UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number	Registrants; State of Incorporation; Address; and Telephone Number	IRS Employer Identification No.
1-11337	WPS RESOURCES CORPORATION (A Wisconsin Corporation) 700 North Adams Street P. O. Box 19001 Green Bay, WI 54307-9001 920-433-4901	39-1775292
1-3016	WISCONSIN PUBLIC SERVICE CORPORATION (A Wisconsin Corporation) 700 North Adams Street P. O. Box 19001 Green Bay, WI 54307-9001 800-450-7260	39-0715160

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

WPS Resources Corporation	Yes [x] No [ ]
Wisconsin Public Service Corporation	Yes [x] No [ ]

Indicate by check mark whether the registrants are accelerated filers (as defined in Rule 12b-2 of the Act).

WPS Resources Corporation	Yes [x] No [ ]
Wisconsin Public Service Corporation	Yes [ ] No [x]

Indicate the number of shares outstanding of each of the issuers' classes of common stock, as of the latest practicable date:

WPS RESOURCES CORPORATION	Common stock, $1 par value, 37,386,727 shares outstanding at October 31, 2004
WISCONSIN PUBLIC SERVICE CORPORATION	Common stock, $4 par value, 23,896,962 shares outstanding at October 31, 2004

WPS RESOURCES CORPORATION
AND
WISCONSIN PUBLIC SERVICE CORPORATION
FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2004

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FORWARD-LOOKING STATEMENTS

Except for historical data and statements of current fact, the information contained or incorporated by reference in this document constitutes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Any references to plans, goals, beliefs or expectations in respect to future events and conditions or to estimates are forward-looking statements. Although we believe that statements of our expectations are based on reasonable assumptions, forward-looking statements are inherently uncertain and subject to risks and should be viewed with caution. Actual results or experience could differ materially from the forward-looking statements as a result of many factors. Forward-looking statements included or incorporated in this document include, but are not limited to statements regarding:

- expectations regarding future revenues or expenses,
- estimated future capital expenditures,
- expected costs of purchased power in the future,
- costs of decommissioning generation plants,
- recovery of deferred costs,
- future cleanup costs associated with manufactured gas plant sites,
- future compliance costs with environmental clean air regulations, and
- statements regarding trends or estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations.

We cannot predict the course of future events or anticipate the interaction of multiple factors beyond our control and their effect on revenues, project timing, and costs. Some risk factors that could cause results different from any forward-looking statement include those described in the Risk Factors Section of our Annual Report on Form 10-K for the year ended December 31, 2003 and the following:

- General economic, business, and regulatory conditions
- Legislative and regulatory initiatives regarding deregulation and restructuring of the utility industry which could affect costs and investment recovery
- State and federal rate regulation, including the inability to obtain necessary regulatory approvals
- Changes in generally accepted accounting principles
- Growth and competition and the extent and timing of new business development in the markets of subsidiary companies
- The performance of projects undertaken or acquired by subsidiary companies
- Business combinations among our competitors and customers
- Energy supply and demand
- Financial market conditions, including availability, terms, and use of capital
- Nuclear and environmental issues
- Weather and other natural phenomena
- Commodity price and interest rate risk
- Counter-party credit risk
- Federal and state tax policies
- Acts of terrorism or war

We make no commitment to disclose any revisions to the forward-looking statements as a result of facts, events, or circumstances after the date of this report.

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

WPS RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)	Three Months Ended September 30		Nine Months Ended September 30	
(Millions, except share amounts)	**2004**	2003	**2004**	2003
Nonregulated revenue	**$793.4**	$719.9	**$2,550.1**	$2,350.9
Utility revenue	**279.1**	269.5	**941.6**	892.2
Total revenues	**1,072.5**	989.4	**3,491.7**	3,243.1
Nonregulated cost of fuel, gas, and purchased power	**769.7**	694.8	**2,459.4**	2,266.5
Utility cost of fuel, gas, and purchased power	**97.3**	98.4	**404.9**	403.2
Operating and maintenance expense	**118.0**	104.2	**375.8**	340.8
Depreciation and decommissioning expense	**26.1**	28.6	**78.4**	79.7
Taxes other than income	**11.5**	11.0	**34.8**	32.5
Operating income	**49.9**	52.4	**138.4**	120.4
Miscellaneous income	**9.9**	8.8	**20.8**	17.7
Interest expense and distributions on trust preferred securities	**(13.4)**	(14.0)	**(39.9)**	(41.8)
Minority interest	**1.2**	2.0	**2.3**	4.3
Other expense	**(2.3)**	(3.2)	**(16.8)**	(19.8)
Income before taxes	**47.6**	49.2	**121.6**	100.6
Provision for income taxes	**9.8**	16.0	**26.7**	22.4
Income from continuing operations	**37.8**	33.2	**94.9**	78.2
Discontinued operations, net of tax	**(2.3)**	1.6	**(10.6)**	(9.3)
Net income before cumulative effect of change in accounting principles	**35.5**	34.8	**84.3**	68.9
Cumulative effect of change in accounting principles, net of tax	**-**	-	**-**	3.2
Net income before preferred stock dividends of subsidiary	**35.5**	34.8	**84.3**	72.1
Preferred stock dividends of subsidiary	**0.7**	0.7	**2.3**	2.3
Income available for common shareholders	**$34.8**	$34.1	**$82.0**	$69.8
Average shares of common stock				
Basic	**37.4**	32.6	**37.2**	32.5
Diluted	**37.6**	32.9	**37.5**	32.6
Earnings (loss) per common share (basic)				
Income from continuing operations	**$0.99**	$1.00	**$2.49**	$2.34
Discontinued operations	**($0.06)**	$0.05	**($0.29)**	($0.29)
Cumulative effect of change in accounting principles	**-**	-	**-**	$0.10
Earnings per common share (basic)	**$0.93**	$1.05	**$2.20**	$2.15
Earnings (loss) per common share (diluted)				
Income from continuing operations	**$0.99**	$0.99	**$2.47**	$2.33
Discontinued operations	**($0.06)**	$0.05	**($0.28)**	($0.29)
Cumulative effect of change in accounting principles	**-**	-	**-**	$0.10
Earnings per common share (diluted)	**$0.93**	$1.04	**$2.19**	$2.14
Dividends per common share declared	**$0.555**	$1.090	**$1.645**	$2.160

The accompanying condensed notes are an integral part of these statements.

WPS RESOURCES CORPORATION

CONSOLIDATED BALANCE SHEETS (Unaudited) (Millions)	September 30 2004	December 31 2003
Assets		
Cash and cash equivalents	**$55.1**	$50.7
Restricted funds	**4.4**	3.2
Accounts receivable - net of reserves of $6.9 and $6.6, respectively	**393.2**	502.4
Accrued unbilled revenues	**52.0**	90.0
Inventories	**187.6**	178.3
Current assets from risk management activities	**558.5**	518.1
Assets held for sale	**121.4**	116.4
Other current assets	**86.3**	86.4
Current assets	**1,458.5**	1,545.5
Property, plant, and equipment - net of reserves of $1,583.6 and $1,511.7, respectively	**1,927.4**	1,828.7
Nuclear decommissioning trusts	**337.1**	332.3
Regulatory assets	**128.6**	127.7
Long-term assets from risk management activities	**107.9**	104.3
Other	**375.3**	353.8
Total assets	**$4,334.8**	$4,292.3
Liabilities and Shareholders' Equity		
Short-term debt	**$143.6**	$38.0
Current portion of long-term debt	**6.3**	56.6
Note payable to preferred stock trust	**-**	51.5
Accounts payable	**461.0**	510.7
Current liabilities from risk management activities	**528.4**	517.3
Liabilities held for sale	**2.5**	2.7
Current deferred income taxes	**9.3**	1.7
Other current liabilities	**89.3**	86.9
Current liabilities	**1,240.4**	1,265.4
Long-term debt	**868.8**	871.9
Long-term deferred income taxes	**88.2**	78.8
Deferred investment tax credits	**16.5**	17.7
Regulatory liabilities	**286.5**	304.4
Environmental remediation liabilities	**36.8**	37.9
Pension and postretirement benefit obligations	**151.6**	137.7
Long-term liabilities from risk management activities	**92.3**	92.2
Asset retirement obligations	**359.1**	344.0
Other	**87.8**	88.0
Long-term liabilities	**1,987.6**	1,972.6
Commitments and contingencies		
Preferred stock of subsidiary with no mandatory redemption	**51.1**	51.1
Common stock equity	**1,055.7**	1,003.2
Total liabilities and shareholders' equity	**$4,334.8**	$4,292.3

The accompanying condensed notes are an integral part of these statements.

WPS RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	Nine Months Ended September 30	
(Millions)	**2004**	2003
Operating Activities		
Net income before preferred stock dividends of subsidiary	**$84.3**	$72.1
Adjustments to reconcile net income before preferred stock dividends of subsidiary to net cash provided by operating activities		
Discontinued operations, net of tax	**10.6**	9.3
Depreciation and decommissioning	**78.4**	79.7
Amortization of nuclear fuel and other	**31.0**	30.1
Unrealized gain on investments	**(3.3)**	(5.5)
Equity earnings from nonconsolidated investments	**(7.4)**	(0.4)
Pension and post retirement expense	**30.4**	20.0
Deferred income taxes	**9.0**	11.9
Unrealized (gains)/losses on nonregulated energy contracts	**(0.3)**	6.9
Gain on sale of partial interest in synthetic fuel operation	**(5.6)**	(5.8)
Cumulative effect of change in accounting principles, net of tax	**-**	(3.2)
Other	**(13.0)**	(19.6)
Changes in working capital		
Receivables, net	**137.6**	(4.7)
Inventories	**(11.7)**	(82.1)
Other current assets	**0.8**	(17.6)
Accounts payable	**(62.2)**	6.0
Other current liabilities	**(13.1)**	1.7
Net cash operating activities	**265.5**	98.8
Investing Activities		
Capital expenditures	**(197.2)**	(117.3)
Sale of property, plant and equipment	**4.7**	24.1
Purchase of equity investments and other acquisitions	**(37.5)**	(50.1)
Dividends received from equity investments	**14.9**	7.1
Decommissioning funding	**(0.3)**	(2.2)
Other	**7.7**	1.8
Net cash investing activities	**(207.7)**	(136.6)
Financing Activities		
Short-term debt - net	**102.4**	134.9
Repayment of long-term debt and note to preferred stock trust	**(103.2)**	(75.1)
Payment of dividends		
Preferred stock	**(2.3)**	(2.3)
Common stock	**(60.9)**	(51.8)
Issuance of common stock	**22.3**	24.1
Purchase of common stock	**-**	(0.8)
Other	**(0.9)**	5.8
Net cash financing activities	**(42.6)**	34.8
Change in cash and cash equivalents - continuing operations	**15.2**	(3.0)
Change in cash and cash equivalents - discontinued operations	**(10.8)**	0.4
Change in cash and cash equivalents	**4.4**	(2.6)
Cash and cash equivalents at beginning of period	**50.7**	43.3
Cash and cash equivalents at end of period	**$55.1**	$40.7

The accompanying condensed notes are an integral part of these statements.

WISCONSIN PUBLIC SERVICE CORPORATION

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)	**Three Months Ended September 30**		**Nine Months Ended September 30**	
(Millions)	**2004**	2003	**2004**	2003
Operating revenues				
Electric	**$214.6**	$205.0	**$603.2**	$555.7
Gas	**45.6**	49.0	**288.8**	294.8
Total operating revenues	**260.2**	254.0	**892.0**	850.5
Operating expenses				
Electric production fuels	**35.5**	38.1	**102.6**	105.2
Purchased power	**26.7**	25.2	**80.9**	73.1
Gas purchased for resale	**28.8**	32.2	**203.4**	213.3
Other operating expenses	**72.1**	64.2	**226.8**	207.2
Maintenance	**16.7**	14.4	**56.8**	57.2
Depreciation and decommissioning	**21.9**	24.6	**66.7**	68.1
Federal income taxes	**11.5**	12.2	**30.5**	24.9
Investment tax credit restored	**(0.3)**	(0.4)	**(1.0)**	(1.1)
State income taxes	**3.5**	3.9	**8.6**	7.3
Gross receipts tax and other	**9.4**	9.0	**28.8**	27.3
Total operating expense	**225.8**	223.4	**804.1**	782.5
Operating income	**34.4**	30.6	**87.9**	68.0
Other income and (deductions)				
Allowance for equity funds used during construction	**0.5**	0.3	**1.5**	1.9
Other, net	**5.9**	6.5	**14.9**	16.8
Income taxes	**(1.2)**	(0.8)	**(2.2)**	(2.6)
Total other income	**5.2**	6.0	**14.2**	16.1
Interest expense				
Interest on long-term debt	**7.4**	6.6	**22.4**	21.1
Other interest	**1.2**	1.6	**3.0**	3.7
Allowance for borrowed funds used during construction	**(0.2)**	(0.3)	**(0.5)**	(0.8)
Total interest expense	**8.4**	7.9	**24.9**	24.0
Minority interest	**-**	-	**-**	(1.6)
Net income	**31.2**	28.7	**77.2**	58.5
Preferred stock dividend requirements	**0.7**	0.7	**2.3**	2.3
Earnings on common stock	**$30.5**	$28.0	**$74.9**	$56.2

The accompanying condensed notes are an integral part of these statements.

WISCONSIN PUBLIC SERVICE CORPORATION

CONSOLIDATED BALANCE SHEETS (Unaudited) (Millions)	**September 30** **2004**	December 31 2003
ASSETS		
Utility plant		
Electric	**$2,189.8**	$2,121.2
Gas	**510.6**	457.2
Total	**2,700.4**	2,578.4
Less - Accumulated depreciation	**1,188.1**	1,132.4
Total	**1,512.3**	1,446.0
Nuclear decommissioning trusts	**337.1**	332.3
Construction in progress	**108.3**	81.7
Nuclear fuel, less accumulated amortization	**23.5**	20.3
Net utility plant	**1,981.2**	1,880.3
Current assets		
Cash and cash equivalents	**5.3**	4.7
Customer and other receivables, net of reserves of $4.7 at September 30, 2004 and $4.4 at December 31, 2003	**98.7**	103.6
Receivables from related parties	**5.2**	15.6
Accrued unbilled revenues	**26.7**	51.3
Fossil fuel, at average cost	**15.7**	14.9
Gas in storage, at average cost	**67.3**	50.9
Materials and supplies, at average cost	**28.6**	26.2
Current assets from risk management activities	**6.1**	4.5
Prepayments and other	**39.9**	38.8
Total current assets	**293.5**	310.5
Regulatory assets	**124.0**	125.0
Pension assets	**64.6**	67.8
Goodwill	**36.4**	36.4
Investments and other assets	**161.3**	157.7
Total assets	**$2,661.0**	$2,577.7
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common stock equity	**$858.1**	$798.2
Preferred stock with no mandatory redemption	**51.2**	51.2
Long-term debt to parent	**12.1**	12.4
Long-term debt	**496.0**	495.4
Total capitalization	**1,417.4**	1,357.2
Current liabilities		
Current portion of long-term debt	**-**	49.9
Short-term debt	**41.0**	10.0
Accounts payable	**95.8**	104.9
Payables to related parties	**21.8**	14.9
Accrued interest and taxes	**9.0**	9.3
Other	**32.1**	16.5
Total current liabilities	**199.7**	205.5
Long-term liabilities and deferred credits		
Long-term deferred income taxes	**148.6**	134.7
Accumulated deferred investment tax credits	**15.5**	16.5
Regulatory liabilities	**267.5**	285.4
Environmental remediation liability	**35.1**	36.2
Pension and postretirement benefit obligations	**149.9**	135.9
Asset retirement obligations	**359.1**	344.0
Other long-term liabilities	**68.2**	62.3
Total long-term liabilities and deferred credits	**1,043.9**	1,015.0
Commitments and contingencies		
Total capitalization and liabilities	**$2,661.0**	$2,577.7

The accompanying condensed notes are an integral part of these statements.

WISCONSIN PUBLIC SERVICE CORPORATION

CONSOLIDATED STATEMENTS OF CAPITALIZATION (Unaudited) (Millions, except share amounts)			September 30 2004	December 31 2003
Common stock equity				
Common stock			**$95.6**	$95.6
Premium on capital stock			**479.8**	438.3
Accumulated other comprehensive loss			**(15.0)**	(14.9)
Retained earnings			**297.7**	279.2
Total common stock equity			**858.1**	798.2
Preferred stock				
Cumulative, $100 par value, 1,000,000 shares authorized with no mandatory redemption -				
	Series	Shares Outstanding		
	5.00%	132,000	**13.2**	13.2
	5.04%	30,000	**3.0**	3.0
	5.08%	50,000	**5.0**	5.0
	6.76%	150,000	**15.0**	15.0
	6.88%	150,000	**15.0**	15.0
Total preferred stock			**51.2**	51.2
Long-term debt to parent				
	Series	Year Due		
	8.76%	2015	**5.0**	5.2
	7.35%	2016	**7.1**	7.2
Total long-term debt to parent			**12.1**	12.4
Long-term debt				
First mortgage bonds				
	Series	Year Due		
	6.90%	2013	**22.0**	22.0
	7.125%	2023	**0.1**	50.0
Senior notes				
	Series	Year Due		
	6.125%	2011	**150.0**	150.0
	4.875%	2012	**150.0**	150.0
	4.8%	2013	**125.0**	125.0
	6.08%	2028	**50.0**	50.0
Total			**497.1**	547.0
Unamortized discount and premium on bonds, net			**(1.1)**	(1.7)
Total long-term debt			**496.0**	545.3
Current portion			**-**	(49.9)
Total long-term debt			**496.0**	495.4
Total capitalization			**$1,417.4**	$1,357.2

The accompanying condensed notes are an integral part of these statements.

WISCONSIN PUBLIC SERVICE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	**Nine Months Ended September 30**	
(Millions)	**2004**	2003
Cash flows from operating activities:		
Net income	**$77.2**	$58.5
Adjustments to reconcile net income to net cash from operating activities -		
Depreciation and decommissioning	**66.7**	68.1
Amortization	**29.4**	29.3
Deferred income taxes	**12.8**	8.7
Investment tax credit restored	**(1.0)**	(1.2)
Allowance for equity funds used during construction	**(1.5)**	(1.9)
Unrealized (gain) loss on investments	**(3.3)**	(5.5)
Equity income, net of minority interest	**(10.7)**	(9.9)
Pension and post retirement expense	**22.0**	14.1
Other	**(6.0)**	(8.1)
Changes in -		
Customer and other receivables	**15.3**	22.2
Accrued utility revenues	**24.6**	20.0
Fossil fuel inventory	**(0.8)**	4.3
Gas in storage	**(16.4)**	(25.9)
Miscellaneous assets	**(3.7)**	(5.1)
Accounts payable	**(2.2)**	(32.0)
Accrued taxes and interest	**(0.3)**	(2.6)
Miscellaneous current and accrued liabilities	**3.6**	2.0
Net cash operating activities	**205.7**	135.0
Cash flows from investing activities:		
Capital expenditures	**(185.4)**	(106.5)
Sale of property, plant and equipment	**-**	20.1
Decommissioning funding	**(0.3)**	(2.2)
Dividends received and return of capital from equity method investment	**9.6**	5.0
Other	**7.1**	1.5
Net cash investing activities	**(169.0)**	(82.1)
Cash flows from financing activities:		
Short-term debt - net	**31.0**	58.0
Payments of long-term debt	**(50.2)**	(59.4)
Equity contribution from parent	**40.0**	-
Dividends to parent	**(56.3)**	(51.8)
Preferred stock dividends	**(2.3)**	(2.3)
Other	**1.7**	4.1
Net cash financing activities	**(36.1)**	(51.4)
Change in cash and equivalents	**0.6**	1.5
Cash and equivalents at beginning of period	**4.7**	3.4
Cash and equivalents at end of period	**$5.3**	$4.9

The accompanying condensed notes are an integral part of these statements.

WPS RESOURCES CORPORATION AND SUBSIDIARIES
WISCONSIN PUBLIC SERVICE CORPORATION AND SUBSIDIARY
CONDENSED NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1--FINANCIAL INFORMATION

We have prepared the consolidated financial statements of WPS Resources Corporation and Wisconsin Public Service Corporation under the rules and regulations of the Securities and Exchange Commission. These financial statements have not been audited. Management believes that these financial statements include all adjustments (which unless otherwise noted include only normal recurring adjustments) necessary for a fair presentation of the financial results for each period shown. Certain items from the prior period have been reclassified to conform to the current year presentation. We have condensed or omitted certain financial information and footnote disclosures normally included in our annual audited financial statements. These financial statements should be read along with the audited financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2003.

NOTE 2--GROSS PHYSICAL VOLUMES

WPS Energy Services' gross physical volumes of natural gas and electricity delivered for the three and nine months ended September 30, 2004, and September 30, 2003, are reported in the following table.

	Three Months Ended September 30		Nine Months Ended September 30	
WPS Energy Services' Gas Results	**2004**	2003	**2004**	2003
Wholesale sales volumes in billion cubic feet *	**76.9**	67.2	**187.4**	204.9
Retail sales volumes in billion cubic feet *	**48.0**	47.4	**196.1**	169.5

* Represents gross volumes physically delivered

	Three Months Ended September 30		Nine Months Ended September 30	
WPS Energy Services' Electric Results	**2004**	2003	**2004**	2003
Wholesale sales in million kilowatt-hours *	**579.2**	1,586.9	**2,796.1**	2,309.7
Retail sales in million kilowatt-hours *	**2,027.2**	1,623.8	**5,237.9**	4,864.8

* Represents gross volumes physically delivered

NOTE 3--CASH AND CASH EQUIVALENTS

We consider short-term investments with an original maturity of three months or less to be cash equivalents.

The following is supplemental disclosure to the WPS Resources and Wisconsin Public Service Statements of Cash Flows:

(Millions)	Nine Months Ended September 30	
WPS Resources	**2004**	2003
Cash paid for interest	**$34.1**	$41.9
Cash paid for income taxes	**$26.7**	$15.9
Wisconsin Public Service		
Cash paid for interest	**$19.9**	$24.5
Cash paid for income taxes	**$25.3**	$10.9

NOTE 4--RISK MANAGEMENT ACTIVITIES

As part of our regular operations, WPS Resources enters into contracts, including options, swaps, futures, forwards, and other contractual commitments, to manage market risks such as changes in commodity prices, interest rates, and foreign currency exchange rates.

WPS Resources evaluates its derivative contracts in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended and interpreted. Statement No. 133 establishes accounting and financial reporting standards for derivative instruments and requires, in part, that we recognize certain derivative instruments on the balance sheet as assets or liabilities at their fair value. Subsequent changes in fair value of the derivatives are recorded currently in earnings unless certain hedge accounting criteria are met. If the derivatives qualify for regulatory deferral subject to the provisions of Statement No. 71, "Accounting for the Effects of Certain Types of Regulation," the derivatives are marked to fair value pursuant to Statement No. 133 and are offset with a corresponding regulatory asset or liability.

The following table shows WPS Resources' assets and liabilities from risk management activities:

	Assets		Liabilities	
(Millions)	**September 30, 2004**	December 31, 2003	**September 30, 2004**	December 31, 2003
Utility Segment				
Gas and electric purchase contracts	**$ 12.2**	$ 8.4	**$ -**	$ -
Nonregulated Segments				
Commodity contracts	**600.0**	588.7	**574.3**	586.4
Fair value hedges	**1.6**	0.3	**7.8**	4.0
Cash flow hedges				
Commodity contracts	**52.6**	25.0	**29.2**	9.0
Interest rate swap	**-**	-	**9.4**	10.1
Total	**$666.4**	$622.4	**$620.7**	$609.5

Utility Segment

Wisconsin Public Service has entered into a limited number of natural gas and electric purchase contracts that are accounted for as derivatives. The Public Service Commission of Wisconsin approved recognizing a regulatory asset or liability for the fair value of derivative amounts as a result of these contracts pursuant to Statement No. 71. Thus, management believes any gains or losses resulting from the eventual settlement of these contracts will be collected from or refunded to customers.

Nonregulated Segments

Our nonregulated segments have also entered into contracts that are accounted for as derivatives under Statement No. 133, as amended and interpreted. At September 30, 2004, those derivatives not designated as hedges are primarily commodity contracts used to manage price risk associated with wholesale and retail natural gas purchase and sale activities and electric energy contracts. Changes in the fair value of derivatives that have not qualified for hedge accounting are recognized currently in earnings.

Our nonregulated segments also enter into derivative contracts that are designated as either fair value or cash flow hedges. Fair value hedges are used to mitigate the risk of changes in prices of natural gas held in storage. The changes in the fair value of these hedges are recognized currently in earnings, as are the changes in fair value of the hedged items. Fair value hedge ineffectiveness recorded in nonregulated revenue on the Consolidated Statements of Income was not significant during the first nine months of 2004 and 2003. At September 30, 2004, a mark-to-market loss of $4.3 million related to the changes in the difference between the spot and forward prices of natural gas was excluded from the assessment of hedge effectiveness. This loss was reported directly in earnings.

Cash flow hedges consist of commodity contracts associated with our energy marketing activities and an interest rate swap. The commodity contracts extend through December 2006. The majority of the commodity contracts were determined to be effective; therefore, the changes in the values of these contracts are included in other comprehensive income, net of deferred taxes. The portion of these contracts that was determined to be ineffective was not significant during the first nine months of 2004 and 2003 and was recorded as a component of nonregulated revenue. When testing for effectiveness, no portion of the derivative instruments was excluded. Amounts recorded in other comprehensive income related to these cash flow hedges will be recognized in earnings as the related contracts are settled or if the hedged transaction is discontinued. In the nine months ended September 30, 2004, WPS Energy Services reclassified a $2.8 million gain from other comprehensive income into earnings as a result of the discontinuance of cash flow hedge accounting for certain hedge transactions where it was probable that the original forecasted transaction would no longer occur. The amount reclassified during the nine months ended September 30, 2003, was not significant. In the next 12 months, it is expected that $13.8 million will be recognized in earnings due to contracts being settled.

The interest rate swap designated as a cash flow hedge is used to fix the interest rate for the full term of a variable rate loan due in March 2018 used to finance the purchase of the Sunbury generation facility. Because the swap was determined to be effective, the changes in the value of this contract are included in other comprehensive income, net of deferred taxes. Amounts recorded in other comprehensive income related to this swap will be recognized as a component of interest expense as the interest becomes due. In the next 12 months, we expect to expense $2.0 million, assuming interest rates comparable to those at September 30, 2004, and assuming the hedged transaction continues after Sunbury is sold (see Note 5, "Assets Held for Sale," for more information). We did not exclude any components of the derivative instrument's change in fair value from the assessment of hedge effectiveness.

Impact of Adoption of Emerging Issues Task Force Issue No. 03-11

In the fourth quarter of 2003, WPS Resources adopted Emerging Issues Task Force Issue No. 03-11, "Reporting Realized Gains and Losses on Derivative Instruments that are Subject to FASB Statement No. 133 and Not 'Held for Trading Purposes' as Defined in Issue No. 02-03," which resulted in recording nonregulated revenues net of cost of fuel, natural gas, and purchased power for energy-related transactions entered into after October 1, 2003, that settle financially and for which the commodity does not physically transfer. Had the provisions of Issue No. 03-11 been applied to arrangements entered into before October 1, 2003, previously reported nonregulated revenue would have decreased $62.9 million for the nine months ended September 30, 2003, with a corresponding $62.9 million decrease to nonregulated cost of fuel, natural gas, and purchased power. Neither margins, income, nor cash flows were impacted by the adoption of Issue No. 03-11.

Cumulative Effect of Change in Accounting Principle

WPS Energy Services had been applying the accounting standards of Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities," from the first quarter of 2000 until this standard was rescinded by Issue No. 02-03 in October 2002. WPS Energy Services was defined as a trading company under Issue No. 98-10 and was required to mark all of its energy related contracts to market. On October 25, 2002, the Emerging Issues Task Force rescinded Issue No. 98-10, thus precluding mark-to-market accounting for energy trading contracts entered into after that date that are not derivatives and requiring a cumulative change in accounting principle to be recorded effective January 1, 2003 for all nonderivative contracts entered into on or prior to October 25, 2002. On January 1, 2003, WPS Resources recorded an after-tax cumulative effect of a change in accounting principle of $3.5 million (primarily related to the operations of WPS Energy Services) to increase income available for common shareholders as a result of removing from its balance sheet the mark-to-market effects of those contracts entered into on or prior to October 25, 2002, that do not meet the definition of a derivative under Statement No. 133. The required change in accounting had no impact on the underlying economics or cash flows of the contracts.

NOTE 5--ASSETS HELD FOR SALE

On September 30, 2004, WPS Power Development received a letter of termination from Duquesne Power, L.P. related to the previously announced agreement to sell the Sunbury generation facility to Duquesne for approximately $120 million. Duquesne issued its letter of termination following a determination by the Pennsylvania Public Utility Commission not to reconsider its earlier approved Provider of Last Resort plan, which Duquesne believes does not satisfy a closing condition in the agreement. WPS Resources remains committed to a sale of the Sunbury generation facility. This facility currently sells power on a wholesale basis, and provides energy for a 200-megawatt around-the-clock outtake contract that expires on December 31, 2004. The sale of Sunbury will enable WPS Resources to reduce uncontracted merchant exposure and redeploy capital into markets with different risk profiles. WPS Power Development has also entered into an agreement for the sale of certain silt reserves that were utilized in the operation of the Sunbury generation facility. The sale price for the silt reserves is anticipated to be approximately $1.9 million.

At September 30, 2004, and December 31, 2003, the assets and liabilities associated with the Sunbury generation facility, as well as the silt reserves, have been classified as held for sale in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Statement No. 144 requires that a long-lived asset classified as held for sale be measured at the lower of its carrying amount or fair value, less costs to sell, and cease being depreciated. No adjustments to write down assets held for sale were required during the nine months ended September 30, 2004.

The major classes of assets and liabilities held for sale are as follows:

(Millions)	**September 30, 2004**	December 31, 2003
Inventories	**$ 7.5**	$ 4.2
Other current assets	**5.4**	5.1
Property, plant, and equipment, net	**73.8**	71.5
Other assets (includes emission credits)	**34.7**	35.6
Assets held for sale	**$121.4**	$116.4
Other current liabilities	**$ 0.3**	$ 0.6
Asset retirement obligations	**2.2**	2.1
Liabilities held for sale	**$ 2.5**	$ 2.7

WPS Power Development financed Sunbury with equity from WPS Resources and debt financing, including non-recourse debt and a related interest rate swap. The interest rate swap is designated as a cash flow hedge and, as a result, the mark-to-market loss has been recorded as a component of other comprehensive income. If management determines that the hedged transactions (i.e., future interest payments on the debt) will not continue after a sale, WPS Resources will be required to recognize the amount accumulated within other comprehensive income ($6.1 million net of tax at September 30, 2004) currently in earnings. No such determination had been made at September 30, 2004.

WPS Power Development has an obligation to service a 200-megawatt outtake contract through December 31, 2004. WPS Power Development entered into the contract in conjunction with the acquisition of the Sunbury generating assets. At September 30, 2004, WPS Power Development had outstanding hedge positions for its obligation to service its 200-megawatt outtake contract through December 31, 2004. These positions were entered into in the fourth quarter of 2003 in anticipation of a sale to Duquesne. The revenues from the outtake contract are $3.9 million less than the hedged cost of purchased power. This loss will be included as a component of discontinued operations in the Consolidated Statements of Income when realized.

A summary of the components of discontinued operations recorded in the Consolidated Statements of Income for the three months ended September 30 are as follows:

(Millions)	**2004**	2003
Nonregulated revenue	**$19.4**	$28.1
Operating expenses	**(20.7)**	(24.4)
Interest expense	**(1.5)**	(1.5)
Income before taxes	**(2.8)**	2.2
Income tax	**(0.5)**	0.6
Discontinued operations, net of tax	**$ (2.3)**	$ 1.6

A summary of the components of discontinued operations recorded in the Consolidated Statements of Income for the nine months ended September 30 are as follows:

(Millions)	**2004**	2003
Nonregulated revenue	**$ 46.7**	$68.9
Operating expenses	**(58.8)**	(77.4)
Interest expense	**(4.3)**	(4.8)
Loss before taxes	**(16.4)**	(13.3)
Income tax benefit	**(5.8)**	(4.0)
Discontinued operations, net of tax	**$(10.6)**	$ (9.3)

Interest expense represents the nonrecourse term loans directly related to Sunbury.

A summary of the components of the change in cash and cash equivalents related to discontinued operations recorded in the Consolidated Statements of Cash Flows for the nine months ended September 30 are as follows:

(Millions)	**2004**	2003
Net cash operating activities	**$ (6.2)**	$3.9
Net cash investing activities	**(2.2)**	(1.3)
Net cash financing activities	**(2.4)**	(2.2)
Change in cash and cash equivalents	**$(10.8)**	$0.4

NOTE 6--ACQUISITIONS AND SALES OF ASSETS

Kewaunee Nuclear Power Plant

On November 7, 2003, Wisconsin Public Service entered into a definitive agreement to sell its 59% ownership interest in the Kewaunee nuclear power plant to a subsidiary of Dominion Resources, Inc. The other joint owner of Kewaunee, Wisconsin Power and Light Company, also agreed to sell its 41% ownership interest in Kewaunee to Dominion. Once Wisconsin Public Service receives a final decision from the Public Service Commission of Wisconsin, it will have obtained substantially all required approvals from the various regulatory agencies to close the transaction. It is expected that the Public Service Commission of Wisconsin will rule on this matter in the fourth quarter of 2004.

Wisconsin Public Service estimates that its share of the cash proceeds from the sale will approximate $130 million, subject to various post-closing adjustments. The cash proceeds from the sale are expected to slightly exceed the carrying value of the Wisconsin Public Service assets being sold. In addition to the cash proceeds, Wisconsin Public Service will retain ownership of the assets contained in its non-qualified decommissioning trust, one of two funds that were established to cover the eventual decommissioning of the Kewaunee nuclear power plant. The pretax fair value of the non-qualified decommissioning trust's assets at September 30, 2004, was $119.2 million. Dominion will assume responsibility for the eventual decommissioning of Kewaunee and will receive Wisconsin Public Service's qualified decommissioning trust assets that had a pretax fair value of $241.2 million at September 30, 2004. Wisconsin Public Service has requested deferral of the gain expected to result from this transaction and related costs from the Public Service Commission of Wisconsin. Accordingly, Wisconsin Public Service anticipates most of the gain on the sale of the plant assets and the related non-qualified decommissioning trust assets will be deferred and returned to customers under future rate orders.

As of September 30, 2004, Wisconsin Public Service's share of the carrying value of the assets and liabilities included within the sale agreement was as follows:

(Millions)	2004
Property, plant, and equipment, net	**$416.3**
Other current assets	**5.6**
Total assets	**$421.9**
Regulatory liabilities	**$(48.4)**
Asset retirement obligations	**358.8**
Total liabilities	**$310.4**

The assets and liabilities disclosed above do not meet the criteria to be classified as held for sale on the Consolidated Balance Sheets under the provisions of FASB Statement No. 144 due to uncertainties inherent in the regulatory approval process.

Upon the closing of the sale, Wisconsin Public Service will enter into a long-term power purchase agreement with Dominion to purchase energy and capacity virtually equivalent to the amounts that would have been received had current ownership in the Kewaunee nuclear power plant continued. The power purchase agreement, which also will require regulatory approval, will extend through 2013 when the plant's current operating license will expire. Fixed monthly payments under the power purchase agreement will approximate the expected costs of production had Wisconsin Public Service continued to own the plant. Therefore, management believes that the sale of Kewaunee and the related power purchase agreement will provide more price certainty for Wisconsin Public Service's customers and reduce our risk profile. In April 2004, Wisconsin Public Service entered into an exclusivity agreement with Dominion. Under this agreement, if Dominion decides to extend the operating license of Kewaunee, Dominion agreed to negotiate only with Wisconsin Public Service for its share of the plant output for a new power purchase agreement that would extend beyond Kewaunee's current operating license termination date. This agreement allows for the same exclusivity rights for Wisconsin Power and Light and its share of output of the plant. The exclusivity period will start on the closing date of the sale and extend through December 21, 2011.

Advantage Energy Inc.

On July 1, 2004, WPS Energy Services acquired all of the outstanding stock of Advantage Energy Inc., a New York based energy marketing company. Founded in 1997, Advantage serves approximately 8,200 residential and commercial customers with a peak load of approximately 275 megawatts. Consideration for the purchase consisted of an initial cash payment for the tangible and intangible net worth of the company and an earn-out with a maximum cap and a declining percentage to the seller over a three-year period.

NOTE 7--GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill recorded by WPS Resources Corporation was $36.4 million at September 30, 2004, and December 31, 2003. The goodwill relates to Wisconsin Public Service's 2001 merger with Wisconsin Fuel and Light and is recorded in its natural gas segment.

Goodwill and purchased intangible assets are included in other assets on the Consolidated Balance Sheets of WPS Resources. Information in the tables below relates to total purchased identifiable intangible assets for the years indicated (excluding assets held for sale).

(Millions)	**September 30, 2004**			
Asset Class	**Average Life (Years)**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net**
Emission credits	**1 to 30**	**$ 6.7**	**$(0.8)**	**$ 5.9**
Customer related	**1 to 5**	**11.0**	**(4.1)**	**6.9**
Other	**1 to 30**	**3.9**	**(1.5)**	**2.4**
Total		**$21.6**	**$(6.4)**	**$15.2**

(Millions)	December 31, 2003			
Asset Class	Average Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net
Emission credits	1 to 30	$ 7.4	$(1.1)	$6.3
Customer related	1 to 5	3.7	(3.0)	0.7
Other	1 to 30	3.3	(0.6)	2.7
Total		$14.4	$(4.7)	$9.7

Intangible asset amortization expense, in the aggregate, for the nine months ended September 30, 2004, and September 30, 2003, was $1.7 million and $4.0 million, respectively.

NOTE 8--LONG-TERM DEBT

(Dollars in millions)			**September 30, 2004**	December 31, 2003
First mortgage bonds - Wisconsin Public Service				
	Series	Year Due		
	6.90%	2013	**$ 22.0**	$ 22.0
	7.125%	2023	**0.1**	50.0
Senior notes - Wisconsin Public Service				
	Series	Year Due		
	6.125%	2011	**150.0**	150.0
	4.875%	2012	**150.0**	150.0
	4.80%	2013	**125.0**	125.0
	6.08%	2028	**50.0**	50.0
First mortgage bonds - Upper Peninsula Power				
	Series	Year Due		
	10.0%	2008	**-**	0.9
	9.32%	2021	**16.2**	16.2
Unsecured senior notes - WPS Resources				
	Series	Year Due		
	7.00%	2009	**150.0**	150.0
	5.375%	2012	**100.0**	100.0
Term loans - nonrecourse, collateralized by nonregulated assets			**84.0**	87.2
Tax exempt bonds			**27.0**	27.0
Senior secured note			**2.8**	2.9
Total			**877.1**	931.2
Unamortized discount and premium on bonds and debt			**(2.0)**	(2.7)
Total long-term debt			**875.1**	928.5
Less current portion			**(6.3)**	(56.6)
Total long-term debt			**$868.8**	$871.9

On January 19, 2004, Wisconsin Public Service retired $49.9 million of its 7.125% series first mortgage bonds. These bonds had an original maturity date of July 1, 2023.

NOTE 9--COMPANY-OBLIGATED MANDATORILY REDEEMABLE TRUST PREFERRED SECURITIES OF PREFERRED STOCK TRUST

On July 30, 1998, WPSR Capital Trust I, a Delaware business trust, issued $50.0 million of trust preferred securities to the public. WPS Resources owned all of the outstanding trust common securities of the Trust, and the only asset of the Trust was $51.5 million of subordinated debentures issued by WPS Resources. The debentures were due on June 30, 2038, and bore interest at 7% per year. The terms and interest payments on the debentures corresponded to the terms and distributions on the trust preferred securities. On January 8, 2004, WPS Resources redeemed all of the subordinated debentures that were initially issued to the Trust for $51.5 million.

NOTE 10--ASSET RETIREMENT OBLIGATIONS

Legal retirement obligations, as defined by the provisions of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations," identified at Wisconsin Public Service relate primarily to the final decommissioning of the Kewaunee nuclear plant. Wisconsin Public Service has a legal obligation to decommission the irradiated portions of the Kewaunee nuclear plant in accordance with the Nuclear Regulatory Commission's minimum decommissioning requirements. The liability, calculated under the provisions of Statement No. 143, is based on several significant assumptions, including the scope of decommissioning work to be performed, the timing of the future cash flows, and inflation and discount rates. Some of these assumptions differ significantly from the assumptions authorized by the Public Service Commission of Wisconsin to calculate the nuclear decommissioning liability for funding purposes. In accordance with Statement No. 71, Wisconsin Public Service established a regulatory liability to record the differences between ongoing expense recognition under Statement No. 143 and the ratemaking practices for retirement costs authorized by the Public Service Commission of Wisconsin. As of September 30, 2004, the pre-tax market value of external nuclear decommissioning trusts established for future retirement costs, authorized by the Public Service Commission of Wisconsin, was approximately $360.4 million. See Note 6, "Acquisitions and Sales of Assets," for information on the pending sale of the Kewaunee nuclear plant.

WPS Power Development has identified a legal retirement obligation related to the closure of an ash basin located at the Sunbury generation facility. The adoption of Statement No. 143 at WPS Power Development resulted in a $0.3 million negative after-tax cumulative effect of change in accounting principle in the first quarter of 2003 related to recording a liability for the closure of this ash basin. The asset retirement obligation associated with Sunbury is recorded as a liability held for sale on the consolidated balance sheets. See Note 5, "Assets Held for Sale."

The following table describes all changes to the asset retirement obligation liabilities of WPS Resources.

(Millions)	Wisconsin Public Service	WPS Power Development	Total
Asset retirement obligations at December 31, 2003	$344.0	$2.1	$346.1
Accretion expense	15.1	0.1	15.2
Asset retirement obligation at September 30, 2004	$359.1	$2.2	$361.3

NOTE 11--INCOME TAXES

The provision for income taxes is based on the estimated annual effective tax rate, which differs from the federal tax rate of 35% primarily due to the effects of tax credits and state income taxes.

NOTE 12--COMMITMENTS AND CONTINGENCIES

Commodity and Purchase Order Commitments

WPS Resources routinely enters into long-term purchase and sale commitments that have various quantity requirements and durations. The commitments described below are as of September 30, 2004.

WPS Energy Services has unconditional purchase obligations related to energy supply contracts that total $2.2 billion. The majority of these obligations end by 2008 with some obligations, primarily firm transport obligations, extending from 2009 through 2012. WPS Energy Services' total obligations from 2009 through 2012 are $1.8 million. Most of the energy supply contracts are to meet WPS Energy Services' obligations to deliver energy to its customers.

Wisconsin Public Service has obligations related to nuclear fuel, coal, purchased power, and natural gas. Nuclear fuel contracts total $38.9 million and extend through 2014. Assuming the Kewaunee nuclear power plant is sold as discussed in Note 6, "Acquisitions and Sales of Assets," these nuclear fuel contracts would be assigned to Dominion. Obligations related to coal supply and transportation extend through 2016 and total $469.2 million. Through 2016, Wisconsin Public Service has obligations totaling $624.1 million for either capacity or energy related to purchased power. Also, there are natural gas supply and transportation contracts with total estimated demand payments of $125.4 million through 2010. Wisconsin Public Service expects to recover these costs in future customer rates. Additionally, Wisconsin Public Service has contracts to sell electricity and natural gas to customers.

WPS Power Development has entered into purchase contracts totaling $10.2 million. The majority of these contracts relate to coal purchases for the Sunbury generation facility and expire in 2004. See Note 5, "Assets Held for Sale," for more information on Sunbury.

Upper Peninsula Power has made commitments for the purchase of commodities, mainly capacity or energy related to purchased power, which total $8.7 million and extend through 2006.

WPS Resources also has commitments in the form of purchase orders issued to various vendors. At September 30, 2004, these purchase orders totaled $535.6 million and $527.3 million for WPS Resources and Wisconsin Public Service, respectively. The majority of these commitments relate to large construction projects, including the construction of the 500-megawatt Weston 4 coal-fired generation facility near Wausau, Wisconsin.

Nuclear Plant Operation

In accordance with Nuclear Regulatory Commission industry requirements, during the completed spring 2003 refueling outage, a visual inspection of the Kewaunee plant reactor vessel head was conducted. There were no problems with the vessel head during that inspection.

After evaluating the cost of continued required inspections of the existing reactor vessel head and the cost to replace the reactor vessel head, the Kewaunee nuclear power plant owners submitted a construction authorization request to the Public Service Commission of Wisconsin for replacement of the reactor vessel head. Approval of the request was received in 2003. The replacement began in October 2004 (during the scheduled refueling outage) and is expected to cost up to $14.2 million for Wisconsin Public Service's share of the project.

The Price Anderson Act ensures that funds will be available to pay for public liability claims arising out of a nuclear incident. This Act may require Wisconsin Public Service to pay up to a maximum of $59.4 million per incident. The payments will not exceed $5.9 million per incident in a given calendar year. These amounts correspond to Wisconsin Public Service's 59% ownership of the Kewaunee nuclear power plant.

See Note 6, "Acquisitions and Sales of Assets," for information on the pending sale of the Kewaunee nuclear plant.

Clean Air Regulations

Air quality modeling by the Wisconsin Department of Natural Resources revealed that Weston Units 1 and 2 contribute to a modeled exceedance of the sulfur dioxide ambient air quality standards. Wisconsin Public Service, with the Wisconsin Department of Natural Resources, resolved the issue by reducing the sulfur dioxide limit for Weston Units 1 and 2 when both units are simultaneously combusting coal. Compliance with the new limit can be achieved through management of the current and projected fuel supplies.

The generation facilities of WPS Power Development are located in an ozone transport region. As a result, these generation facilities are subject to additional restrictions on emissions of nitrogen oxide. At September 30, 2004, additional nitrogen oxide emission allowances purchased are not material in nature. WPS Power Development has some sulfur dioxide emission allowances for 2004 for the Sunbury facility. At September 30, 2004, additional sulfur dioxide allowances of 11,198 have been purchased at market rates for the Sunbury facility. WPS Power Development estimates purchasing approximately 15,000 sulfur dioxide allowances in total, at market rates, to meet its 2004 requirements.

United States Environmental Protection Agency Section 114 Request

In November 1999, the United States Environmental Protection Agency announced the commencement of a Clean Air Act enforcement initiative targeting the utility industry. This initiative resulted in the issuance of several notices of violation/findings of violation and the filing of lawsuits against utilities. In these enforcement proceedings, the United States Environmental Protection Agency claims that the utilities made modifications to the coal-fired boilers and related equipment at the utilities' electric generating stations without first obtaining appropriate permits under the United States Environmental Protection Agency's pre-construction permit program and without installing appropriate air pollution control equipment. In addition, the United States Environmental Protection Agency is claiming, in certain situations, that there were violations of the Clean Air Act's "new source performance standards." In the matters where actions have been commenced, the federal government is seeking penalties and the installation of pollution control equipment.

In December 2000, Wisconsin Public Service received from the United States Environmental Protection Agency a request for information under Section 114 of the Clean Air Act. The United States Environmental Protection Agency sought information and documents relating to work performed on the coal-fired boilers located at the Pulliam and Weston electric generating stations of Wisconsin Public Service. Wisconsin Public Service filed a response with the United States Environmental Protection Agency in early 2001.

On May 22, 2002, Wisconsin Public Service received a follow-up request from the United States Environmental Protection Agency seeking additional information regarding specific boiler-related work performed on Pulliam Units 3, 5, and 7, as well as information on Wisconsin Public Service's life extension program for Pulliam Units 3-8 and Weston Units 1 and 2. Wisconsin Public Service made an initial response to the United States Environmental Protection Agency's follow-up information request on June 12, 2002, and filed a final response on June 27, 2002.

In 2000, 2001, and 2002, Wisconsin Power and Light Company received a similar series of United States Environmental Protection Agency information requests relating to work performed on certain coal-fired boilers and related equipment at the Columbia generating station (a facility located in Portage, Wisconsin, jointly owned by Wisconsin Power and Light Company, Madison Gas and Electric Company, and Wisconsin Public Service). Wisconsin Power and Light Company is the operator of the plant and is responsible for responding to governmental inquiries relating to the operation of the facility. Wisconsin Power and Light Company filed its most recent response for the Columbia facility on July 12, 2002.

Depending upon the results of the United States Environmental Protection Agency's review of the information, the United States Environmental Protection Agency may issue "notices of violation" or "findings of violation" asserting that a violation of the Clean Air Act occurred and/or seek additional information from Wisconsin Public Service and/or third parties who have information relating to the boilers or close out the investigation. To date, the United States Environmental Protection Agency has not responded to the filings made by Wisconsin Public Service and Wisconsin Power and Light. In addition, under the federal Clean Air Act, citizen groups may pursue a claim. Wisconsin Public Service has received no notice of a claim from a citizen suit.

In response to the United States Environmental Protection Agency Clean Air Act enforcement initiative, several utilities have elected to settle with the United States Environmental Protection Agency, while others are in litigation. In general, those utilities that have settled have entered into consent decrees which require the companies to pay fines and penalties, undertake supplemental environmental projects and either upgrade or replace pollution controls at existing generating units or shut down existing units and replace these units with new electric generating facilities. Several of the settlements involve multiple facilities. The fines and penalties (including the capital costs of supplemental environmental projects) associated with these settlements range between $7 million and $30 million. Factors typically considered in settlements include, but are not necessarily limited to, the size and number of facilities as well as the duration of alleged violations and the presence or absence of aggravating circumstances. The regulatory interpretations upon which the lawsuits or settlements are based may change based on future court decisions that may be rendered in pending litigations.

If the federal government decided to bring a claim against Wisconsin Public Service and if it were determined by a court that historic projects at the Pulliam and Weston electric generating stations required either a state or federal Clean Air Act permit, Wisconsin Public Service may, under the applicable statutes, be required to:

- shut down any unit found to be operating in non-compliance,
- install additional pollution control equipment,
- pay a fine and/or
- pay a fine and conduct a supplemental environmental project in order to resolve any such claim.

At the end of December 2002 and October 2003, the United States Environmental Protection Agency issued new rules governing the federal new source review program. These rules are currently being challenged in the District of Columbia Circuit Court of Appeals, and a final decision is not anticipated before the Spring of 2005. The rules are not yet effective in Wisconsin. They are also not retroactive. Wisconsin has proposed amending its new source review program to substantially conform to the federal regulations. The Wisconsin rules are not anticipated to be finalized before 2006, after the District of Columbia Circuit Court of Appeals' decision is rendered.

Mercury and Interstate Quality Rules

In June 2004, the Wisconsin Department of Natural Resources approved a final rule to control mercury emissions. Coal-fired generation plants are the primary target of this effort. The final rule will become effective if approved by the Wisconsin State Legislature. This approval may occur in the fourth quarter of 2004. According to the final rule, annual system mercury emission control will be achieved in phases. The first phase will occur in 2008 and 2009. In this phase, the annual mercury emissions are capped at the average annual system mercury emissions for the period 2002 through 2004. The next phase will run from 2010 through 2014 and requires a 40% reduction from average annual 2002 through 2004 mercury input amounts. After 2015, a 75% reduction is required with a goal of an 80% reduction by 2018. If federal regulations are promulgated, we believe the state of Wisconsin will revise the Wisconsin rule to be consistent with the federal rule. Wisconsin Public Service estimates capital costs of approximately $101 million to achieve the proposed 75% reductions.

In December 2003, the United States Environmental Protection Agency proposed mercury "maximum achievable control technology" standards and an alternative mercury "cap and trade" program substantially modeled on the Clear Skies legislation initiative. The United States Environmental Protection Agency also proposed the Clean Air Interstate Rule (formerly known as the Interstate Air Quality Rule), which would reduce sulfur dioxide and nitrogen oxide emissions from utility boilers located in 29 states, including Wisconsin, Michigan, Pennsylvania and New York. As to the mercury "maximum achievable control technology" proposal, it requires existing units burning sub-bituminous coal to achieve an annual average mercury emission rate limit of 5.8 pounds per trillion Btu, existing units burning bituminous coal to achieve an annual average mercury emission rate limit of 2.0 pounds per trillion Btu, and existing units burning coal-refuse to achieve an annual average mercury emission rate limit of 0.38 pounds per trillion Btu on a unit-by-unit or plant-wide basis. New sub-bituminous coal-fired units must achieve an emission rate limit of 0.020 pounds per gigawatt-hour.

If the proposed mercury rule is promulgated, Wisconsin Public Service's current analysis indicates that the emission control equipment on the existing units may be sufficient to achieve the proposed limitation. New units will require additional mercury control techniques to reduce mercury emissions by 65% to 85%. As to the mercury cap and trade program, Wisconsin Public Service is studying its long-term compliance strategy to meet the targets set forth in the proposed rule. Based on the current rule proposal and current projections, Wisconsin Public Service anticipates meeting the proposed targets. Mercury control technology is still in development. Wisconsin Public Service is assessing potential mercury control technologies for application to future new coal-fired units. The proposed alternative mercury cap and trade program would require a 30% reduction in national mercury emissions in 2010 and a 70% reduction in national mercury emissions beginning in 2018. Wisconsin Public Service estimates the cost to comply with the proposed alternative mercury cap and trade program is similar to the cost to comply with the Wisconsin rule.

Whichever form of the proposed federal mercury rule is promulgated, WPS Power Development's current analysis indicates that additional emission control equipment on the existing units may be required. Excluding the Sunbury plant, WPS Power Development estimates the capital cost for the remaining units to be approximately $1 million to achieve a 70% reduction. If the Sunbury plant is not sold, the mercury control costs would be approximately $33 million in total. See Note 5, "Assets Held for Sale," for more information on Sunbury.

As to the Clean Air Interstate Rule proposal, the proposal allows the affected states (including Wisconsin, Michigan, Pennsylvania and New York) to either require utilities located in the state to participate in an interstate cap and trade program or meet the state's emission budget for sulfur dioxide and nitrogen oxide through measures to be determined by the state. The states have not adopted a preference as to which option they would select in the event the rules become final, but the states are investigating a possible cap and trade program. The effect of the rule, if adopted, on Wisconsin Public Service and WPS Power Development's facilities is uncertain.

Currently, Wisconsin Public Service is evaluating a number of options that include using the cap and trade program and/or installing controls. For planning purposes, it is assumed that additional sulfur dioxide and nitrogen oxide controls will be needed on existing units or the existing units will need to be converted to natural gas by 2010. The installation of any controls and/or any conversion to natural gas will need to be scheduled as part of Wisconsin Public Service's long-term maintenance plan for its existing units. As such, controls or conversions may need to take place before 2010. On a preliminary basis and assuming controls or conversion are required, Wisconsin Public Service estimates capital costs of $246 million in order to meet an assumed 2010 compliance date. This estimate is based on costs of current control technology and current information regarding the proposed rule. The costs may change based on the requirements of the final rule.

WPS Power Development is evaluating the compliance options for the Clean Air Interstate Rule proposal. Additional nitrogen oxide controls on some of WPS Power Development's facilities may be necessary. The estimated capital costs for additional nitrogen oxide controls are $2.9 million, excluding Sunbury. Additional sulfur dioxide reductions are unlikely. If the Sunbury sale does not occur, the additional nitrogen oxide control costs are about $41 million in total. Also, WPS Power Development will evaluate a number of options using the cap and trade program, fuel switching, and/or installing controls. See Note 5, "Assets Held for Sale," for more information on Sunbury.

Stray Voltage Claims

From time to time, Wisconsin Public Service has been sued by dairy farmers who allege that they have suffered loss of milk production and other damages supposedly due to “stray voltage” from the operation of the Wisconsin Public Service’s electrical system. Past cases have been resolved without any material adverse effect on the financial statements of Wisconsin Public Service. Currently, there are four such cases pending in state court in Wisconsin. A fifth case was dismissed earlier this year after the plaintiff agreed to withdraw his claim with prejudice. Of the remaining four cases, two are in the pretrial process, one was tried in September but ended in a mistrial, and one is on appeal, following a trial.

The Public Service Commission of Wisconsin has established certain requirements regarding stray voltage for all utilities subject to its jurisdiction. The Public Service Commission has defined what constitutes “stray voltage,” established a level of concern at which some utility corrective action is required, and set forth test protocols to be employed in evaluating whether a stray voltage problem exists. Based upon the information available to it to date, Wisconsin Public Service believes that it was in compliance with the Public Service Commission’s orders, and that none of the plaintiffs had a stray voltage problem as defined by the Public Service Commission for which Wisconsin Public Service is responsible. Nonetheless, in 2003, the Supreme Court of Wisconsin ruled in the case Hoffmann v. WEPCO that a utility could be liable in tort to a farmer for damage from stray voltage even though the utility had complied with the Public Service Commission’s established level of concern.

One of the four pending cases is currently on appeal in the Wisconsin Court of Appeals from a jury verdict that awarded the plaintiff $750,000 of economic damages and $1 million for nuisance. All briefing on the appeal has been completed. There is no guarantee when a decision will be issued, but none is expected this year. One of the other cases was tried to a jury beginning on September 13, 2004. On October 6, 2004, the jury returned a verdict that was not in accordance with the law, resulting in a mistrial. That means this case will be re-tried, probably in mid-2005. The other two pending cases have trial dates in January 2005 and April 2005. Discovery is in different stages for the two cases that have not been tried. In those cases, the expert witnesses retained by Wisconsin Public Service do not believe that there is a scientific basis for concluding that electricity has harmed or damaged the plaintiffs or their cows. Accordingly, Wisconsin Public Service is vigorously defending and contesting these actions.

Wisconsin Public Service has insurance coverage for these claims, but the policies have customary self-insured retentions per occurrence. Based upon the information known at this time and the availability of insurance, Wisconsin Public Service believes that the total cost to it of resolving the remaining four actions will not be material.

Both of the cases that have yet to be tried include a claim for common law punitive damages as well as a claim for treble damages under a Wisconsin statute, sec. 196.94. In the tried case that ended in a mistrial, the judge dismissed those claims as a matter of law for lack of supporting evidence. In light of the information it now has, Wisconsin Public Service does not believe there is any basis for the award of punitive or treble damages in these cases. However, if a jury awarded such damages, and if the total of defense costs and all damages exceeded the self-insured retention, Wisconsin Public Service believes its insurance policies would cover such a verdict, including any punitive or treble damages.

Other Environmental Issues

Groundwater testing at a former ash disposal site of Upper Peninsula Power indicated elevated levels of boron and lithium. Supplemental remedial investigations were performed, and a revised remedial action plan was developed. The Michigan Department of Environmental Quality approved the plan in January 2003. A liability of $1.4 million and an associated regulatory asset of $1.4 million were recorded for estimated future expenditures associated with remediation of the site. Upper Peninsula Power received an order from the Michigan Public Service Commission permitting deferral and future recovery of these costs. Upper Peninsula Power has an informal agreement, with the owner of another landfill, under which it has agreed to pay 17% of the investigation and remedial costs. It is estimated that the cost of addressing the site over the next three years is $1.7 million. Upper Peninsula Power has recorded $0.3 million of this amount as its share of the liability as of September 30, 2004.

Manufactured Gas Plant Remediation

Wisconsin Public Service continues to investigate the environmental cleanup of ten manufactured gas plant sites. As of the fall of 2003, cleanup of the land portion of the Oshkosh, Stevens Point, Green Bay, Manitowoc and two Sheboygan sites was substantially complete. Groundwater treatment and monitoring at these sites will continue into the future. Cleanup of the land portion of four sites will be addressed in the future. River sediment remains to be addressed at six sites with sediment contamination. Remedial investigation work commenced on the sediment portion of the Sheboygan site in the fourth quarter of 2004. Sediment removal work at the Marinette site is scheduled for 2005. Work at the other sites remains to be scheduled.

Costs of these cleanups are within the range expected for these sites. Wisconsin Public Service estimates future undiscounted investigation and cleanup costs to be in the range of $35.1 million to $40.6 million. Wisconsin Public Service may adjust these estimates in the future contingent upon remedial technology, regulatory requirements, and the assessment of natural resource damages.

Wisconsin Public Service currently has a $35.1 million liability recorded for cleanup. Wisconsin Public Service has received $12.7 million in insurance recoveries. Wisconsin Public Service expects to recover actual cleanup costs, net of insurance recoveries, in future customer rates. Under current Public Service Commission of Wisconsin policies, Wisconsin Public Service will not recover carrying costs associated with the cleanup expenditures. Wisconsin Public Service will include long-term operation and maintenance costs associated with these sites in future rate requests.

Flood Damage

On May 14, 2003, a fuse plug at the Silver Lake reservoir owned by Upper Peninsula Power was breached. This breach resulted in subsequent flooding downstream on the Dead River, which is located in Michigan's Upper Peninsula near Marquette, Michigan.

A dam owned by Marquette Board of Light and Power, which is located downstream from the Silver Lake reservoir near the mouth of the Dead River, also failed during this event. In addition, high water conditions and siltation resulted in damage at the Presque Isle Power Plant owned by Wisconsin Electric Power Company. Presque Isle, which is located downstream from the Marquette Board of Light and Power dam, was ultimately forced into a temporary shutdown.

The Federal Energy Regulatory Commission's Independent Board of Review issued its report in December of 2003 and concluded that the root cause of the incident was the failure of the design to take into account the highly erodible nature of the fuse plug's foundation materials and spillway channel, resulting in the complete loss of the fuse plug, foundation and spillway channel, which caused the release of Silver Lake far beyond the intended design of the fuse plug. The fuse plug for the Silver Lake reservoir was designed by an outside engineering firm.

WPS Resources maintains a comprehensive insurance program that includes Upper Peninsula Power and which provides both property insurance for its facilities and liability insurance for liability to third parties. WPS Resources is insured in amounts that it believes are sufficient to cover its responsibilities in connection with this event. Deductibles and self-insured retentions on these policies are not material to WPS Resources.

In November 2003, Upper Peninsula Power received approval from the Michigan Public Service Commission and the Federal Energy Regulatory Commission for deferral of costs that are not reimbursable through insurance or recoverable through the power supply cost recovery mechanism. Recovery of costs deferred will be addressed in future rate proceedings. As of September 30, 2004, Upper Peninsula Power has deferred $2.8 million pretax and expensed $1.4 million pretax of costs for damages resulting from the flood. In addition, Upper Peninsula Power has recorded a $0.6 million insurance receivable at September 30, 2004. Insurance payments of $1.1 million were received during the third quarter of 2004 bringing the total insurance payments received as of September 30, 2004, to $2.1 million.

Wausau, Wisconsin, to Duluth, Minnesota, Transmission Line

Construction of the 220-mile, 345-kilovolt Wausau, Wisconsin, to Duluth, Minnesota, transmission line began in the first quarter of 2004.

American Transmission Company has assumed primary responsibility for the overall management of the project and will own and operate the completed line. Wisconsin Public Service received approval from the Public Service Commission of Wisconsin and the Federal Energy Regulatory Commission to transfer ownership of the project to American Transmission Company. Wisconsin Public Service will continue to manage construction of the project and be responsible for obtaining property rights in Wisconsin necessary for the construction of the project.

WPS Resources committed to fund 50% of total project costs incurred up to $198 million. WPS Resources will receive additional equity in American Transmission Company in exchange for a portion of the project funding. During the nine months ended September 30, 2004, WPS Resources invested $6.0 million in American Transmission Company, related to its agreement to fund approximately half of the Wausau to Duluth transmission line. WPS Resources may terminate funding if the project extends beyond January 1, 2010. On December 19, 2003, Wisconsin Public Service and American Transmission Company received approval to continue the project with the new cost estimate of $420.3 million. The updated cost estimate reflects additional costs for the project resulting from time delays, added regulatory requirements, changes and additions to the project at the request of local governments and American Transmission Company overhead costs. Completion of the line is expected in 2008. WPS Resources has the right, but not the obligation, to provide additional funding in excess of $198 million up to its portion of the revised cost estimate. For the period 2004 through 2006, we expect to fund up to $124.6 million for our portion of the Wausau to Duluth transmission line. Our commitment to fund this transmission line could decrease up to 50% if Minnesota Power exercises its option to fund a portion of the project.

Synthetic Fuel Production Facility

We have significantly reduced our consolidated federal income tax liability for the past four years through tax credits available to us under Section 29 of the Internal Revenue Code for the production and sale of solid synthetic fuel from coal. In order to maximize the value of our synthetic fuel production facility, we have reduced our interest in the facility from 67% to 23% through sales to third parties. Our ability to fully utilize the Section 29 tax credits that remain available to us in connection with our remaining interest in the facility will depend on whether the amount of our federal income tax liability is sufficient to permit the use of such credits. The Internal Revenue Service strictly enforces compliance with all of the technical requirements of Section 29. Section 29 tax credits are currently scheduled to expire at the end of 2007. Other future tax legislation and Internal Revenue Service review may also affect the value of the tax credits and the value of our share of the facility.

We have recorded the tax benefit of approximately $101.4 million of Section 29 tax credits as reductions of income tax expense from the project's inception in June 1998 through September 30, 2004. As a result of alternative minimum tax rules, approximately $66.1 million of this tax benefit has been carried forward as a deferred tax asset as of September 30, 2004. The tax benefit recorded with respect to WPS Resources' share of tax credits from the facility is based on our expected consolidated tax liability for all open tax years including the current year, and all future years in which we expect to utilize deferred tax credits to offset our future tax liability. Reductions in our expected consolidated tax liability for any of these years could result in disallowance of previously recorded credits, and/or a change in the amount of the tax benefit deferred to future periods. A reduction in our expected consolidated tax liability for the current year may result in a reduction of the level of synthetic fuel production at the facility. A portion of future payments under one of the agreements covering the sale of a portion of our interest in the facility are contingent on the facility's continued production of synthetic fuel. Pre-tax gains approximating $7 million annually are expected to be realized through 2007 from this sell-down.

NOTE 13--EMPLOYEE BENEFIT PLANS

The following table provides the components of net periodic benefit cost (credit) for WPS Resources' benefit plans for the quarters ended September 30:

WPS Resources	Pension Benefits		Other Benefits	
(Millions)	**2004**	2003	**2004**	2003
Net periodic benefit cost				
Service cost	**$ 5.2**	$ 3.8	**$ 1.8**	$ 1.7
Interest cost	**10.0**	9.3	**4.1**	3.7
Expected return on plan assets	**(11.5)**	(11.7)	**(2.9)**	(2.6)
Amortization of transition (asset) obligation	**-**	-	**0.1**	0.1
Amortization of prior-service cost (credit)	**1.4**	1.5	**(0.5)**	(0.6)
Amortization of net (gain) loss	**1.2**	0.2	**0.7**	0.7
Net periodic benefit cost	**$ 6.3**	$ 3.1	**$ 3.3**	$ 3.0

Wisconsin Public Service's share of net periodic benefit cost (credit) for the quarters ended September 30 is included in the table below:

Wisconsin Public Service	Pension Benefits		Other Benefits	
(Millions)	**2004**	2003	**2004**	2003
Net periodic benefit cost				
Service cost	**$ 4.2**	$ 3.0	**$ 1.6**	$ 1.5
Interest cost	**8.3**	7.7	**3.7**	3.5
Expected return on plan assets	**(10.2)**	(10.4)	**(2.8)**	(2.6)
Amortization of transition (asset) obligation	**-**	-	**0.1**	-
Amortization of prior-service cost (credit)	**1.3**	1.3	**(0.5)**	(0.4)
Amortization of net (gain) loss	**0.5**	0.1	**0.6**	0.6
Net periodic benefit cost	**$ 4.1**	$ 1.7	**$ 2.7**	$ 2.6

The following table provides the components of net periodic benefit cost (credit) for WPS Resources' benefit plans for the nine months ended September 30:

WPS Resources	Pension Benefits		Other Benefits	
(Millions)	**2004**	2003	**2004**	2003
Net periodic benefit cost				
Service cost	**$ 15.4**	$ 11.4	**$ 5.7**	$ 5.3
Interest cost	**29.9**	27.7	**12.8**	11.5
Expected return on plan assets	**(34.4)**	(35.0)	**(8.7)**	(7.9)
Amortization of transition (asset) obligation	**0.1**	-	**0.3**	0.8
Amortization of prior-service cost (credit)	**4.3**	4.4	**(1.7)**	(1.4)
Amortization of net (gain) loss	**3.3**	0.5	**3.4**	1.9
Special termination benefits	**-**	0.8	**-**	-
Net periodic benefit cost	**$ 18.6**	$ 9.8	**$11.8**	$10.2

Wisconsin Public Service's share of net periodic benefit cost (credit) for the nine months ended September 30 is included in the table below:

Wisconsin Public Service	**Pension Benefits**		**Other Benefits**	
(Millions)	**2004**	2003	**2004**	2003
Net periodic benefit cost				
Service cost	**$ 12.5**	$ 9.1	**$ 5.2**	$ 4.9
Interest cost	**24.9**	23.0	**11.5**	10.6
Expected return on plan assets	**(30.6)**	(31.3)	**(8.5)**	(7.7)
Amortization of transition (asset) obligation	**0.1**	-	**0.3**	0.6
Amortization of prior-service cost (credit)	**3.8**	3.9	**(1.4)**	(1.0)
Amortization of net (gain) loss	**1.6**	0.4	**2.6**	1.6
Net periodic benefit cost	**$ 12.3**	$ 5.1	**$ 9.7**	$ 9.0

For the three and nine months ended September 30, 2004, no contributions were made to the pension or other postretirement benefit plans. WPS Resources expects to contribute $1.6 million to its pension plans and $16.2 million to its other postretirement benefit plans in the fourth quarter of 2004.

In May 2004, the staff of the Financial Accounting Standards Board ("FASB"), issued FASB Staff Position ("FSP") 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." This FSP provides guidance on the accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act").

WPS Resources and its actuarial advisors determined that benefits provided by the plan as of the date of enactment were at least actuarially equivalent to Medicare Part D, and, accordingly, WPS Resources will be entitled to the federal subsidy. WPS Resources performed a measurement of the effects of the Act on its accumulated postretirement benefit obligation ("APBO") as of July 1, 2004, the date FSP 106-2 was adopted. As of July 1, 2004, WPS Resources' and Wisconsin Public Service's APBO decreased $40.3 million and $33.5 million, respectively, as a result of the Act. The change in the APBO due to the act is considered an actuarial gain that will be recognized in future periods and, therefore, had no cumulative effect on WPS Resources' or Wisconsin Public Service's retained earnings as of July 1, 2004. The effect of the subsidy served to reduce the net postretirement benefit cost by $1.3 for WPS Resources and $1.1 for Wisconsin Public Service for the three and nine months ended September 30, 2004.

NOTE 14--STOCK OPTION PLANS

Shareholders approved the WPS Resources Corporation 2001 Omnibus Incentive Compensation Plan and the WPS Resources Corporation 1999 Stock Option Plan for certain management personnel. The Board of Directors approved the WPS Resources Corporation 1999 Non-Employee Directors Stock Option Plan. WPS Resources accounts for these plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. No stock option-based compensation cost is reflected in net income, as all options granted under these plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if WPS Resources had applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation," to stock option-based employee compensation:

(Millions, except per share amounts)	Three Months Ended September 30, 2004	2003	Nine Months Ended September 30, 2004	2003
Income available for common shareholders	**$34.8**	$34.1	**$82.0**	$69.8
Deduct: Total stock option-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	**(0.2)**	(0.1)	**(0.5)**	(0.4)
Pro forma income	**$34.6**	$34.0	**$81.5**	$69.4
Basic earnings per common share				
As reported	**$0.93**	$1.05	**$2.20**	$2.15
Pro forma	**$0.93**	$1.04	**$2.19**	$2.14
Diluted earnings per common share				
As reported	**$0.93**	$1.04	**$2.19**	$2.14
Pro forma	**$0.92**	$1.03	**$2.17**	$2.13

NOTE 15--COMPREHENSIVE INCOME

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," requires the reporting of other comprehensive income in addition to income available for common shareholders. Total comprehensive income includes all changes in equity during a period except those resulting from investments by shareholders and distributions to shareholders. WPS Resources' total comprehensive income is:

(Millions)	Three Months Ended September 30, 2004	2003
Income available for common shareholders	**$34.8**	$34.1
Cash flow hedges, net of tax of $(1.0) and $(0.8)	**(1.7)**	(1.2)
Foreign currency translation, net of tax of $0.7	**-**	1.1
Total comprehensive income	**$33.1**	$34.0

(Millions)	Nine Months Ended September 30, 2004	2003
Income available for common shareholders	**$82.0**	$69.8
Cash flow hedges, net of tax of $5.2 and $0.3	**7.6**	0.5
Total comprehensive income	**$89.6**	$70.3

The following table shows the changes to Accumulated Other Comprehensive Income from December 31, 2003 to September 30, 2004.

(Millions)	**2004**
December 31, 2003 balance	**$(15.0)**
Cash flow hedges recognized in income	**(23.2)**
Cash flow hedges not yet settled	**30.8**
September 30, 2004 balance	**$(7.4)**

NOTE 16--VARIABLE INTEREST ENTITIES

The Financial Accounting Standards Board has issued Interpretation No. 46R (as revised), "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51," in order to improve financial reporting by companies involved with variable interest entities. Interpretation No. 46R requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional financial support from other parties. The primary beneficiary is the party that absorbs the majority of the expected losses and/or receives the majority of the expected residual returns of the variable interest entity's activities.

WPS Resources adopted the provisions of Interpretation No. 46R for variable interest entities not defined as special purpose entities effective March 31, 2004. The required adoption had no impact on our consolidated financial statements, as we did not identify significant variable interests in any unconsolidated variable interest entities where we were determined to be the primary beneficiary. We have identified our equity ownership in a synthetic fuel producing facility as a variable interest in a variable interest entity. Through an affiliate of WPS Power Development, WPS Resources owns a partial interest in a synthetic fuel facility located in Kentucky and received tax credits pursuant to Section 29 of the Internal Revenue Code based on sales to unaffiliated third-party purchasers of synthetic fuel produced from coal. At September 30, 2004, WPS Resources had a 23% ownership interest in the synthetic fuel facility. No other variable interests were identified. WPS Resources' maximum exposure to loss as a result of our involvement with this variable interest entity is limited to our investment in this entity, which was not significant at September 30, 2004. We were not identified as the primary beneficiary of this entity and, therefore, were not required to consolidate the synthetic fuel facility into our financial statements at September 30, 2004. The adoption of Interpretation No. 46R also included an analysis of our power purchase and sale agreements. We do not believe that any of our power purchase or sale agreements constitute significant variable interests that would lead us to consolidate entities not currently consolidated or deconsolidate any entities currently consolidated.

NOTE 17--EARNINGS PER SHARE

WPS Resources' common stock shares, $1 par value	**September 30, 2004**	December 31, 2003
Total shares issued, 200,000,000 shares authorized	**37,375,155**	36,830,556
Treasury shares	**12,700**	15,700
Average cost of treasury shares	**$25.19**	$25.19
Shares in deferred compensation trust	**226,673**	192,880
Average cost of deferred compensation trust shares	**$36.70**	$33.72

Earnings per share is computed by dividing income available for common shareholders for the period by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing income available for common shareholders for the period by the weighted average number of shares of common stock outstanding during the period adjusted for the exercise and/or conversion of all potentially dilutive securities. Such dilutive items include in-the-money stock options. Diluted earnings per share for the periods shown are calculated excluding an immaterial number of stock option plan shares that had an anti-dilutive effect.

The following table reconciles the computation of basic and diluted earnings per share:

Reconciliation of Earnings Per Share (Millions, except per share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	**2004**	2003
Income available to common shareholders	**$34.8**	$34.1	**$82.0**	$69.8
Basic weighted average shares	**37.4**	32.6	**37.2**	32.5
Incremental issuable shares	**0.2**	0.3	**0.3**	0.1
Diluted weighted average shares	**37.6**	32.9	**37.5**	32.6
Basic earnings per common share	**$0.93**	$1.05	**$2.20**	$2.15
Diluted earnings per common share	**$0.93**	$1.04	**$2.19**	$2.14

NOTE 18--SEGMENTS OF BUSINESS

We manage our reportable segments separately due to their different operating and regulatory environments. Our utility business segments are the regulated electric utility operations of Wisconsin Public Service and Upper Peninsula Power and the regulated gas utility operations of Wisconsin Public Service. Our other reportable segments include two nonregulated companies, WPS Energy Services and WPS Power Development. WPS Energy Services is a diversified energy supply and services company. WPS Power Development is an electric generation company. The Holding Company and Other segment includes the operations of WPS Resources and WPS Resources Capital Corporation as holding companies and the nonutility activities at Wisconsin Public Service and Upper Peninsula Power.

Segments of Business (Millions)	Regulated Utilities			Nonutility and Nonregulated Operations				
	Electric	Gas	Total Utility	WPS Energy Services	WPS Power Development(1)	Holding Company & Other	Reconciling Eliminations	WPS Resources Consolidated
Three Months Ended September 30, 2004								
External revenues	**$233.5**	**$45.5**	**$279.0**	**$782.3**	**$11.2**	**$ -**	**$ -**	**$1,072.5**
Intersegment revenues	**5.5**	**0.1**	**5.6**	**(2.9)**	**8.4**	**0.3**	**(11.4)**	**-**
Income available for common shareholders	**32.1**	**(3.3)**	**28.8**	**2.5**	**4.2**	**(0.7)**	**-**	**34.8**
Three Months Ended September 30, 2003								
External revenues	$ 220.5	$ 49.0	$ 269.5	$ 702.0	$ 17.9	$ -	$ -	$ 989.4
Intersegment revenues	7.0	0.1	7.1	5.0	1.8	0.3	(14.2)	-
Income available for common shareholders	32.3	(4.5)	27.8	5.1	2.2	(1.0)	-	34.1
Nine Months Ended September 30, 2004								
External revenues	**$657.1**	**$284.5**	**$941.6**	**$2,517.7**	**$32.4**	**$ -**	**$ -**	**$3,491.7**
Intersegment revenues	**15.6**	**4.3**	**19.9**	**4.3**	**19.7**	**0.9**	**(44.8)**	**-**
Income available for common shareholders	**60.2**	**9.9**	**70.1**	**16.7**	**(5.0)**	**0.2**	**-**	**82.0**
Nine Months Ended September 30, 2003								
External revenues	$ 601.3	$ 290.9	$ 892.2	$ 2,291.3	$ 59.5	$0.1	$ -	$ 3,243.1
Intersegment revenues	22.7	3.9	26.6	15.1	6.2	0.8	(48.7)	-
Income available for common shareholders	50.3	6.3	56.6	20.6	(3.8)	(3.6)	-	69.8

(1) All revenue and costs of WPS Power Development's discontinued operations are combined and reported on a net basis in the Consolidated Statements of Income for all periods presented. Accordingly, the above table does not show the revenues from discontinued operations, but the loss from discontinued operations is included as a component of WPS Power Development's loss in the table. Nonregulated revenues reclassified to discontinued operations for the nine months ended September 30, 2004, and September 30, 2003, were $46.7 million and $68.9 million, respectively.

Wisconsin Public Service's principal business segments are the regulated electric utility operations and the regulated gas utility operations.

Segments of Business (Millions)	Electric	Gas	Total Utility	Other	Reconciling Eliminations	Wisconsin Public Service Consolidated
Three Months Ended September 30, 2004						
External revenues	**$214.6**	**$45.6**	**$260.2**	**$0.4**	**$(0.4)**	**$260.2**
Earnings on common stock	**31.5**	**(3.3)**	**28.2**	**2.3**	**-**	**30.5**
Three Months Ended September 30, 2003						
External revenues	$ 205.0	$ 49.1	$ 254.1	$ 0.4	$ (0.5)	$ 254.0
Earnings on common stock	30.6	(4.5)	26.1	1.9	-	28.0
Nine Months Ended September 30, 2004						
External revenues	**$603.2**	**$288.8**	**$892.0**	**$1.1**	**$(1.1)**	**$892.0**
Earnings on common stock	**58.1**	**9.9**	**68.0**	**6.9**	**-**	**74.9**
Nine Months Ended September 30, 2003						
External revenues	$ 555.7	$ 294.8	$ 850.5	$ 1.1	$ (1.1)	$ 850.5
Earnings on common stock	44.7	6.3	51.0	5.2	-	56.2

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION - WPS RESOURCES CORPORATION

WPS Resources Corporation is a holding company, which is exempt from the Public Utility Holding Company Act of 1935. Our wholly owned subsidiaries include two regulated utilities, Wisconsin Public Service Corporation (which is an operating entity as well as a holding company exempt from the Public Utility Holding Company Act of 1935) and Upper Peninsula Power Company. Another wholly owned subsidiary, WPS Resources Capital Corporation, is a holding company for our nonregulated businesses, including WPS Energy Services, Inc. and WPS Power Development, Inc.

Our regulated and nonregulated businesses have distinct competencies and business strategies, offer differing products and services, experience a wide array of risks and challenges and are viewed uniquely by management. The Introduction to Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in the 2003 Form 10-K for WPS Resources Corporation included a discussion of these topics. There have not been significant changes to the content of the matters discussed in the above referenced section of the 2003 Form 10-K; however, certain tables have been updated and included below to reflect current information. These tables should be read in conjunction with the discussion appearing in the Introduction to Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in the 2003 Form 10-K.

The table below discloses future natural gas and electric sales volumes under contract at WPS Energy Services as of September 30, 2004. Contracts are generally one to three years in duration. WPS Energy Services expects that its ultimate sales volumes will exceed the volumes shown in the table below as it continues to seek growth opportunities. Some of the contracted amounts disclosed below may be settled financially (commodity will not physically transfer), which would result in recording revenues net of the cost of fuel, natural gas, and purchased power.

Forward Contracted Volumes at September 30, 2004(1)	**October 1, 2004 through September 30, 2005**	October 1, 2005 through September 30, 2007
Wholesale sales volumes - billion cubic feet	**91.3**	13.6
Retail sales volumes - billion cubic feet	**162.9**	48.9
Total natural gas sales volumes	**254.2**	62.5
Wholesale sales volumes - million kilowatt-hours	**5,523**	1,032
Retail sales volumes - million kilowatt-hours	**3,730**	1,832
Total electric sales volumes	**9,253**	2,864

(1) This table represents physical sales contracts for natural gas and electric power for delivery or settlement in future periods. Management has no reason to believe that gross margins that will be generated by these contracts will vary significantly from those experienced historically.

For comparative purposes, future natural gas and electric sales volumes under contract at September 30, 2003 are shown below. Actual electric and natural gas sales volumes for the nine months ended September 30, 2004 and 2003 are disclosed within Results of Operations - WPS Resources Corporation, below.

Forward Contracted Volumes at September 30, 2003[1]	**October 1, 2003 through September 30, 2004**	October 1, 2004 through September 30, 2006
Wholesale sales volumes - billion cubic feet	**102.8**	19.5
Retail sales volumes - billion cubic feet	**133.6**	53.3
Total natural gas sales volumes	**236.4**	72.8
Wholesale sales volumes - million kilowatt-hours	**372**	50
Retail sales volumes - million kilowatt-hours	**4,796**	2,793
Total electric sales volumes	**5,168**	2,843

(1) This table represents physical sales contracts for natural gas and electric power for delivery or settlement in future periods. Management has no reason to believe that gross margins that will be generated by these contracts will vary significantly from those experienced historically.

The table below summarizes WPS Energy Services' wholesale counter-party credit exposure, categorized by maturity date, as of September 30, 2004 (in millions):

Counter-party Rating[1]	Total Exposure[2]	Exposure Less Than 1 Year	Exposure 1 to 3 Years	Exposure with Counter-parties Greater Than 10% of Total Exposure
Investment grade -- regulated utility	$ 28.4	$ 21.7	$ 6.7	$ 15.8
Investment grade -- other	94.9	78.5	16.4	-
Non-investment grade -- regulated utility	6.6	6.6	-	-
Non-investment grade -- other	3.0	3.0	-	-
Non-rated -- regulated utility	-	-	-	-
Non-rated -- other	31.8	24.2	7.6	-
Total exposure	$ 164.7	$ 134.0	$ 30.7	$ 15.8

(1) The investment and non-investment grade categories are determined by publicly available credit ratings of the counter-party or any guarantor, whichever is higher. Investment grade counter-parties are those with a senior unsecured Moody's rating of Baa3 or above or a Standard & Poor's rating of BBB- or above.

(2) Exposure considers netting of accounts receivable and accounts payable where netting agreements are in place as well as netting mark-to-market exposure. Exposure is before consideration of collateral from counter-parties. Collateral, in the form of cash and letters of credit, received from counter-parties totaled $11.0 million at September 30, 2004; $3.2 million from non-investment grade counter-parties and $7.8 million from non-rated counter-parties.

RESULTS OF OPERATIONS - WPS RESOURCES CORPORATION

Third Quarter 2004 Compared with Third Quarter 2003

WPS Resources Corporation Overview

WPS Resources' results of operations for the three months ended September 30 are shown in the following table:

WPS Resources' Results (Millions, except share amounts)	**2004**	2003	Change
Consolidated operating revenues	**$1,072.5**	$989.4	8.4%
Income available for common shareholders	**$34.8**	$34.1	2.1%
Basic earnings per share	**$0.93**	$1.05	(11.4%)
Diluted earnings per share	**$0.93**	$1.04	(10.6%)

The $83.1 million increase in consolidated operating revenues for the quarter ended September 30, 2004, compared to the same quarter in 2003, was largely driven by a $72.4 million (10.2%) increase in revenue at WPS Energy Services and a $11.5 million (5.1%) increase in electric utility revenue. Higher revenue at WPS Energy Services was driven by expansion of the Canadian retail natural gas business, higher physical wholesale electric volumes associated with portfolio optimization strategies and the July 1, 2004, acquisition of Advantage Energy. Electric utility revenues increased largely as a result of retail and wholesale electric rate increases, partially offset by a decrease in sales volumes attributable to unfavorable weather conditions. Revenue changes by reportable segment are discussed in more detail below.

Income available for common shareholders was $34.8 million ($0.93 basic earnings per share) for the quarter ended September 30, 2004, compared to $34.1 million ($1.05 basic earnings per share) for the same quarter in 2003. Significant factors impacting the change in earnings and earnings per share are as follows (and are discussed in more detail below).

- Approved rate increases favorably impacted electric and natural gas margins at the utilities.
- Electric utility sales volumes decreased in the third quarter of 2004, compared to the same period in 2003 because of weather that was 12% cooler during the cooling season.
- Natural gas utility throughput volumes were lower in the third quarter of 2004 as there were fewer heating days compared to the same period in 2003.
- Portfolio optimization strategies utilized to maximize the value of WPS Power Development's merchant generation fleet and WPS Energy Services' retail supply portfolio drove an increase in the electric margin at WPS Energy Services.
- The decrease in WPS Energy Services' natural gas margin was primarily driven by the negative impact that fair value hedge accounting rules had on margin recognized from the natural gas storage cycle. This negative margin impact will substantially reverse in the fourth quarter of 2004 and the first quarter of 2005, as natural gas is withdrawn from storage.
- Consolidated operating and maintenance expenses increased in 2004.
- Synthetic fuel related tax credits recognized were higher in the third quarter of 2004 when compared to the same period in 2003.
- The weighted average number of shares of WPS Resources common stock increased by 4.9 million shares for the quarter ended September 30, 2004, compared to the same quarter in 2003. The increase was largely due to issuing 4,025,000 additional shares of common stock through a public offering in November 2003. Additional shares were also issued under the Stock Investment Plan and certain stock-based employee benefit plans.

Overview of Utility Operations

Utility operations include the electric utility segment, consisting of the electric operations of Wisconsin Public Service and Upper Peninsula Power, and the gas utility segment comprising the natural gas operations at Wisconsin Public Service. Income available for common shareholders attributable to the electric utility segment was $32.1 million for the quarter ended September 30, 2004, compared to $32.3 million for the quarter ended September 30, 2003. Losses attributable to the gas utility segment were ($3.3) million for the quarter ended September 30, 2004, compared to ($4.5) million for the quarter ended September 30, 2003.

Electric Utility Segment Operations

WPS Resources' Electric Utility Segment Results *(Millions)*	Three Months Ended September 30, 2004	2003	Change
Revenues	**$239.0**	$227.5	5.1%
Fuel and purchased power costs	**74.7**	74.1	0.8%
Margins	**$164.3**	$153.4	7.1%
Sales in kilowatt-hours	**3,730.0**	3,825.0	(2.5%)

Electric utility revenue increased $11.5 million (5.1%) for the quarter ended September 30, 2004, compared to the same quarter in 2003. Electric utility revenue increased largely due to the retail and wholesale electric rate increases for Wisconsin Public Service's Wisconsin and Michigan customers, as summarized below.

- Effective March 21, 2003, the Public Service Commission of Wisconsin approved a retail electric rate increase of $21.4 million (3.5%).
- Effective May 11, 2003, the Federal Energy Regulatory Commission ordered a $4.1 million (21%) interim increase in wholesale rates, subject to potential refund if final rates are lower.
- Effective July 22, 2003, the Michigan Public Service Commission approved a $0.3 million (2.2%) increase in retail electric rates for Wisconsin Public Service's Michigan customers and authorized recovery of $1.0 million of increased transmission costs through the power supply cost recovery process.
- Effective January 1, 2004, the Public Service Commission of Wisconsin approved a retail electric rate increase of $59.4 million (9.3%).

Higher revenue resulting from rate cases was offset by a 2.5% decrease in electric sales volumes driven by weather that was 12% cooler in the third quarter of 2004 compared to the third quarter of 2003.

The electric utility margin increased $10.9 million (7.1%) for the quarter ended September 30, 2004, compared to the same quarter in 2003. Largely due to the retail and wholesale electric rate increases, electric margins at Wisconsin Public Service increased $10.7 million (7.6%). The positive impact of rate cases on revenue was partially offset by the decrease in electric sales volumes driven by unfavorable weather conditions. Fuel and purchased power costs did not have a significant impact on margin as the 7.9% increase in the per-unit cost of purchased power was offset by a 4.7% decrease in the per-unit cost of fuel used in generation. The mix of generated and purchased power did not change significantly between periods.

Electric utility earnings decreased $0.2 million (0.6%) for the quarter ended September 30, 2004, compared to the same quarter in 2003, as the higher margin was more than offset by the increase in operating and maintenance expenses discussed below.

Gas Utility Segment Operations

WPS Resources' Gas Utility Segment Results *(Millions)*	Three Months Ended September 30, **2004**	2003	Change
Revenues	**$45.6**	$49.1	(7.1%)
Purchase costs	**28.8**	32.2	(10.6%)
Margins	**$16.8**	$16.9	(0.6%)
Throughput in therms	**104.1**	120.7	(13.8%)

Gas utility revenue decreased $3.5 million (7.1%) for the quarter ended September 30, 2004, compared to the same quarter in 2003. The lower revenue was driven by an overall 13.8% decrease in natural gas throughput volumes that was the result of warmer weather during the third quarter of 2004 compared to the same quarter in 2003. The decrease in revenue related to lower throughput volumes was partially offset by an authorized rate increase and a 14.6% increase in the per-unit cost of natural gas during the quarter ended September 30, 2004, compared to the same quarter in 2003. The Public Service Commission of Wisconsin issued a final order authorizing a retail natural gas rate increase of $8.9 million (2.2%), effective January 1, 2004. The Public Service Commission of Wisconsin and the Michigan Public Service Commission allow Wisconsin Public Service to pass changes in the total cost of natural gas on to customers.

The natural gas utility margin decreased $0.1 million (0.6%) for the quarter ended September 30, 2004, compared to the same quarter in 2003. The lower natural gas utility margin is largely due to the decrease in natural gas throughput volumes, partially offset by the authorized rate increase.

The gas utility loss decreased $1.2 million, which was driven by a decrease in operating and maintenance expenses for this segment.

Overview of Nonregulated Operations

Nonregulated operations consist of natural gas, electric, and other sales at WPS Energy Services, a diversified energy supply and services company, and the operations of WPS Power Development, an electric generation company. WPS Energy Services and WPS Power Development are both reportable segments.

Income available for common shareholders attributable to WPS Energy Services was $2.5 million for the quarter ended September 30, 2004, compared to $5.1 million for the same quarter in 2003. WPS Energy Services' earnings decreased $2.6 million due primarily to the decrease in the natural gas margin discussed below.

Income available for common shareholders attributable to WPS Power Development was $4.2 million for the quarter ended September 30, 2004, compared to $2.2 million for the same quarter in 2003. The increase in earnings at WPS Power Development was largely due to an increase in synthetic fuel tax credits recognized during the period, a higher margin and a decrease in operating and maintenance expenses. Increased earnings were partially offset by lower operating results from discontinued operations.

WPS Energy Services' Segment Operations

Total segment revenues at WPS Energy Services were $779.4 million for the quarter ended September 30, 2004, compared to $707.0 million for the same quarter in 2003. The total margin at WPS Energy Services was $16.8 million for the quarter ended September 30, 2004 compared to $19.8 million for the quarter ended September 30, 2003. WPS Energy Services' nonregulated natural gas and electric operations are the primary contributors to revenues and margins and are discussed below.

WPS Energy Services' Natural Gas Results	Three Months Ended September 30,		
(Millions except sales volumes)	**2004**	2003	Change
Nonregulated natural gas revenues	**$645.2**	$585.3	10.2%
Nonregulated natural gas cost of sales	**647.0**	578.1	11.9%
Margins	**$ (1.8)**	$ 7.2	(125.0%)
Wholesale sales in billion cubic feet *	**76.9**	67.2	14.4%
Retail sales in billion cubic feet *	**48.0**	47.4	1.3%

* Represents gross physical volumes

Natural gas revenue increased $59.9 million (10.2%) for the quarter ended September 30, 2004, compared to the same quarter in 2003, primarily as a result of expansion of the Canadian retail natural gas business (due to obtaining new customers) and higher gas prices.

The natural gas margin decreased $9.0 million for the quarter ended September 30, 2004, compared to the same quarter in 2003. The margin related to retail natural gas operations increased $3.3 million, driven by higher natural gas throughput volumes in Ohio (due to the addition of new customers), operational improvements and better management of supply for residential and small commercial customers. Customer growth and margin improvement in Canada also contributed to the increase in the retail natural gas margin. A $12.3 million decrease in the wholesale natural gas margin for the quarter ended September 30, 2004, compared to the same quarter in 2003, was primarily attributed to earnings volatility associated with the natural gas storage cycle, which had a $9.2 million negative impact on margin.

WPS Energy Services is impacted by earnings volatility associated with the natural gas storage cycle, which runs annually from April through March of the next year. Generally, injections of natural gas into storage inventory take place in the summer months and natural gas is withdrawn from storage in the winter months. WPS Energy Services' policy is to hedge the value of natural gas in storage with sales in the over-the-counter and futures markets, effectively locking in a margin on storage. Fair market value hedge accounting rules require the natural gas in storage to be marked-to-market using spot prices, while the future sales contracts are marked-to-market using forward price curves. When the month-end spot prices utilized to value the natural gas in storage change disproportionately to the month-end forward prices utilized to value the contracts for the sale of natural gas inventory in the future, WPS Energy Services experiences volatility in its earnings. Also, although gas in storage is marked-to-market pursuant to fair value hedge accounting rules, natural gas storage contracts do not qualify for mark-to-market accounting. Consequently, earnings volatility may occur within the contract period for future sales contracts that are marked-to-market without corresponding mark-to-market recognition of the change in the value of gas storage contracts. The accounting treatment does not impact the underlying cash flows or economics of these transactions. For the three month period ended September 30, 2004, the natural gas storage cycle had a $9.8 million negative impact on margin, compared with a $0.6 million unfavorable impact for the same period in 2003. At September 30, 2004, there was a $12 million difference between the mark-to-market values of gas in storage (valued at spot prices) and future sales contracts (valued using forward price curves). This difference relates to the 2004/2005 natural gas storage cycle and compares to a $2.7 million difference between the mark-to-market values of gas in storage and future sales contracts at September 30, 2003 related to the 2003/2004 natural gas storage cycle. The difference between mark-to-market values of gas in storage and future sales contracts related to the 2004/2005 storage cycle is expected to substantially reverse during the fourth quarter of 2004 and the first quarter of 2005, but no later than when the natural gas is withdrawn from storage.

WPS Energy Services' Electric Results	Three Months Ended September 30,		
(Millions)	**2004**	2003	Change
Nonregulated electric revenues	**$133.8**	$121.0	10.6%
Nonregulated electric cost of sales	**115.6**	109.1	6.0%
Margins	**$ 18.2**	$ 11.9	52.9%
Wholesale sales in kilowatt-hours *	**579.2**	1,586.9	(63.5%)
Retail sales in kilowatt-hours *	**2,027.2**	1,623.8	24.8%

* Represents gross physical volumes

Electric revenue at WPS Energy Services increased $12.8 million during the quarter ended September 30, 2004, compared to the same period in 2003, primarily due to a $46 million increase resulting from higher volumes from portfolio optimization strategies utilized to maximize the value of WPS Power Development's merchant generation fleet and WPS Energy Services' retail supply portfolio. WPS Energy Services first implemented the strategies to optimize the value of WPS Power Development's merchant generation fleet in the first quarter of 2004 and has reduced the market price risk while extracting additional value from these plants and its own retail supply portfolios, through the use of various financial and physical instruments (such as forward contracts and options). Revenue also increased approximately $22 million as a result of the July 1, 2004 acquisition of Advantage Energy. These increases were partially offset by a $46 million decrease in revenue from WPS Energy Services' participation in the New Jersey Basic Generation Services Program, as its participation in this program ended on May 31, 2004.

WPS Energy Services' electric margin increased $6.3 million (52.9%) for the quarter ended September 30, 2004, compared to the same quarter in 2003. The retail electric margin increased $4.1 million, driven by a $2.2 million increase in margin from retail electric operations in Ohio (due to improved supply management) and a $2.6 million favorable settlement of a pricing dispute with a counter-party. These increases were partially offset by a $1.3 million decrease in margin from retail electric operations in Michigan due to a period-over-period increase in line losses and other transmission related costs. The margin attributed to wholesale electric operations increased $2.2 million. The higher wholesale electric margin was driven by a $7.7 million increase resulting from the portfolio optimization strategies discussed above. While risks associated with power generating capacity and power sales are economically hedged, certain transactions do not qualify for hedge accounting under generally accepted accounting principles. Consequently, gains and losses from the generation assets do not always match with the related physical and financial hedging instruments in some reporting periods. Although this result can cause volatility in the reported period-by-period earnings of WPS Energy Services, the financial impact of this timing difference will reverse at the time of physical delivery and/or settlement of the hedge transaction. The accounting treatment does not impact the underlying cash flows or economics of these transactions. Partially offsetting the higher wholesale electric margin was a $5.4 million decrease in margin related to the end of participation in the New Jersey Basic Generation Services Program.

WPS Power Development's Segment Operations

All revenues and costs of WPS Power Development's discontinued operations are combined and reported on a net basis in WPS Resources' Consolidated Statements of Income for all periods presented. Accordingly, the table below does not include revenues and cost of sales of discontinued operations, which are discussed separately within Discontinued Operations below.

WPS Power Development's Production Results *(Millions)*	Three Months Ended September 30, **2004**	2003	Change
Nonregulated other revenues	**$19.6**	$19.7	(0.5%)
Nonregulated other cost of sales	**12.2**	13.7	(10.9%)
Margins	**$ 7.4**	$ 6.0	23.3%

WPS Power Development's revenue for the quarter ended September 30, 2004, did not change significantly compared to the same quarter in 2003 as revenue increases at its Combined Locks Energy Center in Wisconsin and its Stoneman generation facility in Cassville, Wisconsin, were offset by lower revenue from its generation facility in Beaver Falls, New York. Revenue at the Combined Locks Energy Center increased as a result of higher energy prices and revenues at the Stoneman generation facility increased primarily as a result of a new power purchase agreement in place at this facility. Lower revenue at the Beaver Falls generation facility was the result of a decrease in sales volumes in the third quarter of 2004, compared to the third quarter of 2003. Lower market prices and increased fuel costs made it uneconomical to produce energy at this facility.

WPS Power Development's margin for the quarter ended September 30, 2004, increased $1.4 million (23.3%), compared to the same quarter in 2003, primarily resulting from a $1.5 million combined increase in margins at its Combined Locks Energy Center and Stoneman generating facility. The margin increase was also impacted by a $0.9 million write-down to market of emission allowances in the third quarter of 2003. The higher margin at the Combined Locks Energy Center was a function of lower steam sales volumes required by the counter-party to a power purchase agreement from this facility as high fuel prices have negatively impacted the margin WPS Power Development is able to realize on steam sales supplied under this contract. The increase in margin at the Stoneman generation facility was due to the higher sales volumes discussed above. A decrease in margin from WPS Power Development's Niagara generation facility related to an increase in the per ton cost of coal utilized in the generation process at this facility, partially offset the increases discussed above.

Overview of Holding Company and Other Segment Operations

Holding Company and Other operations include the operations of WPS Resources and WPS Resources Capital as holding companies and the nonutility activities at Wisconsin Public Service and Upper Peninsula Power. Holding Company and Other operations had a net loss of ($0.7) million for the quarter ended September 30, 2004, compared to a net loss of ($1.0) million for the same quarter in 2003. Higher equity earnings from American Transmission Company drove the decrease in the net loss.

Operating Expenses

WPS Resources' Operating Expenses *(Millions)*	Three Months Ended September 30, **2004**	2003	Change
Operating and maintenance expense	**$118.0**	$104.2	13.2%
Depreciation and decommissioning expense	**26.1**	28.6	(8.7%)
Taxes other than income	**11.5**	11.0	4.5%

Operating and maintenance expense

Operating and maintenance expenses increased $13.8 million (13.2%) for the quarter ended September 30, 2004, compared to the same quarter in 2003. Utility operating and maintenance expenses increased $11.7 million for the quarter ended September 30, 2004, compared to the same quarter in 2003. Electric transmission costs were up $4.0 million at the utilities due primarily to an increase in transmission rates. Additionally, pension and postretirement medical costs accounted for $3.0 million of the increase, maintenance costs incurred in preparation for the fourth quarter Kewaunee outage and maintenance costs associated with distribution assets accounted for $2.0 million of the increase, amortization of costs incurred in conjunction with the implementation of the automated meter reading system and the purchase of the De Pere Energy Center (deferred as regulatory assets) accounted for $1.0 million of the increase, and higher payroll and benefit costs drove the remaining increase. Operating expenses at WPS Energy Services increased $1.1 million largely due to higher payroll and benefit costs associated with recent business expansion. Operating and maintenance expenses at WPS Power Development decreased $0.9 million due primarily to a decrease in wages, benefits and repair and maintenance expenses. The decrease in repair and maintenance expenses related to repairs at the Combined Locks Energy Center in 2003, which did not recur in 2004.

Depreciation and decommissioning expense

Depreciation and decommissioning expense decreased $2.5 million (8.7%) for the quarter ended September 30, 2004, compared to the same quarter in 2003, due primarily to a decrease in gains recorded on decommissioning trust assets. Realized gains on decommissioning trust assets are substantially offset by depreciation expense pursuant to regulatory practice.

Taxes other than income

Taxes other than income increased $0.5 million (4.5%) primarily due to an increase in gross receipts taxes paid by Wisconsin Public Service as a result of higher revenues.

Other Income (Expense)

	Three Months Ended September 30,		
WPS Resources' Other Expense *(Millions)*	**2004**	2003	Change
Miscellaneous income	**$ 9.9**	$ 8.8	12.5%
Interest expense and distributions of preferred securities	**(13.4)**	(14.0)	(4.3%)
Minority interest	**1.2**	2.0	(40.0%)
Other expense	**$(2.3)**	$(3.2)	(28.1%)

Miscellaneous income

Miscellaneous income increased $1.1 million (12.5%) for the quarter ended September 30, 2004, compared to the same quarter in 2003. The increase in miscellaneous income is largely due to increases in equity earnings from our investments in American Transmission Company and Wisconsin Valley Improvement Company. These increases were partially offset by a $2.1 million decrease in gains realized on decommissioning trust assets.

Minority interest

The decrease in minority interest is related to the fact that WPS Power Development's partner was allocated more production from the synthetic fuel operation in 2003 compared to 2004.

Provision for Income Taxes

The effective tax rate was 20.6% for the quarter ended September 30, 2004, compared to 32.5% for the quarter ended September 30, 2003. The decrease in the provision for income taxes was largely related to an increase in the amount of tax credits recognized (mostly related to synthetic fuel tax credits). Our ownership interest in the synthetic fuel operation resulted in the recognition of $7.1 million of Section 29 federal tax credits for the quarter ended September 30, 2004, and $3.8 million for the same quarter in 2003.

Generally accepted accounting principles require our year-to-date interim effective tax rate to reflect our projected annual effective tax rate. As a result, we estimate the effective tax rate for the year, and based upon year-to-date pre-tax earnings, raise or lower the tax expense recorded for the period to reflect the projected annual effective tax rate. Based upon our year-to-date income before taxes and projected annual effective tax rate, we were not able to recognize the benefit of $5.4 million of tax credits that were produced from our ownership interest in the synthetic fuel operation during the second and third quarters of 2004 (a similar adjustment was not required in 2003). Based upon projected taxable income for the remainder of the year, we expect to recognize the remaining $5.4 million of Section 29 federal tax credits in the fourth quarter of 2004.

The operations of our synthetic fuel facility generate tax credits, which we use to reduce our current federal income tax liability, with any remaining tax credits increasing our alternative minimum tax credit available for future years. The cumulative amount of alternative minimum tax credits carried forward at September 30, 2004, relating to our interest in the synthetic fuel facility was $66.1 million. Based on a review of all known facts and circumstances, management has concluded that it is more likely than not that we will be able to use these tax credits in the future.

Discontinued Operations

The after-tax loss from discontinued operations (Sunbury generation facility) was ($2.3) million for the quarter ended September 30, 2004, compared to after-tax income from discontinued operations of $1.6 million for the same period in 2003. The unfavorable variance was primarily the result of a $5.3 million decrease in margin, partially offset by a $0.6 million decrease in operating and maintenance expenses. Margin was negatively impacted by an increase in the per ton cost of coal utilized to service a fixed price outtake contract and a decrease in the market price of power. In anticipation of its sale, Sunbury did not enter into staggered term coal contracts in accordance with its normal procurement practice. The decrease in operating and maintenance expenses was primarily the result of lower depreciation expense, as a result of discontinuing depreciation on those assets classified as held for sale in the fourth quarter of 2003, as required by generally accepted accounting principles.

For a discussion of the accounting considerations applicable to discontinued operations, see Note 5, "Assets Held for Sale."

Nine Months 2004 Compared with Nine Months 2003

WPS Resources Corporation Overview

WPS Resources' results of operations for the nine months ended September 30 are shown in the following table:

WPS Resources' Results (Millions, except share amounts)	**2004**	2003	Change
Consolidated operating revenues	**$3,491.7**	$3,243.1	7.7%
Income available for common shareholders	**$82.0**	$69.8	17.5%
Basic earnings per share	**$2.20**	$2.15	2.3%
Diluted earnings per share	**$2.19**	$2.14	2.3%

The $248.6 million increase in consolidated operating revenue for the nine months ended September 30, 2004, compared to the same period in 2003, was largely driven by a $215.6 million (9.3%) increase in revenue at WPS Energy Services and a $48.7 million (7.8%) increase in electric utility revenue, partially offset by a $13.6 million (20.7%) decrease in revenue at WPS Power Development. WPS Energy Services' revenue increased due to expansion of the Canadian retail natural gas business, higher physical wholesale electric volumes associated with portfolio optimization strategies and the July 1, 2004, acquisition of Advantage Energy. Electric utility revenue increased largely as a result of authorized retail and wholesale electric rate increases. Lower revenue at WPS Power Development was driven by several plant outages in 2004. Revenue changes by reportable segment are discussed in more detail below.

Income available for common shareholders was $82.0 million ($2.20 basic earnings per share) for the nine months ended September 30, 2004, compared to $69.8 million ($2.15 basic earnings per share) for the nine months ended September 30, 2003. Significant factors impacting the change in earnings and earnings per share are as follows (and are discussed in more detail below).

- Approved rate increases (including the impact of timely retail electric rate relief in 2004, compared to the delay in receiving retail electric rate relief in 2003) favorably impacted margin at the utilities.
- Electric utility sales volumes were negatively impacted by weather that was 6% cooler during the cooling season in 2004 compared to 2003.
- Natural gas utility throughput volumes were lower in 2004 due to weather that was 6% warmer during the heating season, compared to 2003.
- WPS Energy Services' retail natural gas margin improved significantly in 2004 due to higher throughput volumes in Ohio and improved supply management.
- WPS Energy Services' wholesale natural gas margin was significantly lower in 2004 because of favorable settlements with several counter-parties that occurred in 2003, the negative impact that fair value hedge accounting rules had on the margin recognized from the natural gas storage cycle (which is expected to substantially reverse in the fourth quarter of 2004 and the first quarter of 2005), and reduced structured transaction opportunities due to lower variability in the price of natural gas during the first half of 2004.
- Portfolio optimization strategies utilized to maximize the value of WPS Power Development's merchant generation fleet and WPS Energy Services' retail supply portfolio drove an increase in the electric margin at WPS Energy Services.
- Consolidated operating and maintenance expenses increased in 2004.
- Synthetic fuel related tax credits recognized were higher in 2004 when compared to the same period in 2003.
- The weighted average number of shares of WPS Resources common stock increased by 4.7 million shares for the nine months ended September 30, 2004, compared to the same period in 2003. The increase was largely due to issuing 4,025,000 additional shares of common stock through a public offering in November 2003. Additional shares were also issued under the Stock Investment Plan and certain stock-based employee benefit plans.

Overview of Utility Operations

Income available for common shareholders attributable to the electric utility segment was $60.2 million for the nine months ended September 30, 2004, compared to $50.3 million for the nine months ended September 30, 2003. Income available for common shareholders attributable to the gas utility segment was $9.9 million for the nine months ended September 30, 2004, compared to $6.3 million for the nine months ended September 30, 2003.

Electric Utility Segment Operations

WPS Resources' Electric Utility	Nine Months Ended September 30,		
Segment Results *(Millions)*	**2004**	2003	Change
Revenues	**$672.7**	$624.0	7.8%
Fuel and purchased power costs	**216.9**	211.1	2.7%
Margins	**$455.8**	$412.9	10.4%
Sales in kilowatt-hours	**10,792.0**	10,788.6	-%

Electric utility revenue increased $48.7 million (7.8%) for the nine months ended September 30, 2004, compared to the same period in 2003. Electric utility revenue increased largely due to authorized retail and wholesale electric rate increases for Wisconsin Public Service's Wisconsin and Michigan customers (as discussed above). The rate increases were necessary primarily to recover increased operating costs. Despite weather that was 6% cooler during the cooling season in 2004 compared to 2003, sales volumes remained flat. A 3.4% decrease in sales volumes to our residential customers was offset by a 1.1% increase to our higher volume commercial and industrial customers. Lower sales volumes to our residential customers were driven by the unfavorable weather conditions, while the higher sales volumes to our commercial and industrial customers reflect favorable economic conditions compared to the same period in 2003.

The electric utility margin increased $42.9 million (10.4%) for the nine months ended September 30, 2004 compared to the same period in 2003. The electric margin at Wisconsin Public Service increased $42.3 million (11.2%) due largely to the retail and wholesale electric rate increases mentioned above. Sales volumes for the nine months ended September 30, 2004 remained consistent with prior year levels and, therefore, did not have a significant impact on margin. The negative impact on sales volumes resulting from unfavorable weather conditions was offset by an increase in sales volumes to Wisconsin Public Service's commercial and industrial customers driven by continued economic improvement. Higher margins attributed to authorized rate increases were partially offset by a $7.8 million increase in purchased power costs. Although the quantity of power purchased decreased slightly, purchased power costs were 16.8% higher (on a per-unit basis) for the nine months ended September 30, 2004, compared to the same period in 2003. The Public Service Commission of Wisconsin allows Wisconsin Public Service to adjust prospectively the amount billed to Wisconsin retail customers for fuel and purchased power if costs are in excess of plus or minus 2% from approved levels. Earlier in the year, an interim fuel rate order was received from the Public Service Commission of Wisconsin allowing for a $6.0 million (1.2%) increase in rates for the period beginning April 2, 2004 and ending December 31, 2004. The interim fuel order was initially filed because of an increase in the cost of fuel and purchased power during the Kewaunee nuclear power plant outage (which lasted for approximately two weeks in January 2004) and expectations that purchased power costs would remain high throughout 2004. In September 2004, the Public Service Commission of Wisconsin issued its final order, requiring Wisconsin Public Service to refund $1.8 million of revenues collected under the interim rate order to customers. The reduction from the interim rates was necessary due to lower than anticipated fuel and purchased power costs in the third quarter of 2004, which were the result of cooler than normal weather conditions. The final order continues to allow Wisconsin Public Service recovery of an estimated $3.2 million of its increased fuel and purchased power costs, $2.1 million of which have been recovered through September 30, 2004, after considering the impact of the refund.

Electric utility earnings increased $9.9 million (19.7%) for the nine months ended September 30, 2004, compared to the same period in 2003. The increased earnings were largely driven by the higher margin at Wisconsin Public Service (including the effect of timely retail electric rate relief in 2004 compared to a delay in receiving retail electric rate relief in 2003), and were partially offset by higher operating and maintenance expenses.

Gas Utility Segment Operations

WPS Resources' Gas Utility Segment Results *(Millions)*	Nine Months Ended September 30, **2004**	2003	Change
Revenues	**$288.8**	$294.8	(2.0%)
Purchase costs	**203.4**	213.3	(4.6%)
Margins	**$ 85.4**	$ 81.5	4.8%
Throughput in therms	**571.1**	619.6	(7.8%)

Gas utility revenue decreased $6.0 million (2.0%) for the nine months ended September 30, 2004, compared to the same period in 2003. Lower revenue was driven by an overall 7.8% decrease in natural gas throughput volumes due to weather that was 6% warmer during the heating season for the nine months ended September 30, 2004, compared to the same period in 2003. The decrease in revenue driven by lower throughput volumes was partially offset by an authorized rate increase (discussed above) and an increase in the per-unit cost of natural gas. Natural gas prices increased 6.3% per unit for the nine months ended September 30, 2004, compared to the same period in 2003. The Public Service Commission of Wisconsin and the Michigan Public Service Commission allow Wisconsin Public Service to pass changes in the total cost of natural gas on to customers.

The natural gas utility margin increased $3.9 million (4.8%) for the nine months ended September 30, 2004, compared to the same period in 2003. The higher natural gas utility margin is largely due to the rate increase mentioned above.

The higher margin drove a $3.6 million (57.1%) increase in gas utility earnings for the nine months ended September 30, 2004.

Overview of Nonregulated Operations

Income available for common shareholders attributable to WPS Energy Services was $16.7 million for the nine months ended September 30, 2004, compared to $20.6 million for the same period in 2003. Higher overall margins were offset by an increase in operating expenses and a $3.3 million after-tax cumulative effect of change in accounting principles that was recorded at WPS Energy Services in 2003.

WPS Power Development reported a ($5.0) million net loss for the nine months ended September 30, 2004 compared to a ($3.8) million net loss for the nine months ended September 30, 2003, primarily due to the increased loss from discontinued operations, increased operating and maintenance expenses and lower margin. These items were partially offset by an increase in synthetic fuel related tax credits recognized during the period.

WPS Energy Services' Segment Operations

Total segment revenues at WPS Energy Services were $2,522.0 million for the nine months ended September 30, 2004, compared to $2,306.4 million for the nine months ended September 30, 2003. The total margin at WPS Energy Services was $68.4 million for the nine months ended September 30, 2004 compared to $61.1 million for the nine months ended September 30, 2003. WPS Energy Services' nonregulated natural gas and electric operations are the primary contributors to revenues and margins and are discussed below.

WPS Energy Services' Natural Gas Results	Nine Months Ended September 30,		
(Millions except sales volumes)	**2004**	2003	Change
Nonregulated natural gas revenues	**$2,126.5**	$2,039.7	4.3%
Nonregulated natural gas cost of sales	**2,102.8**	2,011.2	4.6%
Margins	**$ 23.7**	$ 28.5	(16.8%)
Wholesale sales in billion cubic feet *	**187.4**	204.9	(8.5%)
Retail sales in billion cubic feet *	**196.1**	169.5	15.7%

* Represents gross physical volumes

Natural gas revenues increased $86.8 million (4.3%), largely from the expansion of the Canadian retail natural gas business (due to obtaining new customers) and higher natural gas prices, partially offset by lower sales volumes from physical wholesale transactions. Sales volumes from physical wholesale transactions declined as a result of a decrease in the price volatility of natural gas during the first half of 2004.

The natural gas margin at WPS Energy Services decreased $4.8 million (16.8%) for the nine months ended September 30, 2004, compared to the same period in 2003. The margin related to retail natural gas operations increased $19.6 million, largely due to higher natural gas throughput volumes in Ohio (due to the addition of new customers), expansion of the Canadian business, operational improvements, and better management of supply for residential and small commercial customers. The increase in the retail natural gas margin was offset by a $24.5 million decrease in the wholesale natural gas margin for the nine months ended September 30, 2004, compared to the same period in 2003. The decline in the wholesale natural gas margin was driven by $8.4 million of favorable settlements of liabilities with several counter-parties during the first nine months of 2003, $6.7 million of reduced earnings resulting from the natural gas storage cycle (see discussion of the natural gas storage cycle above), and reduced structured transaction opportunities during the first half of 2004, compared to the same period in 2003. At September 30, 2004, there was a $12 million difference between the mark-to-market values of gas in storage (valued at spot prices) and future sales contracts (valued using forward price curves). This difference relates to the 2004/2005 natural gas storage cycle and compares to a $2.7 million difference between the mark-to-market values of gas in storage and future sales contracts at September 30, 2003 related to the 2003/2004 natural gas storage cycle. The difference between mark-to-market values of gas in storage and future sales contracts related to the 2004/2005 storage cycle is expected to substantially reverse during the fourth quarter of 2004 and the first quarter of 2005, but no later than when the natural gas is withdrawn from storage.

WPS Energy Services' Electric Results	Nine Months Ended September 30,		
(Millions)	**2004**	2003	Change
Nonregulated electric revenues	**$393.8**	$264.7	48.8%
Nonregulated electric cost of sales	**350.7**	234.1	49.8%
Margins	**$ 43.1**	$ 30.6	40.9%
Wholesale sales in kilowatt-hours *	**2,796.1**	2,309.7	21.1%
Retail sales in kilowatt-hours *	**5,237.9**	4,864.8	7.7%

* Represents gross physical volumes

Electric revenue increased $129.1 million (48.8%), largely due to a $76 million increase resulting from higher volumes from portfolio optimization strategies (discussed above) utilized to maximize the value of WPS Power Development's merchant generation fleet and WPS Energy Services' retail supply portfolio. Electric revenue also increased approximately $22 million as a result of the July 1, 2004 acquisition of Advantage Energy.

WPS Energy Services' electric margin increased $12.5 million (40.9%) for the nine months ended September 30, 2004, compared to the same period in 2003. The margin attributed to wholesale electric operations increased $6.4 million. The higher wholesale electric margin was driven by a $10.4 million increase from the portfolio optimization strategies discussed above and a $1.5 million increase related to other structured wholesale electric transactions. Offsetting the increases in the wholesale electric margin was $5.5 million less margin related to participation in the New Jersey Basic Generation Services Program in 2004, compared to the same period in 2003. WPS Energy Services acquired 700 megawatts of fixed price load and 250 megawatts of variable priced load for the period beginning August 1, 2003, and ending May 31, 2004, as a result of its participation in this program. Based upon the seasonal pricing of the program compared to the fixed price supply procured by WPS Energy Services, the majority of the margin was recognized in August and September of 2003. The retail electric margin increased $6.1 million for the nine months ended September 30, 2004, compared to the same period in 2003. The margin related to retail electric operations in Ohio increased $6.3 million, which can be attributed to better management of retail operations and improved supply procurement. Also contributing to the increase in retail electric margin was a $2.6 million favorable settlement of a pricing dispute with a counter-party. The increase in the retail electric margin was partially offset by a decrease in margin from retail operations in Maine as a result of higher supply costs related to the new provider of last resort plan in this service area (which became effective in March 2004).

WPS Power Development's Segment Operations

All revenues and costs of WPS Power Development's discontinued operations are combined and reported on a net basis in the WPS Resources Corporation Consolidated Statements of Income for all periods presented. Accordingly, the table below does not include revenues and cost of sales of discontinued operations, which are discussed separately within Discontinued Operations below.

WPS Power Development's Production Results *(Millions)*	Nine Months Ended September 30, **2004**	2003	Change
Nonregulated other revenues	**$52.1**	$65.7	(20.7%)
Nonregulated other cost of sales	**34.9**	48.0	(27.3%)
Margins	**$17.2**	$17.7	(2.8%)

WPS Power Development's revenue decreased $13.6 million (20.7%) for the nine months ended September 30, 2004, compared to the same period in 2003, largely due to reduced generation from its Beaver Falls, New York facility, lower revenue from its steam boiler in Oregon and lower revenue from its Combined Locks Energy Center in Wisconsin. The Beaver Falls facility experienced an unplanned plant outage that began in October 2003, with the facility returning to service in April 2004. This facility continued to experience lower volumes after returning to service as reduced market prices and increased fuel costs made it uneconomical to produce energy. The decrease in revenue from the steam boiler in Oregon was largely due to a 30-day planned outage to perform repairs on the boiler, which took place in the second quarter of 2004. The lower revenue at the Combined Locks Energy Center was primarily due to decreased demand for energy by the counter-party to a power purchase agreement in place at this facility and an unplanned plant outage that commenced on March 6, 2004, and continued until May 27, 2004. The decline in revenue was partially offset by higher sales volumes at the Stoneman generation facility, related to a new power purchase agreement in place at this facility.

WPS Power Development's margin for the nine months ended September 30, 2004 decreased $0.5 million (2.8%), compared to the same period in 2003. This margin does not include the results of WPS Power Development's discontinued operations, which are reported separately in the Consolidated Statements of Income (discontinued operations are discussed below). The Niagara generating facility and the Beaver Falls generating facility experienced a combined $3.2 million decrease in margin. The lower margin at the Niagara generating facility was largely due to an increase in the per ton cost of coal utilized in the generation process. The unplanned plant outage experienced at the Beaver Falls facility and the unfavorable market conditions discussed above drove the decrease in margin at this facility. These decreases were partially offset by a combined $2.3 million increase in margins at the Combined Locks Energy Center and the Stoneman generation facility. The higher margin at the Combined Locks Energy Center was a function of lower steam sales volumes required by the counter-party to a power purchase agreement from this facility as high fuel prices have negatively impacted the margin WPS Power Development is able to realize on steam sales supplied under this contract. The increase in margin at the Stoneman generation facility was due to the higher sales volumes discussed above.

Overview of Holding Company and Other Segment Operations

Holding Company and Other operations had income available for common shareholders of $0.2 million for the nine months ended September 30, 2004, compared to a net loss of ($3.6) million for the nine months ended September 30, 2003. The higher earnings are largely driven by an increase in equity earnings from American Transmission Company.

Operating Expenses

WPS Resources' Operating Expenses *(Millions)*	Nine Months Ended September 30, **2004**	2003	Change
Operating and maintenance expense	**$375.8**	$340.8	10.3%
Depreciation and decommissioning expense	**78.4**	79.7	(1.6%)
Taxes other than income	**34.8**	32.5	7.1%

Operating and maintenance expense

Operating and maintenance expenses increased $35.0 million (10.3%) for the nine months ended September 30, 2004, compared to the same period in 2003. Utility operating and maintenance expenses increased $23.8 million for the nine months ended September 30, 2004, compared to the same period in

2003. Electric transmission costs were up $9.8 million at the utilities due primarily to an increase in transmission rates. Pension and postretirement medical costs incurred at the utilities increased $8.0 million. Additionally, $4.4 million of the increase was driven by amortization of costs incurred in conjunction with the implementation of the automated meter reading system and the purchase of the De Pere Energy Center (deferred as regulatory assets). The remaining increase was driven by higher payroll and benefit costs. The increases were partially offset by lower operating and maintenance costs associated with plant outages (primarily related to costs incurred in 2003 pertaining to the Kewaunee refueling outage). Operating expenses at WPS Energy Services increased $7.1 million mostly due to higher payroll, benefits and other costs associated with continued business expansion. Operating and maintenance expenses at WPS Power Development were $1.9 million higher as a result of repairs and maintenance expenses incurred in conjunction with outages at its Beaver Falls generation facility, the Combined Locks Energy Center and the Westwood generation station.

Taxes other than income

Taxes other than income increased $2.3 million (7.1%) primarily due to an increase in gross receipts taxes paid by Wisconsin Public Service as a result of higher revenues.

Other Income (Expense)

	Nine Months Ended September 30,		
WPS Resources' Other Expense *(Millions)*	**2004**	2003	Change
Miscellaneous income	**$20.8**	$17.7	17.5%
Interest expense and distributions of preferred securities	**(39.9)**	(41.8)	(4.5%)
Minority interest	**2.3**	4.3	(46.5%)
Other expense	**$(16.8)**	$(19.8)	(15.2%)

Miscellaneous income

Miscellaneous income increased $3.1 million (17.5%) for the nine months ended September 30, 2004, compared to the same period in 2003. The increase in miscellaneous income is largely due to increases in equity earnings from our investments in American Transmission Company and Wisconsin Valley Improvement Company. The increase in equity earnings from Wisconsin Valley Improvement was driven by land sales. These increases were partially offset by a write-off of $1.5 million of previously deferred financing costs associated with the redemption of our trust preferred securities in the first quarter of 2004 and a $1.7 million decrease in gains realized on decommissioning trust assets. Pursuant to regulatory practice, realized gains on decommissioning trust assets are substantially offset by depreciation expense.

Minority interest

The decrease in minority interest is related to the fact that WPS Power Development's partner was allocated more production from the synthetic fuel operation in 2003 compared to 2004.

Provision for Income Taxes

The effective tax rate was 22.0% for the nine months ended September 30, 2004, compared to 22.3% for the nine months ended September 30, 2003. Our ownership interest in the synthetic fuel operation resulted in the recognition of $15.9 million of Section 29 federal tax credits as a reduction of federal income tax expense for the nine months ended September 30, 2004, compared to $14.4 million for the same period in 2003.

Discontinued Operations

The after-tax loss from discontinued operations (Sunbury generation facility) was ($10.6) million for the nine months ended September 30, 2004, compared to ($9.3) million for the same period in 2003. The increased loss was largely driven by a $6.9 million decrease in margin, partially offset by a $2.9 million reduction in operating and maintenance expenses and a $0.5 million reduction in interest expense. The margin for the nine months ended September 30, 2004, was negatively impacted by an increase in the per ton cost of coal utilized to service a fixed price outtake contract and a decrease in the market price of power. In anticipation of its sale, Sunbury did not enter into staggered term coal contracts in accordance with its normal procurement practice. Operating and maintenance expenses decreased because depreciation expense was discontinued on those assets classified as held for sale in the fourth quarter of 2003, as required by generally accepted accounting principles. Also, repair and maintenance expenses were higher in 2003 because of mechanical difficulties related to fuel delivery systems.

For a discussion of the accounting considerations applicable to discontinued operations, see Note 5, "Assets Held for Sale."

Cumulative Effect of Change in Accounting Principles

As previously reported in the 2003 Form 10-K, on January 1, 2003, WPS Resources recorded a positive after-tax cumulative effect of a change in accounting principle of $3.5 million (primarily related to the operations of WPS Energy Services) to income available for common shareholders as a net result of removing from its balance sheet the mark-to-market effects of contracts that do not meet the definition of a derivative. This change in accounting resulted from the decision of the Emerging Issues Task Force to preclude mark-to-market accounting for energy contracts that are not derivatives. The required change in accounting had no impact on the underlying economics or cash flows of the contracts.

In addition, the adoption of Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations," at WPS Power Development resulted in a $0.3 million negative after-tax cumulative effect of a change in accounting principle in the first quarter of 2003, related to recording a liability for the closure of an ash basin at the Sunbury generation facility.

LIQUIDITY AND CAPITAL RESOURCES - WPS RESOURCES

Ongoing operating requirements and future capital expenditures related to expansion of existing business and development of new projects continue to be adequately funded by our cash balances, liquid assets, operating cash flows, access to equity capital markets, and available borrowing capacity due to strong credit ratings. However, continued operating cash flow and access to capital markets can be impacted by macroeconomic factors outside of our control. In addition, our borrowing costs can be impacted by short and long-term debt ratings assigned by independent rating agencies. Currently, we believe our credit ratings are among the best in the energy industry (see Financing Cash Flows, Credit Ratings below).

Operating Cash Flows

During the first nine months of 2004, net cash provided by operating activities was $265.5 million, compared with $98.8 million in 2003. The increase was driven by a change in working capital requirements, mainly at WPS Energy Services. The working capital changes, particularly in receivables, inventory, and payables, from December 31, 2003 to September 30, 2004, are the result of liquidating natural gas storage positions in 2004 that had existed at December 31, 2003.

Investing Cash Flows

Net cash used for investing activities was $207.7 million in the first nine months of 2004 compared to $136.6 million in the first nine months of 2003. The increase is attributed to a $79.9 million increase in capital expenditures, mainly at the utilities, and a $19.4 million decrease in the amount received from the sale of property, plant and equipment, offset by a $12.6 million decrease in the purchase of equity investments and other acquisitions (the purchase of a one-third interest in Guardian Pipeline, LLC in May 2003), and a $7.8 million increase in the dividends received from equity method investments. The decrease in the amount received from the sale of property, plant and equipment is due to Wisconsin Public Service selling approximately $20.1 million of assets to American Transmission Company at book value related to the Wausau to Duluth transmission line in 2003.

During the first nine months of 2004, WPS Resources invested an additional $18.0 million in American Transmission Company, increasing the consolidated WPS Resources ownership interest in American Transmission Company to about 21.3%. WPS Resources contributed $12.0 million of capital to ECO Coal Pelletization #12 in the first nine months of 2004 compared to $10.9 million in the first nine months of 2003.

Capital Expenditures

Capital expenditures by business segment for the nine months ended September 30 are as follows:

	Nine Months Ended	
(Millions)	**2004**	2003
Electric utility	**$144.6**	$ 89.5
Gas utility	**47.6**	24.5
WPS Energy Services	**1.0**	2.0
WPS Power Development	**1.2**	1.2
Other	**2.8**	0.1
WPS Resources consolidated	**$197.2**	$117.3

The higher capital expenditures at the electric utility in the first nine months of 2004 compared to the first nine months of 2003 are mainly due to capital expenditures associated with the proposed construction of a 500-megawatt coal-fired generation facility located near Wausau, Wisconsin, known as the Weston 4 power plant. Gas utility capital expenditures increased primarily due to the installation of automated meter reading. Capital expenditures at WPS Energy Services and WPS Power Development were not significant.

As part of its regulated utility operations, on September 26, 2003, Wisconsin Public Service submitted an application for a Certificate of Public Convenience and Necessity to the Public Service Commission of Wisconsin seeking approval to construct the Weston 4 power plant, a 500-megawatt coal-fired generation facility near Wausau, Wisconsin. The facility is estimated to cost approximately $770 million (including the acquisition of coal trains). As of September 30, 2004, Wisconsin Public Service has incurred a total cost of $44.9 million related to this project. In addition, Wisconsin Public Service expects to incur additional construction costs through the date the plant goes into service of approximately $41 million to fund construction of the transmission facilities required to support the Weston 4 power plant. American Transmission Company will reimburse Wisconsin Public Service for the construction costs of the interconnection and related carrying costs when Weston 4 becomes commercially operational.

On October 7, 2004, we received the final Public Service Commission of Wisconsin order granting authority to proceed with construction of the Weston 4 power plant contingent upon receipt of an air permit. The air permit was issued by the Wisconsin Department of Natural Resources on October 19, 2004. We believe the air permit is one of the most stringent in the nation, which means that the Weston 4 power plant will be one of the cleanest plants of its kind in the United States. After evaluating the conditions in the permit, we accepted it and began construction in October 2004. We expect Weston 4 to be operational in June of 2008.

Dairyland Power Cooperative has confirmed their intent to purchase an interest in Weston 4, subject to a number of conditions. If the purchase is completed, then the expenditures made by Wisconsin Public Service would be reduced by 30 percent. The agreement with Dairyland Power Cooperative is part of our continuing plan to provide least-cost, reliable energy for the increasing electric demand of our customers.

Financing Cash Flows

Net cash used for financing activities was $42.6 million during the nine months ended September 30, 2004 compared to net cash provided by financing activities of $34.8 million during the nine months ended September 30, 2003. The $77.4 million increase in cash used in financing activities during the first nine months of 2004 is mainly due to the repayment of long-term debt. The proceeds from an issuance of common stock at WPS Resources and sale of long-term debt at Wisconsin Public Service late in 2003 were used to pay down debt.

Significant Financing Activities

As of September 30, 2004, both WPS Resources and Wisconsin Public Service were in compliance with the covenants under their lines of credit and other debt obligations.

WPS Resources had $130.9 million in outstanding commercial paper borrowings at September 30, 2004, compared to $150.9 million of outstanding commercial paper borrowings at September 30, 2003. WPS Resources had outstanding short-term debt of $143.6 million and $160.9 million as of September 30, 2004, and September 30, 2003, respectively.

In 2004, we issued new shares of common stock under our Stock Investment Plan and under certain stock-based employee benefit and compensation plans. As a result of these plans, equity increased $22.3 million and $24.1 million in the first nine months of 2004 and 2003, respectively. WPS Resources did not repurchase any existing common stock in the first nine months of 2004, but repurchased $0.8 million during the first nine months of 2003.

On January 8, 2004, WPS Resources retired $50.0 million of its 7.0% trust preferred securities. As a result of this transaction, WPSR Capital Trust I, a Delaware business trust, was dissolved.

On January 19, 2004, Wisconsin Public Service retired $49.9 million of its 7.125% series first mortgage bonds. These bonds had an original maturity date of July 1, 2023.

Wisconsin Public Service used short-term debt to retire $50.0 million of its 6.8% first mortgage bonds on February 1, 2003, that had reached maturity.

In March 2003, Upper Peninsula Power retired $15.0 million of 7.94% first mortgage bonds that had reached maturity.

Wisconsin Public Service retired $9.1 million of 6.125% tax-exempt bonds on May 1, 2003.

Wisconsin Public Service filed a shelf registration with the Securities and Exchange Commission that became effective in May 2004 for $350 million. In August 2004, Wisconsin Public Service filed an application with the Public Service Commission of Wisconsin for authority to issue up to $250 million of debt under this shelf registration over the next two years, subject to business conditions and the results of the sale of the Kewaunee nuclear power plant (see the "Other Future Considerations" section below).

Credit Ratings

WPS Resources uses internally generated funds and commercial paper borrowings to satisfy most of its capital requirements. We also periodically issue long-term debt and common stock to reduce short-term debt, maintain desired capitalization ratios, and fund future growth. Wisconsin Public Service utilizes the same methods in addition to receiving equity contributions from WPS Resources and making payments for return of capital to WPS Resources to reduce short-term debt, fund future growth, and maintain capitalization ratios as authorized by the Public Service Commission of Wisconsin. WPS Resources may seek nonrecourse financing to fund nonregulated acquisitions. WPS Resources' commercial paper borrowing program provides for working capital requirements of the nonregulated businesses and Upper Peninsula Power. Wisconsin Public Service has its own commercial paper borrowing program.

The specific forms of long-term financing, amounts, and timing depend on the availability of projects, market conditions, and other factors.

The current credit ratings for WPS Resources and Wisconsin Public Service are listed in the table below.

Credit Ratings	Standard & Poor's	Moody's
WPS Resources Corporation		
Senior unsecured debt	A	A1
Commercial paper	A-1	P-1
Credit line syndication	-	A1
Wisconsin Public Service Corporation		
Bonds	AA-	Aa2
Preferred stock	A	A2
Commercial paper	A-1+	P-1
Credit line syndication	-	Aa3

The above ratings were unchanged since December 31, 2003. We believe these ratings continue to be among the best in the energy industry, and allow us to access commercial paper and long-term debt markets on favorable terms. Credit ratings are not recommendations to buy, are subject to change, and each rating should be evaluated independently of any other rating.

Rating agencies use a number of both quantitative and qualitative measures in determining a company's credit rating. These measures include business risk, liquidity risk, competitive position, capital mix, financial condition, predictability of cash flows, management strength, regulatory risk, and future direction. Some of the quantitative measures can be analyzed through a few key financial ratios, while the qualitative measures are more subjective.

WPS Resources and Wisconsin Public Service hold credit lines to back 100% of their commercial paper borrowing and letters of credit. These credit facilities are based on a credit rating of A-1/P-1 for WPS Resources and A-1+/P-1 for Wisconsin Public Service. A decrease in the commercial paper credit ratings could adversely affect the companies by increasing the interest rates at which they can borrow and potentially limiting the availability of funds to the companies through the commercial paper market. A restriction in the companies' ability to use commercial paper borrowing to meet their working capital needs would require them to secure funds through alternate sources resulting in higher interest expense, higher credit line fees, and a potential delay in the availability of funds.

WPS Energy Services maintains underlying agreements to support its electric and natural gas trading operations. In the event of a deterioration of WPS Resources' credit rating, many of these agreements allow the counter-party to demand additional assurance of payment. This provision could pertain to existing business, new business, or both with the counter-party. The additional assurance requirements could be met with letters of credit, surety bonds, or cash deposits and would likely result in WPS Resources being required to maintain increased bank lines of credit or incur additional expenses, and could restrict the amount of business WPS Energy Services can conduct.

WPS Energy Services uses the NYMEX and over-the-counter financial markets to hedge its exposure to physical customer obligations. These hedges are closely correlated to the customer contracts, but price movements on the hedge contracts may require financial backing. Certain movements in price for contracts through the NYMEX exchange require posting of cash deposits equal to the market move. For the over-the-counter market, the underlying contract may allow the counter-party to require additional collateral to cover the net financial differential between the original contract price and the current forward market. Increased requirements related to market price changes usually result in a temporary liquidity need that will unwind as the sales contracts are fulfilled.

Future Capital Requirements and Resources

Contractual Obligations

The following table summarizes the contractual obligations of WPS Resources, including its subsidiaries.

Contractual Obligations As of September 30, 2004 (*Millions*)	Total Amounts Committed	Payments Due By Period Less Than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
Long-term debt principal and interest payments	$1,331.9	$ 15.3	$ 118.2	$119.4	$1,079.0
Operating leases	18.1	1.8	6.3	4.0	6.0
Commodity purchase obligations	3,439.9	834.0	1,745.9	290.4	569.6
Purchase orders	535.6	227.6	253.9	54.0	0.1
Capital contributions to equity method investment	197.4	22.1	116.0	59.3	-
Other	137.9	19.2	115.9	0.8	2.0
Total contractual cash obligations	$5,660.8	$1,120.0	$2,356.2	$527.9	$1,656.7

Long-term debt principal and interest payments represent bonds issued, notes issued, and loans made to WPS Resources and its subsidiaries. We record all principal obligations on the balance sheet. Commodity purchase obligations represent mainly commodity purchase contracts of WPS Resources and its subsidiaries. Energy supply contracts at WPS Energy Services included as part of commodity purchase obligations are generally entered into to meet obligations to deliver energy to customers. Wisconsin Public Service and Upper Peninsula Power expect to recover the costs of their contracts in future customer rates. Purchase orders include obligations related to normal business operations and large construction obligations, including Weston 4. Capital contributions to equity method investment include our commitment to fund a portion of the Wausau, Wisconsin, to Duluth, Minnesota, transmission line. Other mainly represents expected pension and postretirement funding obligations in 2004, 2005, and 2006.

Capital Requirements

Wisconsin Public Service makes large investments in capital assets. Net construction expenditures are expected to be approximately $1.2 billion in the aggregate for the 2004 through 2006 period (upon the closing of the sale of the Kewaunee nuclear power plant, expenditures would decrease approximately $49 million during this period). The largest of these expenditures is for the construction of the Weston 4 power plant in which Wisconsin Public Service is expected to incur costs of $603 million between 2004 and 2006 assuming 100% ownership. Other significant anticipated expenditures during this three-year period include:

- mercury and pollution control projects - $59 million
- corporate services infrastructures - $37 million
- nuclear fuel - $36 million
- automated meter reading - $31 million

Other capital requirements for the three-year period include a potential contribution of $2.5 million to the Kewaunee nuclear power plant decommissioning trust fund (depending on the sale of the Kewaunee assets).

On April 18, 2003, the Public Service Commission of Wisconsin approved Wisconsin Public Service's request to transfer its interest in the Wausau, Wisconsin, to Duluth, Minnesota, transmission line to American Transmission Company. WPS Resources committed to fund 50% of total project costs incurred up to $198 million, and receive additional equity in American Transmission Company. WPS Resources may terminate funding if the project extends beyond January 1, 2010. On December 19, 2003, Wisconsin Public Service and American Transmission Company received approval to continue the project with the new cost estimate of $420.3 million. The updated cost estimate reflects additional costs for the project resulting from time delays, added regulatory requirements, changes and additions to the project at the request of local governments, and American Transmission Company overhead costs. Completion of the line is expected in 2008. WPS Resources has the right, but not the obligation, to provide additional funding in excess of $198 million up to its portion of the revised cost estimate. For the period 2004 through 2006, we expect to make capital contributions of up to $124.6 million for our portion of the Wausau to Duluth transmission line. In exchange, we will receive increased ownership in American Transmission Company. Our commitment to fund this transmission line could decrease up to 50% if Minnesota Power exercises its option to fund a portion of the project.

WPS Resources expects to provide additional capital contributions to American Transmission Company of approximately $36 million for the period 2004 through 2006, for other projects.

Upper Peninsula Power is expected to incur construction expenditures of about $45 million in the aggregate for the period 2004 through 2006, primarily for electric distribution improvements and repairs and safety measures at hydroelectric facilities.

Capital expenditures identified at WPS Power Development for 2004 through 2006 are expected to be approximately $5.2 million, including $2.9 million at the Sunbury generation facility.

Capital expenditures identified at WPS Energy Services for 2004 through 2006 are expected to be approximately $13.6 million, largely due to the acquisition of Advantage Energy and computer equipment related to business expansion and normal technology upgrades.

All projected capital and investment expenditures are subject to periodic review and revision and may vary significantly from the estimates depending on a number of factors, including, but not limited to, industry restructuring, regulatory constraints, acquisition opportunities, market volatility, and economic trends. Other capital expenditures for WPS Resources and its subsidiaries for 2004 through 2006 could be significant depending on its success in pursuing development and acquisition opportunities. When appropriate, WPS Resources may seek nonrecourse financing for a portion of the cost of these acquisitions.

Capital Resources

For the period 2004 through 2006, WPS Resources plans to use internally generated funds net of forecasted dividend payments, cash proceeds from pending asset sales, and debt and equity financings to fund capital requirements. WPS Resources plans to maintain current debt to equity ratios. Management believes WPS Resources has adequate financial flexibility and resources to meet its future needs.

WPS Resources has the ability to issue up to an additional $176.9 million of debt or equity under its currently effective shelf registration statement. Wisconsin Public Service has the ability to issue up to an additional $375.0 million of debt under its currently effective shelf registration statements.

WPS Resources and Wisconsin Public Service have 364-day credit line syndications for $225.0 million and $115.0 million, respectively, which were renewed in August, 2004. The credit lines are used to back 100% of WPS Resources' and Wisconsin Public Service's commercial paper borrowing programs and letters of credit for WPS Resources. As of September 30, 2004, there was a total of $169.3 million available under the lines of credit, net of $39.7 million of letters of credit.

In 2003, Wisconsin Public Service announced the sale of its portion of the Kewaunee nuclear power plant. Once Wisconsin Public Service receives a final decision from the Public Service Commission of Wisconsin, it will have obtained substantially all required approvals from the various regulatory agencies to close the transaction. It is expected that the Public Service Commission of Wisconsin will rule on this matter in the fourth quarter of 2004. In 2003, WPS Resources announced its intention to sell WPS Power Development's Sunbury generation facility. A portion of the proceeds related to the Kewaunee sale may be used to retire debt at Wisconsin Public Service. A portion of the proceeds related to a sale of Sunbury may be used to pay the non-recourse debt related to the plant. The remainder of the proceeds from the Kewaunee and Sunbury sales will be used by WPS Resources for investing activities and general corporate purposes of its subsidiaries, including reducing the amount of outstanding debt. For more information regarding the Sunbury and Kewaunee sales, see the discussion below.

Other Future Considerations

Sunbury Generation Facility

WPS Resources made capital contributions of $24.5 million to Sunbury during the first nine months of 2004 to compensate for the impact of lower capacity revenues, as well as adjustments to Sunbury's operating plan. These funds have been used to cover operating losses, make principal and interest payments, and purchase emission allowances. For 2004, WPS Resources' Board of Directors has granted authorization to contribute up to $32.8 million of capital to Sunbury.

On October 24, 2003, WPS Power Development entered into a definitive agreement to sell its Sunbury generation facility to a subsidiary of Duquesne Light Holdings for approximately $120 million, subject to certain working capital adjustments and regulatory approval. On September 30, 2004, WPS Power Development received a letter of termination from Duquesne related to this sale as a result of a determination by the Pennsylvania Public Utility Commission not to reconsider its earlier approved Provider of Last Resort plan, which Duquesne believes does not satisfy a closing condition in the agreement. WPS Resources remains committed to the sale of Sunbury. See Note 5 in Notes to WPS Resources Consolidated Financial Statements, Assets Held for Sale, for more information.

Kewaunee Nuclear Power Plant

On November 7, 2003, Wisconsin Public Service entered into a definitive agreement to sell its 59% ownership interest in the Kewaunee nuclear power plant to a subsidiary of Dominion Resources, Inc. The other joint owner of Kewanee, Wisconsin Power and Light Company, also agreed to sell its 41% ownership interest in Kewaunee to Dominion. Once Wisconsin Public Service receives a final decision from the Public Service Commission of Wisconsin, it will have obtained substantially all required approvals from the various regulatory agencies to close the transaction. It is anticipated that the Public Service Commission of Wisconsin will rule on this matter in the fourth quarter of 2004.

Wisconsin Public Service estimates that its share of the cash proceeds from the sale will approximate $130 million, subject to various post-closing adjustments. The cash proceeds from the sale are expected to slightly exceed the carrying value of the Wisconsin Public Service assets being sold. In addition to the cash proceeds, Wisconsin Public Service will retain ownership of the assets contained in its non-qualified decommissioning trust, one of two funds that were established to cover the eventual decommissioning of the Kewaunee nuclear power plant. The pretax fair value of the non-qualified decommissioning trust's assets at September 30, 2004 was $119.2 million. Dominion will assume responsibility for the eventual decommissioning of the Kewaunee nuclear power plant and will receive Wisconsin Public Service's qualified decommissioning trust assets that had a pretax fair value of $241.2 million at September 30, 2004. Wisconsin Public Service has requested deferral of the gain expected to result from this transaction and related costs from the Public Service Commission of Wisconsin. Accordingly, the gain on the sale of the plant assets and the related non-qualified decommissioning trust assets are expected to be returned to customers under future rate orders.

The Kewaunee outage is progressing, but is expected to be behind schedule and is anticipated for completion in late November. Delays have occurred primarily due to problems with lifting equipment related to the reactor vessel and procedures to perform the lifts. Wisconsin Public Service's share of the increases in replacement power costs and operating and maintenance expenses resulting from the delay is expected to approximate $9 million. Wisconsin Public Service is seeking deferral of these additional costs from the Public Service Commission of Wisconsin.

Land Sales

On October 5, 2004, our Peshtigo River land auction took place and Wisconsin Public Service sold 279 acres of development lands for about $12 million (these sales will close before year-end). Under terms of a multi-phase agreement reached with the Wisconsin Department of Natural Resources in 2001 related to lands near the Peshtigo River, the Wisconsin DNR bought more than 5,000 acres of land for $13.5 million in 2001. In December 2003, Wisconsin Public Service completed the sale of an additional 542 acres of land to the Wisconsin DNR for $6.5 million. Wisconsin Public Service will complete the multi-phase agreement with the sale of 179 acres for $5 million to the Wisconsin DNR before the end of 2004. Following the close of this final phase of the Wisconsin DNR agreement, Wisconsin Public Service will donate an additional 5,176 acres to the state.

Regulatory

As a result of the Kewaunee nuclear power plant unplanned outage, which lasted approximately two weeks in January 2004, and other fuel cost and purchased power increases expected in 2004, Wisconsin Public Service received an interim fuel rate order from the Public Service Commission of Wisconsin allowing for a $6.0 million (1.2%) increase in rates that went into effect April 2, 2004. In September 2004, the Public Service Commission of Wisconsin issued its final order, requiring Wisconsin Public Service to refund $1.8 million of revenues collected under the interim rate order to customers. Accordingly, at September 30, 2004, Wisconsin Public Service recorded a $1.8 million liability to customers and the refund will be returned to customers in October and November 2004. The reduction from the interim rate was necessary due to lower than anticipated fuel and purchased power costs in the third quarter of 2004, which were the result of cooler than normal weather conditions. The final order continues to allow Wisconsin Public Service recovery of an estimated $3.2 million of its increased fuel and purchased power costs, $2.1 million of which have been recovered through September 30, 2004, after considering the impact of the refund.

On April 1, 2004, Wisconsin Public Service filed an application with the Public Service Commission of Wisconsin for an 9.8% increase in retail electric rates ($69.4 million in revenues) and a 4.5% increase in natural gas rates ($18.2 million in revenues), both to be effective January 1, 2005. The retail electric rate increase is primarily driven by increased costs related to fuel and purchased power, construction of Weston 4, benefit costs, and transmission service from Midwest Independent System Operator. The natural gas rate increase is primarily related to increases in benefit costs and the cost of distribution system improvements. Hearings on Wisconsin Public Service's application took place in September 2004. Wisconsin Public Service expects to have an order from the Public Service Commission of Wisconsin establishing 2005 rates by the end of 2004.

On March 31, 2004, Upper Peninsula Power Company submitted an application to the Michigan Public Service Commission to collect $5.2 million for increased power supply costs relating to 2003. In addition, we requested deferral of the decision regarding recovery of $1.8 million of deferred power supply costs related to the Dead River flooding. On August 31, 2004, the Michigan Commission approved the deferral of the $1.8 million of fuel and purchased power costs relating to the Dead River flood, as well as allowing the recovery of the $5.2 million to begin while final prudence was determined. On October 14, 2004, the Commission approved recovery of the full $5.2 million of increased 2003 power supply costs that will be collected from customers through December 2005.

In May 2004, Wisconsin Public Service announced that it is planning to build a 500-megawatt base load electric plant with Alliant Energy Corporation. The planning process includes feasibility and siting studies that will determine the fuel type, technology, size, location, and operator. Based on current energy requirement studies completed by both companies, significant increases in energy demand will require that the new plant be operational by 2011. The addition of this joint plant will allow Wisconsin Public

Service to ensure reliability for customers, manage financial risk, and provide earnings opportunities to shareholders.

Industry Restructuring

The Ohio Legislature passed a Senate Bill in May 1999 instituting market-based rates, competitive retail electric services and establishing a market development period that began January 1, 2001 and was to end no later than December 31, 2005. According to the bill, Ohio electric distribution companies were required to file electric transition plans, including the collection of transition costs during the course of the market development period and the freezing of rates at a 5% discount in the generation rate. At the end of the market development period, the rate will be set at a market-based price. However, the Public Utilities Commission of Ohio, recognizing the competitive electric market has not developed as envisioned and fearing rate shock at the end of the market development period, requested the Ohio electric distribution utilities to file rate stabilization plans covering the 2006-2008 time period. The 2006-2008 rate stabilization plans are expected to provide rate certainty, financial stability for the electric distribution utilities, and to further develop the competitive market.

Since 2001, WPS Energy Services has been the supplier to approximately 100,000 residential, small commercial, and government facilities in the FirstEnergy service areas under the State of Ohio provisions for Opt-out Electric Aggregation Programs. On June 9, 2004, the Public Utilities Commission of Ohio ordered a competitive bid auction be developed and conducted and approved a modified version of the rate stabilization plan submitted by FirstEnergy. The FirstEnergy rate stabilization plan would establish electric rates consumers would pay beginning in 2006 if the auction does not produce better benefits. We believe the order by the Public Utilities Commission of Ohio does not allow adequate time for the auction process to be successful and allows for a rate stabilization charge (to be paid by customers that would elect an alternate power supplier), essentially equaling the generation transition charge that customers are currently paying, which may decrease any savings consumers would realize by selecting the alternative power supplier.

WPS Energy Services has participated as an intervener in the FirstEnergy rate stabilization plan and competitive bid process case in an effort to preserve the competitive electric business established in the FirstEnergy service areas in the 2006-2008 time period. WPS Energy Services filed initial comments requesting modifications be made to the competitive bid process to allow for fair competition. In October 2004, the Public Utilities Commission of Ohio issued orders directing FirstEnergy to make modifications to the competitive bid process based on filed comments and direction from independent consultants and extended the auction schedule to hold the actual auction on December 8, 2004. On September 23, 2004, an Ohio House Bill was introduced proposing changes to the electric restructuring law that would give the Public Utilities Commission of Ohio explicit authority to implement rate stabilization plans where a determination has been made that there is insufficient development of the generation market or lack of effective competition in an electric utility's service area. This would help to ensure against any undue competitive disadvantage between Ohio and regional customers of an electric utility or its affiliates. The competitive bid process is currently set to commence on December 8, 2004.

On July 1, 2004, Senate Bills 1331-1336 were introduced in Michigan to amend legislation enacted in June 2000, which initially established a competitive supply alternative for customers in the state's electricity market. On October 6, 2004, Senate Bill S-1 was introduced as a substitute for Senate Bill 1331. Under current legislation, Michigan’s regulated utilities were able to securitize overrun costs associated with large generation assets and the Michigan Public Service Commission was provided the authority to administer the Electric Choice program to ensure the interests of all stakeholders were met. Under the current Electric Choice program, WPS Energy Services, through its subsidiary Quest Energy, LLC, has established itself as a significant supplier to the industrial and commercial markets, achieving contract demand levels of approximately 900 megawatts, and annual sales volumes of 3.6 million megawatt-hours. The Senate Bills contain provisions that will substantially harm the Electric Choice market and return Michigan to a model of the regulated supply monopoly. If the proposed legislation is not altered, it could diminish the benefits of competitive supply for Michigan business customers. The impact on WPS Energy Services could range from maintaining Michigan business with little or no growth, to an inability to re-contract any business, leading to a possible decision by WPS Energy Services to exit Michigan's electric market and redirect resources to more vibrant markets. It is not unreasonable to expect changes that will have some level of negative impact on WPS Energy Services, but it would be unlikely that Michigan customers will lose all of the benefits of competition and revert back to a fully regulated monopoly supply. WPS Energy Services is actively participating in the legislative and regulatory process in order to protect its interests in Michigan.

Wisconsin Public Service, Upper Peninsula Power and WPS Energy Services are members of the Midwest Independent System Operator (ISO), which is in the process of restructuring the bulk power market in its territory. The implementation of market restructuring by the Midwest ISO is currently expected to occur in 2005. Such restructuring could have an impact on the costs associated with serving utility customers' energy requirements; however, given the anticipated regulatory treatment of any potential cost differences, Wisconsin Public Service does not currently expect the ultimate outcome will have a material impact on its results of operations or financial condition. WPS Energy Services is working closely with the Midwest ISO to ensure that there is a smooth transition to the new market in order to minimize any impact on current customer contracts.

American Jobs Creation Act of 2004

On October 22, 2004, the President of the United States signed into law the American Jobs Creation Act of 2004 ("2004 Jobs Act"). The 2004 Jobs Act introduces a new deduction, the "United States production activities deduction." For tax years beginning after December 31, 2004, this deduction will be equal to a specified percentage of the taxpayer's "qualified production activities income" (including production of electricity) for the tax year. In essence, the deduction provides for a reduced tax rate. Guidance from the Internal Revenue Service and Department of Treasury are needed for implementation of this new provision. Currently, WPS Resources is not able to quantify the tax impact of this deduction or identify all potential tax issues related to the Jobs Act. However, pursuant to regulatory treatment, WPS Resources expects any tax benefits derived from utility operations to be deferred and passed on to customers in future rates.

Section 29 Federal Tax Credits

The current rise in oil prices may result in a reduction or elimination of the Section 29 federal tax credits expected for future years. Based on average oil prices from January 2004 through September 30, 2004, we do not expect there to be any phase out of the credits in 2004. A phase out or elimination of the Section 29 federal tax credits would have no impact on the value of minimum tax credits the company is carrying forward as a result of prior production of Section 29 federal tax credits. WPS Resources is assessing the impact of this issue on future operations and evaluating alternatives to potentially protect the ongoing economic benefits of the synthetic fuel facility.

GUARANTEES AND OFF BALANCE SHEET ARRANGEMENTS - WPS RESOURCES

As part of normal business, WPS Resources and its subsidiaries enter into various guarantees providing financial or performance assurance to third parties on behalf of certain subsidiaries. These guarantees are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes.

The guarantees issued by WPS Resources include intercompany guarantees between parents and their subsidiaries, which are eliminated in consolidation, and guarantees of the subsidiaries' own performance. As such, these guarantees are excluded from the recognition, measurement, and disclosure requirements of Financial Accounting Standards Board Interpretation No. 45, "Guarantors' Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others."

At September 30, 2004, and December 31, 2003, outstanding guarantees totaled $889.5 million and $981.8 million, respectively, as follows:

WPS Resources' Outstanding Guarantees (Millions)	**September 30, 2004**	December 31, 2003
Guarantees of subsidiary debt	**$ 27.2**	$ 39.7
Guarantees supporting commodity transactions of subsidiaries	**806.6**	874.4
Standby letters of credit	**49.7**	61.1
Surety bonds	**0.6**	1.1
Other guarantee	**5.4**	5.5
Total guarantees	**$889.5**	$981.8

WPS Resources' Outstanding Guarantees (Millions) Commitments Expiring	**Total Amounts Committed At September 30, 2004**	Less Than 1 Year	1 to 3 Years	4 to 5 Years	Over 5 Years
Guarantees of subsidiary debt	**$27.2**	$ -	$ -	$ -	$27.2
Guarantees supporting commodity transactions of subsidiaries	**806.6**	754.8	23.8	10.7	17.3
Standby letters of credit	**49.7**	38.6	11.1	-	-
Surety bonds	**0.6**	0.6	-	-	-
Other guarantee	**5.4**	-	-	-	5.4
Total guarantees	**$889.5**	$794.0	$34.9	$10.7	$49.9

At September 30, 2004, WPS Resources had outstanding $27.2 million in corporate guarantees supporting indebtedness. Of that total, $27.0 million supports outstanding debt at one of WPS Power Development's subsidiaries. The underlying debt related to these guarantees is reflected on the consolidated balance sheet.

WPS Resources' Board of Directors has authorized management to issue corporate guarantees in the aggregate amount of up to $1.2 billion to support the business operations of WPS Energy Services. WPS Resources primarily issues the guarantees to counter-parties in the wholesale electric and natural gas marketplace to provide counter-parties the assurance that WPS Energy Services will perform on its obligations and permit WPS Energy Services to operate within these markets. The amount of guarantees actually issued by WPS Resources to support the business operations at WPS Energy Services at September 30, 2004, was $763.2 million and this is reflected in the table above. These guarantees reflect the amount of outstanding business WPS Energy Services could have with the counter-parties holding the guarantees at any point in time. At September 30, 2004, the actual amount of WPS Energy Services' obligations to counter-parties supported by WPS Resources' parental guarantees was $106.5 million.

At September 30, 2004, WPS Resources had issued $37.5 million in corporate guarantees to support the business operation of WPS Power Development, which are reflected in the above table. WPS Resources issues the guarantees for indemnification obligations related to business purchase agreements and to counter-parties in the wholesale electric marketplace to meet their credit requirements and permit WPS Power Development to operate within these markets. The amount supported is dependent on the amount of the outstanding obligations that WPS Power Development has with the parties holding the guarantees at any point in time. At September 30, 2004, the amount of WPS Power Development's obligations supported by WPS Resources' parental guarantees was $8.6 million. In February 2004, WPS Resources' Board of Directors authorized management to issue corporate guarantees in the aggregate amount of up to $30.0 million to support business operations at WPS Power Development in addition to guarantees that receive specific WPS Resources Board authorization.

Another $5.9 million of corporate guarantees support energy and transmission supply at Upper Peninsula Power and are not reflected on WPS Resources' consolidated balance sheet. In February 2004, WPS Resources' Board of Directors authorized management to issue corporate guarantees in the aggregate amount of up to $15 million to support the business operations of Upper Peninsula Power. Corporate guarantees issued in the future under the Board authorized limit may or may not be reflected on WPS Resources' consolidated balance sheet, depending on the nature of the guarantee.

At WPS Resources' request, financial institutions have issued $49.7 million in standby letters of credit for the benefit of third parties that have extended credit to certain subsidiaries. If a subsidiary does not pay amounts when due under a covered contract, the counter-party may present its claim for payment to the financial institution, which will request payment from WPS Resources. Any amounts owed by our subsidiaries are reflected in the consolidated balance sheet.

At September 30, 2004, WPS Resources furnished $0.6 million of surety bonds for various reasons including worker compensation coverage and obtaining various licenses, permits, and rights-of-way. Liabilities incurred as a result of activities covered by surety bonds are included in the consolidated balance sheet.

The other guarantee of $5.4 million listed in the above table was issued by Wisconsin Public Service to indemnify a third party for exposures related to the construction of utility assets. This amount is not reflected on the consolidated balance sheet.

See Note 16, "Variable Interest Entities," of WPS Resources' Notes to the Consolidated Financial Statements for information on the implementation of Interpretation No. 46R.

MARKET PRICE RISK MANAGEMENT ACTIVITIES - WPS RESOURCES

Market price risk management activities include the electric and gas marketing and related risk management activities of WPS Energy Services. WPS Energy Services' marketing and trading operations manage power and natural gas procurement as an integrated portfolio with its retail and wholesale sales commitments. Derivative instruments are utilized in these operations. WPS Energy Services measures the fair value of derivative instruments (including NYMEX exchange and over-the-counter contracts, natural gas options, natural gas and electric power physical fixed price contracts, basis contracts, and related financial instruments) on a mark-to-market basis. The fair value of derivatives is shown as "assets or liabilities from risk management activities" in the consolidated balance sheets.

The offsetting entry to assets or liabilities from risk management activities is to other comprehensive income or earnings, depending on the use of the derivative, how it is designated, and if it qualifies for hedge accounting. The fair values of derivative instruments are adjusted each reporting period using various market sources and risk management systems. The primary input for natural gas pricing is the settled forward price curve of the NYMEX exchange, which includes contracts and options. Basis pricing is derived from published indices and documented broker quotes. WPS Energy Services bases electric prices on published indices and documented broker quotes. The following table provides an assessment of the factors impacting the change in the net value of WPS Energy Services' assets and liabilities from risk management activities for the nine months ended September 30, 2004.

WPS Energy Services Mark-to-Market Roll Forward (Millions)	Natural Gas	Electric	Total
Fair value of contracts at January 1, 2004	$13.3	$ 6.3	$19.6
Less - contracts realized or settled during period	(6.4)	1.4	(5.0)
Plus - changes in fair value of existing contracts	18.1	5.2	23.3
Other changes in fair value	-	(0.1)	(0.1)
Fair value of contracts at September 30, 2004	$25.0	$12.8	$37.8

The fair value of contracts at January 1, 2004, and September 30, 2004, reflect the values reported on the balance sheet for net mark-to-market current and long-term risk management assets and liabilities as of those dates. Contracts realized or settled during the period include the value of contracts in existence at January 1, 2004, that were no longer included in the net mark-to-market assets as of September 30, 2004, and the amortization of those derivatives designated as normal purchases and sales under Statement No. 133. Changes in fair value of existing contracts include unrealized gains and losses on contracts that existed at January 1, 2004, and contracts that were entered into subsequent to January 1, 2004, which are included in WPS Energy Services' portfolio at September 30, 2004. There were, in many cases, offsetting positions entered into and settled during the period resulting in gains or losses being realized during the current period. The realized gains or losses from these offsetting positions are not reflected in the table above.

Market quotes are more readily available for short duration contracts. Derivative contracts are only marked to market to the extent that markets are considered highly liquid and where objective, transparent prices can be obtained. Unrealized gains and losses are reserved for transactions that do not meet this criterion. The table below shows the sources of fair value and maturity of WPS Energy Services' risk management instruments.

WPS Energy Services
Risk Management Contract Aging at Fair Value
As of September 30, 2004

Source of Fair Value (Millions)	Maturity Less Than 1 Year	Maturity 1 to 3 Years	Maturity 4 to 5 Years	Maturity in Excess of 5 Years	Total Fair Value
Prices actively quoted	$19.0	$2.9	-	-	$21.9
Prices provided by external sources	6.2	6.0	-	-	12.2
Prices based on models and other valuation methods	3.0	0.7	-	-	3.7
Total fair value	$28.2	$9.6	-	-	$37.8

"Prices actively quoted" includes NYMEX contracts and basis swaps. "Prices provided by external sources" includes electric contract positions for which pricing information is obtained primarily through broker quotes. "Prices based on models and other valuation methods" includes electric contracts for which reliable external pricing information does not exist. We derive the pricing for most contracts in the above table from active quotes or external sources. Pricing is the most significant variable in the mark-to-market calculations.

WPS Energy Services, as a result of WPS Power Development's ownership of generating assets in New York, has acquired transmission congestion contracts, which are financial contracts, that hedge price risk between zones within the New York Independent System Operator. The contracts were marked to fair value using a combination of modeled forward prices and market quotes. The fair market value of the contracts at September 30, 2004, was $0.7 million.

WPS Energy Services employs a variety of physical and financial instruments offered in the marketplace to limit risk exposure associated with fluctuating commodity prices and volumes, enhance value, and minimize cash flow volatility. While risks associated with the power generating capacity and power sales are economically hedged, certain transactions do not qualify for hedge accounting under generally accepted accounting principles. Consequently, gains and losses from the generating capacity do not always match with the related physical and financial hedging instruments in some reporting periods. The result can cause volatility in the reported period-by-period earnings of WPS Energy Services; however, the financial impact of this timing difference will reverse at the time of physical delivery and/or settlement of the hedge transaction. The accounting treatment does not impact the underlying cash flows or economics of these transactions. At September 30, 2004, the unrealized mark-to-market gains were $6.4 million for WPS Energy Services' electric operations and related hedges that did not qualify for cash flow hedge treatment under Statement No. 133.

WPS Energy Services is also impacted by earnings volatility associated with the natural gas storage cycle, which runs annually from April through March of the next year. Generally, injections of natural gas into storage inventory take place in the summer months, and natural gas is withdrawn from storage in the winter months. WPS Energy Services' policy is to hedge the value of natural gas in storage with sales in the over-the-counter and futures markets, effectively locking in a margin on storage. Fair market value hedge accounting rules require the natural gas in storage to be marked-to-market using spot prices, while the sales contracts are marked-to-market using forward price curves. When the month-end spot prices utilized to value the natural gas in storage change disproportionately to the month-end forward prices utilized to value the contracts for the sale of natural gas inventory in the future, WPS Energy Services experiences volatility in its earnings. Also, although gas in storage is marked-to-market pursuant to fair value hedge accounting rules, natural gas storage contracts do not qualify for mark-to-market accounting. Consequently, earnings volatility may occur within the contract period for future sales contracts that are marked-to-market without corresponding mark-to-market recognition of the change in value of gas storage contracts. The accounting treatment does not impact the underlying cash flows or economics of these transactions. At December 31, 2003, the difference between the mark-to-market values of gas in storage (valued at spot prices) and future sales contracts (valued using forward price curves) was $2.6 million related to the 2003/2004 natural gas storage cycle. Most of this difference reversed early in 2004 due to withdrawal of most of the natural gas from inventory. At September 30, 2004, the difference between the mark-to-market values of gas in storage and future sales contracts was $12 million related to the 2004/2005 natural gas storage cycle. The difference between mark-to-market values of gas in storage and future sales contracts related to the 2004/2005 storage cycle is expected to substantially reverse during the fourth quarter of 2004 and the first quarter of 2005, but no later than when the natural gas is withdrawn from storage.

CRITICAL ACCOUNTING POLICIES - WPS RESOURCES

In accordance with the rules proposed by the Securities and Exchange Commission in May 2002, we reviewed our critical accounting policies for new critical accounting estimates and other significant changes. We found that the disclosures made in our 2003 Form 10-K are still current and that there have been no significant changes.

RESULTS OF OPERATIONS - WISCONSIN PUBLIC SERVICE CORPORATION

Wisconsin Public Service Corporation is a regulated electric and natural gas utility as well as a holding company exempt from the Public Utility Holding Company Act of 1935. Electric operations accounted for approximately 67.6% of revenues for the first nine months of 2004, while gas operations accounted for 32.4% of revenues for the nine months ended September 30, 2004.

Third Quarter 2004 Compared with Third Quarter 2003

Wisconsin Public Service Corporation Overview

Wisconsin Public Service's results of operations for the three months ended September 30 are shown in the following table:

Wisconsin Public Service's Results (Millions)	**2004**	2003	Change
Operating revenues	**$260.2**	$254.0	2.4%
Earnings on common stock	**$ 30.5**	$ 28.0	8.9%

Approved retail and wholesale rate increases at Wisconsin Public Service's electric utility segment drove the increase in operating revenues for the three months ended September 30, 2004, compared to the same period in 2003, partially offset by a decrease in electric and natural gas sales volumes related to unfavorable weather conditions.

Earnings from electric utility operations were $31.5 million for the third quarter of 2004, compared with $30.6 million for the same quarter in 2003. As discussed in more detail below, the following factors impacted electric utility earnings for the quarter.

- Approved retail and wholesale electric rate increases favorably impacted the electric utility margin.
- Electric utility sales volumes decreased in the third quarter of 2004, compared to the same period in 2003 because of weather that was 12% cooler during the cooling season.
- Operating and maintenance expenses increased in the third quarter of 2004 compared to the same period in the prior year.

The loss from gas utility operations was ($3.3) million for the third quarter of 2004, compared with ($4.5) million for the same quarter in 2003. The gas utility margin did not change significantly as the approved rates increase was offset by lower sales volumes attributed to unfavorable weather conditions. A decrease in operating expenses for this segment drove the decreased net loss.

Electric Utility Operations

	Three Months Ended September 30,		
Electric Utility Results *(Millions)*	**2004**	2003	Change
Revenues	**$214.6**	$205.0	4.7%
Fuel and purchased power	**62.4**	63.5	(1.7%)
Margins	**$152.2**	$141.5	7.6%
Sales in kilowatt-hours	**3,487.3**	3,590.7	(2.9%)

Electric utility revenue increased $9.6 million (4.7%) for the quarter ended September 30, 2004, compared to the same quarter in 2003. Electric utility revenue increased largely due to the retail and wholesale electric rate increases for Wisconsin Public Service's Wisconsin and Michigan customers (see discussion within *Results of Operations - WPS Resources Corporation* above).

Higher revenue resulting from rate cases was offset by a 2.9% decrease in electric sales volumes driven by weather that was 12% cooler in the third quarter of 2004 compared to the third quarter of 2003.

Largely due to the retail and wholesale electric rate increases, electric margins at Wisconsin Public Service increased $10.7 million (7.6%). The positive impact of rate cases on revenue was partially offset by the decrease in electric sales volumes driven by unfavorable weather conditions. Fuel and purchased power costs did not have a significant impact on margin as the 7.9% increase in the per-unit cost of purchased power was offset by a 4.7% decrease in the per-unit cost of fuel used in generation. The mix of generated and purchased power did not change significantly between periods.

Gas Utility Operations

Gas Utility Results *(Millions)*	Three Months Ended September 30, **2004**	2003	Change
Revenues	**$45.6**	$49.1	(7.1%)
Purchase costs	**28.8**	32.2	(10.6%)
Margins	**$16.8**	$16.9	(0.6%)
Throughput in therms	**104.1**	120.7	(13.8%)

Gas utility revenue decreased $3.5 million (7.1%) for the quarter ended September 30, 2004, compared to the same quarter in 2003. The lower revenue was driven by an overall 13.8% decrease in natural gas throughput volumes that was the result of warmer weather during the third quarter of 2004 compared to the same quarter in 2003. The decrease in revenue related to lower throughput volumes was partially offset by an authorized rate increase and a 14.6% increase in the per-unit cost of natural gas during the quarter ended September 30, 2004, compared to the same quarter in 2003. The Public Service Commission of Wisconsin issued a final order authorizing a retail natural gas rate increase of $8.9 million (2.2%), effective January 1, 2004. The Public Service Commission of Wisconsin and the Michigan Public Service Commission allow Wisconsin Public Service to pass changes in the total cost of natural gas on to customers.

The natural gas utility margin decreased $0.1 million (0.6%) for the quarter ended September 30, 2004, compared to the same quarter in 2003. The lower natural gas utility margin is largely due to the decrease in natural gas throughput volumes, partially offset by the authorized rate increase.

Operating Expenses

Wisconsin Public Service (*Millions*)	Three Months Ended September 30, **2004**	2003	Change
Operating and maintenance expense	**$88.8**	$78.6	13.0%
Depreciation and decommissioning expense	**21.9**	24.6	(11.0%)

Operating and Maintenance expense

Operating and maintenance expenses increased $10.2 million (13.0%) for the quarter ended September 30, 2004, compared to the same quarter in 2003. Electric transmission costs were up $3.7 million due primarily to an increase in transmission rates. Additionally, pension and postretirement medical costs accounted for $2.2 million of the increase, maintenance costs incurred in preparation for the fourth quarter Kewaunee outage and maintenance costs associated with distribution assets accounted for $2.0 million of the increase, amortization of costs incurred in conjunction with the implementation of the automated meter reading system and the purchase of the De Pere Energy Center (deferred as regulatory assets) accounted for $1.0 million of the increase, and higher payroll and benefit costs drove the remaining increase.

Depreciation and Decommissioning expense

Depreciation and decommissioning expense decreased $2.7 million (11.0%) for the three-month period ended September 30, 2004 compared to the same period in the prior year due primarily to a decrease in gains recorded on decommissioning trust assets. Realized gains on decommissioning trust assets are substantially offset by depreciation expense pursuant to regulatory practice.

Nine Months 2004 Compared With Nine Months 2003

Wisconsin Public Service Corporation Overview

Wisconsin Public Service's results of operations for the nine months ended September 30 are shown in the following table:

Wisconsin Public Service's Results (Millions)	**2004**	2003	Change
Operating revenues	**$892.0**	$850.5	4.9%
Earnings on common stock	**$ 74.9**	$ 56.2	33.3%

The $41.5 million increase in operating revenues at Wisconsin Public Service was driven by approved retail and wholesale electric rate increases at the electric utility, partially offset by a 7.8% decrease in sales volumes at the gas utility resulting from weather that was warmer during the heating season in 2004 compared to 2003.

Earnings from electric utility operations were $58.1 million for the nine months ended September 30, 2004, compared with $44.7 million for the same period in 2003. As discussed in more detail below, the following factors impacted electric utility earnings for the nine months ended September 30, 2004, compared to the same period in 2003.

- Approved rate increases (including the impact of timely retail electric rate relief in 2004, compared to the delay in receiving retail electric rate relief in 2003) favorably impacted margin.
- Electric utility sales volumes were negatively impacted by weather that was 6% cooler during the cooling season in 2004 compared to 2003, negatively impacting margin.
- Operating and maintenance expense were higher in 2004, negatively impacting earnings.

Earnings from gas utility operations were $9.9 million for the nine months ended September 30, 2004, compared with $6.3 million for the same period in 2003. Despite warmer weather conditions (which decreased throughput volumes) experienced during the 2004 heating season compared to 2003, approved rate increases resulted in a higher margin for the gas utility.

Electric Utility Operations

	Nine Months Ended September 30,		
Electric Utility Results *(Millions)*	**2004**	2003	Change
Revenues	**$603.2**	$555.7	8.5%
Fuel and purchased power	**184.2**	179.0	2.9%
Margins	**$419.0**	$376.7	11.2%
Sales in kilowatt-hours	**10,067.6**	10,086.7	(0.2%)

Electric utility revenue increased $47.5 million (8.5%) for the nine months ended September 30, 2004, compared to the same period in 2003. Electric utility revenue increased largely due to authorized retail and wholesale electric rate increases for Wisconsin Public Service's Wisconsin and Michigan customers (see discussion within *Results of Operations - WPS Resources Corporation* above). The rate increases were necessary primarily to recover increased operating costs. Despite weather that was 6% cooler during the cooling season in 2004 compared to 2003, sales volumes remained flat. A 3.5% decrease in sales volumes to our residential customers was offset by a 1.0% increase to our higher volume commercial and industrial customers. Lower sales volumes to our residential customers were driven by the unfavorable weather conditions, while the higher sales volumes to our commercial and industrial customers reflect favorable economic conditions compared to the same period in 2003.

The electric margin at Wisconsin Public Service increased $42.3 million (11.2%) due largely to the retail and wholesale electric rate increases mentioned above. Sales volumes for the nine months ended September 30, 2004 remained consistent with prior year levels and, therefore, did not have a significant impact on margin. The negative impact on sales volumes resulting from unfavorable weather conditions was offset by an increase in sales volumes to Wisconsin Public Service's commercial and industrial customers driven by continued economic improvement. Higher margins attributed to authorized rate increases were partially offset by a $7.8 million increase in purchased power costs. Although the quantity of power purchased decreased slightly, purchased power costs were 16.8% higher (on a per-unit basis) for the nine months ended September 30, 2004, compared to the same period in 2003. The Public Service Commission of Wisconsin allows Wisconsin Public Service to adjust prospectively the amount billed to Wisconsin retail customers for fuel and purchased power if costs are in excess of plus or minus 2% from approved levels. Earlier in the year, an interim fuel rate order was received from the Public Service Commission of Wisconsin allowing for a $6.0 million (1.2%) increase in rates for the period beginning April 2, 2004 and ending December 31, 2004. The interim fuel order was initially filed because of an increase in the cost of fuel and purchased power during the Kewaunee nuclear power plant outage (which lasted for approximately two weeks in January 2004) and expectations that purchased power costs would remain high throughout 2004. In September 2004, the Public Service Commission of Wisconsin issued its final order, requiring Wisconsin Public Service to refund $1.8 million of revenues collected under the interim rate order to customers. The reduction from the interim rates was necessary due to lower than anticipated fuel and purchased power costs in the third quarter of 2004, which were the result of cooler than normal weather conditions. The final order continues to allow Wisconsin Public Service recovery of an estimated $3.2 million of its increased fuel and purchased power costs, $2.1 million of which have been recovered through September 30, 2004, after considering the impact of the refund.

Gas Utility Operations

Gas Utility Results *(Millions)*	Nine Months Ended September 30, **2004**	2003	Change
Revenues	**$288.8**	$294.8	(2.0%)
Purchase costs	**203.4**	213.3	(4.6%)
Margins	**$ 85.4**	$ 81.5	4.8%
Throughput in therms	**571.1**	619.6	(7.8%)

Gas utility revenue decreased $6.0 million (2.0%) for the nine months ended September 30, 2004, compared to the same period in 2003. Lower revenue was driven by an overall 7.8% decrease in natural gas throughput volumes due to weather that was 6% warmer during the heating season for the nine months ended September 30, 2004, compared to the same period in 2003. The decrease in revenue driven by lower throughput volumes was partially offset by an authorized rate increase (discussed above) and an increase in the per-unit cost of natural gas. Natural gas prices increased 6.3% per unit for the nine months ended September 30, 2004, compared to the same period in 2003. The Public Service Commission of Wisconsin and the Michigan Public Service Commission allow Wisconsin Public Service to pass changes in the total cost of natural gas on to customers.

The natural gas utility margin increased $3.9 million (4.8%) for the nine months ended September 30, 2004, compared to the same period in 2003. The higher natural gas utility margin is largely due to the rate increase mentioned above.

Operating Expenses

	Nine Months Ended September 30,		
Wisconsin Public Service (*Millions*)	**2004**	2003	Change
Operating and maintenance expense	**$283.6**	$264.4	7.3%
Depreciation and decommissioning expense	**66.7**	68.1	(2.1%)

Operating and Maintenance expense

Operating and maintenance expenses at Wisconsin Public Service increased $19.2 million (7.3%) for the nine months ended September 30, 2004, compared to the same period in 2003. Electric transmission costs were up $8.9 million due primarily to an increase in transmission rates. Pension and postretirement medical costs increased $6.4 million. Additionally, $4.4 million of the increase was driven by amortization of costs incurred in conjunction with the implementation of the automated meter reading system and the purchase of the De Pere Energy Center (deferred as regulatory assets). The remaining increase was driven by higher payroll and benefit costs. The increases were partially offset by lower operating and maintenance costs associated with plant outages (primarily related to costs incurred in 2003 pertaining to the Kewaunee refueling outage).

LIQUIDITY AND CAPITAL RESOURCES - WISCONSIN PUBLIC SERVICE

Wisconsin Public Service believes that its cash, operating cash flows, and borrowing ability because of strong credit ratings, when taken together, provide adequate resources to fund ongoing operating requirements and future capital expenditures related to expansion of existing businesses and development of new projects. However, Wisconsin Public Service's operating cash flow and access to capital markets can be impacted by macroeconomic factors outside its control. In addition, Wisconsin Public Service's borrowing costs can be impacted by its short and long-term debt ratings assigned by independent rating agencies, which in part are based on certain credit measures such as interest coverage and leverage ratios. Currently, we believe these ratings continue to be among the best in the energy industry (see *Financing Cash Flows*, *Credit Ratings* below).

Operating Cash Flows

During the nine months ended September 30, 2004, net cash provided by operating activities was $205.7 million, compared with $135.0 million in 2003. The increase in cash provided by operating activities was primarily due to changes in working capital (accounts payable), and improved operating results. The decrease in accounts payable is the result of normal activity and the timing of expenditures combined with a 10.25% decrease in gas purchases in the first nine months of 2004 compared to the same period in the prior year.

Investing Cash Flows

Net cash used for investing activities was $169.0 million in the first nine months of 2004 compared to $82.1 million in 2003. The increase is primarily attributed to a $78.9 million increase in capital expenditures and a $20.1 million decrease in proceeds from the sale of property, plant and equipment.

Capital Expenditures

Capital expenditures by business segment for the nine months ended September 30, 2004, and September 30, 2003, are as follows:

(Millions)	Nine Months Ended September 30, 2004	2003
Electric utility	**$135.2**	$ 81.9
Gas utility	**47.6**	24.5
Other	**2.6**	0.1
Consolidated	**$185.4**	$106.5

The increase in capital expenditures at the electric utility in the first nine months of 2004 as compared to the first nine months of 2003 is mainly due to higher capital expenditures associated with the proposed construction of a 500-megawatt coal-fired generation facility located near Wausau, Wisconsin, known as the Weston 4 power plant. Gas utility capital expenditures increased primarily due to the installation of automated meter reading. See the *Liquidity and Capital Resources* section of *WPS Resources' Management's Discussion and Analysis of Financial Condition and Results of Operations* for more information regarding construction of the Weston 4 power plant.

Financing Cash Flows

Net cash used for financing activities was $36.1 million in the first nine months of 2004 compared to $51.4 million in the first nine months of 2003. The decrease in cash used for financing activities is the result of increased investing activity in capital expenditures, reducing funds used to pay down short-term debt. This was partially offset by an equity contribution from WPS Resources to maintain the equity ratios prescribed by the Public Service Commission of Wisconsin.

Wisconsin Public Service is restricted by a Public Service Commission of Wisconsin order limiting the payment of normal common stock dividends to no more than 109% of the previous year's common stock dividend, without prior notice to the Commission. In addition, Wisconsin Public Service's Restated Articles of Incorporation limit the amount of common stock dividends that Wisconsin Public Service can pay to certain percentages of its prior 12-month net income, if its common stock and common stock surplus accounts constitute less than 25% of its total capitalization.

Significant Financing Activities

See the *Liquidity and Capital Resources* section of *WPS Resources' Management's Discussion and Analysis of Financial Condition and Results of Operations* for more information on significant financing activities for Wisconsin Public Service.

Credit Ratings

See the *Liquidity and Capital Resources* section of *WPS Resources' Management's Discussion and Analysis of Financial Condition and Results of Operations* for a detailed discussion of Wisconsin Public Service's credit ratings.

Future Capital Requirements and Resources

Contractual Obligations

The following table summarizes the contractual obligations of Wisconsin Public Service, including its subsidiaries.

Contractual Obligations As of September 30, 2004 (Millions)	Total Amounts Committed	Payments Due By Period Less Than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
Long-term debt principal and interest payments	$ 766.5	$ 6.8	$ 54.1	$ 54.1	$ 651.5
Operating lease obligations	13.2	1.3	4.4	2.8	4.7
Commodity purchase obligations	1,257.6	56.8	373.7	259.3	567.8
Purchase orders	527.3	219.3	253.9	54.0	0.1
Other	132.0	17.8	114.2	-	-
Total contractual cash obligations	$2,696.6	$302.0	$800.3	$370.2	$1,224.1

Long-term debt principal and interest payments represent bonds issued, notes issued, and loans made to Wisconsin Public Service. We record all principal obligations on the balance sheet. Commodity purchase obligations represent mainly commodity purchase contracts of Wisconsin Public Service. Wisconsin Public Service expects to recover the cost of its contracts in future customer rates. Purchase orders include obligations related to normal business operations and large construction obligations, including Weston 4. Other mainly represents expected pension and post-retirement funding obligations in 2004, 2005, and 2006.

Capital Requirements

See the *Liquidity and Capital Resources* section of *WPS Resources' Management's Discussion and Analysis of Financial Condition and Results of Operations* for a detailed discussion of Wisconsin Public Service's capital requirements.

Capital Resources

See the *Liquidity and Capital Resources* section of *WPS Resources' Management's Discussion and Analysis of Financial Condition and Results of Operations* for a detailed discussion of Wisconsin Public Service's capital resources.

Other Future Considerations

Kewaunee Nuclear Power Plant

See the *Liquidity and Capital Resources* section of *WPS Resources' Management's Discussion and Analysis of Financial Condition and Results of Operations* for a detailed discussion of the proposed sale of Wisconsin Public Service's interest in the Kewaunee nuclear power plant.

Land Sales

See the *Liquidity and Capital Resources* section of *WPS Resources' Management's Discussion and Analysis of Financial Condition and Results of Operations* for a detailed discussion of land sales.

Regulatory

See the *Liquidity and Capital Resources* section of *WPS Resources' Management's Discussion and Analysis of Financial Condition and Results of Operations* for a detailed discussion of Wisconsin Public Service's regulatory issues.

American Jobs Creation Act of 2004

See the *Liquidity and Capital Resources* section of *WPS Resources' Management's Discussion and Analysis of Financial Condition and Results of Operations* for a detailed discussion of the American Jobs Creation Act of 2004.

OFF BALANCE SHEET ARRANGEMENTS - WISCONSIN PUBLIC SERVICE

See WPS Resources' *Management's Discussion and Analysis of Financial Condition and Results of Operations* for information regarding Off Balance Sheet Arrangements.

CRITICAL ACCOUNTING POLICIES - WISCONSIN PUBLIC SERVICE

In accordance with the rules proposed by the Securities and Exchange Commission in May 2002, we reviewed our critical accounting policies for new critical accounting estimates and other significant changes. We found that the disclosures made in our Annual Report on Form 10-K for the year ended December 31, 2003, are still current and that there have been no significant changes.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

WPS Resources has potential market risk exposure related to interest rate risk, equity return and principal preservation risk, and commodity price risk. Our exposure to interest rate risk relates primarily to long-term debt and short-term commercial paper borrowing. Exposure to equity return and principal preservation risk results from various debt and equity security investments in our employee benefit and nuclear decommissioning trust funds. Exposure to commodity price risk exists with respect to the price of coal, uranium, electricity, natural gas, and fuel oil. WPS Resources has risk management policies in place to monitor and assist in controlling these market risks and uses derivative instruments to manage some of these exposures.

WPS Resources is also exposed to foreign currency risk as a result of foreign operations owned and operated in Canada and transactions denominated in Canadian dollars for the purchase and sale of natural gas by one of our nonregulated subsidiaries. WPS Resources has approved processes in place to protect against this risk. The foreign currency exchange risk to WPS Resources is not significant at September 30, 2004.

Due to the issuance of short-term commercial paper in the second and third quarter of 2004, WPS Resources and Wisconsin Public Service have an increased exposure to interest rate risk. Based on the variable rate debt of WPS Resources and Wisconsin Public Service outstanding at September 30, 2004, a hypothetical increase in market interest rates of 100 basis points would increase annual interest expense by approximately $1.7 million and $0.4 million, respectively. Comparatively, based on variable rate debt outstanding at December 31, 2003, an increase in interest rates of 100 basis points would have increased interest expense in 2003 by approximately $0.7 million and $0.1 million. These amounts were determined by performing a sensitivity analysis on the impact of a hypothetical 100 basis point increase in interest rates on the variable rate debt of WPS Resources and Wisconsin Public Services outstanding as of September 30, 2004 and December 31, 2003. This sensitivity analysis was calculated assuming a constant level of variable rate debt during the period and an immediate increase in the levels of interest rates with no other subsequent changes for the remainder of the period. In the event of a significant change in interest rates, management would take action to mitigate the company's exposure to the change.

To measure commodity price risk exposure, WPS Resources performs a value-at-risk (VaR) analysis on third party exposures. VaR is estimated using a delta-normal approximation based on a one-day holding period and 95% confidence level. For further explanation of our VaR calculation, see the 2003 Form 10-K.

In the first nine months of 2004, certain WPS Power Development merchant plants were under contract to WPS Energy Services. WPS Energy Services has the ability to reduce market price risk and extract additional value from these plants through the use of various financial and physical tools (including forward contracts and options). Due to the fact that a majority of WPS Power Development's risk is now essentially managed and reported through WPS Energy Services, a separate VaR amount has not been presented for WPS Power Development. WPS Energy Service's VaR amount was calculated to be $0.6 million at September 30, 2004, and $0.8 million at December 31, 2003.

Other than the above-mentioned changes, WPS Resources' market risks have not changed materially from the market risks reported in the 2003 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, WPS Resources' and Wisconsin Public Service's management evaluated, with the participation of WPS Resources' and Wisconsin Public Service's Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of WPS Resources' and Wisconsin Public Service's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) and have concluded that, WPS Resources' and Wisconsin Public Service's disclosure controls and procedures were effective as of the date of such evaluation in timely alerting them to material information relating to WPS Resources and Wisconsin Public Service (including their consolidated subsidiaries) required to be included in their periodic Securities and Exchange Commission filings, particularly during the period in which this Quarterly Report on Form 10-Q was being prepared.

Changes in Internal Controls

There were no significant changes in WPS Resources' and Wisconsin Public Service's internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that occurred during the quarter ended September 30, 2004 that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Stray Voltage Claims

See Note 12 - Commitments and Contingencies, under the heading "Stray Voltage Claims" for information required by this Item 1.

Item 6. Exhibits

(a) Exhibits

The following documents are attached as exhibits:

3.1 Wisconsin Public Service Corporation By-Laws as in Effect August 15, 2004

12.1 WPS Resources Corporation Ratio of Earnings to Fixed Charges

12.2 Wisconsin Public Service Corporation Ratio of Earnings to Fixed Charges and Ratio of Earnings to Fixed Charges and Preferred Dividends

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934 for WPS Resources Corporation

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934 for WPS Resources Corporation

31.3 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934 for Wisconsin Public Service Corporation

31.4 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934 for Wisconsin Public Service Corporation

32.1 Written Statement of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 for WPS Resources Corporation

32.2 Written Statement of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 for Wisconsin Public Service Corporation

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant, WPS Resources Corporation, has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WPS Resources Corporation

Date: November 5, 2004

/s/ Diane L. Ford
Diane L. Ford
Vice President - Controller
and Chief Accounting Officer

(Duly Authorized Officer and
Chief Accounting Officer)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant, Wisconsin Public Service Corporation, has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Wisconsin Public Service Corporation

Date: November 5, 2004

/s/ Diane L. Ford
Diane L. Ford
Vice President - Controller
and Chief Accounting Officer

(Duly Authorized Officer and
Chief Accounting Officer)

WPS RESOURCES CORPORATION AND
WISCONSIN PUBLIC SERVICE CORPORATION
EXHIBIT INDEX TO FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2004

Exhibit No.	Description
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Exhibit 3.1

WISCONSIN PUBLIC SERVICE CORPORATION

BY-LAWS

As In Effect August 15, 2004

ARTICLE I. OFFICES

1. Principal Office

The principal office of the Corporation in the State of Wisconsin shall be in the City of Green Bay. The Corporation may also have offices at such other places, within and outside of the State of Wisconsin, as the Board of Directors may designate or as the business of the Corporation may require.

2. Registered Office

The Board of Directors shall designate the registered office of the Corporation and may change such registered office by resolution.

ARTICLE II. SHAREHOLDERS

1. Annual Meeting

The annual meeting of the shareholders ("Annual Meeting") shall be held each year not later than the fourth Tuesday in May, at such time or on such day as may be designated by resolution of the Board of Directors. In fixing a meeting date for any Annual Meeting, the Board of Directors may consider such factors as it deems relevant within the good faith exercise of its business judgment.

2. Purposes of Annual Meeting

At each Annual Meeting, the shareholders shall elect the number of directors equal to the number of directors in the class whose term expires at the time of such Annual Meeting and transact such other business as may properly come before the Annual Meeting in accordance with Section 14 of Article II of these By-laws. If the election of directors shall not be held on the date fixed as herein provided, for any Annual Meeting, or any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of shareholders (a "Special Meeting") as soon thereafter as is practicable.

3. Special Meetings

a. A Special Meeting may be called only by (i) the Board of Directors, (ii) the Chairman of the Board, (iii) the Chief Executive Officer, (iv) a President or (v) the Secretary and shall be called by the Corporation upon the demand, in accordance with this Section 3, of the holders of record of shares representing at least 10% of all the votes entitled to be cast on any issue proposed to be considered at the Special Meeting.

b. In order that the Corporation may determine the shareholders entitled to demand a Special Meeting, the Board of Directors may fix a record date to determine the shareholders entitled to make such a demand (the "Demand Record Date"). The Demand Record Date shall not precede the date upon which the resolution fixing the Demand Record Date is adopted by the Board of Directors and shall not be more than ten days after the date upon which the resolution fixing the Demand Record Date is adopted by the Board of Directors. Any shareholder of record seeking to have shareholders demand a Special Meeting shall, by sending written notice to the Secretary of the Corporation by hand or by certified or registered mail, return receipt requested, request the Board of Directors to fix a Demand Record Date. The Board of Directors shall promptly, but in all events within ten days after the date on which a valid request to fix a Demand Record Date is received, adopt a resolution fixing the Demand Record Date and shall make a public announcement of such Demand Record Date. If no Demand Record Date has been fixed by the Board of Directors within ten days after the date on which such request is received by the Secretary, the Demand Record Date shall be the 10th day after the first date on which a valid written request to set a Demand Record Date is received by the Secretary. To be valid, such written request shall set forth the purpose or purposes for which the Special Meeting is to be held, shall be signed by one or more shareholders of record (or their duly authorized proxies or other representatives), shall bear the date of signature of each such shareholder (or proxy or other representative) and shall set forth all information about each such shareholder and about the beneficial owner or owners, if any, on whose behalf the request is made that would be required to be set forth in a shareholder's notice described in paragraph (a) (ii) of Section 14 of this Article II.

c. In order for a shareholder or shareholders to demand a Special Meeting, a written demand or demands for a Special Meeting by the holders of record as of the Demand Record Date of shares representing at least 10% of all the votes entitled to be cast on any issue proposed to be considered at the Special Meeting must be delivered to the Corporation. To be valid, each written demand by a shareholder for a Special Meeting shall set forth the specific purpose or purposes for which the Special Meeting is to be held (which purpose or purposes shall be limited to the purpose or purposes set forth in the written request to set a Demand Record Date received by the Corporation pursuant to paragraph (b) of this Section 3), shall be signed by one or more persons who as of the Demand Record Date are shareholders of record (or their duly authorized proxies or other representatives), shall bear the date of signature of each such shareholder (or proxy or other representative), and shall set forth the name and address, as they appear in the Corporation's books, of each shareholder signing such demand and the class and number of shares of the Corporation which are owned of record and beneficially by each such shareholder, shall be sent to the Secretary by hand or by certified or registered mail, return receipt requested, and shall be received by the Secretary within seventy days after the Demand Record Date.

d. The Corporation shall not be required to call a Special Meeting upon shareholder demand unless, in addition to the documents required by paragraph (c) of this Section 3, the Secretary receives a written agreement signed by each Soliciting Shareholder (as defined below), pursuant to which each Soliciting Shareholder, jointly and severally, agrees to pay the Corporation's costs of holding the Special Meeting, including the costs of preparing and mailing proxy materials for the Corporation's own solicitation, provided that if each of the resolutions introduced by any Soliciting Shareholder at such meeting is adopted, and each of the individuals nominated by or on behalf of any Soliciting Shareholder for election as a director at such meeting is elected, then the Soliciting Shareholders shall not be required to pay such costs. For purposes of this paragraph (d), the following terms shall have the meanings set forth below:

(i) "Affiliate" of any Person (as defined herein) shall mean any Person controlling, controlled by or under common control with such first Person.

(ii) "Participant" shall have the meaning assigned to such term in Rule 14a-11 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(iii) "Person" shall mean any individual, firm, corporation, partnership, joint venture, association, trust, unincorporated organization or other entity.

(iv) "Proxy" shall have the meaning assigned to such term in Rule 14a-1 promulgated under the Exchange Act.

(v) "Solicitation" shall have the meaning assigned to such term in Rule 14a-11 promulgated under the Exchange Act.

(vi) "Soliciting Shareholder" shall mean, with respect to any Special Meeting demanded by a shareholder or shareholders, any of the following Persons:

(a) if the number of shareholders signing the demand or demands of meeting delivered to the Corporation pursuant to paragraph (c) of this Section 3 is ten or fewer, each shareholder signing any such demand;

(b) if the number of shareholders signing the demand or demands of meeting delivered to the Corporation pursuant to paragraph (c) of this Section 3 is more than ten, each Person who either (I) was a Participant in any Solicitation of such demand or demands or (II) at the time of the delivery to the Corporation of the documents described in paragraph (c) of this Section 3 had engaged or intends to engage in any Solicitation of Proxies for use at such Special Meeting (other than a Solicitation of Proxies on behalf of the Corporation); or

(c) any Affiliate of a Soliciting Shareholder, if a majority of the directors then in office determine, reasonably and in good faith, that such Affiliate should be required to sign the written notice described in paragraph (c) of this Section 3 and/or the written agreement described in this paragraph (d) in order to prevent the purposes of this Section 3 from being evaded.

e. Except as provided in the following sentence, any Special Meeting shall be held at such hour and day as may be designated by whichever of the Board of Directors, the Chairman of the Board, the Chief Executive Officer, a President or the Secretary shall have called such meeting. In the case of any Special Meeting called by the Chairman of the Board, the Chief Executive Officer, a President or the Secretary upon the demand of shareholders (a "Demand Special Meeting"), such meeting shall be held at such hour and day as may be designated by the Board of Directors; provided, however, that the date of any Demand Special Meeting shall be not more than seventy days after the Meeting Record Date (as defined in Section 6 of Article II of these By-laws); and provided further that in the event that the directors then in office fail to designate an hour and date for a Demand Special Meeting within ten days after the date that valid written demands for such meeting by the holders of record as of the Demand Record Date of shares representing at least 10% of all the votes entitled to be cast on each issue proposed to be considered at the Special Meeting are delivered to the Corporation (the "Delivery Date"), then such meeting shall be held at 2:00 P.M. local time on the 100th day after the Delivery Date or, if such 100th day is not a Business Day (as defined below), on the first preceding Business Day. In fixing a meeting date for any Special

Meeting, the Board of Directors, the Chairman of the Board, the Chief Executive Officer, a President or the Secretary may consider such factors as it or he deems relevant within the good faith exercise of its or his business judgment, including, without limitation, the nature of the action proposed to be taken, the facts and circumstances surrounding any demand for such meeting, and any plan of the Board of Directors to call an Annual Meeting or a Special Meeting for the conduct of related business.

f. The Corporation may engage regionally or nationally recognized independent inspectors of elections to act as an agent of the Corporation for the purpose of promptly performing a ministerial review of the validity of any purported written demand or demands for a Special Meeting received by the Secretary. For the purpose of permitting the inspectors to perform such review, no purported demand shall be deemed to have been delivered to the Corporation until the earlier of (i) five Business Days following receipt by the Secretary of such purported demand and (ii) such date as the independent inspectors certify to the Corporation that the valid demands received by the Secretary represent at least 10% of all the votes entitled to be cast on each issue proposed to be considered at the Special Meeting. Nothing contained in this paragraph (f) shall in any way be construed to suggest or imply that the Board of Directors or any shareholder shall not be entitled to contest the validity of any demand, whether during or after such five Business Day period, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto).

g. For purposes of these By-laws, "Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of Wisconsin are authorized or obligated by law or executive order to close.

4. Place of Meeting

The Board of Directors, the Chairman of the Board, the Chief Executive Officer, a President or the Secretary may designate any place, either within or without the State of Wisconsin, as the place of meeting for any Annual Meeting or for any Special Meeting or for any postponement or adjournment thereof. If no designation is made, the place of meeting shall be the principal business office of the Corporation in the State of Wisconsin. Any meeting may be adjourned to reconvene at any place designated by vote of the Board of Directors or by the Chairman of the Board, the Chief Executive Officer, a President or the Secretary.

5. Notice of Meeting

Written or printed notice stating the date, time and place of any Annual Meeting or Special Meeting shall be delivered not less than ten days (unless a longer period is required by the Wisconsin Business Corporation Law or the Articles of

Incorporation of the Corporation) nor more than 70 days before the date of such meeting either personally or by mail, by or at the direction of the Chairman of the Board, the Chief Executive Officer, a President or the Secretary, to each shareholder of record entitled to vote at such meeting and to such other shareholders as required by the Wisconsin Business Corporation Law. In the event of any Demand Special Meeting, such notice shall be sent not more than 45 days after the Delivery Date. If mailed, notice pursuant to this Section 5 shall be deemed to be effective when deposited in the United States mail, addressed to the shareholder at his address as it appears on the stock record books of the Corporation, with postage thereon prepaid. Unless otherwise required by the Wisconsin Business Corporation Law or the Articles of Incorporation of the Corporation, a notice of an Annual Meeting need not include a description of the purpose for which the meeting is called. In the case of any Special Meeting, (a) the notice of meeting shall describe any business that the Board of Directors shall have theretofore determined to bring before the meeting and (b) in the case of a Demand Special Meeting, the notice of meeting (i) shall describe any business set forth in the statement of purpose of the demands received by the Corporation in accordance with Section 3 of this Article II and (ii) shall contain all of the information required in the notice received by the Corporation in accordance with Section 14(b) of this Article II. If an Annual Meeting or Special Meeting is adjourned to a different date, time or place, the Corporation shall not be required to give notice of the new date, time or place if the new date, time or place is announced at the meeting before adjournment; provided, however, that if a new Meeting Record Date for an adjourned meeting is or must be fixed, the Corporation shall give notice of the adjourned meeting to persons who are shareholders as of the new Meeting Record Date.

6. Fixing of Record Date

The Board of Directors may fix in advance a date not less than 10 days and not more than 70 days prior to the date of any Annual Meeting or Special Meeting (other than a Demand Special Meeting) as the record date for the purpose of determining shareholders entitled to notice of, and to vote at, such meeting ("Meeting Record Date"). If a Meeting Record Date is not fixed by the Board of Directors or by the Wisconsin Business Corporation Law for any Annual Meeting or Special Meeting (other than a Demand Special Meeting), the Meeting Record Date shall be the close of business on the day before the first notice is given to Shareholders. In the case of any Demand Special Meeting, (i) the Meeting Record Date shall not be later than the 30th day after the Delivery Date and (ii) if the Board of Directors fails to fix the Meeting Record Date within 30 days after the Delivery Date, then the close of business on such 30th day shall be the Meeting Record Date. The shareholders of record on the Meeting Record Date shall be the shareholders entitled to notice of, and to vote at, the meeting. Except as provided by the Wisconsin Business Corporation Law for a court-ordered adjournment, a determination of shareholders entitled to notice of, and to vote at, any Annual Meeting or Special Meeting is effective for any adjournment of such meeting unless the Board of Directors fixes a new Meeting Record Date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting. The Board of Directors may also fix in advance a date as the record date for the purpose of determining shareholders entitled to take any other action or determining shareholders for any other purpose. Such record date shall be not more than 70 days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. The record date for determining shareholders entitled to a distribution (other than a distribution involving a purchase, redemption or other acquisition of the Corporation's shares) or a share dividend is the date on which the Board of Directors authorizes the distribution or share dividend, as the case may be, unless the Board of Directors fixes a different record date.

7. Voting Records

After a Meeting Record Date has been fixed, the Corporation shall prepare a list of the names of all of the shareholders entitled to notice of the meeting. The list shall be arranged by class or series of shares, if any, and show the address of, and number of shares held by, each shareholder. Such list shall be available for inspection by any shareholder, beginning two business days after notice of the meeting is given for which the list was prepared and continuing to the date of the meeting, at the Corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. A shareholder or his agent may, on written demand, inspect and, subject to the limitations imposed by the Wisconsin Business Corporation Law, copy the list, during regular business hours and at his or her expense, during the period that it is available for inspection pursuant to this Section 7. The Corporation shall make the shareholders' list available at the meeting and any shareholder or his or her agent or attorney may inspect the list at any time during the meeting or any adjournment thereof. Refusal or failure to prepare or make available the shareholders' list shall not affect the validity of any action taken at a meeting of shareholders.

8. Quorum and Voting Requirements; Postponements; Adjournments

a. Shares entitled to vote as a separate voting group may take action on a matter at any Annual Meeting or Special Meeting only if a quorum of those shares exists with respect to that matter. If the Corporation has only one class of stock outstanding, such class shall constitute a separate voting group for purposes of this Section 8. Except as otherwise provided in the Articles of Incorporation of this Corporation or the Wisconsin Business Corporation Law, a majority of the votes entitled to be cast on the matter shall constitute a quorum of the voting group for action on that matter. Once a share is represented for any purpose at any Annual Meeting or Special Meeting, other than for the purpose of objecting to holding the meeting or transacting business at the meeting, it is considered present for purposes of determining whether a quorum exists for the remainder of the meeting and for any adjournment of that meeting, unless a new

Meeting Record Date is or must be set for the adjourned meeting. If a quorum exists, except in the case of the election of directors, action on a matter shall be approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the Articles of Incorporation of the Corporation or the Wisconsin Business Corporation Law requires a greater number of affirmative votes. Unless otherwise provided in the Articles of Incorporation of the Corporation, each director shall be elected by a plurality of the votes cast by the shares entitled to vote in the election of directors at any Annual Meeting or Special Meeting at which a quorum is present.

b. The Board of Directors acting by resolution may postpone and reschedule any previously scheduled Annual Meeting or Special Meeting; provided, however, that a Demand Special Meeting shall not be postponed beyond the 100th day following the Delivery Date. Any Annual Meeting or Special Meeting may be adjourned from time to time, whether or not there is a quorum, (i) at any time, upon a resolution of shareholders if the votes cast in favor of such resolution by the holders of shares of each voting group entitled to vote on any matter theretofore properly brought before the meeting exceed the number of votes cast against such resolution by the holders of shares of each such voting group or (ii) at any time prior to the transaction of any business at such meeting, by the Chairman of the Board, the Chief Executive Officer, a President or the Secretary or pursuant to a resolution of the Board of Directors. No notice of the time and place of adjourned meetings need be given except as required by the Wisconsin Business Corporation Law. At any adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

9. Conduct of Meetings

The Chairman of the Board, and in his or her absence, the Vice Chairman of the Board, and in his or her absence, the Chief Executive Officer, and in his or her absence, a President, and in their absence, a Vice President in the order provided under Section 5 of Article IV of these By-laws, and in their absence, any person chosen by the shareholders present shall call any Annual Meeting or Special Meeting to order and shall act as chairman of such meeting, and the Secretary of the Corporation shall act as secretary of all Annual Meetings and Special Meetings, but in the absence of the Secretary, the presiding officer may appoint any other person to act as secretary of the meeting.

10. Proxies

At all meetings of shareholders, a shareholder entitled to vote may vote his or her or its shares in person or by proxy. A shareholder entitled to vote at a meeting of shareholders may authorize another person to act for the shareholder by appointing the person as proxy. Without limiting the manner in which a shareholder may appoint a proxy, a shareholder or the shareholder's authorized officer, director, employee, agent or attorney-in-fact may use any of the following as a valid means to make such an appointment:

a. Appointment of a proxy in writing by signing or causing the shareholder's signature to be affixed to an appointment form by any reasonable means, including, but not limited to, by facsimile signature.

b. Appointment of a proxy by transmitting or authorizing the transmission of an electronic transmission of the appointment to the person who will be appointed as proxy or to a proxy solicitation firm, proxy support service organization or like agent authorized to receive the transmission by the person who will be appointed as proxy. Every electronic transmission shall contain, or be accompanied by, information that can be used to reasonably determine that the shareholder transmitted or authorized the transmission of the electronic transmission. Any person charged with determining whether a shareholder transmitted or authorized the transmission of the electronic transmission shall specify the information upon which the determination is made.

An appointment of a proxy is effective when a signed appointment form or an electronic transmission of the appointment is received by the inspector of elections or the officer or agent of the Corporation authorized to tabulate votes. An appointment is valid for 11 months unless a different period is expressly provided in the appointment. Unless otherwise provided, a proxy may be revoked any time before it is voted, either by appointing a new proxy in accordance with the Wisconsin Business Corporation Law or by oral notice given by the shareholder to the presiding officer during the meeting. The presence of a shareholder who has made an effective proxy appointment shall not itself constitute a revocation. The Board of Directors shall have the power and authority to make rules establishing presumptions as to the validity and sufficiency of proxies.

11. Voting of Shares

a. Each outstanding share shall be entitled to one vote upon each matter submitted to a vote at any Annual Meeting or Special Meeting, except to the extent that the voting rights of the shares of any class or classes are enlarged, limited or denied by the Wisconsin Business Corporation Law or the Articles of Incorporation of the Corporation.

b. Shares held by another corporation, if a sufficient number of shares entitled to elect a majority of the directors of such other corporation is held directly or indirectly by the Corporation, shall not be entitled to vote at any Annual Meeting or Special Meeting, but shares held in a fiduciary capacity may be voted.

12. Acceptance of Instruments Showing Shareholder Action

If the name signed on a vote, consent, waiver or proxy appointment corresponds to the name of a shareholder, the Corporation, if acting in good faith, may accept the vote, consent, waiver or proxy appointment and give it effect as the act of a shareholder. If the name signed on a vote, consent, waiver or proxy appointment does not correspond to the name of a shareholder, the Corporation, if acting in good faith, may accept the vote, consent, waiver or proxy appointment and give it effect as the act of the shareholder if any of the following apply:

a. The shareholder is an entity and the name signed purports to be that of an officer or agent of the entity.

b. The name purports to be that of a personal representative, administrator, executor, guardian or conservator representing the shareholder and, if the Corporation requests, evidence of fiduciary status acceptable to the Corporation is presented with respect to the vote, consent, waiver or proxy appointment.

c. The name signed purports to be that of a receiver or trustee in bankruptcy of the shareholder and, if the Corporation requests, evidence of this status acceptable to the Corporation is presented with respect to the vote, consent, waiver or proxy appointment.

d. The name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the shareholder and, if the Corporation requests, evidence acceptable to the Corporation of the signatory's authority to sign for the shareholder is presented with respect to the vote, consent, waiver or proxy appointment.

e. Two or more persons are the shareholder as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears to be acting on behalf of all co-owners.

The Corporation may reject a vote, consent, waiver or proxy appointment if the Secretary or other officer or agent of the Corporation who is authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the shareholder.

13. Waiver of Notice by Shareholders

A shareholder may waive any notice required by the Wisconsin Business Corporation Law, the Articles of Incorporation of the Corporation or these By-laws before or after the date and time stated in the notice. The waiver shall be in writing and signed by the shareholder entitled to the notice, contain the same information that would have been required in the notice under applicable provisions of the Wisconsin Business Corporation Law (except that the time and place of meeting need not be stated) and be delivered to the Corporation for inclusion in the corporate records. A shareholder's attendance at any Annual Meeting or Special Meeting, in person or by proxy, waives objection to all of the following: (a) lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting or promptly upon arrival objects to holding the meeting or transacting business at the meeting; and (b) consideration of a particular matter at the meeting that is not within the purpose described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

14. Notice of Shareholder Business and Nomination of Directors

a. Annual Meetings.

(i) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the shareholders may be made at an Annual Meeting (A) pursuant to the Corporation's notice of meeting, (B) by or at the direction of the Board of Directors or (C) by any shareholder of the Corporation who is a shareholder of record at the time of giving of notice provided for in this Section 14 and who is entitled to vote at the meeting and complies with the notice procedures set forth in this Section 14.

(ii) For nominations or other business to be properly brought before an Annual Meeting by a shareholder pursuant to clause (C) of paragraph (a)(i) of this Section 14, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be received by the Secretary of the Corporation at the principal offices of the Corporation not less than 45 days nor (except for shareholder proposals included in a proxy statement for such Annual Meeting in accordance with the requirements of Rule 14a-8 under the Exchange Act) more than 70 days prior to the first annual anniversary of the date set forth in the Corporation's proxy statement for the immediately preceding Annual Meeting as the date on which the Corporation first mailed definitive proxy materials for the immediately preceding Annual Meeting (the "Anniversary Date"); provided, however, that in the event that the date for which the Annual Meeting is called is advanced by more than 30 days or delayed by more than 30 days from the first annual anniversary of the immediately preceding Annual Meeting, notice by the shareholder to be timely must be so delivered not earlier than the close of business on the 100th day prior to the date of such Annual Meeting and not later than (A) the 75th day prior to the date of such Annual Meeting or (B) the 10th day following the day on which public announcement of the date of such Annual Meeting is first made. In no event shall the announcement of an adjournment of an Annual Meeting commence a new time period for the giving of a shareholder notice as described above. Such shareholder's notice shall be signed by the shareholder of record who intends to make the nomination or introduce the other business (or his duly authorized proxy or other representative), shall bear the date of signature of such shareholder (or proxy or other representative) and shall set forth: (A) the name and address, as they appear on this Corporation's books, of such shareholder and the beneficial owner or owners, if any, on whose behalf the nomination or proposal is made; (B) the class and number of shares of the Corporation which are beneficially owned by such shareholder or beneficial owner or owners; (C) a representation that such shareholder is a holder of record of shares of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to make the nomination or introduce the other business specified in the notice; (D) in the case of any proposed nomination for election or re-election as a director, (I) the name and residence address of the person or persons to be nominated, (II) a description of all arrangements or understandings between such shareholder or beneficial owner or owners and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination is to be made by such shareholder, (III) such other information regarding each nominee proposed by such shareholder as would be required to be disclosed in solicitations of proxies for elections of directors, or would be otherwise required to be disclosed, in each case pursuant to Regulation 14A under the Exchange Act, including any information that would be required to be included in a proxy statement filed pursuant to Regulation 14A had the nominee been nominated by the Board of Directors and (IV) the written consent of each nominee to be named in a proxy statement and to serve as a director of the Corporation if so elected; and (E) in the case of any other business that such shareholder proposes to bring before the meeting, (I) a brief description of the business desired to be brought before the meeting and, if such business includes a proposal to amend these By-laws, the language of the proposed amendment, (II) such shareholder's and beneficial owner's or owners' reasons for conducting such business at the meeting and (III) any material interest in such business of such shareholder and beneficial owner or owners.

(iii) Notwithstanding anything in the second sentence of paragraph (a)(ii) of this Section 14 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least

45 days prior to the Anniversary Date, a shareholder's notice required by this Section 14 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be received by the Secretary at the principal offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

b. Special Meetings. Only such business shall be conducted at a Special Meeting as shall have been described in the notice of meeting sent to shareholders pursuant to Section 5 of Article II of these By-laws. Nominations of persons for election to the Board of Directors may be made at a Special Meeting at which directors are to be elected pursuant to such notice of meeting (i) by or at the direction of the Board of Directors or (ii) by any shareholder of the Corporation who (A) is a shareholder of record at the time of giving of such notice of meeting, (B) is entitled to vote at the meeting and (C) complies with the notice procedures set forth in this Section 14. Any shareholder desiring to nominate persons for election to the Board of Directors at such a Special Meeting shall cause a written notice to be received by the Secretary of the Corporation at the principal offices of the Corporation not earlier than ninety days prior to such Special Meeting and not later than the close of business on the later of (x) the 60th day prior to such Special Meeting and (y) the 10th day following the day on which public announcement is first made of the date of such Special Meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. Such written notice shall be signed by the shareholder of record who intends to make the nomination (or his duly authorized proxy or other representative), shall bear the date of signature of such shareholder (or proxy or other representative) and shall set forth: (A) the name and address, as they appear on the Corporation's books, of such shareholder and the beneficial owner or owners, if any, on whose behalf the nomination is made; (B) the class and number of shares of the Corporation which are beneficially owned by such shareholder or beneficial owner or owners; (C) a representation that such shareholder is a holder of record of shares of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to make the nomination specified in the notice; (D) the name and residence address of the person or persons to be nominated; (E) a description of all arrangements or understandings between such shareholder or beneficial owner or owners and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination is to be made by such shareholder; (F) such other information regarding each nominee proposed by such shareholder as would be required to be disclosed in solicitations of proxies for elections of directors, or would be otherwise required to be disclosed, in each case pursuant to Regulation 14A under the Exchange Act, including any information that would be required to be included in a proxy statement filed pursuant to Regulation

14A had the nominee been nominated by the Board of Directors; and (G) the written consent of each nominee to be named in a proxy statement and to serve as a director of the Corporation if so elected.

c. General.

(i) Only persons who are nominated in accordance with the procedures set forth in this Section 14 shall be eligible to serve as directors. Only such business shall be conducted at an Annual Meeting or Special Meeting as shall have been brought before such meeting in accordance with the procedures set forth in this Section 14. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 14 and, if any proposed nomination or business is not in compliance with this Section 14, to declare that such defective proposal shall be disregarded.

(ii) For purposes of this Section 14, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(iii) Notwithstanding the foregoing provisions of this Section 14, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 14. Nothing in this Section 14 shall be deemed to limit the Corporation's obligation to include shareholder proposals in its proxy statement if such inclusion is required by Rule 14a-8 under the Exchange Act.

ARTICLE III. BOARD OF DIRECTORS

1. General Powers

The business and affairs of the Corporation shall be managed by its Board of Directors. The Board shall determine the nature and character of the business to be conducted by the Corporation and the method of doing so; what employees, agents, and officers shall be employed and their compensation; and what purchases or contracts for purchase shall be made. The Board may delegate any of its aforesaid powers to committees or to officers, agents, or employees as it may from time to time determine.

2. Number of Directors

The number of directors of the Corporation shall be nine, divided into three classes: Class A – 3 members, Class B – 3 members, and Class C – 3 members.

3. Term

At the 1988 annual meeting of shareholders, the directors of Class A shall be elected for a term to expire at the first annual meeting of shareholders after their election, and until their successors are elected and qualify, the directors of Class B shall be elected for a term to expire at the second annual meeting of shareholders after their election, and until their successors are elected and qualify, and the directors of Class C shall be elected for a term to expire at the third annual meeting of shareholders after their election and until their successors are elected and qualify. At each annual meeting of shareholders after the 1988 annual meeting of shareholders, the successors to the class of directors whose terms shall expire at the time of such annual meeting shall be elected to hold office until the third succeeding annual meeting of shareholders, and until their successors are elected and qualify.

4. Qualifications

No director elected to such office for the first time after January 1, 1972 shall be eligible for re-election after attaining the age of 70 years. Directors need not be shareholders of the Corporation or residents of the State of Wisconsin.

5. Meetings

The Board of Directors shall hold its meetings at such place or places, within or without the State of Wisconsin, as the Board may from time to time determine.

a. A meeting of the Board of Directors, to be known as the annual meeting, may be held, without notice, immediately after and at the same place as the annual meeting of the shareholders at which such Board is elected, for the purpose of electing the officers of the Corporation and to transact such other business as may come before the Board. Such annual meeting may be held at a different place than the annual meeting of shareholders and/or on a date subsequent to the annual meeting of shareholders, if notice of such different place and/or date has been given to or waived by all the directors.

b. Regular meetings of the Board of Directors may be held without call and without notice, at such times and in such places as the Board may by resolution from time to time determine.

c. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board or the Chief Executive Officer and shall be called by the Secretary of the Corporation upon the written request of three or more directors.

6. Notice; Waiver

Notice of each special meeting of the Board of Directors shall be given by written notice delivered or communicated in person, by telegraph, teletype, facsimile, or other form of wire or wireless communication, or by mail or private carrier, to each director at his business address or at such other address as such director shall have designated in writing filed with the Secretary, in each case not less than 48 hours prior to the meeting. The notice need not prescribe the purpose of the special meeting of the Board of Directors or the business to be transacted at such meeting. If mailed, such notice shall be deemed to be effective when deposited in the United States mail so addressed, with postage thereon prepaid. If notice is given by telegram, such notice shall be deemed to be effective when the telegram is delivered to the telegraph company. If notice is given by private carrier, such notice shall be deemed to be effective when delivered to the private carrier. Whenever any notice whatever is required to be given to any director of the Corporation under the Articles of Incorporation, these By-laws, or any provision of the Wisconsin Business Corporation Law, a waiver thereof in writing, signed at any time, whether before or after the date and time of meeting, by the director entitled to such notice shall be deemed equivalent to the giving of such notice. The Corporation shall retain any such waiver as part of the permanent corporate records. A director's attendance at or participation in a meeting waives any required notice to him or her of the meeting unless the director at the beginning of the meeting or promptly upon his or her arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

7. Quorum

Except as otherwise provided by the Wisconsin Business Corporation Law, by the Articles of Incorporation, or these By-laws, a majority of the number of directors specified in Section 2 of Article III of these By-laws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. Except as otherwise provided by the Wisconsin Business Corporation Law, by the Articles of Incorporation, or by these By-laws, a quorum of any committee of the Board of Directors created pursuant to Section 13 hereof shall consist of a majority of the number of directors appointed to serve on the committee. A majority of the directors present (though less than such quorum) may adjourn any meeting of the Board of Directors or any committee thereof, as the case may be, from time to time without further notice.

8. Manner of Acting

The affirmative vote of a majority of the directors present at a meeting of the Board of Directors or a committee thereof at which a quorum is present shall be the act of the Board of Directors or such committee, as the case may be, unless the Wisconsin Business Corporation Law, the Articles of Incorporation, or these By-laws require the vote of a greater number of directors.

9. Minutes of Meetings

Minutes of any regular or special meeting of the Board of Directors shall be prepared and distributed to each director.

10. Vacancies

Vacancies occurring in the Board of Directors shall be filled in the manner provided in Article V of the Articles of Incorporation.

11. Compensation

The Board of Directors, irrespective of any personal interest of any of its members, may establish reasonable compensation of all directors for services to the Corporation as directors, officers, or otherwise, or may delegate such authority to an appropriate committee. The Board of Directors also shall have authority to provide for or delegate authority to an appropriate committee to provide for reasonable pensions, disability, or death benefits, and other benefits or payments, to directors, officers, and employees, and to their estates, families, dependents, or beneficiaries on account of prior services rendered by such directors, officers, and employees to the Corporation.

12. Presumption of Assent

A director who is present and is announced as present at a meeting of the Board of Directors or any committee thereof created in accordance with Section 13 of this Article III, when corporate action is taken, assents to the action taken unless any of the following occurs:

a. The director objects at the beginning of the meeting or promptly upon his or her arrival to holding the meeting or transacting business at the meeting.

b. The director's dissent or abstention from the action taken is entered in the minutes of the meeting.

c. The director delivers written notice that complies with the Wisconsin Business Corporation Law of his or her dissent or abstention to the presiding officer of the meeting before its adjournment or to the Corporation immediately after adjournment of the meeting.

Such right of dissent or abstention shall not apply to a director who votes in favor of the action taken.

13. Committees

The Board of Directors by resolution adopted by the affirmative vote of a majority of all of the directors then in office may create one or more committees, appoint members of the Board of Directors to serve on the committees, and designate other members of the Board of Directors to serve as alternates. Each committee shall have two or more members who shall, unless otherwise provided by the Board of Directors, serve at the pleasure of the Board of Directors. A committee may be authorized to exercise the authority of the Board of Directors, except that a committee may not do any of the following:

a. Authorize distributions.

b. Approve or propose to shareholders action that the Wisconsin Business Corporation Law requires to be approved by shareholders.

c. Fill vacancies on the Board of Directors or, unless the Board of Directors provides by resolution that vacancies on a committee shall be filled by the affirmative vote of the remaining committee members, on any Board committee.

d. Amend the Corporation's Articles of Incorporation.

e. Adopt, amend, or repeal By-laws.

f. Approve a plan of merger not requiring shareholder approval.

g. Authorize or approve reacquisition of shares, except according to a formula or method prescribed by the Board of Directors.

h. Authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, except that the Board of Directors may authorize a committee to do so within limits prescribed by the Board of Directors. Unless otherwise provided by the Board of Directors in creating the committee, a committee may employ counsel, accountants, and other consultants to assist it in the exercise of its authority.

14. Telephonic Meetings

Except as herein provided and notwithstanding any place set forth in the notice of the meeting or these By-laws, members of the Board of Directors (and any committees thereof created pursuant to Section 13 of this Article III) may participate in regular or special meetings by, or through the use of, any means of communication by which all participants may simultaneously hear each other, such as by conference telephone. If a meeting is conducted by such means, then at the commencement of such meeting the presiding officer shall inform the participating directors that a meeting is taking place at which official business may be transacted. Any participant in a meeting by such means shall be deemed present in person at such meeting. Notwithstanding the foregoing, no action may be taken at any meeting held by such means on any particular matter which the presiding officer determines, in his or her sole discretion, to be inappropriate under the circumstances for action at a meeting held by such means. Such determination shall be made and announced in advance of such meeting.

15. Action without Meeting

Any action required or permitted by the Wisconsin Business Corporation Law to be taken at a meeting of the Board of Directors or a committee thereof created pursuant to Section 13 of this Article III may be taken without a meeting if the action is taken by all members of the Board or of the committee. The action shall be evidenced by one or more written consents describing the action taken, signed by each director or committee member and retained by the Corporation. Such action shall be effective when the last director or committee member signs the consent, unless the consent specifies a different effective date.

ARTICLE IV. OFFICERS

1. Principal Officers

The principal officers of the Corporation required by statute shall be one or more Presidents (as may be elected by the Board of Directors), such number of Vice Presidents as may be elected by the Board of Directors, a Secretary, and a Treasurer. The Board of Directors may elect from among the directors a Chairman of the Board of Directors and a Vice Chairman of the Board of Directors; may designate such Chairman, Vice Chairman, or any principal officer as the Chief Executive Officer; may designate the President or Presidents as a Chief Operating Officer; may elect such Assistant Secretaries and Assistant Treasurers and other officers as it shall deem necessary; and may prescribe by resolution their respective powers and duties.

2. Chairman of the Board of Directors

If a Chairman of the Board of Directors shall be elected, he or she shall preside as Chairman of all meetings of the shareholders and of the Board of Directors. He or she shall have such other authority as the Board may from time to time prescribe. If there is no Chairman of the Board, or in the absence of the Chairman, the presiding officer at meetings of the shareholders, and of the Board of Directors shall be another officer in the following order of priority:
Vice Chairman of the Board of Directors, Chief Executive Officer, Presidents, and Vice Presidents (subject, however, to Section 5 of this Article).

3. Chief Executive Officer

The Chief Executive Officer shall be the principal executive officer of the Corporation and, subject to the control of the Board of Directors, shall in general exercise active supervision over the business, property, and affairs of the Corporation.

a. The Chief Executive Officer shall have authority, subject to such rules as may be prescribed from time to time by the Board or its committees, to appoint agents or employees other than those elected by the Board, to prescribe their powers and duties, and to delegate such authority as he or she may see fit. Any agent or employee not elected by the Board shall hold office at the discretion of the Chief Executive Officer or other officer employing him.

b. The Chief Executive Officer is authorized to sign, execute, and acknowledge, on behalf of the Corporation, all deeds, mortgages, bonds, notes, debentures, contracts, leases, reports, and other documents and instruments, except where the signing and execution thereof by some other officer or agent shall be expressly authorized and directed by law or by the Board or by these By-laws. Unless otherwise provided by law or by the Board, the Chief Executive Officer may authorize any officer, employee, or agent to sign, execute, and acknowledge, on behalf of the Corporation, and in his place and stead, all such documents and instruments.

c. Unless otherwise ordered by the Board of Directors, the Chief Executive Officer, or a proxy appointed by him, shall have full power and authority, in the name of and on behalf of the Corporation, to attend, act, and vote at any meeting of the shareholders of any other corporation in which the Corporation may hold shares of stock. At any such meeting, he or she shall possess and may exercise any and all rights and powers incident to the ownership of shares of stock.

d. The Chief Executive Officer shall have such other powers and perform such other duties as are incident to the office of Chief Executive Officer and as may be prescribed by the Board.

4. Presidents

The President or Presidents shall be the principal operating officer(s) of the Corporation, shall assist the Chief Executive Officer in exercising general supervision over the business and affairs of the Corporation, and shall perform such other duties and have such authority as from time to time may be delegated or assigned to him or her by the Chief Executive Officer or by the Board of Directors (including the power to sign, execute and acknowledge all documents and instruments referred to in Section 3 of this Article). In the event there be more than one President, each such President shall be assigned responsibility for a designated group, division or function of the Corporation's business, an appropriate descriptive designation shall be added to his or her title and he or she shall have authority over that group, division or function. During the absence or disability of the Chief Executive Officer, or while that office is vacant, the President or Presidents shall exercise all the powers and discharge all of the duties of the Chief Executive Officer.

5. Vice Presidents

In the absence of any President or during his or her inability or refusal to act, his or her powers and duties shall temporarily devolve upon such Vice Presidents or other officers as shall be designated by the Board of Directors or, if not designated by the Board, by the Chief Executive Officer or other officer to whom such power may be delegated by the Board; provided, that no Vice President or other officer shall act as a member or chairman of any committee of the Board of Directors of which a President is a member or chairman, except at the direction of the Board.

a. Each Vice President shall have such powers and perform such other duties as may be assigned to him or her by the Board or the Chief Executive Officer, including the power to sign, execute, and acknowledge all documents and instruments referred to in Section 3 of this Article.

b. The Board may assign to any Vice President, general supervision and charge over any branch of the business and affairs of the Corporation, subject to such limitations as it may elect to impose.

c. The Board of Directors may, if it chooses, designate one or more of the Vice Presidents "Executive Vice President" with such powers and duties as the Board shall prescribe.

6. Secretary

The Secretary shall attend, and keep the minutes of, meetings of the shareholders, the Board of Directors and, unless otherwise directed by any such committee, all committees, in books provided for that purpose; shall have custody of the corporate records and seal; shall see that notices are given and records and reports properly kept and filed as required by law or by these By-laws; and, in general, shall have such other powers and perform such other duties as are incident to the office of Secretary and as may be assigned to him or her by the Board of Directors or the Chief Executive Officer.

7. Assistant Secretaries

In the absence of the Secretary, or during his or her inability or refusal to act, his or her powers and duties shall temporarily devolve upon such one of the Assistant Secretaries as the Chief Executive Officer or the Board of Directors may direct. The Assistant Secretaries shall have such other powers and perform such other duties as may be assigned to them by the Board, the Chief Executive Officer, or the Secretary.

8. Treasurer

The Treasurer shall have charge and custody of the funds, securities, and other evidences of value of the Corporation, and shall keep and deposit them as required by the Board of Directors. He or she shall keep proper accounts of all receipts and disbursements and of the financial transactions of the Corporation. He or she shall render statements of such accounts and of money received and disbursed by him or her and of property and money belonging to the Corporation as required by the Board. The Treasurer shall have such other powers and perform such other duties as are incident to the office of Treasurer and as from time to time may be prescribed by the Board or the Chief Executive Officer.

9. Assistant Treasurers

In the absence of the Treasurer, or during his or her inability or refusal to act, his or her powers and duties shall temporarily devolve upon such one of the Assistant Treasurers as the Chief Executive Officer or the Board of Directors may direct. The Assistant Treasurers shall have such other powers and perform such other duties as from time to time may be assigned to them, respectively, by the Board, the Chief Executive Officer, or the Treasurer.

10. Other Assistants and Acting Officers

The Board of Directors shall have the power to appoint any person to act as assistant to any officer, or as agent for the Corporation in his or her stead, or to perform the duties of such officer whenever for any reason it is impracticable for such officer to act personally, and such assistant or acting officer or other agent so appointed by the Board of Directors or an authorized officer shall have the power to perform all the duties of the office to which he or she is so appointed to be an assistant, or as to which he or she is so appointed to act, except as such power may be otherwise defined or restricted by the Board of Directors.

11. Compensation

The salaries or other compensation of all officers elected as provided under Section 1 of this Article (other than assistant officers) shall be fixed from time to time by the Board of Directors. The salaries or other compensation of all other agents and employees of the Corporation shall be fixed from time to time by the Chief Executive Officer, but only within such limits as to amount, and in accordance with such other conditions as may be prescribed by or under the authority of the Board of Directors.

12. Tenure

Each officer shall hold office until his or her successor shall have been duly elected and qualified, or until his or her death, resignation, disqualification, or removal. Any officer, agent, or employee may be removed, with or without cause, at any time by the Board of Directors notwithstanding the contract rights, if any, of the officer removed. The appointment of an officer does not of itself create contract rights.

13. Resignation

An officer may resign at any time by delivering notice to the Corporation that complies with the Wisconsin Business Corporation Law. The resignation shall be effective when the notice is delivered, unless the notice specifies a later effective date, and the Corporation accepts the later effective date.

14. Vacancies

Any vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term. If a resignation of an officer is effective at a later date as contemplated by Section 13 of this Article IV, the Board of Directors may fill the pending vacancy before the effective date if the Board provides that the successor may not take office until the effective date.

15. Reassignment of Duties

In case of the absence or disability of any officer of the Corporation, or for any other reason deemed sufficient by the Board of Directors, the Board may reassign or delegate the powers and duties, or any of them, to any other officer, director, or person it may select.

ARTICLE V. CERTIFICATES FOR AND TRANSFER OF SHARES

1. Form

Certificates representing shares of the Corporation shall be in such form as shall be determined by the Board of Directors. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered for the transfer shall be cancelled, and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except in case of a lost or destroyed certificate provided for in Section 4 of this Article V or a certificate for shares transferred in compliance with the escheat laws of any state.

2. Signatures

Certificates representing shares of the Corporation shall be signed by the Chief Executive Officer, a President or a Vice President and by the Secretary or an Assistant Secretary; and may be sealed with the seal of the Corporation (which may be a facsimile) and countersigned and registered in such manner, if any, as the Board of Directors may prescribe. Whenever any certificate is manually signed on behalf of a transfer agent or a registrar, other than the Corporation itself or an employee of the Corporation, the signatures of the Chief Executive Officer, President, Vice President, Secretary, or Assistant Secretary, upon such certificate may be facsimiles. In case any officer who has signed, or whose facsimile signature has been placed upon such certificate, ceases to be such officer before such certificate is issued, it may be issued with the same effect as if he or she were such officer at the date of its issue.

3. Restrictions on Transfer

The face or reverse side of each certificate representing shares shall bear a conspicuous notation of any restriction imposed by the Corporation upon the transfer of such shares.

4. Lost, Destroyed, or Stolen Certificates

Where the owner claims that his certificate for shares has been lost, destroyed, or wrongfully taken, a new certificate shall be issued in place thereof if the owner:

a. So requests before the Corporation has notice that such shares have been acquired by a bona fide purchaser.

b. Files with the Corporation a sufficient indemnity bond.

c. Satisfies such other reasonable requirements as may be prescribed by or under the authority of the Board of Directors.

5. Transfer of Shares

Prior to due presentment of a certificate for shares for registration of transfer, the Corporation may treat the registered owner of such shares as the person exclusively entitled to vote, to receive notifications, and otherwise to have and exercise all the rights and powers of an owner. Where a certificate for shares is presented to the Corporation with a request to register for transfer, the Corporation shall not be liable to the owner or any other person suffering loss as a result of such registration of transfer if:

a. There were on or with the certificate the necessary endorsements.

b. The Corporation had no duty to inquire into adverse claims or has discharged any such duty.

The Corporation may require reasonable assurance that said endorsements are genuine and effective and compliance with such other regulations as may be prescribed by or under the authority of the Board of Directors.

6. Consideration for Shares

The Board of Directors may authorize shares to be issued for consideration consisting of any tangible or intangible property or benefit to the Corporation, including cash, promissory notes, services performed, contracts for services to be performed, or other securities of the Corporation. Before the Corporation issues shares, the Board of Directors shall determine that the consideration received or to be received for the shares to be issued is adequate. The determination of the Board of Directors is conclusive insofar as the adequacy of consideration for the issuance of shares relates to whether the shares are validly issued, fully paid, and nonassessable. The Corporation may place in escrow shares issued in whole or in part for a contract for future services or benefits, a promissory note, or otherwise for property to be issued in the future, or make other arrangements to restrict the transfer of the shares, and may credit distributions in respect of the shares against their purchase price, until the services are performed, the benefits or property are received, or the promissory note is paid. If the services are not performed, the benefits or property are not received or the promissory note is not paid, the Corporation may cancel, in whole or in part, the shares escrowed or restricted and the distributions credited.

7. Other Rules

The Board of Directors shall have the power and authority to make all such further rules and regulations not inconsistent with the statutes of the State of Wisconsin as it may deem expedient concerning the issue, transfer, and registration of certificates representing shares of the Corporation, including the appointment and designation of Transfer Agents and Registrars.

ARTICLE VI. INDEMNIFICATION OF OFFICERS AND DIRECTORS

1. Mandatory Indemnification

a. In all cases other than those set forth in Section 1b hereof, subject to the conditions and limitations set forth hereinafter in this Article VI, the Corporation shall indemnify and hold harmless any person who is or was a party, or is threatened to be made a party, to any Action (see Section 16 of this Article VI for definitions of capitalized terms used herein) by reason of his or her status as an Executive, and/or as to acts performed in the course of such Executive's duties to the Corporation and/or an Affiliate, against Liabilities and reasonable Expenses incurred by or on behalf of an Executive in connection with any Action, including, without limitation, in connection with the investigation, defense, settlement, or appeal of any Action; provided, pursuant to Section 3 of this Article VI, that it is not determined by the Authority or by a court, that the Executive engaged in misconduct which constitutes a Breach of Duty.

b. To the extent an Executive has been successful on the merits or otherwise in connection with any Action, including, without limitation, the settlement, dismissal, abandonment, or withdrawal of any such Action where the Executive does not pay, incur, or assume any material Liabilities, or in connection with any claim, issue or matter therein, he or she shall be indemnified by the Corporation against reasonable Expenses incurred by or on behalf of him or her in connection therewith. The Corporation shall pay such Expenses to the Executive (net of all Expenses, if any, previously advanced to the Executive pursuant to Section 2 of this Article VI), or to such other person or entity as the Executive may designate in writing to the Corporation, within ten days after the receipt of the Executive's written request therefor, without regard to the provisions of Section 3 of this Article VI. In the event the Corporation refuses to pay such requested Expenses, the Executive may petition a court to order the Corporation to make such payment pursuant to Section 4 of this Article VI.

c. Notwithstanding any other provision contained in this Article VI to the contrary, the Corporation shall not:

(1) Indemnify, contribute or advance Expenses to an Executive with respect to any Action initiated or brought voluntarily by the Executive and not by way of defense, except with respect to Actions:

(a) Brought to establish or enforce a right to indemnification, contribution and/or an advance of Expenses under Section 4 of this Article VI, under the Statute as it may then be in effect or under any other statute or law or otherwise as required;

(b) Initiated or brought voluntarily by an Executive to the extent such Executive is successful on the merits or otherwise in connection with such an Action in accordance with and pursuant to Section 1b of this Article VI; or

(c) As to which the Board determines it to be appropriate.

(2) Indemnify the Executive under this Article VI for any amounts paid in settlement of any Action effected without the Corporation's written consent.

The Corporation shall not settle in any manner which would impose any Liabilities or other type of limitation on the Executive without the Executive's written consent. Neither the Corporation nor the Executive shall unreasonably withhold their consent to any proposed settlement.

d. An Executive's conduct with respect to an employee benefit plan sponsored by or otherwise associated with the Corporation and/or an Affiliate for a purpose he or she reasonably believes to be in the interests of the participants in and beneficiaries of such plan is conduct that does not constitute a breach or failure to perform his or her duties to the Corporation or an Affiliate, as the case may be.

2. Advance for Expenses

a. The Corporation shall pay to an Executive, or to such other person or entity as the Executive may designate in writing to the Corporation, his or her reasonable Expenses incurred by or on behalf of such Executive in connection with any Action, claim, issue, or matter associated with any such Action, in advance of the final disposition or conclusion of any such Action (or claim, issue, or matter associated with any such Action), within ten days after the receipt of the Executive's written request therefor; provided, the following conditions are satisfied:

(1) The Executive has first requested an advance of such Expenses in writing (and delivered a copy of such request to the Corporation) from the insurance carrier(s), if any, to whom a claim has been reported under an applicable insurance policy purchased by the Corporation and each such insurance carrier, if any, has declined to make such an advance;

(2) The Executive furnishes to the Corporation an executed written certificate affirming his or her good faith belief that he or she has not engaged in misconduct which constitutes a Breach of Duty; and

(3) The Executive furnishes to the Corporation an executed written agreement to repay any advances made under this Section 2 if it is ultimately determined that he or she is not entitled to be indemnified by the Corporation for such Expenses pursuant to this Article VI.

b. If the Corporation makes an advance of Expenses to an Executive pursuant to this Section 2, the Corporation shall be subrogated to every right of recovery the Executive may have against any insurance carrier from whom the Corporation has purchased insurance for such purpose.

3. Determination of Right to Indemnification

a. Except as otherwise set forth in this Section 3 or in Section 1c of this Article VI, any indemnification to be provided to an Executive by the Corporation under Section 1a of this Article VI upon the final disposition or conclusion of any Action, claim, issue, or matter associated with any such Action, unless otherwise ordered by a court, shall be paid by the Corporation to the Executive (net of all Expenses, if any, previously advanced to the Executive pursuant to Section 2 of this Article VI), or to such other person or entity as the Executive may designate in writing to the Corporation, within 60 days after the receipt of the Executive's written request therefor. Such request shall include an accounting of all amounts for which indemnification is being sought. No further corporate authorization for such payment shall be required other than this Section 3.

b. Notwithstanding the foregoing, the payment of such requested indemnifiable amounts pursuant to Section 1a of this Article VI may be denied by the Corporation if:

(1) The Board by a majority vote thereof determines that the Executive has engaged in misconduct which constitutes a Breach of Duty; or

(2) A majority of the directors of the Corporation are a party in interest to such Action.

c. In either event of nonpayment pursuant to Section 3b of this Article VI, the Board shall immediately authorize and direct, by resolution, that an independent determination be made as to whether the Executive has engaged in misconduct which constitutes a Breach of Duty and, therefore, whether indemnification of the Executive is proper pursuant to this Article VI.

d. Such independent determination shall be made, at the option of the Executive(s) seeking indemnification, by:

(1) A panel of three arbitrators (selected as set forth below in Section 3f of this Article VI from the panels of arbitrators of the American Arbitration Association) in Milwaukee, Wisconsin, in accordance with the Commercial Arbitration Rules then prevailing of the American Arbitration Association;

(2) An independent legal counsel mutually selected by the Executive(s) seeking indemnification and the Board by a majority vote of a quorum thereof consisting of directors who were not parties in interest to such Action (or, if such quorum is not obtainable, by the majority vote of the entire Board); or

(3) A court in accordance with Section 4 of this Article VI.

e. In any such determination there shall exist a rebuttable presumption that the Executive has not engaged in misconduct which constitutes a Breach of Duty and is, therefore, entitled to indemnification hereunder. The burden of rebutting such presumption by clear and convincing evidence shall be on the Corporation.

f. If a panel of arbitrators is to be employed hereunder, one of such arbitrators shall be selected by the Board by a majority vote of a quorum thereof consisting of directors who were not parties in interest to such Action or, if such quorum is not obtainable, by an independent legal counsel chosen by the majority vote of the entire Board, the second by the Executive(s) seeking indemnification, and the third by the previous two arbitrators.

g. The Authority shall make its independent determination hereunder within 60 days of being selected and shall simultaneously submit a written opinion of its conclusions to both the Corporation and the Executive.

h. If the Authority determines that an Executive is entitled to be indemnified for any amounts pursuant to this Article VI, the Corporation shall pay such amounts to the Executive (net of all Expenses, if any, previously advanced to the Executive pursuant to Section 2 of this Article VI), including interest thereon as provided in Section 6c of this Article VI, or such other person or entity as the Executive may designate in writing to the Corporation, within ten days of receipt of such opinion.

i. Except with respect to any judicial determination pursuant to Section 4 of this Article VI, the Expenses associated with the indemnification process set forth in this Section 3 of this Article VI, including, without limitation, the Expenses of the Authority selected hereunder, shall be paid by the Corporation.

4. Court-Ordered Indemnification and Advance for Expenses

a. An Executive may, either before or within two years after a determination, if any, has been made by the Authority, petition the court before which such Action was brought or any other court of competent jurisdiction to independently determine whether or not he or she has engaged in misconduct which constitutes a Breach of Duty and is, therefore, entitled to indemnification under the provisions of this Article VI. Such court shall thereupon have the exclusive authority to make such determination unless and until such court dismisses or otherwise terminates such proceeding without having made such determination. An Executive may petition a court under this Section 4 either to seek an initial determination by the court as authorized by Section 3d of this Article VI or to seek review by the court of a previous adverse determination by the Authority.

b. The court shall make its independent determination irrespective of any prior determination made by the Authority; provided, however, that there shall exist a rebuttable presumption that the Executive has not engaged in misconduct which constitutes a Breach of Duty and is, therefore, entitled to indemnification hereunder. The burden of rebutting such presumption by clear and convincing evidence shall be on the Corporation.

c. In the event the court determines that an Executive has engaged in misconduct which constitutes a Breach of Duty, it may nonetheless order indemnification to be paid by the Corporation if it determines that the Executive is fairly and reasonably entitled to indemnification in view of all of the circumstances of such Action.

d. In the event the Corporation does not:

(1) Advance Expenses to the Executive within ten days of such Executive's compliance with Section 2 of this Article VI; or

(2) Indemnify an Executive with respect to requested Expenses under Section 1b of this Article VI within ten days of such Executive's written request therefore, the Executive may petition the court before which such Action was brought, if any, or any other court of competent jurisdiction to order the Corporation to pay such reasonable Expenses immediately.

Such court, after giving any notice it considers necessary, shall order the Corporation to pay such Expenses if it determines that the Executive has complied with the applicable provisions of Section 2 of this Article VI or Section 1b of this Article VI, as the case may be.

e. If the court determines pursuant to this Section 4 of this Article VI that the Executive is entitled to be indemnified for any Liabilities and/or Expenses, or to the advance of Expenses, unless otherwise ordered by such court, the Corporation shall pay such Liabilities and/or Expenses to the Executive (net of all Expenses, if any, previously advanced to the Executive pursuant to Section 2 of this Article VI), including interest thereon as provided in Section 6c of this Article VI, or to such other person or entity as the Executive may designate in writing to the Corporation, within ten days of the rendering of such determination.

f. An Executive shall pay all Expenses incurred by such Executive in connection with the judicial determination provided in this Section 4 of this Article VI, unless it shall ultimately be determined by the court that he or she is entitled, in whole or in part, to be indemnified by, or to receive an advance from, the Corporation as authorized by this Article VI. All Expenses incurred by an Executive in connection with any subsequent appeal of the judicial determination provided for in this Section 4 of this Article VI shall be paid by the Executive regardless of the disposition of such appeal.

5. Termination of an Action is Nonconclusive

The adverse termination of any Action against an Executive by judgment, order settlement, conviction, or upon a plea of no contest or its equivalent, shall not, of itself, create a presumption that the Executive has engaged in misconduct which constitutes a Breach of Duty.

6. Partial Indemnification; Reasonableness; Interest

a. If it is determined by the Authority, or by a court, that an Executive is entitled to indemnification as to some claims, issues, or matters, but not as to other claims, issues, or matters, involved in any Action, the Authority, or the court, shall authorize the proration and payment by the Corporation of such Liabilities and/or reasonable Expenses with respect to which indemnification is sought by the Executive, among such claims, issues, or matters as the Authority, or the court, shall deem appropriate in light of all of the circumstances of such Action.

b. If it is determined by the Authority, or by a court, that certain Expenses incurred by or on behalf of an Executive are for whatever reason unreasonable in amount, the Authority, or the court, shall nonetheless authorize indemnification to be paid by the Corporation to the Executive for such Expenses as the Authority, or the court, shall deem reasonable in light of all of the circumstances of such Action.

c. Interest shall be paid by the Corporation to an Executive, to the extent deemed appropriate by the Authority, or by a court, at a reasonable interest rate, for amounts for which the Corporation indemnifies or advances to the Executive.

7. Insurance; Subrogation

a. The Corporation may purchase and maintain insurance on behalf of any person who is or was an Executive of the Corporation, and/or is or was serving as an Executive of an Affiliate, against Liabilities and/or Expenses asserted against him or her and/or incurred by or on behalf of him or her in any such capacity, or arising out of his or her status as such an Executive, whether or not the Corporation would have the power to indemnify him or her against such Liabilities and/or Expenses under this Article VI or under the Statute as it may then be in effect. Except as expressly provided herein, the purchase and maintenance of such insurance shall not in any way limit or affect the rights and obligations of the Corporation and/or any Executive under this Article VI. Such insurance may, but need not, be for the benefit of all Executives of the Corporation and those serving as an Executive of an Affiliate.

b. If an Executive shall receive payment from any insurance carrier or from the plaintiff in any Action against such Executive in respect of indemnified amounts after payments on account of all or part of such indemnified amounts have been made by the Corporation pursuant to this Article VI, such Executive shall promptly reimburse the Corporation for the amount, if any, by which the sum of such payment by such insurance carrier or such plaintiff and payments by the Corporation to such Executive exceeds such indemnified amounts; provided, however, that such portions, if any, of such insurance proceeds that are required to be reimbursed to the insurance carrier under the terms of its insurance policy, such as deductible, retention, or co-insurance amounts, shall not be deemed to be payments to such Executive hereunder.

c. Upon payment of indemnified amounts under this Article VI, the Corporation shall be subrogated to such Executive's rights against any insurance carrier in respect of such indemnified amounts; and the Executive shall execute and deliver any and all instruments and/or documents and perform any and all other acts or deeds which the Corporation shall deem necessary or advisable to secure such rights. The Executive shall do nothing to prejudice such rights of recovery or subrogation.

8. Witness Expenses

The Corporation shall advance or reimburse any and all reasonable Expenses incurred by or on behalf of an Executive in connection with his or her appearance as a witness in any Action at a time when he or she has not been formally named a defendant or respondent to such an Action, within ten days after the receipt of an Executive's written request therefore.

9. Contribution

a. Subject to the limitations of this Section 9, if the indemnity provided for in Section 1 of this Article VI is unavailable to an Executive for any reason whatsoever, the Corporation, in lieu of indemnifying the Executive, shall contribute to the amount incurred by or on behalf of the Executive, whether for Liabilities and/or for reasonable Expenses in connection with any Action in such proportion as deemed fair and reasonable by the Authority, or by a court, in light of all of the circumstances of any such Action, in order to reflect:

(1) The relative benefits received by the Corporation and the Executive as a result of the event(s) and/or transaction(s) giving cause to such Action; and/or

(2) The relative fault of the Corporation (and its other Executives, employees, and/or agents) and the Executive in connection with such event(s) and/or transaction(s).

b. The relative fault of the Corporation (and its other Executives, employees, and/or agents), on the one hand, and of the Executive, on the other hand, shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent the circumstances resulting in such Liabilities and/or Expenses. The Corporation agrees that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation or any other method of allocation which does not take account of the foregoing equitable considerations.

c. An Executive shall not be entitled to contribution from the Corporation under this Section 9 in the event it is determined by the Authority, or by a court, that the Executive has engaged in misconduct which constitutes a Breach of Duty.

d. The Corporation's payment of, and an Executive's right to, contribution under this Section 9 shall be made and determined in accordance with and pursuant to the provisions in Sections 3 and/or 4 of this Article VI relating to the Corporation's payment of, and the Executive's right to, indemnification under this Article VI.

10. Indemnification of Employees

Unless otherwise specifically set forth in this Article VI, the Corporation shall indemnify and hold harmless any person who is or was a party, or is threatened to be made a party to any Action by reason of his or her status as, or the fact that he or she is or was an employee or authorized agent or representative of the Corporation and/or an Affiliate as to acts performed in the course and within the scope of such employee's, agent's, or representative's duties to the Corporation and/or an Affiliate, in accordance with and to the fullest extent permitted by the Statute as it may then be in effect.

11. Severability

If any provision of this Article VI shall be deemed invalid or inoperative, or if a court of competent jurisdiction determines that any of the provisions of this Article VI contravene public policy, this Article VI shall be construed so that the remaining provisions shall not be affected, but shall remain in full force and effect, and any such provisions which are invalid or inoperative or which contravene public policy shall be deemed, without further Action or deed by or on behalf of the Corporation, to be modified, amended, and/or limited, but only to the extent necessary to render the same valid and enforceable, and the Corporation shall indemnify an Executive as to Liabilities and reasonable Expenses with respect to any Action to the full extent permitted by any applicable provision of this Article VI that shall not have been invalidated and to the full extent otherwise permitted by the Statute as it may then be in effect.

12. Nonexclusivity of Article VI

The right to indemnification, contribution, and advancement of Expenses provided to an Executive by this Article VI shall not be deemed exclusive of any other rights to indemnification, contribution, and/or advancement of Expenses which any Executive or other employee or agent of the Corporation and/or of an Affiliate may be entitled under any charter provision, written agreement, resolution, vote of shareholders, or disinterested directors of the Corporation or otherwise, including, without limitation, under the Statute as it may then be in effect, both as to acts in his or her official capacity as such Executive or other employee or agent of the Corporation and/or of an Affiliate or as to acts in any other capacity while holding such office or position, whether or not the Corporation would have the power to indemnify, contribute, and/or advance Expenses to the Executive under this Article VI or under the Statute; provided that it is not determined that the Executive or other employee or agent has engaged in misconduct which constitutes a Breach of Duty.

13. Notice to the Corporation; Defense of Actions

a. An Executive shall promptly notify the Corporation in writing upon being served with or having actual knowledge of any citation, summons, complaint, indictment, or any other similar document relating to any Action which may result in a claim of indemnification, contribution, or advancement of Expenses hereunder, but the omission so to notify the Corporation will not relieve the Corporation from any liability which it may have to the Executive otherwise than under this Article VI unless the Corporation shall have been irreparably prejudiced by such omission.

b. With respect to any such Action as to which an Executive notifies the Corporation of the commencement thereof:

(1) The Corporation shall be entitled to participate therein at its own expense; and

(2) Except as otherwise provided below, to the extent that it may wish, the Corporation (or any other indemnifying party, including any insurance carrier, similarly notified by the Corporation or the Executive) shall be entitled to assume the defense thereof, with counsel selected by the Corporation (or such other indemnifying party) and reasonably satisfactory to the Executive.

c. After notice from the Corporation (or such other indemnifying party) to the Executive of its election to assume the defense of an Action, the Corporation shall not be liable to the Executive under this Article VI for any Expenses subsequently incurred by the Executive in connection with the defense thereof other than reasonable costs of investigation or as otherwise provided below. The Executive shall have the right to employ his or her own counsel in such Action but the Expenses of such counsel incurred after notice from the Corporation (or such other indemnifying party) of its assumption of the defense thereof shall be at the expense of the Executive unless:

(1) The employment of counsel by the Executive has been authorized by the Corporation;

(2) The Executive shall have reasonably concluded that there may be a conflict of interest between the Corporation (or such other indemnifying party) and the Executive in the conduct of the defense of such Action; or

(3) The Corporation (or such other indemnifying party) shall not in fact have employed counsel to assume the defense of such Action, in each of which cases the Expenses of counsel shall be at the expense of the Corporation.

The Corporation shall not be entitled to assume the defense of any Derivative Action or any Action as to which the Executive shall have made the conclusion provided for in clause (2) above.

14. Continuity of Rights and Obligations

The terms and provisions of this Article VI shall continue as to an Executive subsequent to the Termination Date and such terms and provisions shall inure to the benefit of the heirs, estate, executors, and administrators of such Executive and the successors and assigns of the Corporation, including, without limitation, any successor to the Corporation by way of merger, consolidation, and/or sale or disposition of all or substantially all of the assets or capital stock of the Corporation. Except as provided herein, all rights and obligations of the Corporation and the Executive hereunder shall continue in full force and effect despite the subsequent amendment or modification of the Corporation's Articles of Incorporation, as such are in effect on the date hereof, and such rights and obligations shall not be affected by any such amendment or modification, any resolution of directors or shareholders of the Corporation, or by any other corporate action which conflicts with or purports to amend, modify, limit, or eliminate any of the rights or obligations of the Corporation and/or of the Executive hereunder.

15. Amendment

This Article VI may only be altered, amended, or repealed by the affirmative vote of a majority of the shareholders of the Corporation so entitled to vote; provided, however, that the Board may alter or amend this Article VI without such shareholder approval if any such alteration or amendment:

a. Is made in order to conform to any amendment or revision of the Wisconsin Business Corporation Law, including, without limitation, the Statute, which:

(1) Expands or permits the expansion of an Executive's right to indemnification thereunder;

(2) Limits or eliminates, or permits the limitation or elimination, of liability of the Executives; or

(3) Is otherwise beneficial to the Executives; or

b. in the sole judgment and discretion of the Board, does not materially adversely affect the rights and protections of the shareholders of the Corporation.

Any repeal, modification, or amendment of this Article VI shall not adversely affect any rights or protections of an Executive existing under this Article VI immediately prior to the time of such repeal, modification, or amendment and any such repeal, modification, or amendment shall have a prospective effect only.

16. Certain Definitions

The following terms as used in this Article VI shall be defined as follows:

a. "Action(s)" shall include, without limitation, any threatened, pending, or completed action, claim, litigation, suit, or proceeding, whether civil, criminal, administrative, arbitrative, or investigative, whether predicated on foreign, federal, state, or local law, whether brought under and/or predicated upon the Securities Act of 1933, as amended, and/or the Securities Exchange Act of 1934, as amended, and/or their respective state counterparts, and/or any rule or regulation promulgated thereunder, whether a Derivative Action, and whether formal or informal.

b. "Affiliate" shall include, without limitation, any corporation, partnership, joint venture, employee benefit plan, trust, or other similar enterprise that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Corporation.

c. "Authority" shall mean the panel of arbitrators or independent legal counsel selected under Section 3 of this Article VI.

d. "Board" shall mean the Board of Directors of the Corporation.

e. "Breach of Duty" shall mean the Executive breached or failed to perform his or her duties to the Corporation or an Affiliate, as the case may be, and the Executive's breach of or failure to perform those duties constituted:

(1) A willful failure to deal fairly with the Corporation (or an Affiliate) or its shareholders in connection with a matter in which the Executive has a material conflict of interest;

(2) A violation of the criminal law, unless the Executive:

(a) Had reasonable cause to believe his or her conduct was lawful; or

(b) Had no reasonable cause to believe his or her conduct was unlawful;

(3) A transaction from which the Executive derived an improper personal profit (unless such profit is determined to be immaterial in light of all the circumstances of the Action); or

(4) Willful misconduct.

f. "Derivative Action" shall mean any Action brought by or in the right of the Corporation and/or an Affiliate.

g. "Executive(s)" shall mean any individual who is, was, or has agreed to become a director and/or officer of the Corporation and/or an Affiliate.

h. "Expenses" shall include, without limitation, all expenses, fees, costs, charges, attorneys' fees and disbursements, other out-of-pocket costs, reasonable compensation for time spent by the Executive in connection with the Action for which he or she is not otherwise compensated by the Corporation, any Affiliate, any third party or other entity, and any and all other direct and indirect costs of any type or nature whatsoever.

i. "Liabilities" shall include, without limitation, judgments, amounts incurred in settlement, fines, penalties, and, with respect to any employee benefit plan, any excise tax or penalty incurred in connection therewith, and any and all other liabilities of every type or nature whatsoever.

j. "Statute" shall mean Wisconsin Business Corporation Law Sections 180.0850-180.0859 (or any successor provisions).

k. "Termination Date" shall mean the date an Executive ceases, for whatever reason, to serve in an employment relationship with the Company and/or any Affiliate.

ARTICLE VII. SEAL

Board of Directors

The Board of Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the words "WISCONSIN PUBLIC SERVICE CORPORATION, GREEN BAY, WIS., CORPORATE SEAL." The continued use for any purpose of any former corporate seal or facsimile thereof shall have the same effect as the use of the corporate seal or facsimile thereof in the form provided by the preceding sentence.

ARTICLE VIII. AMENDMENTS

1. The Board of Directors shall have authority to adopt, amend, or repeal the By-laws of this Corporation upon affirmative vote of a majority of the total number of directors at a meeting of the Board, the notice of which shall have included notice of the proposed amendment; but the Board of Directors shall have no power to amend any By-law adopted or amended by the shareholders after May 23, 1972, or to reinstate any By-law repealed by the shareholders after May 23, 1972, unless the shareholders shall hereafter confer such authority upon the Board of Directors.

2. The shareholders shall have power to adopt, amend, or repeal any of the By-laws of the Corporation, at any regular or special meeting of the shareholders, in accordance with the provisions of Article II of these By-laws. There shall be included in the notice of such regular or special meeting a statement of the nature of any amendment that is proposed for the consideration of the shareholders by the holders of at least 5% of the voting stock of the Corporation in a writing delivered to the Secretary of the Corporation not less than 90 days prior to the date of such meeting or by the Board of Directors.

Exhibit 12.1

WPS Resources Corporation
Ratio of Earnings to Fixed Charges

(Millions)	2003	2002	2001	2000	1999	2004 9 Months
EARNINGS						
Income available to common shareholders	$ 94.7	$ 109.4	$ 77.6	$ 67.0	$ 59.6	$ 82.0
Discontinued operations	16.0	6.0	6.9	5.5	(0.8)	10.6
Cumulative effect of change in accounting principles	(3.2)	-	-	-	-	-
Federal and state income taxes	33.7	28.7	9.2	9.7	29.1	26.7
Pretax earnings from continuing operations	141.2	144.1	93.7	82.2	87.9	119.3
Loss (income) from less than 50% equity investees	4.2	4.1	(6.5)	-	-	(1.9)
Distributed earnings of less than 50% equity investees	7.5	7.0	3.5	-	-	8.5
Fixed charges	63.2	63.5	62.1	58.9	46.0	45.4
Subtract:						
Preferred dividend requirement	4.9	4.8	4.6	4.6	4.9	3.6
Minority interest	5.6	-	-	-	-	2.3
Total earnings as defined	$ 205.6	$ 213.9	$ 148.2	$ 136.5	$ 129.0	$ 165.4
FIXED CHARGES						
Interest on long-term debt, including related amortization	$ 47.6	$ 43.3	$ 39.5	$ 37.0	$ 27.2	$ 36.7
Other interest	5.5	10.2	12.2	11.9	8.5	3.7
Distributions - preferred securities of subsidiary trust	3.5	3.5	3.5	3.5	3.5	-
Interest factor applicable to rentals	1.7	1.7	2.3	1.9	1.9	1.4
Preferred dividends (grossed up) (see below)	4.9	4.8	4.6	4.6	4.9	3.6
Total fixed charges	$ 63.2	$ 63.5	$ 62.1	$ 58.9	$ 46.0	$ 45.4
Ratio of earnings to fixed charges	3.3	3.4	2.4	2.3	2.8	3.6

PREFERRED DIVIDEND CALCULATION:						
Preferred dividends	$ 3.1	$ 3.1	$ 3.1	$ 3.1	$ 3.1	$ 2.3
Tax rate *	36.5%	35.8%	32.5%	32.0%	36.5%	35.5%
Preferred dividends (grossed up)	$ 4.9	$ 4.8	$ 4.6	$ 4.6	$ 4.9	$ 3.6

* The tax rate has been adjusted to exclude the impact of tax credits.

Exhibit 12.2

Wisconsin Public Service Corporation

Ratio of Earnings to Fixed Charges and

Ratio of Earnings to Fixed Charges and Preferred Dividends

(Millions)	2003	2002	2001	2000	1999	2004 9 months
EARNINGS						
Earnings on common stock	$78.9	$83.1	$80.6	$70.4	$67.1	$74.9
Federal and state income taxes	45.7	46.8	43.9	40.1	38.0	40.3
Net pretax income	124.6	129.9	124.5	110.5	105.1	115.2
Loss (income) from less than 50% equity investees	(6.0)	(6.6)	(6.3)	0.0	0.0	(6.7)
Distributed earnings of less than 50% equity investees	4.3	5.4	3.3	0.0	0.0	3.6
Fixed charges	38.8	41.2	39.3	37.7	33.6	29.9
Subtract preference dividend requirement	4.8	4.8	4.7	4.8	4.8	3.5
Total earnings as defined	$156.9	$165.1	$156.1	$143.4	$133.9	$138.5
FIXED CHARGES						
Interest on long-term debt, including related amortization	$27.8	$27.2	$24.1	$21.6	$21.9	$22.4
Other interest	4.9	7.9	9.2	10.1	5.6	3.0
Interest factor applicable to rentals	1.3	1.3	1.3	1.2	1.3	1.0
Fixed charges before preferred dividend requirement	$34.0	$36.4	$34.6	$32.9	$28.8	$26.4
Ratio of earnings to fixed charges	4.6	4.5	4.5	4.4	4.6	5.2
Preferred dividends (grossed up) (see below)	$4.8	$4.8	$4.7	$4.8	$4.8	$3.5
Total fixed charges including preferred dividend	$38.8	$41.2	$39.3	$37.7	$33.6	$29.9
Ratio of earnings to fixed charges and preferred dividends	4.0	4.0	4.0	3.8	4.0	4.6

PREFERRED DIVIDEND CALCULATION:

	2003	2002	2001	2000	1999	2004 9 months
Preferred dividends	$3.1	$3.1	$3.1	$3.1	$3.1	$2.3
Tax rate	35.6%	35.0%	34.4%	35.3%	35.2%	34.5%
Preferred dividends (grossed up)	$4.8	$4.8	$4.7	$4.8	$4.8	$3.5

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a)
or 15d-14(a) under the Securities Exchange Act of 1934

I, Larry L. Weyers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of WPS Resources Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2004

/s/ Larry L. Weyers
Larry L. Weyers
Chairman, President, and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a)
or 15d-14(a) under the Securities Exchange Act of 1934

I, Joseph P. O'Leary, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of WPS Resources Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2004

/s/ Joseph P. O'Leary
Joseph P. O'Leary
Senior Vice President and Chief Financial Officer

Exhibit 31.3

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a)
or 15d-14(a) under the Securities Exchange Act of 1934

I, Larry L. Weyers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Wisconsin Public Service Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2004

/s/ Larry L. Weyers
Larry L. Weyers
Chairman and Chief Executive Officer

Exhibit 31.4

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a)
or 15d-14(a) under the Securities Exchange Act of 1934

I, Joseph P. O'Leary, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Wisconsin Public Service Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in thee case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2004

/s/ Joseph P. O'Leary
Joseph P. O'Leary
Senior Vice President and Chief Financial Officer

Exhibit 32.1

Written Statement of the Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350

Solely for the purposes of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned Chief Executive Officer and Chief Financial Officer of WPS Resources Corporation (the “Company”), hereby certify, based on their knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2004 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Larry L. Weyers
Larry L. Weyers
Chairman, President and Chief Executive Officer

/s/ Joseph P. O'Leary
Joseph P. O'Leary
Senior Vice President and Chief Financial Officer

Date: November 5, 2004

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by WPS Resources Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to WPS Resources Corporation and will be retained by WPS Resources Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Written Statement of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

Solely for the purposes of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned Chief Executive Officer and Chief Financial Officer of Wisconsin Public Service Corporation (the "Company"), hereby certify, based on their knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Larry L. Weyers
Larry L. Weyers
Chairman and Chief Executive Officer

/s/ Joseph P. O'Leary
Joseph P. O'Leary
Senior Vice President and Chief Financial Officer

Date: November 5, 2004

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by Wisconsin Public Service Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to Wisconsin Public Service Corporation and will be retained by Wisconsin Public Service Corporation and furnished to the Securities and Exchange Commission or its staff upon request.