



WISCONSIN
ENERGY
CORPORATION

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July 14, 1995

Dr. Shirley A. Jackson, Chair
Nuclear Regulatory Commission
Washington, DC 20555

Dear Dr. Jackson:

As you know, Wisconsin Energy Corporation (WEC) and Northern States Power Company (NSP) earlier this year announced plans to merge and form Primergy Corp.

This week we made three filings with the Federal Energy Regulatory Commission. The filings consist of three separate applications -- the merger application, a proposed joint transmission tariff, and an amendment to the NSP Interchange Agreement which will include Wisconsin Electric -- along with supporting testimony and exhibits. Because the filings are quite voluminous (approximately 2,000 pages), I have not enclosed a copy. Instead, I'm enclosing the news release regarding the filings. If after reviewing the news release you determine that you would like a copy of the complete filings, simply call Paula Marzec at 414/221-2119 and we will ship them to you. We likely will file with the respective state public service commissions in about two weeks.

Among the many benefits of the proposed merger are: maintenance of competitive rates; integration of corporate and administrative functions; integration of nuclear operations; lower gas supply costs; and a more diverse service territory. Estimated costs savings provide a unique opportunity to benefit both customers and shareholders through the combination, and will result in a stronger, more competitive company. Another key element of the merger is an electric rate reduction to the retail electric customers of WEC's subsidiary, Wisconsin Electric, and NSP of about 1.5 percent, coupled with a rate freeze through the year 2000.

The energy industry is evolving rapidly to competition. This strategically sound merger of equals reflects and enhances the future of the energy marketplace.

If you have any questions about the merger, please do not hesitate to contact me.

Sincerely,

Chairman of the Board,
President & Chief Executive Officer

Enclosure

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NEWS

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WISCONSIN ENERGY CORP., NORTHERN STATES POWER CO. FILE APPLICATION WITH FERC FOR MERGER APPROVAL

MILWAUKEE, Wis. - (July 11, 1995) Wisconsin Energy Corporation (WEC) and Northern States Power Company (NSP) have filed an application and supporting testimony with the Federal Energy Regulatory Commission (FERC) seeking approval of a proposed merger of the two companies to form Primergy Corp.

The filing consists of three separate applications -- the merger application, a proposed joint transmission tariff, and an amendment to the NSP Interchange Agreement which will include Wisconsin Electric -- along with supporting testimony and exhibits.

The merger application is supported by the testimony of several witnesses, mostly from NSP and WEC, who include the following:

- **David K. Porter**, senior vice president of Wisconsin Electric Power Company, who discusses commitments WEC and NSP are making to their wholesale and retail customers. He says NSP and WEC will offer customers three things: 1) an "open season" to wholesale electric customers whose rates could be affected by the merger, 2) an open access transmission tariff providing access to the Primergy transmission system under a single-system rate, and 3) an electric rate reduction to Primergy retail electric customers of about 1.5 percent, coupled with a rate freeze through the year 2000. His testimony also indicates that the merger should have little or no effect on the nature of current regulation. The companies will continue to be regulated by the Securities and Exchange Commission (SEC), Nuclear Regulatory Commission (NRC) and the commissions in Minnesota, Wisconsin, Michigan, North Dakota and South Dakota.
- **Edward J. McIntyre**, vice president and chief financial officer of Northern States Power Company, who summarizes the general benefits of the proposed merger: maintenance of competitive rates, integration of corporate and administrative functions, integration of nuclear operations, lower gas supply costs, and a more diverse service territory. He says the merger will have a positive impact on the companies' service territories and with its key constituents.
- **Thomas J. Flaherty**, a partner in the management consulting firm of Deloitte & Touche LLP, who discusses synergies created by the merger and quantifies specific areas of cost savings. His testimony, which documents net savings of about \$2 billion over 10 years, summarizes the pre-merger analysis of merger-related savings conducted by Deloitte & Touche at the request of NSP and WEC.

A transition team comprised of NSP and WEC employees will use the cost savings estimates in its transition planning. According to Porter, who also is a member of the transition team, Flaherty's analysis contains "rules-of-thumb" estimates based on what was achieved in other mergers in the industry. "We consider the savings figures to be reasonable estimates of what we can gain from the merger," says Porter. "The level of expected savings may change somewhat as decisions are made regarding post-merger operations, but we believe the savings actually achieved should be in line with the projections that have been developed."

The projected cost savings are based on consolidating separate, stand-alone operations. This consolidation and integration will enable duplicate functions and positions to be eliminated; geographically proximate locations to be merged; similar corporate activities to be combined, avoided or reduced in scope; external purchases of commodities and services to be aggregated; technical skills and capabilities to be optimized and shared; capital expenditures to be avoided, and generation resources to be more effectively coordinated and dispatched.

The estimated cost savings provide a unique opportunity to benefit both customers and shareholders through the combination, and will result in a stronger, more competitive company.

About 50 percent of the net savings can be realized by eliminating redundant functions within Corporate and Operations labor. Another 30 percent would come from combining corporate and administrative programs, and achieving combination savings in the purchasing area. Savings in the nuclear area and other operations and fuel procurement would amount to about 20 percent of the total anticipated savings.

<u>Savings Category</u>	<u>Total Savings 1997-2006 in \$ millions</u>
Corporate & Operations Labor	\$1,205
Facilities Consolidation	46
Corporate & Administrative Programs	313
Purchasing Economies (nonfuel)	263
Nuclear	113
Fuel Procurement	100
Production Dispatch	42
Gas Supply	102
TOTAL Savings	\$2,184
Minus Transaction & other costs	(248)
NET SAVINGS	\$1,936

The preliminary analysis suggests that the labor savings could be achieved by reducing about 10 percent of the positions across the two companies. Together, NSP and WEC have about 11,900 employees -- 7,300 at NSP and 4,600 at WEC. Within the FERC filing, the reductions are identified in two primary functional areas:

- Corporate and administrative functions -- As of the first quarter of 1995, NSP and WEC had a total of 1,760 employees performing these functions. The merger savings analysis identifies an estimated 465 overlapping positions, or about 26 percent of the combined staffs.
- Field, production and technical support functions -- Together, NSP and WEC have about 10,200 employees performing these functions. About 760 positions, or 7 percent of the combined work force, have been identified as potentially in excess.

How the reductions will be achieved has not been determined at this time.

"The work of the Transition Team and subteams will be to determine together the best way to handle the reductions," says NSP's McIntyre, co-chair of the Transition Team. "We are committed to making a thoughtful and strategically sound combination of resources and talents. The team will use every available means to handle work force reductions in the most reasonable, fair and equitable manner."

The merger analysis also identified facilities consolidation as an opportunity for savings. As previously announced, NSP-Wisconsin's headquarters in Eau Claire, Wis., will be consolidated with WEC's headquarters in Milwaukee. This combination keeps an operating headquarters in Wisconsin and maximizes the efficiencies in providing service and operations in the state.

Filings will be made later this summer with regulatory agencies in various states, including Minnesota, Wisconsin, Michigan and North Dakota.

Wisconsin Energy Corp. is a holding company with subsidiaries in utility and non-utility businesses. Its principal subsidiaries are Wisconsin Electric Power Co., which serves 938,000 customers, and Wisconsin Natural Gas Co., which serves 350,000 customers.

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