.)	Rw-1	1,174,530	1,316,640	142,110	12.10%
Controlled Water Heating (11 hr.)	Rw-3	292,197	331,716	39,519	13.52%
Commercial Service - Standard	Cg-2	50,931,955	55,874,651	4,942,696	9.70%
Commercial Service - TOD	Cg-2 TOD	14,190,817	15,612,677	1,421,860	10.02%
Industrial Service - Secondary/Primary	Cp-1	162,788,262	179,932,221	17,143,959	10.53%
Industrial Service - Transmission	Cp-2	55,899,324	62,555,448	6,656,124	11.91%
Streetlighting Service	Ms-1	4,032,549	4,375,768	343,219	8.51%
Decorative Lighting	Ms-2	37,913	40,525	2,612	6.89%
Area Lighting	Ms-3	1,545,905	1,664,854	118,949	7.69%
Traffic Signal Lighting	Mz-1	379,626	422,330	42,704	11.25%
Civil Defense & Fire Sirens Service	Mz-2	5,996	6,308	312	5.20%
Non-Standard Lighting	NL-1	48,045	49,324	1,279	2.66%
TOTAL ELECTRIC		\$ 654,303,936	\$ 731,404,936	\$ 77,101,000	11.78%

WISCONSIN POWER & LIGHT COMPANY
SUMMARY OF ELECTRIC RATES

ELECTRIC RATES		PRESENT	AUTHORIZED
BY RATE CLASSIFICATION		RATES	RATES
GENERAL SERVICE, Gs-1			
Customer Charge (per Month):	Single-phase	\$6.50	\$7.00
	Three-phase	\$13.75	\$15.01
Equivalent Daily Customer Charge:	Single-phase	\$0.2137	\$0.2301
	Three-phase	\$0.4521	\$0.4936
Energy Charge (per kWh):	Summer	7.590 ¢	9.160 ¢
	Non-Summer	7.590 ¢	8.259 ¢
Primary Voltage Discount		2.50%	2.50%

GENERAL SERVICE TIME-OF-DAY, Gs-3

Customer Charge (per Month):	Single-phase	\$7.25	\$7.75	
	Three-phase	\$14.75	\$16.00	
Equivalent Daily Customer Charge:	Single-phase	\$0.2384	\$0.2548	
	Three-phase	\$0.4849	\$0.5260	
Energy Charge (per kWh):	On-Peak (12 hr.):	Summer	13.339 ¢	15.824 ¢
		Non-Summer	13.339 ¢	14.924 ¢
	Off-Peak (12 hr.):	Summer	3.538 ¢	3.862 ¢
		Non-Summer	3.538 ¢	3.862 ¢
	On-Peak (14 hr.):	Summer	12.839 ¢	15.324 ¢
		Non-Summer	12.839 ¢	14.424 ¢
	Off-Peak (10 hr.):	Summer	3.388 ¢	3.709 ¢
		Non-Summer	3.388 ¢	3.709 ¢
Primary Voltage Discount		2.50%	2.50%	

GENERAL SERVICE NON-METERED, Gs-4

Customer Charge (per Month)		\$5.00	\$5.25
Equivalent Daily Customer Charge		\$0.1644	\$0.1726
Energy Charge (per kWh)	Summer	7.325 ¢	8.940 ¢
	Non-Summer	7.325 ¢	8.040 ¢

CONTROLLED WATER HEATING 17 HR. SERVICE, Rw-1

Customer Charge (per Month)		\$3.00	\$3.10
Equivalent Daily Customer Charge		\$0.0986	\$0.1019
Energy Charge (per kWh):	Summer	6.804 ¢	8.079 ¢
	Non-Summer	6.804 ¢	7.577 ¢

WISCONSIN POWER & LIGHT COMPANY
SUMMARY OF ELECTRIC RATES

ELECTRIC RATES BY RATE CLASSIFICATION	PRESENT RATES	AUTHORIZED RATES
CONTROLLED WATER HEATING 11 HR. SERVICE, Rw-3		
Customer Charge (per Month)	\$3.00	\$3.10
Equivalent Daily Customer Charge	\$0.0986	\$0.1019
Energy Charge (per kWh)		
Summer	4.516 ¢	5.584 ¢
Non-Summer	4.516 ¢	5.084 ¢

GENERAL SERVICE TIME-OF-DAY with WATER HEATING, Gw-1

Customer Charge (per Month)		\$7.50	\$7.75
Equivalent Daily Customer Charge		\$0.2466	\$0.2548
Energy Charge (per kWh):			
On-Peak (12 hr.):	Summer	13.050 ¢	15.182 ¢
	Non-Summer	13.050 ¢	14.282 ¢
Off-Peak (12 hr.):	Summer	3.091 ¢	3.579 ¢
	Non-Summer	3.091 ¢	3.579 ¢
On-Peak (14 hr.):	Summer	12.461 ¢	14.434 ¢
	Non-Summer	12.461 ¢	13.534 ¢
Off-Peak (10 hr.):	Summer	2.941 ¢	3.429 ¢
	Non-Summer	2.941 ¢	3.429 ¢

COMMERCIAL SERVICE -- STANDARD, Cg-2

Customer Charge (per Month):	Single-phase	\$15.00	\$20.00
	Three-phase	\$19.00	\$22.50
Equivalent Daily Customer Charge:	Single-phase	\$0.4932	\$0.6575
	Three-phase	\$0.6247	\$0.7397
Firm Demand Charges (per kW):	Summer	\$6.85	\$7.60
	Non-Summer	\$6.85	\$6.50
Customer Demand Charge		\$1.45	\$1.70
Energy Charge (per kWh):	Summer	3.554 ¢	4.602 ¢
	Non-Summer	3.554 ¢	3.698 ¢
Energy Limiter (per kWh):		10.560 ¢	11.067 ¢
Primary Voltage Discount		2.50%	2.50%
Customer Demand Discount (per kW)		\$0.22	\$0.22

WISCONSIN POWER & LIGHT COMPANY
SUMMARY OF ELECTRIC RATES

ELECTRIC RATES		PRESENT	AUTHORIZED
BY RATE CLASSIFICATION		RATES	RATES
COMMERCIAL SERVICE -- Cg-2 TOD			
Customer Charge (per Month):	Single-phase	\$15.00	\$20.00
	Three-phase	\$19.00	\$22.50
Equivalent Daily Customer Charge:	Single-phase	\$0.4932	\$0.6575
	Three-phase	\$0.6247	\$0.7397
Firm Demand Charges (per kW):	Summer	\$6.85	\$7.60
	Non-Summer	\$6.85	\$6.50
Customer Demand Charge		\$1.45	\$1.70
Energy Charge (per kWh):			
On-Peak (12 hr.):	Summer	4.414 ¢	5.600 ¢
	Non-Summer	4.414 ¢	4.700 ¢
Off-Peak (12 hr.):	Summer	2.737 ¢	3.045 ¢
	Non-Summer	2.737 ¢	3.045 ¢
On-Peak (14 hr.):	Summer	4.334 ¢	5.525 ¢
	Non-Summer	4.334 ¢	4.625 ¢
Off-Peak (10 hr.):	Summer	2.669 ¢	2.970 ¢
	Non-Summer	2.669 ¢	2.970 ¢
Primary Voltage Discount		2.50%	2.50%
Customer Demand Discount (per kW)		\$0.22	\$0.22

INDUSTRIAL SERVICE, Cp-2 -- Transmission

Customer Charge (per Month)		\$536.00	\$540.00
Equivalent Daily Customer Charge		\$17.6219	\$17.7534
Firm Demand Charges (per kW):	Summer	\$7.75	\$8.50
	Non-Summer	\$7.75	\$7.40
Customer Demand Charge		\$0.55	\$0.85
Interruptible Demand Charges:			
1 Hr. Notice:	Summer	\$4.39	\$5.14
	Non-Summer	\$4.39	\$4.04
Instantaneous:	Summer	\$3.70	\$4.45
	Non-Summer	\$3.70	\$3.35
Energy Charge (per kWh):			
On-Peak (12 hr.):	Summer	4.072 ¢	4.817 ¢
	Non-Summer	4.072 ¢	3.915 ¢
Off-Peak (12 hr.):	Summer	2.303 ¢	2.525 ¢
	Non-Summer	2.303 ¢	2.525 ¢
On-Peak (14 hr.):	Summer	3.706 ¢	4.747 ¢
	Non-Summer	3.706 ¢	3.845 ¢
Off-Peak (10 hr.):	Summer	2.066 ¢	2.455 ¢
	Non-Summer	2.066 ¢	2.455 ¢
Reactive Energy		0.0946 ¢	0.0946 ¢

WISCONSIN POWER & LIGHT COMPANY
SUMMARY OF ELECTRIC RATES

ELECTRIC RATES BY RATE CLASSIFICATION	PRESENT RATES	AUTHORIZED RATES
INDUSTRIAL SERVICE, Cp-1 -- Secondary/Primary		
Customer Charge (per Month)	\$212.00	\$213.00
Equivalent Daily Customer Charge	\$6.9699	\$7.0027
Firm Demand Charges (per kW):		
Summer	\$8.35	\$9.10
Non-Summer	\$8.35	\$8.00
Customer Demand Charge	\$1.45	\$1.70
Interruptible Demand Charges:		
1 Hr. Notice:		
Summer	\$4.81	\$5.56
Non-Summer	\$4.81	\$4.46
Instantaneous:		
Summer	\$4.03	\$4.78
Non-Summer	\$4.03	\$3.68
Energy Charge (per kWh):		
On-Peak (12 hr.):		
Summer	3.876 ¢	4.968 ¢
Non-Summer	3.876 ¢	4.069 ¢
Off-Peak (12 hr.):		
Summer	2.209 ¢	2.645 ¢
Non-Summer	2.209 ¢	2.645 ¢
On-Peak (14 hr.):		
Summer	3.806 ¢	4.898 ¢
Non-Summer	3.806 ¢	3.999 ¢
Off-Peak (10 hr.):		
Summer	2.138 ¢	2.576 ¢
Non-Summer	2.138 ¢	2.576 ¢
Energy Limiter (per kWh):		
Summer	10.560 ¢	11.067 ¢
Non-Summer	10.560 ¢	11.067 ¢
Primary Voltage Discount	2.50%	2.50%
Customer Demand Discount (per kW)	\$0.22	\$0.22

STREET LIGHTING SERVICE, Ms-1

Annual Charges (per Unit):		
Horizontal Mast Arm	\$81.48	\$89.10
Horizontal Bracket	\$61.66	\$67.50
Aluminum Pole	\$113.41	\$124.10
Concrete Pole	\$179.48	\$196.40
Energy Charge (per kWh):		
Summer	4.385 ¢	4.690 ¢
Non-Summer	4.385 ¢	4.690 ¢

DECORATIVE LIGHTING SERVICE, Ms-2

Monthly Charges (per Lamp):		
70 W Single	\$14.85	\$15.90
70 W Double	\$22.27	\$23.80
Energy Charge (per kWh):		
Summer	4.523 ¢	4.770 ¢
Non-Summer	4.523 ¢	4.770 ¢

WISCONSIN POWER & LIGHT COMPANY
SUMMARY OF ELECTRIC RATES

ELECTRIC RATES BY RATE CLASSIFICATION	PRESENT RATES	AUTHORIZED RATES
AREA LIGHTING SERVICE, Ms-3		
Monthly Charges (per Lamp):		
100W Existing Wood Pole Roadway Overhead	\$9.30	\$10.00
150W Existing Wood Pole Roadway Overhead	\$10.40	\$11.20
250W Existing Wood Pole Roadway Overhead	\$13.15	\$14.20
250W Existing Wood Pole Flood Overhead	\$14.25	\$15.40
400W Existing Wood Pole Flood Overhead	\$15.90	\$17.10
100W New Wood Pole Roadway Overhead	\$17.00	\$18.30
150W New Wood Pole Roadway Overhead	\$18.11	\$19.50
250W New Wood Pole Roadway Overhead	\$20.86	\$22.50
250W New Wood Pole Flood Overhead	\$21.96	\$23.70
400W New Wood Pole Flood Overhead	\$23.61	\$25.40
100W New Decorative Pole Roadway Overhead	\$19.21	\$20.70
150W New Decorative Pole Roadway Overhead	\$20.31	\$21.90
250W New Decorative Pole Roadway Overhead	\$22.51	\$24.20
250W New Decorative Pole Flood Overhead	\$24.16	\$26.00
400W New Decorative Pole Flood Overhead	\$25.81	\$27.80
100W Existing Wood Pole Roadway Undergnd	\$16.45	\$17.70
150W Existing Wood Pole Roadway Undergnd	\$17.00	\$18.30
250W Existing Wood Pole Roadway Undergnd	\$19.48	\$21.00
250W Existing Wood Pole Flood Underground	\$20.58	\$22.20
400W Existing Wood Pole Flood Underground	\$22.51	\$24.20
100W New Wood Pole Roadway Underground	\$24.16	\$26.00
150W New Wood Pole Roadway Underground	\$24.98	\$26.90
250W New Wood Pole Roadway Underground	\$27.19	\$29.30
250W New Wood Pole Flood Underground	\$28.29	\$30.50
400W New Wood Pole Flood Underground	\$30.49	\$32.80
70W Upfront Concrete/Fiberglass Pole Acorn	\$18.11	\$19.50
70W New Concrete Pole Acorn	\$20.03	\$21.60
70W New Fiberglass Pole Acorn	\$20.03	\$21.60
150W Upfront Concrete/Fiberglass Pole Acorn	\$20.31	\$21.90
150W New Concrete Pole Acorn	\$30.76	\$33.10
150W New Fiberglass Pole Acorn	\$28.56	\$30.80

Continued on next page.

WISCONSIN POWER & LIGHT COMPANY
SUMMARY OF ELECTRIC RATES

ELECTRIC RATES BY RATE CLASSIFICATION	PRESENT RATES	AUTHORIZED RATES
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AREA LIGHTING SERVICE, Ms-3 (Continued)

Monthly Charges (per Lamp):		
70W Upfront Concrete/Fiberglass Pole Colonial	\$15.90	\$17.10
70W New Concrete Pole Colonial	\$16.73	\$18.00
70W New Fiberglass Pole Colonial	\$16.73	\$18.00
150W Upfront Concrete/Fiberglass Pole Colonial	\$17.00	\$18.30
150W New Concrete Pole Colonial	\$26.91	\$29.00
150W New Fiberglass Pole Colonial	\$24.71	\$26.60
250W Upfront Pole Downlight Fixture	\$19.21	\$20.70
250W Upfront Downlight Additional Fixture	\$19.21	\$20.70
250W New Pole Downlight Fixture	\$32.69	\$35.20
400W Upfront Pole Downlight Fixture	\$20.31	\$21.90
400W Upfront Downlight Additional Fixture	\$20.31	\$21.90
400W New Pole Downlight Fixture	\$37.92	\$40.80
250W Upfront Pole Metal Halide Fixture	\$21.41	\$23.10
250W Upfront Metal Halide Additional Fixture	\$21.41	\$23.10
250W New Pole Metal Halide Fixture	\$34.89	\$37.60
400W Upfront Pole Metal Halide Fixture	\$22.51	\$24.20
400W Upfront Metal Halide Additional Fixture	\$22.51	\$24.20
400W New Pole Metal Halide Fixture	\$40.12	\$43.20

TRAFFIC SIGNAL SERVICE, Mz-1

Customer Charge -- 1-phase Secondary (per Month)	\$4.24	\$4.60
Equivalent Daily Customer Charge	\$0.1394	\$0.1512
Energy Charge (per kWh):		
Summer	6.899 ¢	8.297 ¢
Non-Summer	6.899 ¢	7.397 ¢

CIVIL DEFENSE & FIRE SIRENS SERVICE, Mz-2

Customer Charge (per Month):	Single-phase Secondary	\$1.10	\$1.13
	Three-phase Secondary	\$4.12	\$4.35
Equivalent Daily Customer Charge:	Single-phase Secondary	\$0.0362	\$0.0371
	Three-phase Secondary	\$0.1355	\$0.1429

NON-STANDARD LIGHTING SERVICE, NL-1

Monthly Rate (applies to \$ of investment)		1.80%	1.80%
Energy Charge (per kWh):	Summer	4.520 ¢	4.770 ¢
	Non-Summer	4.520 ¢	4.770 ¢

WISCONSIN POWER & LIGHT COMPANY
SUMMARY OF ELECTRIC RATES

ELECTRIC RATES		PRESENT	AUTHORIZED
BY RATE CLASSIFICATION		RATES	RATES
PARALLEL GENERATION, Pgs-1			
Customer Charge (per Month):	For Facilities Rated at 20-200 kW	\$9.75	\$9.75
	For Facilities Rated > 100 kW	\$19.50	\$19.50
Equivalent Daily Customer Charge:	For Facilities Rated at 20-200 kW	\$0.3205	\$0.3205
	For Facilities Rated > 100 kW	\$0.6411	\$0.6411
Standard Energy Payments - based on Delivery Voltage (per kWh):			
Transmission Voltage:	On-Peak	5.380 ¢	5.380 ¢
	Off-Peak	2.190 ¢	2.190 ¢
Primary Voltage:	On-Peak	5.530 ¢	5.530 ¢
	Off-Peak	2.250 ¢	2.250 ¢
Secondary Voltage	On-Peak	5.690 ¢	5.690 ¢
	Off-Peak	2.310 ¢	2.310 ¢

WISCONSIN POWER AND LIGHT COMPANY
Natural Gas Distribution Service Revenue Summary

Distribution Classes	Present Distribution Revenues	Authorized \$ Revenue Increase	Authorized Distribution Revenues	Authorized % Revenue Increase
Residential (Gg-1)	\$47,963,322	\$2,770,099	\$50,733,421	5.78%
Small Firm Commercial & Industrial (Gc-1)	7,063,935	403,552	\$7,467,487	5.71%
Medium Firm Commercial & Industrial (Gc-2)	12,569,520	9,252	\$12,578,772	0.07%
Large Firm Commercial & Industrial (Gc-3)	942,536	0	\$942,536	0.00%
Small Volume Interruptible (Ig-1)	1,293,048	74,249	\$1,367,297	5.74%
Medium Volume Interruptible (Ig-2)	2,953,466	165,875	\$3,119,341	5.62%
Large Volume Interruptible (Ig-3)	2,288,145	126,942	\$2,415,087	5.55%
Super-Large Volume Interruptible (Ig-4)	1,117,566	61,014	\$1,178,580	5.46%
Seasonal Service (S-1)	350,130	19,503	\$369,633	5.57%
Contract Rate Revenues	582,311		582,311	
Total Distribution Revenues	\$77,123,979	\$3,630,486	\$80,754,465	4.71%

**WISCONSIN POWER AND LIGHT COMPANY
PRESENT AND AUTHORIZED NATURAL GAS RATES**

DISTRIBUTION CLASS	PRESENT RATE	AUTHORIZED RATE
RESIDENTIAL SERVICE, GG-1:		
Customer Charge/Month	\$6.00	\$7.30
Customer Charge/Day*		\$0.2400
Distribution Service Rate/Therm	\$0.2870	\$0.2910
Gas Supply Acquisition Rate /Therm	\$0.0188	\$0.0188
SMALL FIRM C & I, GC-1:		
Customer Charge/Month	\$10.00	\$11.87
Customer Charge/Day*		\$0.3902
Distribution Service Rate/Therm	\$0.2067	\$0.2104
Gas Supply Acquisition Rate/Therm	\$0.0186	\$0.0186
MEDIUM FIRM C & I, GC-2:		
Customer Charge/Month	\$50.00	\$50.00
Customer Charge/Day*		\$1.65
Distribution Service Rate/Therm	\$0.1198	\$0.1198
Gas Supply Acquisition Rate/Therm	\$0.0186	\$0.0186
LARGE FIRM C & I, GC-3:		
Customer Charge/Month	\$650.00	\$650.00
Customer Charge/Day*		\$21.37
Distribution Service Rate/Therm	\$0.0848	\$0.0848
Gas Supply Acquisition Rate/Therm	\$0.0186	\$0.0186
SMALL INTERRUPTIBLE, IG-1:		
Customer Charge/Month	\$175.00	\$175.00
Customer Charge/Day*		\$5.76
Distribution Service Rate/Therm	\$0.0960	\$0.1033
Gas Supply Acquisition Rate/Therm	\$0.0166	\$0.0166
MEDIUM INTERRUPTIBLE, IG-2:		
Customer Charge/Month	\$650.00	\$650.00
Customer Charge/Day*		\$21.37
Distribution Service Rate/Therm	\$0.0631	\$0.0675
Gas Supply Acquisition Rate/Therm	\$0.0166	\$0.0166

*The daily customer charges become effective when the company's billing system programming is completed on or before May 1, 2003.

**WISCONSIN POWER AND LIGHT COMPANY
PRESENT AND AUTHORIZED NATURAL GAS RATES**

LARGE INTERRUPTIBLE, IG-3:

Customer Charge/Month	\$1,100.00	\$1,100.00
Customer Charge/Day*		\$36.16
Distribution Service Rate/Therm	\$0.0426	\$0.0453
Gas Supply Acquisition Rate/Therm	\$0.0166	\$0.0166

SUPER-LARGE INTERRUPTIBLE, IG-4:

Customer Charge/Month	\$1,250.00	\$1,250.00
Customer Charge/Day*		\$41.10
Distribution Service Rate/Therm	\$0.0281	\$0.0297
Gas Supply Acquisition Rate/Therm	\$0.0166	\$0.0166

SEASONAL SERVICE, S-1:

Customer Charge/Month	\$25.00	\$31.33
Customer Charge/Day*		\$1.03
On-Season Distribution Service Rate/Therm	\$0.1399	\$0.1433
Block 1 Off-Season Distrib. Service Rate/Therm	\$0.1399	\$0.1433
Block 2 Off-Season Distrib. Service Rate/Therm	\$0.1052	\$0.1078
Block 3 Off-Season Distrib. Service Rate/Therm	\$0.0901	\$0.0923
Gas Supply Acquisition Rate/Therm	\$0.0166	\$0.0166

*The daily customer charges become effective when the company's billing system programming is completed on or before May 1, 2003.

GAS SUPPLY CHARGES:**AUTHORIZED
RATE**

Base Commodity Rate/Therm	\$0.3045
Base Maximum Daily Delivery Rate/Therm	\$0.0981
Base Annual Demand Rate/Therm	\$0.0420

Wisconsin Power & Light Company - Beloit Water Utility

Comparison of Revenue

at

Present Rates, Cost of Service and Authorized Rates

Customer Class	Revenue at Present Rates	Cost of Service		Authorized Rates		
		Revenue Required	Increase Over Present Rates	Revenue	Increase Over Present Rates	Percent of Cost of Service
Residential	\$2,428,063	\$2,473,141	2%	\$2,525,080	4%	102%
Commercial	630,066	573,533	-9%	648,725	3%	113%
Industrial	512,105	665,701	30%	533,416	4%	80%
Public Authority & Inter Dept	79,587	76,470	-4%	81,671	3%	107%
Public Fire Protection	<u>675,616</u>	<u>805,592</u>	19%	<u>805,592</u>	19%	100%
Total	<u>\$4,325,437</u>	<u>\$4,594,437</u>	<u>6%</u>	<u>\$4,594,484</u>	<u>6%</u>	<u>100%</u>

Wisconsin Power and Light Company

Beloit Water Utility

Authorized Rates

General Service – Metered - - - Mg-1

Effective In: City of Beloit, Town of Beloit and Turtle, Rock County

Availability: This schedule is available for service to all classes of customers when the company’s established rules governing extension, deposits, services, etc., have been satisfied.

Rate: Service Charge – Per Month:

5/8 - inch meter	\$ 6.60	2 - inch meter	\$ 45.00
3/4 - inch meter	\$ 8.40	3 - inch meter	\$ 90.00
1 - inch meter	\$14.55	4 - inch meter	\$126.00
1½ - inch meter	\$26.50	6 - inch meter	\$264.00

Output Charge:

First	50 CCF - \$1.33 per CCF per month per meter
Next	450 CCF - \$0.76 per CCF per month per meter
Next	9,500 CCF - \$0.73 per CCF per month per meter
Next	5,000 CCF - \$0.63 per CCF per month per meter
Over	15,000 CCF - \$0.23 per CCF per month per meter

All Volume Sales

Minimum Monthly Bill: The minimum monthly bill is the service charge.

Other provisions unchanged.

Public Fire Protection Service - - - F-1

Effective In: City of Beloit

Availability:

This schedule is applicable to fire protection service furnished to the City of Beloit. Under Wis. Stat. § 196.03(3)(b), the City of Beloit has chosen to have the company direct bill all classes of retail general service customers.

Monthly Rate:

5/8 - inch meter	\$ 4.42
3/4 - inch meter	\$ 4.42
1 - inch meter	\$ 5.60
1½ - inch meter	\$ 8.80
2 - inch meter	\$15.00
3 - inch meter	\$17.60
4 - inch meter	\$22.00
6 - inch meter	\$27.00
8 - inch meter	\$32.00

Conditions:

It is the duty of the City to keep fire hydrants clear of snow and other obstructions.

Public Fire Protection Service - - - F-1.1

Effective In: Town of Beloit, Rock County

Availability:

This schedule is applicable to fire protection service furnished to the Town of Beloit. Under Wis. Stat. § 196.03(3)(b), the Town of Beloit has chosen to have the company direct bill the Town of Beloit annually for one-half the annual charge. The remainder of the annual charge will be direct billed monthly to all classes of retail general service customers at the rates set below.

Monthly Rate:

5/8 - inch meter	\$ 2.21
3/4 - inch meter	\$ 2.21
1 - inch meter	\$ 2.80
1½ - inch meter	\$ 4.40
2 - inch meter	\$ 7.50
3 - inch meter	\$ 8.80
4 - inch meter	\$11.00
6 - inch meter	\$13.50
8 - inch meter	\$16.00

Annually

The annual charge to the Town of Beloit shall be \$35,000.00 to cover the use of mains and hydrants up to and including the terminal hydrant and connection on each main existing for the test year.

Prompt Payment of Bills

The annual charge shall be divided into 12 equal installments. Payment will be due 20 days after the billing date. Payment may be mailed to the company office or paid at the Beloit Office.

Conditions

It is the duty of the Town of Beloit to keep fire hydrants clear of snow and other obstructions.

Private Fire Protection Service - - - Upf-1

No change.

Building and Construction Water Service - - - Mz-1

Delete

Temporary Service - - - Uz-1

Delete

Remote Reading Register Water Meter Attachment - - - Mr-1

Delete

Street and Sewer Flushing, Sprinkling, etc.- - - Mpa-1

No change

Additional Meters for Customer's Convenience - - - Xr-1

Additional meters for customer's convenience are meters rented to customers for their own informational needs. A single charge is made at the start of rental service that represents the cost of installing the rental meter. There is no charge for removing the rental meter.

Smaller than 1 ½ -inch meter	\$145.00
Larger than 1 ½ - inch meter	\$246.00

Other provisions unchanged.

Water Extension Rules

Standard Meter and Service Pipe From Main to Sidewalk Line
(Water Service Lateral Installation Cost) - - - - - Wr-4.1

Change Beloit Water Utility Water Service Lateral Customer Contribution Amounts for 1, 1-1/2 and 2-inch service pipe and larger service pipe to actual cost.

The initial water service lateral(s) will be installed from the main through the curb stop and box by the utility, for which the actual cost will be charged.

Refunds – Additional Customers ---- Wr-4.2

7. Refunds - Additional Customers

An additional customer to a water main extension is a customer to whom service can be extended via a service lateral connection to the main. Water mains installed in platted subdivisions do not qualify as extensions for purpose of refunds.

When additional customers are connected to the extended main within ten years of the construction date, a contribution in aid of construction (CIAC) charge will be collected from the new customer. This amount is refunded to the original contributors of the extension. The utility may determine the charge based on either front footage or a per lot/parcel charge. The front footage charge is established by dividing one-half the original project cost by the length in feet of the extension. The lot/parcel charge is calculated by dividing the full project cost by the existing number of lots/parcels contiguous to the main extension.

Once a method is selected for a given extension, all future refunds on that extension must be calculated using the selected method. As additional customers request connection, the respective rate is applied to either the connecting customer's front footage or the no. of owned lots/parcels fronting the main extension. Where the “lot/parcel” method is employed, a future division of one of the initial parcels would result in the full parcel charge being applied to each additional new lot or parcel. No charges will be made or refunds given if such would result in a refund to the original contributor(s) in excess of the original cost.

Non-Sufficient Funds Charge for Electric, Natural Gas, and Water - - - NSF-1

No change, continue the following: A \$30.00 charge will be applied to the customer’s account when a check rendered for utility service is returned for non-sufficient funds. This charge may not be in addition to, but may be inclusive of, other non-sufficient funds charges when the check was for payment of multiple services.

General Rules & Regulation ---- Sheet Number 49.00

Commission staff accepts applicant's language:

Monthly, Weekly, or Daily Billing:

At utility option, the utility can bill monthly, weekly or daily customer charges, rather than just monthly customer charges when the utility has a billing system in place to accommodate the change over. Bills to large customers, may, for good cause, be rendered weekly, provided the meter is read on a weekly basis.

Wisconsin Power & Light Company - Ripon Water Utility

Comparison of Revenue
at

Present Rates, Cost of Service and Authorized Rates

Customer Class	Revenue at Present Rates	Cost of Service		Authorized Rates		
		Revenue Required	Increase Over Present Rates	Revenue	Increase Over Present Rates	Percent of Cost of Service
Residential	\$451,558	\$492,057	9%	\$490,435	9%	100%
Commercial	280,049	304,260	9%	305,724	9%	100%
Industrial	96,308	108,223	12%	107,621	12%	99%
Public Authority & Inter Dept	16,233	15,762	-3%	17,162	6%	109%
Public Fire Protection	<u>165,165</u>	<u>189,011</u>	14%	<u>189,011</u>	14%	100%
Total	<u>\$1,009,313</u>	<u>\$1,109,313</u>	<u>10%</u>	<u>\$1,109,954</u>	<u>10%</u>	<u>100%</u>

Wisconsin Power and Light Company

Ripon Water Utility

Authorized Rates

General Service – Metered - - - Mg-2

Effective In: City of Ripon, Town of Ripon, Fond du Lac County.

Availability: This schedule is available for service to all classes of customers when the company’s established rules governing extension, deposits, services, etc., have been satisfied.

Rate: Service Charge – Per Month:

5/8 - inch meter	\$ 7.60	2 - inch meter	\$ 30.00
3/4 - inch meter	\$ 9.00	3 - inch meter	\$ 54.00
1 - inch meter	\$12.00	4 - inch meter	\$ 84.00
1 1/2 - inch meter	\$24.00	6 – inch meter	\$156.00

Output Charge:

First	100 CCF - \$1.50 per CCF per month per meter
Over	100 CCF - \$1.02 per CCF per month per meter

Minimum Monthly Bill:

The minimum monthly bill is the service charge.

Other provisions unchanged.

Public Fire Protection Service - - - F-2

Effective In: City of Ripon.

Availability:

This schedule is applicable to fire protection service furnished to the City of Ripon. Under Wis. Stat. §196.03(3)(b), the City of Ripon has chosen to have the company direct bill all classes of retail general service customers at the rates set below.

Monthly Rate:

5/8 - inch meter	\$ 5.10
3/4 - inch meter	\$ 5.10
1 - inch meter	\$ 6.75
1½ - inch meter	\$10.25
2 - inch meter	\$15.15
3 - inch meter	\$21.00
4 - inch meter	\$25.60
6 - inch meter	\$30.00
8 - inch meter	\$36.00

Conditions:

It is the duty of the municipality to keep fire hydrants clear of snow and other obstructions.

Public Fire Protection Service - - - F-2.1

Effective In: Town of Ripon, Fond du Lac County.

Availability:

This schedule is applicable to fire protection service furnished to the Town of Ripon. Under Wis. Stat. § 196.03(3)(b), the Town of Ripon has chosen to have the company direct bill all classes of retail general service customers at the rates set below.

Monthly Rate:

5/8 - inch meter	\$ 5.10
3/4 - inch meter	\$ 5.10
1 - inch meter	\$ 6.75
1½ - inch meter	\$10.25
2 - inch meter	\$15.15
3 - inch meter	\$21.00
4 - inch meter	\$25.60
6 - inch meter	\$30.00
8 - inch meter	\$36.00

Conditions

It is the duty of the Town of Ripon to keep fire hydrants clear of snow and other obstructions.

Private Fire Protection Service - - - Upf-2

No change.

Building and Construction Water Service - - - Mz-2

Delete

Temporary Service - - - Uz-1

Delete

Remote Reading Register Water Meter Attachment - - - Mr-1

Delete

Street and Sewer Flushing, Sprinkling, etc. - - - Mpa-1

No change

Additional Meters for Customer’s Convenience - - - Xr-1

No change

Water Extension Rules

Standard Meter and Service Pipe From Main to Sidewalk Line
(Water Service Lateral Installation Cost) ----- Wr-4.1

Change Ripon Water Utility Water Service Lateral Customer Contribution Amounts for 1, 1-1/2, and 2-inch and larger service pipes to actual cost.

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Refunds – Additional Customers ---- Wr-4.2

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General Rules & Regulation ---- Sheet Number 49.00

Monthly, Weekly or Daily Billing:

At utility option, the utility can bill monthly, weekly or daily customer charges, rather than just monthly customer charges when the utility has a billing system in place to accommodate the change over. Bills to large customers, may, for good cause, be rendered weekly, provided the meter is read on a weekly basis.

**Wisconsin Power and Light Company
6680-UR-112
Monthly Fuel Monitoring Costs for the 2003 Test Year**

Line #	Month	Net MWh Produced	Fuel Costs	Fuel Costs per Net kWh Produced	ummulative Cost per kWh
1	January	1,287,165	\$ 27,205,000	\$ 0.02114	\$ 0.02114
2	February	1,087,878	\$ 22,628,000	\$ 0.02080	\$ 0.02098
3	March	1,174,644	\$ 30,034,000	\$ 0.02557	\$ 0.02250
4	April	1,073,823	\$ 21,331,000	\$ 0.01986	\$ 0.02189
5	May	1,170,099	\$ 19,553,000	\$ 0.01671	\$ 0.02084
6	June	1,239,229	\$ 21,123,000	\$ 0.01705	\$ 0.02017
7	July	1,406,442	\$ 30,252,000	\$ 0.02151	\$ 0.02040
8	August	1,340,069	\$ 26,967,000	\$ 0.02012	\$ 0.02036
9	September	1,180,391	\$ 17,338,000	\$ 0.01469	\$ 0.01975
10	October	1,147,896	\$ 18,016,000	\$ 0.01569	\$ 0.01936
11	November	1,116,647	\$ 16,846,000	\$ 0.01509	\$ 0.01900
12	December	1,240,677	\$ 21,905,000	\$ 0.01766	\$ 0.01889
13	Total	<u>14,464,960</u>	<u>\$273,198,000</u>	<u>\$ 0.01889</u>	<u>\$ 0.01889</u>