



To Our Customers:

Madison Gas and Electric Co. (MGE) filed an application with the Public Service Commission of Wisconsin (PSCW) on May 4, 2011, requesting a limited reopener to increase electric and natural gas rates for 2012. On Aug. 26, 2011, we revised our request for both the electric and natural gas rate increases. The electric rate increase changed from 4.9% to 5.9% (\$17.9 million to \$21.5 million) based on updated fuel costs. The natural gas rate increase changed from 1.2% to 0.4% (\$2.5 million to \$0.8 million) based on a change in the cost of the state-mandated energy efficiency and renewables program that needs to be recovered in utility rates.

In the last five years, MGE's average increase in electric rates has been 1.9%. During the same period, the Consumer Price Index has gone up an average of 2.2%.

The limited reopener is focused on four areas:

- (1) Increased fuel costs for the production of electricity and higher market costs for wind power.
- (2) Improvements to the state's electric transmission system.
- (3) Mandated payments to the statewide energy efficiency and renewables program.
- (4) Decreased costs associated with the Elm Road Generating Station.

MGE has requested an overall increase of 5.9% in electric revenues. The proposed increases in electric rates are: residential, 5.39%; small commercial and industrial, 6.25%; and large commercial and industrial, 6.35%.

(Continued on reverse.)

A typical residential electric customer using 550 kWh per month would see an increase of \$4.46 per month under MGE's proposal.

MGE has requested an overall increase of 0.4% in natural gas revenues. This may result in natural gas rate increases of: residential, 0.37%; commercial and industrial, small 0.53%, medium 0.63% and large 1.27%. A typical residential natural gas customer using 720 therms per year would see an average monthly increase of \$0.25 under MGE's proposal.

The proposed rates affect customers differently depending on how and when they use electricity and natural gas.

In addition, MGE's application includes a \$14.5 million deferral of costs associated with recently enacted federal air pollution rules. These deferred costs are not included in the 2012 rate request. The Environmental Protection Agency's Cross-State Air Pollution Rule was issued July 6, 2011, and affects Wisconsin utilities that own electric generation.

The PSCW reviews and audits MGE's request before setting new rates. The changes approved by the PSCW may vary from those proposed by MGE.

The PSCW has scheduled hearings about the proposals on Wednesday, Oct. 26, 2011:

- Hearing for Involved Parties – 9:30 a.m.
- Public Hearing – 3 p.m. and 6 p.m.

The hearings will be held at:

Amicon Falls Hearing Room
Public Service Commission Building
610 N. Whitney Way, Madison, Wis.

If you have questions about the proposals or hearing, please call:

- MGE at 608-252-7222 or 1-800-245-1125.
- PSCW at 1-800-358-9246, or visit the PSCW's website www.psc.wi.gov and select Public Comments.