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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 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 920-433-1598	39-0715160

Securities registered pursuant to Section 12(b) of the Act:

	Title of each class	Name of each exchange on which registered
WPS RESOURCES CORPORATION	Common Stock, $1 par value	New York Stock Exchange
	Rights to purchase Common Stock pursuant to Rights Agreement dated December 12, 1996, as amended	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

WISCONSIN PUBLIC SERVICE CORPORATION

Preferred Stock, Cumulative, $100 par value

5.00% Series	5.08% Series
5.04% Series	6.76% Series

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.
Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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]

State the aggregate market value
of the voting and non-voting common equity held by
nonaffiliates of the Registrants.

WPS RESOURCES CORPORATION	$1,725,313,118 as of June 30, 2004
WISCONSIN PUBLIC SERVICE CORPORATION	$0 as of June 30, 2004

Number of shares outstanding of each class
of common stock, as of February 28, 2005

WPS RESOURCES CORPORATION	Common Stock, $1 par value, 37,682,550 shares
WISCONSIN PUBLIC SERVICE CORPORATION	Common Stock, $4 par value, 23,896,962 shares. WPS Resources Corporation is the sole holder of Wisconsin Public Service Corporation Common Stock.

DOCUMENT INCORPORATED BY REFERENCE

Definitive proxy statement for the WPS Resources Corporation Annual Meeting of Shareholders to be held on May 19, 2005 is incorporated by reference into Part III.

WPS RESOURCES CORPORATION
and
WISCONSIN PUBLIC SERVICE CORPORATION

ANNUAL REPORT ON FORM 10-K
For the Year Ended December 31, 2004

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Acronyms Used in this Annual Report on Form 10-K

ATC	American Transmission Company LLC
DOE	United States Department of Energy
EPA	United States Environmental Protection Agency
ESI	WPS Energy Services, Inc.
ESOP	Employee Stock Ownership Plan
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
MPSC	Michigan Public Service Commission
PDI	WPS Power Development, Inc.
PSCW	Public Service Commission of Wisconsin
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards
UPPCO	Upper Peninsula Power Company
WDNR	Wisconsin Department of Natural Resources
WPSC	Wisconsin Public Service Corporation

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.

In addition to statements regarding trends or estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations, forward-looking statements included or incorporated in this report include, but are not limited to, statements regarding future:

- Revenues or expenses,
- Capital expenditure projections, and
- Financing sources.

Forward-looking statements involve a number of risks and uncertainties. There are many factors that could cause actual results to differ materially from those expressed or implied in this report. Some of those factors include:

- Resolution of pending and future rate cases and negotiations (including the recovery of deferred costs) and other regulatory decisions regarding WPSC and UPPCO;
- The impact of recent and future federal and state regulatory changes, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, changes in environmental, tax and other laws and regulations to which WPS Resources and its subsidiaries are subject, as well as changes in application of existing laws and regulations;
- Current and future litigation, regulatory investigations, proceedings or inquiries, including manufactured gas plant site cleanup and pending EPA investigations of WPSC generation facilities;
- Resolution of audits by the Internal Revenue Service and various state revenue agencies;
- The effects, extent and timing of additional competition in the markets in which WPS Resources' subsidiaries operate;
- The impact of fluctuations in commodity prices, interest rates and customer demand;
- Available sources and costs of fuels and purchased power;
- Ability to control costs (including costs of decommissioning generation facilities);
- Investment performance of employee benefit plans;
- Advances in technology;
- Effects of and changes in political, legal and economic conditions and developments in the United States;
- The performance of projects undertaken by nonregulated businesses and the success of efforts to invest in and develop new opportunities;

- Potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed (such as the potential sale of the Sunbury plant, the potential sale of the Kewaunee plant, construction of the Weston 4 generation plant and construction of the Wausau, Wisconsin to Duluth, Minnesota transmission line);
- The direct or indirect effect resulting from terrorist incidents or responses to such incidents;
- Financial market conditions and the results of financing efforts, including credit ratings and risks associated with commodity prices, interest rates and counter-party credit;
- Weather and other natural phenomena; and
- The effect of accounting pronouncements issued periodically by standard-setting bodies.

Except to the extent required by the federal securities laws, WPS Resources and its subsidiaries undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this report.

PART I

ITEM 1. BUSINESS

A. GENERAL

For purposes of this Annual Report on Form 10-K, unless the context otherwise indicates, when we refer to "us," "we," "our" or "ours," we are describing WPS Resources.

WPS Resources Corporation

WPS Resources is domiciled in the United States and was incorporated in Wisconsin in 1993. WPS Resources is a holding company for regulated utility and nonregulated business units and is exempt from the Public Utility Holding Company Act of 1935. Approximate percentages of revenues and net income for the year ended 2004 and assets as of December 31, 2004 of WPS Resources and its principal operating subsidiaries are:

	Percent of Revenues *	Percent of Net Income *	Percent of Assets *
Wisconsin Public Service Corporation	25%	75%	62%
Upper Peninsula Power Company	2%	3%	4%
WPS Energy Services, Inc.	73%	26%	24%
WPS Power Development, Inc.	1%	4%	9%
WPS Resources Corporation	0%	(8%)	7%

* The percentages above may not total 100% due to intercompany transactions. Intercompany transactions largely consist of energy sales and purchases between subsidiaries and related intercompany receivables and payables.

For the last three years, the majority of WPS Resources' revenues were earned within the United States and the majority of long-lived assets were located within the United States.

	2004	2003	2002
Domestic Revenues (millions)	**$3,763.6**	$3,749.6	$1,407.4
Foreign Revenues (millions)	**1,127.0**	571.7	53.7
Total Revenues (millions)	**$4,890.6**	$4,321.3	$1,461.1
Domestic Assets (millions)	**$2,823.8**	$2,618.4	
Foreign Assets (millions)	**22.9**	24.1	
Total Assets (millions)	**$2,846.7**	$2,642.5	

Wisconsin Public Service Corporation

WPSC, a Wisconsin corporation, is domiciled in the United States and began operations in 1883. WPSC is a regulated electric and natural gas utility serving an 11,000 square mile service territory in northeastern Wisconsin and an adjacent portion of the Upper Peninsula of Michigan. It is also a holding company that is exempt from the Public Utility Holding Company Act of 1935. In 2004, WPSC served 421,159 retail electric customers and 305,648 natural gas retail customers. Wholesale electric service is provided to various customers, including municipal utilities, electric cooperatives, energy marketers, other investor-owned utilities and municipal joint action agencies. For the last three years, all WPSC revenues were earned within the United States and all assets were located within the United States. Total revenues consisted of 87% retail sales and 13% wholesale sales. For more information regarding revenues, net income and total assets for regulated electric operations, see Notes to Consolidated Financial Statements - Segments of Business.

In December 2004, WPSC continued its efforts to sell its share of the Kewaunee nuclear power plant to Dominion Energy Kewaunee Inc. for approximately $130 million. WPSC continues to work with the PSCW to obtain regulatory approval of the sale. In 2004, WPSC disposed of approximately 5,634 acres of land along the Peshtigo River through sale and donation to the WDNR and at public auction. For more information regarding these sales, see Management's Discussion and Analysis of Financial Condition and Results of Operation.

Upper Peninsula Power Company

UPPCO, a Michigan corporation, is domiciled in the United States and began operations in 1884. UPPCO is a regulated electric utility serving a 4,500 square mile area of Michigan's Upper Peninsula. At December 31, 2004, UPPCO provided retail electric service to 51,905 customers and wholesale electric service to 36 customers. Total revenues consisted of 83% retail sales and 17% wholesale sales. For information regarding revenues, net income and total assets for regulated electric operations, see Notes to Consolidated Financial Statements - Segments of Business.

WPS Investments, LLC

WPS Investments, LLC is a nonutility company domiciled in the United States and was organized in 2000 under the laws of the State of Wisconsin. On December 31, 2004, WPS Investments was owned 36.36% by WPSC, 10% by UPPCO, and 53.64% by WPS Resources. The principal business of WPS Investments is to hold the investment of WPS Resources and its subsidiaries in ATC and Guardian Pipeline, LLC. At December 31, 2004, WPS Investments owned approximately a 22.64% interest in ATC and a 33.33% interest in Guardian Pipeline, LLC.

WPS Resources Capital Corporation

WPS Resources Capital Corporation, a Wisconsin corporation, is domiciled in the United States and was created in 1999 as an intermediate holding company for the nonregulated subsidiaries of WPS Resources. At the end of 2004, WPS Resources Capital Corporation had total assets of $1.5 billion, consisting of its investments in ESI and PDI.

WPS Energy Services, Inc.

ESI, a Wisconsin corporation, is domiciled in the United States and was established in 1994. ESI is a nonregulated subsidiary of WPS Resources Capital Corporation. ESI offers nonregulated natural gas, electric and alternate fuel supplies, as well as energy management and consulting services, to retail and wholesale customers primarily in the northeastern quadrant of the United States and eastern portions of Canada. Although ESI has a widening array of products and services, revenues are primarily derived through sales of electricity and natural gas. ESI had revenues of $3.6 billion, including intercompany revenues, in 2004 and assets of $1.1 billion at December 31, 2004. For information regarding revenues, net income and total assets, see Notes to Consolidated Financial Statements - Segments of Business.

WPS Power Development, Inc.

PDI, a Wisconsin corporation, is domiciled in the United States and was established in 1995. PDI is a nonregulated subsidiary of WPS Resources Capital Corporation that owns and operates generation facilities in the United States and Canada primarily selling energy and capacity to ESI. Energy-related services provided by PDI include engineering and management services and operations and maintenance services. PDI currently owns, through its subsidiaries, electric generation facilities in Wisconsin, Maine, Pennsylvania and New York in the United States and New Brunswick in Canada, a 23.3% interest in a synthetic fuel processing facility located in Kentucky, and steam production facilities located in Arkansas and Oregon. PDI had revenues of $71.4 million, including intercompany revenues, in 2004, but excluding revenues from discontinued operations (the operations of the Sunbury generation plant, which is held for sale), and assets of $380.5 million at December 31, 2004, including $119.6 million of assets held for sale.

For information regarding revenues, net income and total assets see Notes to Consolidated Financial Statements - Segments of Business.

B. REGULATED ELECTRIC OPERATIONS

WPS Resources' regulated electric utility operations are provided through WPSC and UPPCO. WPSC generates and distributes electric energy in northeastern Wisconsin. The cities of Green Bay, Oshkosh, Wausau and Stevens Point are the largest communities served at the electric retail level. UPPCO provides electric energy in Michigan's Upper Peninsula. The largest community served at the electric retail level is the Houghton/Hancock area. WPSC also provides retail electric energy to a small portion of Michigan's Upper Peninsula, primarily in the City of Menominee.

Revenues, volumes, customers and plant assets for electric operations of WPSC and UPPCO are as follows:

	2004	**2003**	**2002**
Electric Revenues (millions)			
Wisconsin	**$769.3**	$683.4	$661.9
Michigan	**127.3**	130.7	101.2
Total	**$896.6**	$814.1	$763.1
Electric Volumes (million megawatt-hours)			
Wisconsin	**12.8**	12.3	12.4
Michigan	**1.6**	2.0	2.1
Total	**14.4**	14.3	14.5
Customers			
Wisconsin	**412,246**	405,415	398,841
Michigan	**60,935**	60,511	60,134
Total	**473,181**	465,926	458,975
Plant Assets (millions)			
Wisconsin	**$2,062.2**	$1,961.6	$1,868.5
Michigan	**204.5**	184.6	183.1
Total	**$2,266.7**	$2,146.2	$2,051.6

In 2004, WPSC reached a firm net design peak of 1,869 megawatts on the afternoon of July 20. At the time of this summer peak, WPSC's total firm resources (i.e., generation plus firm purchases) totaled 2,297 megawatts. As a result of continually reaching demand peaks in the summer months, primarily due to air conditioning demand, the summer period is the most relevant for capacity planning purposes. We expect future supply reserves to meet the minimum 18% planning reserve margin criteria imposed by the PSCW through 2005.

In 2004, UPPCO purchased 86% of its total energy requirements. Remaining energy requirements were supplied by hydroelectric and combustion turbine facilities owned by UPPCO. During 2004, UPPCO purchased 65 megawatts of firm power from WPSC. UPPCO also purchased non-firm power from WPSC and Alliant Energy Corporation, among others. The purchases from WPSC represented 43% of UPPCO's total energy requirements in 2004. UPPCO has contracted for 65 megawatts of capacity and energy from WPSC for 2005.

Facilities

Weston Unit 4

On October 7, 2004, WPSC received the final PSCW order granting authority to proceed with construction of the 500-megawatt Weston 4 power plant contingent upon receipt of an air permit. The time allowed to challenge the order has expired making the PSCW decision final.

On October 19, 2004, the WDNR issued a construction air permit, which allows WPSC to proceed with construction of the Weston 4 generating station.

On November 15, 2004, a petition was filed by the Sierra Club with the WDNR under Section 285.61, Wis. Stats. contesting the air permit issued for Weston 4. On December 2, 2004, the WDNR granted the petition and forwarded the matter to the Division of Hearings and Appeals. It is anticipated that a contested case hearing will be held in the second half of 2005. The appeal raised legal and factual issues with the permit and with the process used by the WDNR to develop the air emission limits and conditions. Under Wisconsin law, WPSC may proceed with construction unless the hearing examiner issues a stay of the permit or rules the permit to be invalid. Similar issues were raised in a challenge to the WDNR air permit issued to WE Energies for its Oak Creek generating station in Wisconsin. On February 3, 2005, the court issued a decision affirming the WDNR's January 2004 issuance of an air pollution control and construction permit for WE Energies' expansion of the Oak Creek generating station. While the decision in the Oak Creek proceeding is not legally binding on the hearing examiner in the Weston 4 proceeding, it may influence the outcome of the Weston 4 hearing.

The Weston 4 air permit is one of the most stringent in the nation and will make the plant one of the cleanest plants of its kind in the United States. WPSC began construction in October 2004 and expects the plant to be operational in June 2008.

WPSC entered into an agreement with Dairyland Power Cooperative, effective as of November 23, 2004. The agreement will allow Dairyland Power to acquire a 30% undivided interest in WPSC's Weston 4 electric generation plant. The transaction remains contingent on Dairyland Power obtaining acceptable financing for the transaction and adequate transmission capabilities to deliver its share of the power generated to its transmission network by January 16, 2006. The transaction is also contingent on both WPSC and Dairyland Power receiving all required permits and regulatory approvals. In return for its 30% interest in Weston 4, Dairyland Power will pay WPSC 30% of Weston 4's construction, operation (including administrative and indirect costs), fuel and maintenance costs.

Weston Units 1 through 3

WPSC currently operates three coal-fired generation facilities at its Weston location. The plants have a total nameplate capacity of 456.6 megawatts. Weston unit 3 is the largest with a nameplate capacity of 321.6 megawatts.

Pulliam

WPSC also operates six coal-fired generation units at its Pulliam plant located in Green Bay, Wisconsin. The units at the Pulliam site have a combined nameplate capacity of 370 megawatts with the largest unit having a nameplate capacity of 125 megawatts.

Kewaunee Nuclear Power Plant

The Kewaunee nuclear power plant is a pressurized water reactor plant with a nameplate capacity of 607.9 megawatts. The Kewaunee plant is jointly-owned by WPSC (59%) and Wisconsin Power and Light Company (41%). Nuclear Management Company, LLC, operates the Kewaunee plant. WPS Resources owns a 20% interest in Nuclear Management Company.

On November 7, 2003, WPSC and Wisconsin Power and Light signed a definitive agreement to sell the jointly owned Kewaunee nuclear power plant to Dominion Energy Kewaunee, Inc., a subsidiary of Dominion Resources, Inc., for approximately $220 million.

The sale remains subject to the approval of the PSCW. Although the PSCW rejected the application for the sale of Kewaunee on November 19, 2004, WPSC, Wisconsin Power and Light and Dominion continue to work with the PSCW to obtain approval for the sale. On January 21, 2005, the PSCW issued an order reopening this proceeding. WPSC expects a final decision by the end of March 2005.

Assuming the sale is completed, both WPSC and Wisconsin Power and Light will enter into power purchase agreements with Dominion Energy Kewaunee, Inc., to purchase capacity and energy generated at Kewaunee, equivalent to the amounts that would have been received from the plant if current ownership had continued and at a cost approximating the expected costs of production had current ownership continued. The power purchase agreements, which also require regulatory approval, extend through 2013 when the plant's current operating license will expire.

Radioactive Waste Storage

The Midwest Compact Commission continues to monitor the availability of disposal facilities for the low-level radioactive waste created by all Midwest generators. A site at Barnwell, South Carolina, has been available for the storage of low-level radioactive waste from the Kewaunee plant in the past. The availability of this site for future waste storage is uncertain. As a result of technological advances, waste compaction and the reduction of waste generated, the Kewaunee plant has on-site low-level radioactive waste storage capacity sufficient to store all low-level waste expected at the plant through 2013 when the current plant operating license is set to expire.

Plant Capacity

On March 2, 2004, the Nuclear Regulatory Commission approved a 6% increase in generating capacity at the Kewaunee plant. The additional capacity was achieved primarily through minor component upgrades. The upgrades were completed during the scheduled Fall 2004 refueling outage to further increase plant capacity by 25 megawatts.

Depreciation and Decommissioning

At December 31, 2004, the net carrying amount of WPSC's investment in the Kewaunee plant, including construction work-in-progress, was approximately $87 million. The cost in current dollars for WPSC's 59% share of the estimated costs to decommission the Kewaunee plant is $350 million. WPSC's decommissioning trust assets at December 31, 2004, totaled $344.5 million on a net of tax basis. Due to the pending potential sale of the Kewaunee plant, all contributions to the decommissioning fund are currently suspended for 2005. If the sale is not completed, WPSC is required to contribute a pro-rated portion of its $1.1 million annual contribution for the wholesale jurisdiction. The proration would be based on the portion of the year remaining if and when pursuit of the sale is discontinued. Retail jurisdiction funding has been suspended indefinitely pending the outcome of the sale and would only be resumed after approval from the PSCW should the transaction not be completed. Annual contributions to the trust are subject to change based on future rate case filings. To date, the PSCW and the FERC have determined these costs to be reasonable and allowed their recovery in rates.

During 2004, $15.8 million of depreciation expense related to unrecovered plant investment was recognized, compared with $16.1 million recognized in 2003. The 2004 annual decommissioning funding requirement was $0.3 million.

Additional discussion of Kewaunee plant matters is included in Management's Discussion and Analysis of Financial Condition and Results of Operation and the Notes to WPS Resources' Consolidated Financial Statements.

Other Generation Facilities

WPSC owns a 50% interest in Wisconsin River Power Company. Wisconsin River Power is the owner and operator of a combustion turbine and two hydroelectric plants on the Wisconsin River, which have an aggregate installed capacity in excess of 50 megawatts

Fox Energy Center

In 2003, WPSC entered into a power purchase agreement with Calpine Corporation for capacity and energy from a facility to be built near Kaukauna, Wisconsin. The agreement calls for WPSC to purchase 150 megawatts of capacity beginning on June 1, 2005, escalating to 470 megawatts of capacity on June 1, 2006, until May 31, 2015, when it decreases to 235 megawatts. On May 31, 2016, the agreement terminates. Under the agreement, WPSC will also be responsible for fuel supply to the facility over the life of the agreement. Calpine began construction of the project in the fall of 2004. At this time, WPSC believes Calpine will fulfill its contractual commitments, including a June 1, 2005 project in-service date.

Other Facilities

WPSC, Minnesota Power Company, and ATC are undertaking the construction of a 220-mile, 345-kilovolt-transmission line from Wausau, Wisconsin, to Duluth, Minnesota. Completion of the line is expected in 2008 at a total cost of approximately $420 million.   ATC owns, maintains, monitors, and operates electric transmission assets in portions of Wisconsin, Michigan, and Illinois.

For additional information regarding our facilities, see Item 2. Properties in this Annual Report on Form 10-K.

Fuel Supply

Electric Supply Mix

WPSC's electric supply mix for 2004 and 2003 was:

Energy Source	2004	2003
Coal	**61.7%**	60.7%
Purchased power	**18.4%**	17.4%
Nuclear	**16.1%**	17.5%
Natural gas/fuel oil	**1.9%**	2.6%
Hydro	**1.9%**	1.8%

Fuel Costs

WPSC's fuel costs for 2004 and 2003 were:

Fuel Cost by Source Cost (per million Btus)	2004	2003
Coal	**$1.15**	$1.09
Nuclear	**0.44**	0.43
Natural gas	**6.88**	5.59
Fuel oil	**6.45**	8.54

Coal

Coal is the primary fuel source for WPSC, most of which is from the Powder River Basin mines located in Wyoming. Powder River Basin coal is very low in sulfur and meets the standards of the 1990 Clean Air

Act for 2004 and future years. This coal has been our least-cost coal source from any of the subbituminous coal-producing regions in the United States.

Historically, WPSC has purchased coal directly from the producer. Most of the coal purchased by WPSC for its wholly owned plants and purchased by Wisconsin Power and Light for the jointly owned Edgewater and Columbia plants is done through relatively short-term contracts of up to five years duration. WPSC does have one contract, however, that runs through 2016. That contract, with Arch Coal Sales, is for our wholly owned plants and covers approximately 23% of total wholly owned requirements and has take-or-pay obligations totaling $75.6 million over the remaining life of the contract. Take-or-pay obligations mean that WPSC is required to pay for annual contracted coal regardless of whether it takes delivery of the total amount of coal under contract. For 2005, 87% of the wholly owned and jointly owned plant requirements are under contract, with the remaining 13% to be purchased on the spot market. The contracts for coal are with five different suppliers, using seven different mine sources. Peabody COALSALES Company provides approximately 33% of the total coal purchases, with 23% of the total coal purchased coming from the North Antelope Mine.

WPSC currently contracts for coal transportation for its wholly owned plants under contracts of up to five years duration. Over 90% of WPSC's coal transportation is under competitive transportation agreements.

For additional information, see Notes to WPS Resources' Consolidated Financial Statements - Commitments and Contingencies.

Nuclear Fuel Cycle

WPSC purchases uranium concentrates, conversion services, enrichment services and fabrication services for nuclear fuel assemblies at the Kewaunee plant either on the spot market, through a bidding process or by using existing contracts. WPSC removes and replaces approximately one-third of the 121 fuel assemblies from the reactor every 18 months. WPSC stores spent fuel assemblies at the plant site pending permanent disposal by the DOE.

WPSC's uranium inventory policy is to maintain sufficient inventory for up to two reactor refuelings. Following completion of the plant refueling in November 2004, WPSC has approximately 500,000 pounds of yellowcake (a processed form of uranium ore), or its equivalent, held in inventory for the plant. Each refueling requires approximately 475,000 pounds of yellowcake. WPSC intends to purchase approximately 500,000 pounds of yellowcake in 2005 to meet the requirements of the inventory policy. Inventory includes uranium under contract as of December 31, 2004.

Conversion services will be complete for the nuclear fuel reload scheduled in 2006 following the completion of a small amount of contracted conversion services during the first half of 2005.

WPSC has contracted for 100% of the enrichment services required for the Kewaunee plant fuel reloads scheduled to occur in 2006 and 2007. WPSC has the option of purchasing enrichment services beyond 2007 by either using its existing contract or by purchasing from the spot market. WPSC has contracted for fuel fabrication services for the next four reloads. Assuming completion of the sale of the Kewaunee plant, Dominion will assume WPSC's obligations under the enrichment services and fuel fabrication services contracts.

If, for any reason, the Kewaunee plant is forced to terminate operations, we do not expect the maximum exposure to the co-owners related to fuel contracts to exceed $3.5 million. This exposure is due to a long-term fuel fabrication contract with Westinghouse. No financial penalties associated with the present uranium supply, conversion service or enrichment agreements exist. WPSC believes uranium inventories could be sold on the spot market.

Spent Nuclear Fuel Disposal

The federal government is responsible for the disposal or permanent storage of spent nuclear fuel. The DOE is currently preparing an application to license a permanent spent nuclear fuel storage facility in the Yucca Mountain area of Nevada.

Spent nuclear fuel is currently being stored at the Kewaunee plant. At current production levels, the plant has sufficient storage for all fuel assemblies until 2009 with full core offload. Additional capacity will be needed by 2010 to maintain full core offload capability.

The United States government through the DOE is under contract with WPSC for the pick up and long-term storage of Kewaunee's spent nuclear fuel. Because the DOE has failed to begin scheduled pickup of the spent nuclear fuel, WPSC incurred and will continue to incur costs for the storage of the spent nuclear fuel. WPSC is a participant in a suit filed against the federal government for breach of contract and failure to pick up and store the spent nuclear fuel. The case was filed on January 22, 2004, in the United States Court of Federal Claims. The case has been temporarily stayed until June of 2005.

In November 2003, WPSC reached an agreement to sell its interest in Kewaunee to Dominion Energy Kewaunee, Inc, a subsidiary of Dominion Resources, Inc. Assuming regulatory approval and closing of the sale, Dominion will have the right to pursue the spent nuclear fuel claim and WPSC will retain the contractual right to an equitable share of any future settlement or verdict. The total amount of damages sought is unknown at this time. Because WPSC is just one of many owners of nuclear plants who have brought similar suits against the federal government, resolution of the suit may take several years.

Funding Decontamination and Decommissioning of Federal Facilities

The Energy Policy Act of 1992 requires nuclear power companies to fund the decontamination and decommissioning of DOE facilities relating to the processing of nuclear fuel. As a result, WPSC is required to pay a surcharge for uranium enrichment services purchased from the federal government prior to October 23, 1992. On an inflation-adjusted basis, WPSC's portion of the obligation related to the Kewaunee plant is approximately \$0.6 million per year through the DOE fiscal year 2007, at which time the payments end. Madison Gas and Electric Company, a former 17.8% owner of the Kewaunee plant, has agreed to continue to pay its portion of this annual assessment through DOE fiscal year 2007. Assuming completion of the sale of the Kewaunee plant, WPSC will continue to be responsible for its portion of this obligation through 2007. The last payment will be due near the end of October 2006.

Regulatory Matters

The PSCW and the MPSC regulate electric retail rates for WPSC. The MPSC regulates electric retail rates for UPPCO. The FERC regulates wholesale electric rates of both utility companies.

Wisconsin Regulatory Matters

On December 21, 2004, the PSCW issued a final written order authorizing a retail electric rate increase of \$60.7 million (8.6%), effective January 1, 2005. The new rates reflect an 11.5% return on equity, with equity constituting 57.35% of the regulatory capital structure. The rate increase was necessary to recover the costs associated with the construction of Weston 4, increased fuel and purchased power costs, and increased employee benefit costs.

On November 26, 2002, WPSC, along with Minnesota Power Company and ATC, filed a joint application with the PSCW regarding an increase in the estimated cost to complete the Wisconsin portion of the Wausau, Wisconsin, to Duluth, Minnesota, transmission line. The PSCW originally approved the 220-mile, 345-kilovolt transmission line on October 30, 2001, at an estimated cost of \$166 million. On December 19, 2003, the PSCW issued an order re-approving the project at a revised cost of \$420.3 million. The revised cost includes an increase in the scope of the project and other facilities not included in the original application. This decision was appealed to the Dane County Circuit Court by certain landowners. The court affirmed the PSCW's decision. It is unknown whether the court decision will be appealed. In addition, Douglas County in Wisconsin continues to oppose the line and refuses to engage in negotiations relating to easement access to county owned land for the project. As a result of this opposition, the PSCW reopened the docket and ordered the applicants to submit an amended application identifying alternative routes and other options for the project in Douglas County. In addition, various WDNR permit related decisions are currently the subject of a contested case hearing in Wisconsin. A decision on the contested case is expected in the third quarter of 2005. For more information on ATC, see Notes to WPS Resources' Consolidated Financial Statements - Investments In Affiliates, At Equity Method.

The amount of fuel and purchased power costs WPSC is authorized to recover in rates is established in its general rate filings. If the actual fuel and purchased power costs vary from the authorized level by more than 2% on a year-to-date basis, WPSC is allowed, or may be required, to file an application adjusting rates for the remainder of the year to reflect actual costs for the year to date plus remaining costs projected for the year.

As a result of the Kewaunee nuclear power plant unplanned outage in late January and early February 2004 and other fuel cost increases in 2004, WPSC filed for a fuel cost increase of $7.4 million on February 27, 2004. The PSCW approved an interim rate increase of $6.0 million on April 1, 2004, subject to refund. On September 24, 2004, the PSCW approved the final fuel order allowing recovery of $3.2 million. In the fourth quarter of 2004, WPSC refunded to customers $1.8 million recovered in excess of the $3.2 million provided in the final order.

The PSCW also allowed WPSC to defer unanticipated replacement fuel, purchased power and operation and maintenance costs directly associated with the extension of the scheduled Kewaunee refueling outage in the fourth quarter of 2004. The Kewaunee outage was extended an additional three weeks due primarily to difficulties encountered with lifting equipment related to the removal of internal vessel components to complete a required 10-year inspection and procedures to perform the lifts. At December 31, 2004, $5.4 million of incremental fuel and purchased power costs and $1.8 million of operation and maintenance costs related to the outage being extended were deferred. The recovery of these deferred costs is anticipated in 2006, pending approval by the PSCW.

Michigan Regulatory Matters

Michigan authorizes a one-for-one fuel and purchased power recovery mechanism for prudently incurred costs. Under the mechanism, the difference between actual and authorized fuel and purchased power costs is deferred until year-end. By March 31 of the following year, WPSC and UPPCO must each individually file a reconciliation of actual costs to authorized costs. Any under or over recovery is then recovered from or returned to the ratepayer by the end of the following year. The reconciliation is subject to review and intervention by interested parties. At December 31, 2003, UPPCO had significant under recovered fuel and purchased power costs due to the high costs of purchased power. On October 14, 2004, the MPSC approved the full recovery of the deferred 2003 fuel costs ratably through December 31, 2005 (excluding those associated with Wisconsin Electric Power Company's Presque Isle outage). A decision on $1.8 million of deferred Presque Isle outage costs along with other Dead River flood issues is expected in the next rate case.

In December 2004, UPPCO filed a proposal with the MPSC to defer a base rate request until January 1, 2006, contingent on the MPSC's approval of recognition of any gains on the sale of certain land sales occurring before December 31, 2014 as nonutility gains. The maximum gain to be treated in this manner would be $30 million. One half of the gains realized before December 31, 2014, in excess of $30 million would have been returned to customers with the other half considered nonutility gain. Under the proposal, UPPCO would have been allowed to request deferred accounting treatment during the proposed moratorium for any governmental mandates and for any unusual and extraordinary events that would cause serious financial harm to UPPCO. UPPCO's Power Supply Cost Recovery clause also would not have been subject to the proposed moratorium. At this time, the MPSC has not accepted the proposal. Final approval or denial from the MPSC is still pending. As a result, on February 4, 2005, UPPCO filed a request to increase base rates by $5.7 million (7.6% increase). UPPCO also requested interim rate relief of $4.5 million. A prehearing has been scheduled for March 16, 2005.

Federal Energy Regulatory Commission Matters

On April 30, 2003, WPSC received a draft order from FERC approving a 21%, or $4.1 million, interim increase in wholesale electric rates, effective May 11, 2003, subject to refund. On March 4, 2004, WPSC, the customer groups and FERC reached a settlement regarding the final rate increase. The settlement includes formula rates going forward, which allows WPSC to bill FERC tariff customers the actual costs incurred during the year. In addition, the settlement allows a return on 100% of the construction work in progress related to Weston 4 and an 11.0% return on equity with the PSCW authorized regulatory capital structure, which is comprised of 57.35% equity for 2005. The settlement was approved by FERC on November 19, 2004. No material refunds were required as a result of the settlement. This is WPSC's first rate increase for its wholesale electric customers in 17 years.

Hydroelectric Licenses

WPSC, UPPCO and Wisconsin River Power have long-term licenses from FERC for all of their hydroelectric facilities.

On January 31, 2005, UPPCO announced its decision to restore Silver Lake as a reservoir for power generation, pending approval of a design by FERC. For information on Dead River Flooding, see Note 17 - Commitments and Contingencies to our Notes to Consolidated Financial Statements.

Other Matters

Research and Development

The only business segment of WPS Resources' consolidated entity that might incur significant research and development costs is WPSC. Electric research and development expenditures for WPSC totaled $0.7 million for 2004, $0.6 million for 2003 and $0.3 million for 2002. These expenditures were primarily charged to electric operations as incurred.

Customer Segmentation

In 2004, 29 paper mills and one wholesale customer (a private utility) that primarily provides power to other paper mills accounted for 14.9% of WPSC's electric revenues. There is no single customer, the loss of which would have a material adverse effect on the electric business of WPSC in the current regulatory environment.

Seasonality

The electric sales of WPSC and UPPCO follow a seasonal pattern due to the air conditioning requirements of customers that are primarily impacted by the variability of summer temperatures.

Competition

The electric energy market in Wisconsin continues to be regulated by the PSCW. Retail electric customers currently do not have the ability to choose their electric supplier. However, in order to increase sales, utilities work to attract new commercial/industrial customers into their service territory. As a result, there is competition among utilities to keep energy rates low. Wisconsin utilities have continued to refine regulated tariffs in order to provide customers with the true cost of electric energy to each class of customer, by reducing or eliminating rate subsidies among different ratepayer classes. Although Wisconsin electric energy markets are regulated, utilities still face competition from other energy sources.

Although Michigan electric energy markets are open to competition, a competitive market has not yet developed in the upper peninsula of Michigan primarily due to a lack of excess generation and transmission system capacity.

WPS Resources regulated electric subsidiaries are members of the Midwest Independent System Operator. The Midwest Independent System Operator is in the process of restructuring the bulk electric power market in the Midwest portion of the United States. The implementation of market restructuring by the Midwest Independent System Operation is currently expected to occur April 1, 2005. Such restructuring could have an impact on competition in the WPS Resources' regulated electric markets, the dispatch of generating facilities and the costs associated with serving utility customers' energy requirements.

Working Capital Requirements

For information on capital requirements related to WPSC, see Management's Discussion and Analysis of Financial Condition and Results of Operation - Liquidity and Capital Resources - Wisconsin Public Service Corporation.

Electric Operating Statistics

WISCONSIN PUBLIC SERVICE CORPORATION	**2004**	2003	2002
Operating revenues (Millions)			
Residential and farm	**$286.0**	$261.7	$249.9
Small commercial and industrial	**227.8**	205.9	197.7
Large commercial and industrial	**174.7**	155.5	152.4
Resale and other	**112.7**	101.8	96.9
Total	**$801.2**	$724.9	$696.9
Kilowatt-hour sales (Millions)			
Residential and farm	**2,999.6**	3,037.3	3,028.9
Small commercial and industrial	**3,521.0**	3,496.4	3,442.9
Large commercial and industrial	**4,225.9**	4,135.1	4,095.1
Resale and other	**2,746.9**	2,742.6	3,012.8
Total	**13,493.4**	13,411.4	13,579.7
Customers served (End of period)			
Residential and farm	**374,961**	368,702	362,718
Small commercial and industrial	**45,108**	44,508	43,915
Large commercial and industrial	**263**	257	241
Resale and other	**908**	903	894
Total	**421,240**	414,370	407,768
Average kilowatt-hour price (Cents)			
Residential and farm	**9.53**	8.61	8.25
Small commercial and industrial	**6.47**	5.89	5.74
Large commercial and industrial	**4.13**	3.76	3.72
Production capacity (Summer - kilowatts)			
Coal	**1,334,300**	1,326,700	1,339,000
Nuclear	**332,800**	315,600	312,700
Hydroelectric	**40,000**	40,000	43,300
Combustion turbine	**485,000**	449,200	378,120
Other	**9,900**	9,900	8,000
Purchased capacity	**469,500**	267,600	14,900
Total system capacity	**2,671,500**	2,409,000	2,096,020
Generation and purchases (Thousands of kilowatt-hours)			
Coal	**8,781,165**	8,573,305	8,056,530
Nuclear	**2,284,101**	2,451,896	2,638,284
Hydroelectric	**262,536**	252,961	337,480
Purchases and other	**2,847,279**	2,771,870	3,256,898
Total	**14,175,081**	14,050,032	14,289,192
Steam fuel costs (Cents per million Btu)			
Fossil	**116.881**	110.747	112.993
Nuclear	**44.212**	42.922	44.156
Total	**102.239**	95.959	96.369
System peak - firm (Kilowatts)	**1,869,300**	1,888,000	1,961,200
Annual load factor	**79.30%**	72.00%	71.10%

Electric Operating Statistics

UPPER PENINSULA POWER COMPANY	**2004**	2003	2002
Operating revenues (Millions)			
Residential and farm	**$34.4**	$31.5	$25.3
Small commercial and industrial	**26.4**	24.0	18.9
Large commercial and industrial	**15.0**	11.6	9.9
Resale and other	**19.6**	22.1	12.1
Total	**$95.4**	$89.2	$66.2
Kilowatt-hour sales (Millions)			
Residential and farm	**273.8**	277.0	277.9
Small commercial and industrial	**250.3**	252.5	257.7
Large commercial and industrial	**231.2**	211.1	227.4
Resale and other	**217.0**	194.7	204.9
Total	**972.3**	935.3	967.9
Customers served (End of period)			
Residential and farm	**45,954**	45,613	45,279
Small commercial and industrial	**5,644**	5,613	5,479
Large commercial and industrial	**5,657**	13	12
Resale and other	**330**	317	437
Total	**57,585**	51,556	51,207
Average kilowatt-hour price (Cents)			
Residential and farm	**12.58**	11.38	9.10
Small commercial and industrial	**10.55**	9.49	7.34
Large commercial and industrial	**6.48**	5.48	4.31
Production capacity (Summer - kilowatts)			
Natural gas	**18,800**	18,800	17,700
Hydroelectric	**21,700**	25,900	30,000
Combustion turbine	**36,200**	41,800	55,000
Purchased capacity	**77,000**	80,700	65,000
Total system capacity	**153,700**	167,200	167,700
Generation and purchases (Thousands of kilowatt-hours)			
Natural gas	**-**	7,021	5,062
Hydroelectric	**118,752**	150,398	162,542
Purchases and other	**943,779**	876,885	884,612
Total	**1,062,531**	1,034,304	1,052,216
Steam fuel costs (Cents per million Btu)			
Fossil *	**-**	652.999	368.410
System peak - firm (Kilowatts)	**148,038**	153,691	160,869
Annual load factor	**68.44%**	67.73%	67.27%

* Upper Peninsula Power Company had no steam generation during 2004.

C. REGULATED NATURAL GAS OPERATIONS

WPSC provides regulated natural gas service to nearly 300 municipalities in northeastern Wisconsin and adjacent portions of Michigan's Upper Peninsula.

Revenues, volumes, customers and plant assets for natural gas operations of WPSC are as follows:

	2004	2003	2002
Natural Gas Revenues (millions)			
Wisconsin	**$414.7**	$397.9	$306.3
Michigan	**6.2**	6.3	4.4
Total	**$420.9**	$404.2	$310.7
Natural Gas Volumes (million therms)			
Wisconsin	**750.7**	789.4	800.6
Michigan	**16.6**	17.9	17.4
Internal electric generation	**34.0**	47.2	27.4
Total	**801.3**	854.5	845.4
Customers			
Wisconsin	**300,297**	295,513	290,480
Michigan	**5,351**	5,346	5,336
Total	**305,648**	300,859	295,816
Plant Assets (millions)			
Wisconsin	**$300.3**	$451.2	$421.4
Michigan	**5.3**	6.0	5.9
Total	**$305.6**	$457.2	$427.3

Facilities

WPSC has nearly completed its project to install automated meter reading equipment for its customers, having installed 724,000 electric and natural gas meters. Approximately 14,000 meters remain to be installed. Completion of the project is expected in 2005 at a cost of less than $93 million.

For more information regarding our natural gas facilities, see Item 2. Properties in this Annual Report on Form 10-K.

Natural Gas Supply

WPSC manages a portfolio of natural gas supply contracts, storage services and pipeline transportation services designed to meet its varying load pattern at the lowest reasonable cost.

WPSC contracts for fixed-term firm natural gas supplies with approximately 13 natural gas suppliers each year (in the United States and Canada) to meet the December through February peak day demand of firm system sales customers. WPSC purchases additional natural gas supplies on the monthly spot market through fixed-term firm contracts as required to supplement natural gas supplies. As of December 31, 2004, the domestic natural gas supply contracts had remaining terms of up to two months and the Canadian natural gas supply contracts had remaining terms of up to three months. WPSC intends to contract for domestic natural gas supplies for terms of two years or less to minimize potential stranded natural gas supply contract costs if retail natural gas deregulation should proceed in Wisconsin.

Under current regulatory practice, the PSCW and the MPSC allow WPSC to pass increases or decreases in the cost of natural gas on to customers on a dollar-for-dollar basis through a purchased gas adjustment clause. Changes in the cost of natural gas are reflected in both gas revenues and gas purchases, thus having little or no impact on net income.

WPSC contracts with ANR Pipeline Company for firm underground storage capacity located in Michigan and with Nexen and People's Energy Resources Corporation located in Illinois. WPSC has approximately 116 million therms of firm storage capacity with ANR Pipeline and approximately 8 million therms of firm storage capacity in Illinois. Besides providing the ability to manage significant changes in daily natural gas demand, storage also provides WPSC with the ability to purchase natural gas at high load factors on a year-round basis, thus lowering supply cost volatility. Natural gas from storage provides approximately 61% of WPSC's supply on winter peak days, approximately 30% of its winter sales volumes and approximately 21% of its total annual sales volumes under normal weather conditions. WPSC also contracts with third-party natural gas suppliers for high deliverability storage. This high deliverability storage capacity is designed to deliver natural gas when other supplies cannot be delivered during extremely cold weather in the producing areas, which can temporarily limit wellhead natural gas supplies.

WPSC holds firm long-term transportation capacity contracts on the ANR Pipeline. The majority of these contracts expire in 2010. WPSC also holds firm transportation capacity with Viking Gas Transmission Company to deliver natural gas from its interconnection with TransCanada Pipelines near Emerson, Manitoba to the interconnection of Viking Gas Transmission with ANR Pipeline near Marshfield, Wisconsin. The Canadian natural gas suppliers at Emerson hold firm capacity on TransCanada Pipelines from Emerson back into the Canadian production areas in Alberta, Canada.

Regulatory Matters

The PSCW and the MPSC regulate WPSC's natural gas retail rates.

On December 21, 2004, the PSCW issued a final written order authorizing a natural gas rate increase of $5.5 million (1.1%), effective January 1, 2005. The new rates reflect an 11.5% return on equity, with equity constituting 57.35% of the regulatory capital structure. The rate increase was necessary to recover the costs associated with upgrading the existing natural gas infrastructure, increased costs of mandated conservation programs and increased employee benefits costs.

Other Matters

Research and Development

The only business segment of WPS Resources' consolidated entity that might incur significant research and development costs is WPSC's electric operations. Research and development costs incurred for the gas segment of WPSC's business in 2004 were approximately $17,000.

Customer Segmentation

WPSC has no single customer that accounts for a significant portion of natural gas throughput. The largest industry segment among WPSC's natural gas customers is the paper industry.

Seasonality

The gas throughput of WPSC follows a seasonal pattern due to the heating requirements of customers that is primarily impacted by the variability of winter temperatures. WPSC currently has 128.5 million therms of natural gas storage under contract. The availability of natural gas storage capacity allows WPSC to purchase natural gas supplies at times of lower demand, which results in lower energy costs and provides for more assurance of availability of supply in high demand periods.

Competition

WPSC's natural gas operations face competition with other entities and forms of energy in varying degrees, particularly for large commercial and industrial customers who have the ability to switch between natural gas and alternate fuels. Due to the volatility of natural gas prices, WPSC has seen its customers with dual fuel capability switch to alternate fuels for short periods of time, then switch back to natural gas as market rates change. WPSC offers interruptible natural gas sales and natural gas transportation service for these customers to enable them to reduce their energy costs. Transportation customers purchase their natural gas from third-party natural gas suppliers at market prices and contract with WPSC to transport the natural gas from ANR Pipeline to their facilities. Additionally, some customers still purchase their natural gas commodity directly from WPSC, but have elected to do so on an interruptible basis, as a means to reduce their costs. Customers continue to switch between firm system supply, interruptible system supply and transportation service each year as the economics and service options change.

Working Capital Requirements

For information on capital requirements related to WPSC, see Management's Discussion and Analysis of Financial Condition and Results of Operation - Liquidity and Capital Resources - Wisconsin Public Service Corporation.

Natural Gas Operating Statistics

Wisconsin Public Service Corporation	**2004**	2003	2002
Operating revenues (Millions)			
Residential	**$244.9**	$229.2	$182.6
Small commercial and industrial	**51.3**	55.6	42.9
Large commercial and industrial	**60.7**	77.0	61.9
Other	**64.0**	42.4	23.3
Total	**$420.9**	$404.2	$310.7
Therms delivered (Millions)			
Residential	**248.1**	263.1	250.8
Small commercial and industrial	**58.9**	72.6	69.6
Large commercial and industrial	**108.6**	117.1	123.7
Other	**34.0**	47.2	27.4
Total therm sales	**449.6**	500.0	471.5
Transportation	**351.7**	354.5	373.9
Total	**801.3**	854.5	845.4
Customers served (End of period)			
Residential	**277,484**	273,041	268,391
Small commercial and industrial	**23,914**	23,983	24,082
Large commercial and industrial	**2,924**	3,236	2,758
Other	**-**	1	1
Transportation customers	**595**	598	584
Total	**304,917**	300,859	295,816
Average therm price (Cents)			
Residential	**98.73**	87.12	72.80
Small commercial and industrial	**87.11**	76.61	61.68
Large commercial and industrial	**78.24**	64.71	49.99

D. NONREGULATED ENERGY SERVICES

WPS Resources' nonregulated energy services operations are provided through ESI. ESI is a diversified, energy supply and services company with principal operations in the northeastern quadrant of the United States, eastern portions of Canada and a natural gas supply presence in Alberta, Canada. ESI operates in the retail and wholesale nonregulated energy marketplace. In addition, ESI's three subsidiaries (Advantage Energy, Quest Energy and WPS Energy Services of Canada) market energy products in the retail market. Its emphasis is on serving commercial, industrial and wholesale customers, as well as "aggregated" small commercial and residential customers and standard offer service. Aggregated customers are associations or groups of customers which have joined together to negotiate purchases of electric or natural gas energy as a larger group. These associations and groups, in turn, may consist of individuals, municipalities or other types of natural gas or electric aggregation customers. Standard offer electric service is provided in areas where the energy market has been deregulated. In these markets, customers are allowed to choose their own supplier of electric energy. If they do not chose a specific supplier, their energy needs will be supplied by a standard offer provider. Generally, the public utility commission of the state selects the standard offer service provider. ESI serves as a standard offer service provider in the northern part of the state of Maine.

ESI provides individualized energy supply options and strategies that allow customers to manage energy needs while capitalizing on opportunities resulting from deregulation. ESI provides natural gas, electric and alternate fuel products, real-time energy management services and energy utilization consulting

Energy revenues, volumes and assets are as follows:

	2004	**2003**	**2002**
Electric Revenues (millions)			
United States	**$519**	$382	$114
Canada	**-**	-	-
Total	**$519**	$382	$114
Gas Revenues (millions) *			
United States	**$1,913**	$2,131	$194
Canada	**1,122**	566	51
Total	**$3,035**	$2,697	$245
Electric Volumes (million megawatt hours)			
United States	**10**	9	7
Canada	**-**	-	-
Total	**10**	9	7
Gas Volumes (billion cubic feet)			
United States	**322**	371	353
Canada	**191**	122	17
Total	**513**	493	370
Assets (millions)			
United States	**$ 685**	$ 727	$656
Canada	**402**	436	221
Total	**$1,087**	$1,163	$877

* Gas revenues increased approximately $997 million in 2003 due to a change in accounting in how revenues are reported. For more information, see Notes to WPS Resources Consolidated Financial Statements - Summary of Significant Accounting Policies -

Cumulative Effect of Change in Accounting Principle. Gas revenues also increased approximately $500 million in 2003, as a result of the acquisition of a retail natural gas business in Canada.

ESI's policy is to secure supply for sales commitments through purchase contracts with entities that have been determined to be creditworthy pursuant to the credit policies of ESI. The price risk between supply and sales commitments is managed in compliance with our risk policy through transaction specific supply commitments or through management of the overall portfolio. This policy provides more stable results and reduces ESI's exposure to market price fluctuations.

For more information on the trading and risk management activities of ESI see Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operation Introduction, WPS Resources - WPS Energy Services and Market Price Risk Management Activities - WPS Resources.

Facilities

ESI has an 81.5% interest in a 3 billion cubic foot natural gas storage field in Kimball, Michigan. The storage field allows for additional flexibility in supplying retail and wholesale customers, sale of storage services to the market and potential power peaking services.

Licenses

ESI is a FERC licensed marketer. ESI and its subsidiaries are registered to sell retail electric service in Maine, Massachusetts, Michigan, New York, Ohio, and Pennsylvania in the United States and the province of Ontario in Canada. ESI is registered to sell natural gas in Michigan, Ohio and New Brunswick Canada. ESI also sells natural gas in Wisconsin where no license is required. ESI's subsidiary, WPS Energy Services of Canada, is registered in the Canadian provinces of Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Quebec and Saskatchewan. ESI is also a member of the following regional transmission operators and North American Electric Reliability Council reliability regions:

- Independent Electricity Market Operator (located in Ontario),
- ISO New England,
- Mid-America Interconnected Network,
- Mid-Continent Area Power Pool,
- Midwest Independent System Operator,
- Northern Maine Independent System Administrator,
- New York Independent System Operator and
- PJM Interconnection.

Other Matters

Customer Segmentation

Although ESI is not dependent on any one customer, a significant percentage of its retail sales volume is derived from the paper and allied products and food and kindred products industries. ESI's concentration of sales in any single market sector is decreasing as it expands into the northeast United States retail electric and eastern Canada retail natural gas markets.

Seasonality

ESI believes that its business, in the aggregate, is not seasonal, even though certain products sell more heavily in some seasons than in others. Sales of natural gas generally peak in the winter months, while sales of electric energy generally peak in the summer months. ESI's business is volatile as a result of market conditions and the related market opportunities available to its customers. In 2004, 50.7% of ESI gross margin came from natural gas operations, 47.3% from electric operations and 2.0% from other operations.

Competition

ESI is a nonregulated energy marketer that competes against regulated utilities, large energy trading companies and other energy marketers. ESI competes with other energy providers on the basis of price, reliability, service, financial strength, consumer convenience, performance and reputation. Although the nonregulated energy market has seen a decrease in the number of large energy providers, there continues to be consolidation of small energy marketers. The liquidity in the nonregulated energy market continues to improve with the increase of well-capitalized wholesale market participants. Although this increases competition, it also allows ESI to operate more efficiently.

The status of nonregulated energy markets also impacts the competitiveness of ESI. Legislation proposed in Michigan in 2004 that would have substantially harmed the electric choice market and returned Michigan to a model of a regulated supply monopoly was proposed but not passed. In addition, legislation has been introduced in Ohio to change the nonregulated energy market. If passed, this could affect the ability of ESI to compete in the Ohio retail electric market. For more information on the legislative activity in Michigan and Ohio and its impact on ESI, see the discussion on Industry Restructuring in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operation.

Working Capital

Currently, capital requirements of ESI are provided by its parent company, WPS Resources. The working capital needs of ESI vary significantly over time due to volatility in commodity prices, the structure of wholesale transactions, the price of natural gas and the other energy opportunities available to its customers. WPS Resources provides guarantees for ESI's supply contracts. These guarantees provide the financial strength needed to participate in the nonregulated energy market.

See Management's Discussion and Analysis of Financial Condition and Results of Operation for additional information regarding working capital needs of nonregulated operations.

E. NONREGULATED ELECTRIC GENERATION

WPS Resources' nonregulated electric generation operations are provided through PDI. PDI owns and operates nonregulated electric generation facilities in the northeastern quadrant of the United States and adjacent portions of Canada. PDI also operates cogeneration facilities and generation from renewable resources.

PDI 's revenues, volumes and assets are as follows:

	2004	2003	2002
Electric Revenues (millions)			
United States *	**$70.0**	$81.4	$58.7
Canada	**1.4**	1.0	0.7
Total	**$71.4**	$82.4	$59.4
Electric Volumes (million megawatt hours)			
United States	**2.2**	2.4	2.4
Canada	**0.1**	0.1	0.1
Total	**2.3**	2.5	2.5
Plant Assets (millions)			
United States	**$229.1**	$239.4	$246.6
Canada	**26.2**	23.6	24.8
Total	**$255.3**	$263.0	$271.4

* Excludes revenues from discontinued operations (the operation of the Sunbury generation plant, which is held for sale, and certain other related assets).

In 2004, PDI entered into tolling agreements with ESI to market electric production from its facilities and to manage natural gas costs for its gas-fired generation facilities. PDI continues to manage costs of fuel for its coal-fired facilities. The tolling agreements allow ESI to operate PDI facilities at its discretion, when market conditions and fuel costs are advantageous. In 2003, ESI began to manage the market risk associated with sales related to the production from PDI's facilities. These agreements allow PDI to focus on the operation of the generation facilities and ESI to focus on the management of the market risk associated with energy production from these plants.

By including the tolling agreements in ESI's electric portfolio, PDI is able to match generation capabilities with customer demand. The improved economic dispatch of PDI's facilities resulted in $2.3 million of margin in excess of tolling fees paid to PDI and reduced the overall risk to the organization by more than 40 percent, as measured by Value-at-Risk (see Item 7A, Quantitative and Qualitative Disclosures About Market Risk, for more information about value-at-risk).

Facilities

In 2003, PDI 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, PDI received a letter of termination from Duquesne related to this sale. As a result of the termination of the sale, PDI entered into a settlement agreement with Duquesne on December 30, 2004. Under a provision of the settlement agreement, PDI retained a $4.4 million escrow deposit associated with the initial sales agreement. PDI has retained an investment banking firm to conduct an auction to sell the Sunbury plant.

For information regarding facilities of PDI, see Item 2, Properties, in this Annual Report on Form 10-K.

Fuel Supply

Fuel requirements for PDI owned plants (excluding gas-fired plants) are estimated at 1.5 million tons annually. Fuel for these facilities includes coal, fluid coke, tire-derived fuel and wood. Of this amount, approximately 99% will be met through the burning of coal products, including bituminous coal, culm, silt and fluid coke (a petroleum product). In 2004, PDI purchased all of its fuel supplies through the spot market and short-term contracts. In 2005, PDI expects to supply approximately 50% of its annual fuel needs through short-term fuel contracts. The remaining 50% of fuel requirements will be purchased through the spot market. At December 31, 2004, PDI had an estimated six-year reserve of coal silt for its Westwood facility.

As part of tolling agreements with ESI, all natural gas supply for the natural gas-fired facilities will be supplied by ESI.

In 2004, 46% of annual coal transportation for Sunbury was supplied by Norfolk Southern Railroad. The remaining coal transportation is contracted through short-term agreements with a variety of transportation providers.

Licenses

All the FERC hydroelectric facility licenses held by PDI or its subsidiaries are current. The 33-megawatt hydroelectric facility owned in New Brunswick, Canada, is not subject to licensing.

Other Matters

Customer Segmentation

As a participant in the nonregulated electric generation market, PDI sells its production in the wholesale market either through outtake contracts or to ESI under tolling agreements. In 2004, 336 megawatts (36%) of sales were from outtake contracts. Included in the 336 megawatts related to outtake contracts are 200 megawatts from the outtake contract related to the Sunbury plant.

PDI is not dependent on any one industry, customer or group of customers for a significant portion of its revenues.

Seasonality

Although identifiable price peaks do not occur at any certain time of the year, PDI believes the nonregulated energy market is subject to seasonal impacts. Generally in the summer months, the demand for electric energy is high, which increases the price at which energy can be sold. In periods of high residential fuel consumption, (generally the winter months) the purchase price of oil and natural gas increases, which increases the production costs at PDI 's gas- and oil-fired facilities.

Competition

PDI competes for sales of electric production with both regulated and nonregulated energy producers.

PDI operates in the wholesale markets of the following regional transmission areas:

- ISO New England,
- Midwest Independent System Operator,
- New York Independent System Operator and

- PJM Interconnection.

Of PDI's 829.8 megawatts of existing rated summer capacity (including 404 megawatts at Sunbury), fixed price contracts are in place to sell approximately 136 megawatts in 2005. All 136 megawatts are firm commitments. The remainder of PDI's energy production is sold under tolling agreements with ESI.

Working Capital

Equity and working capital requirements of PDI are generally provided through WPS Resources. Nonrecourse project debt financing of approximately $82.3 million was in place for the Sunbury, Maine and Canadian generation plants owned by PDI as of December 31, 2004.

See Management's Discussion and Analysis of Financial Condition and Results of Operation for additional information regarding working capital needs of nonregulated operations.

F. ENVIRONMENTAL MATTERS

For information on environmental matters related to WPS Resources and any of its subsidiaries, see Note 17 - Commitments and Contingencies to our Notes to Consolidated Financial Statements.

G. CAPITAL REQUIREMENTS

For information on capital requirements related to WPS Resources, see Management's Discussion and Analysis of Financial Condition and Results of Operation - Liquidity and Capital Resources - WPS Resources.

For information on capital requirements related to WPSC, see Management's Discussion and Analysis of Financial Condition and Results of Operation - Liquidity and Capital Resources - Wisconsin Public Service Corporation.

H. EMPLOYEES

At December 31, 2004, WPS Resources and its subsidiaries had the following employees:

	Wisconsin Public Service	Upper Peninsula Power	WPS Energy Services	WPS Power Development	WPS Resources	TOTAL
Electric Utility	251	174	-	-	-	425
Natural Gas Utility	160	-	-	-	-	160
Common Utility	2,051	-	-	-	-	2,051
Nonregulated	-	-	204	180	44	428
TOTAL	2,462	174	204	180	44	3,064

Local 310 of the International Union of Operating Engineers represents 1,273 WPSC employees. The current Local 310 collective bargaining agreement expires on October 21, 2006.

Local 510 of the International Brotherhood of Electrical Workers, AFL-CIO, represents 135 UPPCO employees. The current Local 510 collective bargaining agreement expires on April 23, 2005.

Local 1600 of the International Brotherhood of Electrical Workers, AFL-CIO, represents approximately 95 employees at the Sunbury generation station owned and operated by a subsidiary of PDI. The current collective bargaining agreement with Local 1600 expires on May 10, 2005.

I. Available Information

WPS Resources and WPSC file with the SEC:

- Annual Reports on Form 10-K,
- Quarterly Reports on Form 10-Q,
- WPS Resources Proxy statements,
- Registration statements, including prospectuses,
- Statements for public utility holding company exemption,
- Current Reports on Form 8-K and
- Any Amendments to these documents.

WPS Resources and WPSC make these reports available free of charge, on WPS Resources' Internet Web site, as soon as reasonably practicable after they are filed with the SEC. WPS Resources' Internet address is www.wpsr.com. Statements and amendments posted on WPS Resources' Web site do not include access to exhibits and supplemental schedules electronically filed with the reports or amendments. WPS Resources and WPSC are not including the information contained on or available through their Web sites as a part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

You may also obtain materials filed with the SEC by WPS Resources and WPSC at the SEC Public Reference Room at 450 Fifth Street, N.W., Washington, DC 20549. To obtain information on the operation of the Public Reference Room, you may call 1-800-SEC-0330. You may also view reports, proxy and information statements and other information regarding WPS Resources and WPSC (including exhibits), filed with the SEC, at their Web site at www.sec.gov.

ITEM 2. PROPERTIES

A. UTILITY

Wisconsin Public Service Facilities

The following table summarizes information on the electric generation facilities of WPSC, including owned or jointly owned facilities as of December 31, 2004:

Type	Name	Location	Fuel	Rated Capacity (a) (Megawatts)	
Steam	Pulliam (6 units)	Green Bay, WI	Coal	385.8	
	Weston (3 units)	Wausau, WI	Coal	477.5	
	Kewaunee	Kewaunee, WI	Nuclear	338.4	(b)
	Columbia Units 1 and 2	Portage, WI	Coal	347.5	(b)
	Edgewater Unit 4	Sheboygan, WI	Coal	102.9	(b)
Total Steam				1,652.1	
Hydroelectric	Alexander	Lincoln County, WI	Hydro	2.3	
	Caldron Falls	Marinette County, WI	Hydro	6.8	
	Castle Rock	Adams County, WI	Hydro	12.8	(b)
	Grand Rapids	Menominee County, WI	Hydro	3.4	
	Grandfather Falls	Lincoln County, WI	Hydro	16.9	
	Hat Rapids	Oneida County, WI	Hydro	0.6	
	High Falls	Marinette County, WI	Hydro	1.1	
	Jersey	Lincoln County, WI	Hydro	0.2	
	Johnson Falls	Marinette County, WI	Hydro	0.9	
	Merrill	Lincoln County, WI	Hydro	1.0	
	Otter Rapids	Vilas County, WI	Hydro	0.3	
	Peshtigo	Marinette County, WI	Hydro	0.2	
	Petenwell	Adams County, WI	Hydro	13.5	(b)
	Potato Rapids	Marinette County, WI	Hydro	0.4	
	Sandstone Rapids	Marinette County, WI	Hydro	0.8	
	Tomahawk	Lincoln County, WI	Hydro	2.4	
	Wausau	Marathon County, WI	Hydro	3.1	
Total Hydroelectric				66.7	
Combustion Turbine and Diesel	De Pere Energy Center	De Pere, WI	Natural Gas	181.0	
	Eagle River	Eagle River, WI	Distillate Fuel Oil	4.1	
	Oneida Casino	Green Bay, WI	Distillate Fuel Oil	3.9	
	Juneau #J31	Adams County, WI	Distillate Fuel Oil	7.0	(b)
	West Marinette #31	Marinette, WI	Natural Gas	44.5	
	West Marinette #32	Marinette, WI	Natural Gas	42.2	
	West Marinette #33	Marinette, WI	Natural Gas	50.2	(b)
	Weston #31	Marathon County, WI	Natural Gas	20.0	
	Weston #32	Marathon County, WI	Natural Gas	51.8	
	Pulliam #31	Green Bay, WI	Natural Gas	72.6	
Total Combustion Turbine and Diesel				477.3	
Wind	Lincoln	Kewaunee County, WI	Wind	1.8	
Total System				2,197.9	

(a) Based on capacity ratings for July 2005. As a result of continually reaching demand peaks in the summer months, primarily due to air conditioning demand, the summer period is the most relevant for capacity planning purposes.

(b) These facilities are jointly owned by WPSC and various other utilities. Nuclear Management Company operates the Kewaunee plant. Wisconsin Power and Light operates the Columbia and Edgewater units. Wisconsin River Power Company operates the Castle Rock, Petenwell, and Juneau units. WPSC operates the West Marinette 33 unit. The capacity indicated is our portion of total plant capacity based on the percent of ownership or capacity under contract.

As of December 31, 2004, WPSC owned 122 distribution substations and 20,897 miles of electric distribution lines. Effective January 1, 2001, all transmission property of WPSC was transferred to ATC.

Natural gas properties include approximately 7,483 miles of main, 86 gate and city regulator stations and 284,104 lateral services. All natural gas facilities are located in Wisconsin except for distribution facilities in and near the City of Menominee, Michigan.

Substantially all of WPSC's utility plant is subject to a first mortgage lien.

Upper Peninsula Power Facilities

The following table summarizes information on the electric generation facilities of UPPCO as of December 31, 2004:

Type	Name	Location	Fuel	Rated Capacity (a) (Megawatts)
Steam	Warden	L'Anse, MI	Gas	18.8 (b)
Hydroelectric	Victoria (2 units)	Ontonagon County, MI	Hydro	10.6
	Hoist (3 units)	Marquette County, MI	Hydro	1.3
	McClure (2 units)	Marquette County, MI	Hydro	3.2
	Prickett (2 units)	Houghton County, MI	Hydro	0.5
	Autrain (2 units)	Alger County, MI	Hydro	0.4
	Cataract	Marquette County, MI	Hydro	0.4
	Escanaba #1	Delta County, MI	Hydro	1.6
	Escanaba #3	Delta County, MI	Hydro	2.4
	Boney Falls	Delta County, MI	Hydro	4.2
Combustion Turbine	Portage	Houghton, MI	Oil	16.5
	Gladstone	Gladstone, MI	Oil	18.2
Total System				78.1

(a) Based on July 2005 rated capacity.

(b) The J. H. Warden station was taken out of service on January 1, 1994. The facility was put into service for a short period after the Dead River Flood in 2003 and is now once again in standby or inactive reserve status.

UPPCO owns 3,070 miles of electric distribution lines.

Effective June 28, 2001, all transmission property of UPPCO was transferred to ATC.

Substantially all of UPPCO's utility plant is subject to a first mortgage lien.

B. NONREGULATED

WPS Resources Corporation

Asset Management Strategy

The asset management strategy for WPS Resources consists of the evaluation of all properties and businesses held by WPS Resources to identify their best use. WPS Resources will determine if the best use of the property or business is in current operations or if sale and reinvestment of proceeds is in the best interest of WPS Resources, its shareholders and customers.

As part of this strategy, in 2001 WPSC entered into an agreement with the WDNR for the sale of land and alternatives for additional land purchases in 2003 and 2004. On December 15, 2004, WPSC completed the agreement with the WDNR with the $5 million sale of 179 acres and the donation of an additional 5,176 acres along the Peshtigo River.

In addition, on October 5, 2004, WPSC sold 279 acres of land along the Peshtigo River at public auction for approximately $12.2 million.

WPS Resources has identified approximately 7,300 acres of excess land associated with its UPPCO hydroelectric facilities. UPPCO is currently working with various interested parties to develop a sales strategy for these properties.

WPS Energy Services Facilities

ESI has an 81.5% interest in a 3 billion cubic foot natural gas storage field in Kimball, Michigan.

WPS Power Development Facilities

The following table summarizes information on the electric generation facilities owned by PDI, including jointly owned facilities as of December 31, 2004:

Type	Name	Location	Fuel	Rated Capacity (Megawatts) (a)
Steam	Sunbury	Shamokin Dam, PA	Coal	362.0
	Niagara Falls	Niagara Falls, NY	Coal	48.3
	Stoneman	Cassville, WI	Coal	48.0
	Westwood	Tremont, PA	Culm	30.0
	Wyman	Yarmouth, ME	Oil	20.7 (b)
Combined Cycle	Syracuse	Syracuse, NY	Gas/Oil	91.6
	Beaver Falls	Beaver Falls, NY	Gas/Oil	87.3
	Combined Locks	Combined Locks, WI	Gas	47.0 (c)
Hydroelectric	Tinker	New Brunswick, Canada	Hydro	33.5
	Squa Pan	Ashland, ME	Hydro	1.4
	Caribou	Caribou, ME	Hydro	0.8
Combustion Turbine and Diesel	Sunbury	Shamokin Dam, PA	Oil	36.0
	Sunbury	Shamokin Dam, PA	Diesel	6.0
	Caribou	Northern Maine	Diesel	7.0
	Tinker	New Brunswick, Canada	Diesel	1.0
	Flo's Inn	Presque Isle, ME	Diesel	4.2
	Loring	Limestone, ME	Diesel	5.0
Total System				829.8

(a) Based on summer rated capacity.

(b) PDI owns a 3.3455% interest in the Wyman plant. The plant is a 619-megawatt oil-fired facility.

(c) PDI also has an additional five megawatts of capacity available at this facility through the lease of an additional steam turbine.

ITEM 3. LEGAL PROCEEDINGS

Stray Voltage Claims

For information on stray voltage claims related to WPS Resources and any of its subsidiaries, see Note 17 - Commitments and Contingencies to our Notes to Consolidated Financial Statements.

Dead River Flooding

For information on Dead River Flooding, see Note 17 - Commitments and Contingencies to our Notes to Consolidated Financial Statements.

Kewaunee Spent Nuclear Fuel Lawsuit

See the section titled *Spent Nuclear Fuel Disposal* under Item 1B above for a description of a lawsuit involving the DOE regarding the disposal of spent nuclear fuel at the Kewaunee generating facility.

Environmental

For information on environmental matters related to WPS Resources and any of its subsidiaries, see Note 17 - Commitments and Contingencies to our Notes to Consolidated Financial Statements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the security holders of either WPS Resources or WPSC during the fourth quarter 2004.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANTS

A. Executive Officers of WPS Resources Corporation
as of January 1, 2005

Name and Age		Current Position and Business Experience During Past Five Years	Effective Date
Larry L. Weyers	59	Chairman, President and Chief Executive Officer	02-12-98
Thomas P. Meinz	58	Executive Vice President - Public Affairs	09-12-04
		Senior Vice President - Public Affairs	12-24-00
		Vice President - Public Affairs	02-12-98
Phillip M. Mikulsky	56	Executive Vice President - Development	09-12-04
		Senior Vice President - Development	02-12-98
Joseph P. O'Leary *	50	Senior Vice President and Chief Financial Officer	06-04-01
		Vice President - Finance of United Stationers Corporation	05-01-99
Bernard J. Treml	55	Senior Vice President - Human Resources	12-19-04
		Vice President - Human Resources	02-12-98
Diane L. Ford	51	Vice President - Controller and Chief Accounting Officer	07-11-99
Richard E. James	51	Vice President - Corporate Planning	12-29-96
Barbara A. Nick	46	Vice President - Corporate Services	07-18-04
		Assistant Vice President - Corporate Services	04-14-02
		Manager - Corporate Services	11-20-00
		Assistant to the President	10-31-99
Bradley A. Johnson	50	Vice President and Treasurer	07-18-04
		Treasurer	06-23-02
		Assistant Treasurer	04-01-01
		Corporate Planning Executive	12-31-95
Barth J. Wolf	47	Secretary and Manager - Legal Services	09-19-99

* Prior to joining WPS Resources, Joseph P. O'Leary's responsibilities at United Stationers included leading the finance, treasury and accounting functions. United Stationers was the largest provider of wholesale business office products in North America.

NOTE: All ages are as of December 31, 2004. None of the executives listed above are related by blood, marriage, or adoption to any of the other officers listed or to any director of the Registrants. Each officer holds office until his or her successor has been duly elected and qualified, or until his or her death, resignation, disqualification, or removal.

B. Executive Officers of Wisconsin Public Service Corporation as of January 1, 2005

Name and Age		Current Position and Business Experience During Past Five Years	Effective Date
Larry L. Weyers	59	Chairman and Chief Executive Officer	08-15-04
		Chairman, President and Chief Executive Officer	04-14-02
		Chairman and Chief Executive Officer	02-12-98
Lawrence T. Borgard	43	President and Chief Operating Officer - Energy Delivery	08-15-04
		Vice President - Distribution and Customer Service	11-25-01
		Vice President - Transmission and Engineering	07-23-00
		Vice President - Transmission	07-11-99
Charles A. Schrock	51	President and Chief Operating Officer - Generation	08-15-04
		Senior Vice President of WPS Resources Corporation	09-14-03
		President of WPS Power Development, Inc.	11-11-01
		Senior Vice President of WPS Resources Corporation	08-31-01
		Senior Vice President - Operations of Nuclear Management Company, LLC	11-26-00
		Senior Vice President - Energy Supply	12-13-98
Thomas P. Meinz	58	Executive Vice President - Public Affairs	09-12-04
		Senior Vice President - Public Affairs	12-24-00
		Vice President - Public Affairs	02-12-98
Joseph P. O'Leary *	50	Senior Vice President and Chief Financial Officer	06-04-01
		Vice President - Finance of United Stationers Corporation	05-01-99
Bernard J. Treml	55	Senior Vice President - Human Resources	12-19-04
		Vice President - Human Resources	05-09-94
David W. Harpole	49	Vice President - Energy Supply - Projects	02-14-04
		Vice President - Energy Supply	04-14-02
		Assistant Vice President Energy Supply	11-12-00
		Manager Corporate Services	04-19-98
Diane L. Ford	51	Vice President - Controller and Chief Accounting Officer	07-11-99
Bradley A. Johnson	50	Vice President and Treasurer	07-18-04
		Treasurer	06-23-02
		Assistant Treasurer	04-01-01
		Corporate Planning Executive	12-31-95
Barth J. Wolf	47	Secretary and Manager - Legal Services	09-19-99

* Prior to joining WPS Resources, Joseph P. O'Leary's responsibilities at United Stationers included leading the finance, treasury and accounting functions. United Stationers was the largest provider of wholesale business office products in North America.

NOTE: All ages are as of December 31, 2004. None of the executives listed above are related by blood, marriage, or adoption to any of the other officers listed or to any director of the Registrants. Each officer holds office until his or her successor has been duly elected and qualified, or until his or her death, resignation, disqualification, or removal.

PART II

ITEM 5. MARKET FOR REGISTRANTS' COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

WPS Resources Corporation Common Stock Two-Year Comparison

Share Data	Dividends Per Share	Price Range High	Price Range Low
2004			
1st Quarter	**$ .545**	**$48.93**	**$44.99**
2nd Quarter	**.545**	**48.70**	**43.50**
3rd Quarter	**.555**	**48.81**	**44.85**
4th Quarter	**.555**	**50.53**	**45.35**
Total	**$2.200**		
2003			
1st Quarter	$ .535	$41.18	$36.80
2nd Quarter	.535	44.28	39.53
3rd Quarter	.545	41.60	38.28
4th Quarter	.545	46.80	40.94
Total	$2.160		

WPS Resources common stock is traded on the New York Stock Exchange. WPS Resources is the sole holder of WPSC's common stock.

Dividend Restrictions

For information on dividend restrictions related to WPS Resources and any of its subsidiaries, see Note 20 - Common Equity to WPS Resources' Notes to Consolidated Financial Statements.

Common Stock

Listed:	New York Stock Exchange
Ticker Symbol:	WPS
Transfer Agent and Registrar:	American Stock Transfer and Trust Company 59 Maiden Lane New York, NY 10038

As of February 28, 2005, there were 21,244 common stock shareholders of record.

See Item 11 of this Annual Report on Form 10-K for information regarding our equity compensation plans.

ITEM 6. SELECTED FINANCIAL DATA

WPS RESOURCES CORPORATION
COMPARATIVE FINANCIAL STATEMENTS AND
FINANCIAL STATISTICS (2000 TO 2004)

As of or for Year Ended December 31 (Millions, except per share amounts, stock price, return on average equity and number of shareholders and employees)	**2004**	2003	2002	2001	2000
Total revenues *	**$4,890.6**	$4,321.3	$1,461.1	$1,345.4	$1,094.1
Income from continuing operations	**156.2**	110.6	118.5	87.6	75.6
Income available for common shareholders	**139.7**	94.7	109.4	77.6	67.0
Total assets	**4,445.6**	4,292.3	3,671.2	3,346.5	3,202.7
Preferred stock of subsidiaries	**51.1**	51.1	51.1	51.1	51.1
Long-term debt and capital lease obligation (excluding current portion)	**865.7**	871.9	824.4	727.8	660.0
Shares of common stock (less treasury stock and shares in deferred compensation trust)					
Outstanding	**37.3**	36.6	31.8	31.1	26.4
Average	**37.4**	33.0	31.7	28.2	26.5
Earnings per common share (basic)					
Income from continuing operations	**$4.09**	$3.26	$3.64	$3.00	$2.74
Earnings per common share	**3.74**	2.87	3.45	2.75	2.53
Earnings per common share (diluted)					
Income from continuing operations	**4.07**	3.24	3.61	2.99	2.74
Earnings per common share	**3.72**	2.85	3.42	2.74	2.53
Dividend per share of common stock	**2.20**	2.16	2.12	2.08	2.04
Stock price at year-end	**$49.96**	$46.23	$38.82	$36.55	$36.8125
Book value per share	**$29.30**	$27.40	$24.62	$23.02	$20.76
Return on average equity	**13.5%**	11.5%	14.6%	12.8%	12.3%
Number of common stock shareholders	**21,358**	22,172	22,768	23,478	24,029
Number of employees	**3,048**	3,080	2,963	2,856	3,030

* Revenues increased $2,860.2 million in 2003 compared to 2002. Approximately $1,127 million of the increase relates to ESI's required adoption of Issue No. 02-03, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities," effective January 1, 2003. Volume growth driven by ESI's acquisition of a retail natural gas business in Canada accounted for another $500 million of the increase. The remaining increase in revenues was primarily related to increased natural gas prices at WPSC and ESI and electric rate increases at the utilities.

WISCONSIN PUBLIC SERVICE CORPORATION
COMPARATIVE FINANCIAL STATEMENTS AND
FINANCIAL STATISTICS (2000 TO 2004)

As of or for Year Ended December 31 (Millions, except weather information)	**2004**	2003	2002	2001	2000
Operating revenues	**$1,222.1**	$1,129.1	$1,007.6	$932.3	$840.5
Earnings on common stock	**104.8**	78.9	83.1	80.6	70.4
Total assets	**2,768.6**	2,577.7	2,324.2	2,196.3	1,871.3
Long-term debt (excluding current portion)	**508.0**	507.8	442.5	415.6	370.1
Weather information					
Cooling degree days	**328**	351	586	546	330
Cooling degree days as a percent of normal	**66.7%**	72.2%	122.9%	116.9%	70.7%
Heating degree days	**7,546**	7,883	7,509	7,139	7,841
Heating degree days as a percent of normal	**97.6%**	102.2%	96.9%	91.9%	98.2%

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

INTRODUCTION - WPS RESOURCES

WPS Resources is a holding company that is exempt from the Public Utility Holding Company Act of 1935. Our wholly owned subsidiaries include two regulated utilities, WPSC (which is an operating entity as well as a holding company exempt from the Public Utility Holding Company Act of 1935) and UPPCO. Another wholly owned subsidiary, WPS Resources Capital Corporation, is a holding company for our nonregulated businesses, including ESI and PDI.

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 following summary provides a strategic overview and insight into the operations of our subsidiaries.

Strategic Overview

The focal point of WPS Resources' business plan is the creation of long-term value for our shareholders (through growth, operational excellence, and asset management) and the continued emphasis on reliable, competitively priced, and environmentally sound energy services for our customers. We are seeking a balanced portfolio of utility and nonregulated growth, but we are placing emphasis on regulated growth. A discussion of the essential components of our business plan is set forth below:

Maintain a Strong Utility Base - As discussed above, we are focusing on growth in our utility operations. A strong utility base is important in order to maintain quality credit ratings, which are critical to our success. In 2004, WPSC signed contracts with several wholesale customers in order to bolster growth beyond our normal utility growth rate, and WPSC is also expanding its generation fleet in order to meet growing electric demand and ensure the continued reliability of our energy services.

- WPSC entered into long-term power sale agreements with two wholesale customers in 2004. One is for Consolidated Water Power Company's full requirements service (between 65 and 125 megawatts of firm load) through December 31, 2017. The other is a 50-megawatt agreement with Wisconsin Public Power Inc. beginning May 1, 2006, and ending April 30, 2021.

- In October 2004, WPSC began construction of its 500-megawatt coal-fired Weston 4 base-load power plant near Wausau, Wisconsin, and announced in May 2004 that it would pursue plans to build a jointly owned 500-megawatt base-load electric plant with Wisconsin Power and Light. The Weston 4 power plant is expected to be operational in 2008.

- Calpine Corporation's 560-megawatt, combined cycle, natural gas-fired generating facility (Fox Energy Center) in Kaukauna, Wisconsin, is expected to be placed in service in June 2005. WPSC has contracted for approximately 470 megawatts of this plant's output over a 10-year period. WPSC also contracted to purchase 70 megawatts of wind generation over a 20-year period from the Forward Energy Wind Project in Brownsville, Wisconsin. Both of these agreements were signed as a means of seeking the most cost effective mix of energy resources to meet growing electric demand.

Integrate Resources to Provide Operational Excellence - WPS Resources is committed to integrating the resources of its business units (in accordance with any applicable regulatory restrictions) by leveraging their individual capabilities and expertise across the company.

- Effective August 2004, in an effort to better manage the market risks associated with PDI's merchant generation plants, we restructured the management of our two nonregulated business units (ESI and PDI) and currently have one executive management team overseeing the operations of these two business units.

- In January 2004, ESI implemented strategies to optimize the value of PDI's merchant generation fleet and has reduced the market price risk while extracting additional value from these plants, through the use of various financial and physical instruments (such as forward contracts, options, and swaps). Prior to leveraging ESI's energy marketing expertise, PDI sold uncontracted energy into liquid financial markets at spot prices or day ahead prices, which provided less predictable revenue and margin.

Strategically Grow Nonregulated Businesses - ESI looks to grow its electric and natural gas business, targeting growth in the northeastern United States and adjacent portions of Canada (through strategic acquisitions, market penetration of existing businesses, and new product offerings), which is where ESI has the most market expertise. As discussed above, our utilities are our core businesses and as such we are placing a strong emphasis on growth of utility operations in order to balance our regulated and nonregulated growth. PDI focuses on optimizing the operational efficiency of its existing portfolio of assets and pursues compatible power development projects and the acquisition of generation assets that "fit" in well with ESI's customer base and market expertise.

- In July 2004, ESI completed the acquisition of Advantage Energy, a privately held nonregulated electric power marketer based in Buffalo, New York. This acquisition provides ESI with enhanced opportunities to participate in the New York market, where we believe there is good opportunity for further penetration and the sale of new products.

- ESI continues to grow its business in the energy management sector by providing customers the expertise needed to manage their energy needs in volatile energy markets.

Place Strong Emphasis on Asset Management - Our asset management strategy calls for the continuing disposition and acquisition of assets in a manner that enhances our earnings capability. The acquisition portion of this strategy calls for the acquisition of assets that compliment our existing assets and strategy such as Advantage Energy. Another portion of the asset management strategy calls for the disposition of assets, including plants and entire business units, which are no longer required for operations.

- We continue to pursue the sale of Sunbury and expect to have a completed sale in 2005. The sale of Sunbury fits well within our asset management strategy. Included in this strategy is the desire to reduce risk associated with uncontracted merchant exposure.

- We continue to pursue the sale of Kewaunee to a subsidiary of Dominion Resources.

- Our Peshtigo River land sale initiative (which included land sales and donations to the WDNR and the sale of land at public auction) was completed in 2004. We continue to identify alternatives for the sale of the balance of our identified excess real-estate holdings.

Regulated Utilities

Our regulated utilities include WPSC and UPPCO. WPSC derives its revenues primarily from the production, distribution, and sale of electricity, and the purchase, distribution, and sale of natural gas to retail customers in a service area of approximately 11,000 square miles in northeastern Wisconsin and an adjacent portion of the Upper Peninsula of Michigan. The PSCW and the MPSC regulate these retail sales. WPSC also provides wholesale electric service to numerous utilities and cooperatives for resale. FERC regulates wholesale sales. UPPCO derives revenues from the sale of electric energy in a service area of approximately 4,500 square miles in the Upper Peninsula of Michigan and is regulated by the MPSC.

The regulatory commissions allow the utilities to earn a return on common stock equity that is commensurate with an investor's desired return, compensating for the risks investors face when providing funds to the utility. The return on common stock equity approved by the PSCW, FERC, and the MPSC was 12.0%, 11.0%, and 11.4%, respectively, in 2004. Generally, consumers bear the price risk for fuel and purchased power costs as regulators allow the utility to recover substantially all of these costs (to the extent they are prudently incurred), through various cost recovery mechanisms, but utilities bear volume risk as rates are based upon normal sales volumes as projected by the utility. The utilities may also be able to defer certain unexpected costs that are incurred during the year for recovery in future rate proceedings (examples include WPSC's deferral of costs associated with the extended Kewaunee outage in 2004 and deferral of costs incurred by UPPCO related to the Dead River flood); however, these costs must be prudently incurred as determined by the regulatory commissions. As such, the ability of our regulated utilities to earn their approved return on equity is dependent upon accurate forecasting techniques, their ability to obtain timely rate increases to account for rising cost structures (while minimizing the required rate increases in order to maintain the competitiveness of our core industrial customer base and keep these customers in our service area), and certain conditions that are outside of their control, such as macroeconomic factors and weather conditions. Unfavorable weather conditions compared to normal for both electric and natural gas utility operations and increased operating expenses contributed to WPSC's inability to earn its approved rate of return in 2004.

Uncertainties related to the deregulation process are a risk for our regulated utilities. Deregulation of natural gas service has begun in Wisconsin. Currently, the largest natural gas customers can purchase natural gas from suppliers other than their local utility. Efforts are underway to make it easier for smaller natural gas customers to do the same. We believe electric deregulation inside Wisconsin is at least several years off as the state is focused on improving reliability by building more generation and transmission facilities and creating fair market rules. If electric choice occurs, we believe we could lose some generation load but would retain the delivery revenues and margin. Also, the capacity that would be freed up should be competitive in our marketplace. Deregulation of electricity is present in Michigan; however, in the Upper Peninsula of Michigan, no customers have chosen an alternative electric supplier and no alternative electric suppliers have offered to serve any customers in Michigan's Upper Peninsula due to the lack of excess transmission and generation system capacity in the areas we serve, which is a barrier to competitive suppliers entering the market.

The utilities are also exposed to costs associated with increasingly stringent environmental rules and regulations to the extent recovery of these costs is disallowed in rate proceedings. WPSC and UPPCO are also members of the Midwest Independent System Operator, which is in the process of restructuring the electric market in its footprint. For further discussion of environmental risks, see Note 17 to WPS Resources' Notes to Consolidated Financial Statements and for further discussion of the Midwest Independent System Operator, see Trends - WPS Resources.

WPS Energy Services

ESI offers nonregulated natural gas, electric, and alternate fuel supplies, as well as energy management and consulting services, to retail and wholesale customers primarily in the northeastern quadrant of the United States and adjacent portions of Canada. Although ESI has a widening array of products and services, revenues are primarily derived through sales of electricity and natural gas to retail and wholesale customers.

ESI's marketing and trading operations manage power and natural gas procurement as an integrated portfolio with its retail and wholesale sales commitments. ESI strives to maintain a low risk portfolio with relatively few open positions, balancing natural gas and electricity purchase commitments with corresponding sales commitments. In 2004, ESI purchased electricity required to fulfill these sales commitments primarily from independent generators, energy marketers, and organized electric power markets and purchased natural gas from a variety of producers and suppliers under daily, monthly, seasonal, and long-term contracts, with pricing delivery and volume schedules to accommodate customer requirements. ESI's customers include utilities, municipalities, cooperatives, commercial and industrial consumers, aggregators, and other marketing and retail entities. ESI uses derivative financial instruments to provide flexible pricing to customers and suppliers, manage purchase and sales commitments, and reduce exposure relative to volatile market prices.

The table below discloses future natural gas and electric sales volumes under contract as of December 31, 2004. Contracts are generally one to three years in duration. ESI expects that its ultimate sales volumes in 2005 and beyond will exceed the volumes shown in the table below as it continues to seek growth opportunities and existing customers who do not have long-term contracts continue to buy their short-term requirements from ESI.

Forward Contracted Volumes at 12/31/2004(1)	2005	2006 to 2008	2009 to 2010
Wholesale sales volumes - billion cubic feet	98.1	10.2	-
Retail sales volumes - billion cubic feet	184.8	39.6	2.0
Total natural gas sales volumes	282.9	49.8	2.0
Wholesale sales volumes - million kilowatt-hours	5,981	1,665	-
Retail sales volumes - million kilowatt-hours	3,413	1,575	73
Total electric sales volumes	9,394	3,240	73

(1) These tables represent 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 December 31, 2003 are shown below. Actual electric and natural gas sales volumes for 2004 are disclosed within Results of Operations - WPS Resources, ESI Segment Operations.

Forward Contracted Volumes at 12/31/2003(1)	2004	2005 to 2007	2008 to 2009
Wholesale sales volumes - billion cubic feet	95.8	15.1	-
Retail sales volumes - billion cubic feet	173.4	63.2	-
Total natural gas sales volumes	269.2	78.3	-
Wholesale sales volumes - million kilowatt-hours	3,176	238	-
Retail sales volumes - million kilowatt-hours	5,133	3,623	37
Total electric sales volumes	8,309	3,861	37

(1) These tables represent 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.

ESI has experienced steady increases in electric and natural gas sales volumes since its inception, and expects this trend to continue as it continues to look for opportunities that fit within its growth strategy. In 2004, ESI grew its retail electric business through the acquisition of retail operations in New York and through portfolio optimization strategies utilized to maximize the value of PDI's merchant generation fleet and ESI's retail supply portfolio. Natural gas volumes increased as a result of the continued expansion of ESI's retail natural gas business in Canada. ESI expects to continue to target acquisitions and participate in generation service programs within the area it serves.

As a company that participates in energy commodity markets, ESI is exposed to a variety of risks, including market, operational, liquidity, and credit risks. Market risk is measured as the potential gain or loss of a portfolio that is associated with a price movement within a given probability over a specific period of time, known as value-at-risk. Through the use of derivative financial instruments, we believe we have reduced our value-at-risk to acceptable levels (see Item 7A, Quantitative and Qualitative Disclosures About Market Risk, for more information about value-at-risk). Operational risk is the risk of loss from less than flawless execution of transactions, forecasting, scheduling, or other operational activities and is common to all companies participating in the energy marketing industry. ESI's continued investment in computational infrastructure, business process improvement, employee training, and internal controls has helped mitigate operational risk to date. Liquidity risk is an emerging risk and one that has historically been less applicable to ESI than many industry participants because of the financial support provided by WPS Resources in the form of guarantees to counterparties. A significant downgrade in WPS Resources' credit ratings, however, could cause counterparties to demand additional assurances of payment. WPS Resources' Board of Directors imposes restrictions on the amount of guarantees WPS Resources is allowed to provide to these counterparties in order to protect its credit ratings, and ESI believes it would have adequate capital to continue core operations unless WPS Resources' credit ratings fell below investment grade (Standard & Poor's rating of BBB- and Moody's rating of Baa3).

The other category of risk mentioned above that ESI faces is credit risk from retail and wholesale counterparties. In order to mitigate its exposure to credit risk, ESI has implemented stringent credit policies. As a result of these credit policies, ESI has not experienced significant write-offs from its large wholesale counterparties to date. Write-offs pertaining to retail counterparties were $0.7 million, or 0.0%, in 2004, compared to $3.1 million, or 0.2%, in 2003. ESI believes its write-off percentage is within the range experienced by most energy companies. The table below summarizes wholesale counterparty credit exposure, categorized by maturity date, as of December 31, 2004 (in millions):

Counterparty Rating *(Millions)*[(1)]	Exposure[(2)]	Exposure Less Than 1 Year	Exposure 1 to 3 Years	Net Exposure of Counterparties Greater Than 10% of Net Exposure
Investment grade -- regulated utility	**$ 18.8**	**$ 13.7**	**$ 5.1**	**$ -**
Investment grade -- other	**86.6**	**79.1**	**7.5**	
Non-investment grade -- regulated utility	**-**	**-**	**-**	**-**
Non-investment grade -- other	**4.0**	**4.0**	**-**	**-**
Non-rated -- regulated utility	**-**	**-**	**-**	**-**
Non-rated -- other	**36.3**	**28.2**	**8.1**	**-**
Total Exposure	**$145.7**	**$125.0**	**$20.7**	**$ -**

(1) The investment and non-investment grade categories are determined by publicly available credit ratings of the counterparty or the rating of any guarantor, whichever is higher. Investment grade counterparties 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 counterparties. Collateral, in the form of cash and letters of credit, received from counterparties totaled $11.7 million at December 31, 2004, $3.2 million from non-investment grade counterparties and $8.5 million from non-rated counterparties.

A risk that became more prevalent in 2004 is industry restructuring. There is some concern over the status of the nonregulated energy market in Michigan and Ohio, which are two states in which ESI operates. ESI is also a member of the Midwest Independent System Operator, which is in the process of restructuring the electric power market in its footprint. For more information on these risks, see Trends - WPS Resources.

WPS Power Development

PDI competes in the wholesale merchant electric power generation industry, primarily in the midwest and northeastern United States and adjacent portions of Canada. PDI's core competencies include power plant operation and maintenance and material condition assessment of assets. In order to enable PDI to focus on its core competencies and improve the efficiency and reliability of its existing fleet of power plants, ESI has assumed much of the market price risk associated with these plants. Through several tolling agreements and power purchase agreements, ESI has contracted for approximately 330 of PDI's 425 megawatts of total capacity (these capacity numbers exclude Sunbury, which is recorded in discontinued operations). ESI utilizes power from PDI's New England and Canadian assets primarily to serve its firm load commitments in northern Maine and certain other sale agreements with customers. For the remaining capacity contracted from PDI, ESI utilizes financial tools, including forwards, options, and swaps to limit exposure, as well as to extract additional value from PDI's merchant generation fleet. These activities had a positive impact on ESI's margin in 2004 and benefited PDI by providing more stable revenue streams.

PDI has power purchase agreements in place with third-party customers for the 95 megawatts of capacity that is not contracted to ESI, which includes its Stoneman facility in Cassville, Wisconsin, and its Combined Locks facility in Combined Locks, Wisconsin.

Oversupply of capacity, low spark spreads (spark spread is the difference between the market price of electricity and its cost of production), and high fuel costs have led to lower than anticipated results for PDI's merchant generation business in recent years. In response to these market conditions, PDI has taken steps to adjust to the current wholesale merchant environment. As discussed above, beginning in January 2004, ESI began assuming much of the market price risk for PDI's merchant generation fleet. Prior to the capacity and power contracts with ESI, risk management activities (i.e., hedging activities) were sparsely utilized, leaving PDI's generation fleet more exposed to market price risk. PDI also continues to pursue the sale of Sunbury and anticipates that the plant will be sold in 2005. The Sunbury sale will allow PDI to reduce its uncontracted merchant exposure and enable WPS Resources to redeploy capital into business opportunities with different risk profiles.

PDI, through its subsidiary ECO Coal Pelletization #12 LLC, also owns an interest in a synthetic fuel producing facility. See Trends - WPS Resources, Synthetic Fuel Operation for more information on the risks related to PDI's investment in this synthetic fuel operation.

PDI is subject to clean air regulations enforced by the EPA and state and local governments. New legislation could require significant capital outlays. See Note 17 to WPS Resources' Notes to Consolidated Financial Statements for more information on PDI's environmental exposure.

RESULTS OF OPERATIONS - WPS RESOURCES

2004 Compared with 2003

WPS Resources Overview

WPS Resources' 2004 and 2003 results of operations are shown in the following table:

WPS Resources' Results (Millions, except share amounts)	**2004**	2003	Change
Consolidated operating revenues	**$4,890.6**	$4,321.3	13.2%
Income available for common shareholders	**$139.7**	$94.7	47.5%
Basic earnings per share	**$3.74**	$2.87	30.3%
Diluted earnings per share	**$3.72**	$2.85	30.5%

The $569.3 million increase in consolidated operating revenue for the year ended December 31, 2004, compared to the same period in 2003, was largely driven by a $475.1 million, or 15.4%, increase in revenue at ESI and an $82.5 million, or 10.1%, increase in electric utility revenue. Higher natural gas prices, portfolio optimization strategies (implemented in 2004), and expansion of the Canadian retail natural gas business were the primary contributors to increased revenue at ESI. Higher electric utility revenue was primarily the result of authorized retail electric rate increases for WPSC's Wisconsin and Michigan customers. Revenue changes by reportable segment are discussed in more detail below.

Income available for common shareholders was $139.7 million ($3.74 basic earnings per share) for the year ended December 31, 2004, compared to $94.7 million ($2.87 basic earnings per share) for the year ended December 31, 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 year-over-year margin at the utilities.

- Natural gas utility throughput volumes were 6.2% lower in 2004 due to weather that was 4.3% warmer during the heating season, compared to 2003.

- Higher throughput volumes and improved supply management in Ohio favorably impacted ESI's year-over-year retail natural gas margin.

- Portfolio optimization strategies, better management of retail operations in Ohio and positive operating results from Advantage Energy contributed to improved year-over-year electric margins at ESI.

- As part of our overall asset management strategy, WPS Resources realized earnings of $15.0 million from the sale and donation of land in 2004, compared to $6.5 million in 2003.

- Earnings from equity method investments (primarily from ATC) increased in 2004, compared to 2003.

- Earnings were negatively impacted by higher operating and maintenance expenses in 2004.

- Synthetic fuel related tax credits recognized were higher in 2004 when compared to 2003.

- The weighted average number of shares of WPS Resources common stock increased by 4.4 million shares for the year ended December 31, 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

Utility operations include the electric utility segment, consisting of the electric operations of WPSC and UPPCO and the gas utility segment comprising the natural gas operations at WPSC. Income available for common shareholders attributable to the electric utility segment was $68.8 million for the year ended December 31, 2004, compared to $60.0 million for the year ended December 31, 2003. Income available for common shareholders attributable to the gas utility segment was $17.3 million for the year ended December 31, 2004, compared to $15.7 million for the year ended December 31, 2003.

Electric Utility Segment Operations

WPS Resources' Electric Utility Segment Results *(Millions)*	**2004**	2003	Change
Revenues	**$896.6**	$814.1	10.1%
Fuel and purchased power costs	**295.5**	266.3	11.0%
Margins	**$601.1**	$547.8	9.7%
Sales in kilowatt-hours	**14,465.7**	14,346.7	0.8%

Electric utility revenue increased $82.5 million, or 10.1%, for the year ended December 31, 2004, compared to the same period in 2003. Electric utility revenue increased largely due to authorized retail and wholesale electric rate increases for WPSC's Wisconsin and Michigan customers (as summarized below) to recover higher fuel and purchased power costs, increased operating expenses, and expenditures incurred for infrastructure improvements.

- Effective March 21, 2003, the PSCW approved a retail electric rate increase of $21.4 million, or 3.5%.

- Effective May 11, 2003, FERC approved a $4.1 million, or 21%, interim increase in wholesale electric rates.

- Effective July 22, 2003, the MPSC approved a $0.3 million, or 2.2%, increase in retail electric rates for WPSC'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 PSCW approved a retail electric rate increase of $59.4 million, or 9.3%.

Electric utility sales volumes were also slightly higher in 2004, increasing 0.8% over 2003 sales volumes. A 1.6% increase in sales volumes to commercial and industrial customers was partially offset by a 1.2% decrease in sales volumes to residential customers. Higher sales volumes to our commercial and industrial customers reflect an improving economy and growth within our service area, while the decrease in sales volumes to residential customers reflects weather that was 6.6% cooler during the 2004 cooling season, compared to 2003.

The electric utility margin increased $53.3 million, or 9.7%, for the year ended December 31, 2004, compared to 2003. The majority of this increase can be attributed to a $52.3 million, or 10.5%, increase in WPSC's electric margin. The increase in WPSC's electric margin is primarily related to the retail and wholesale electric rate increases, partially offset by a $20.4 million increase in purchased power costs. The quantity of power purchased in 2004 increased 9.3% over 2003 purchases, and purchased power costs were 17.4% higher (on a per-unit basis) in 2004, compared to 2003. The PSCW allows WPSC 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. In response to a request for additional fuel cost recovery filed early in 2004, WPSC was allowed to recover $3.2 million of its increased fuel and purchased power costs during 2004. The PSCW also allowed WPSC to defer $5.4 million of unanticipated fuel and purchased power costs directly associated with the extension of the Kewaunee refueling outage in the fourth quarter of 2004. The Kewaunee outage was extended three weeks due primarily to an unexpected problem encountered with equipment used for lifting internal vessel components to perform a required ten-year in-service inspection. It is anticipated that these costs will be recovered in 2006, pending final approval.

Electric utility earnings increased $8.8 million, or 14.7%, for the year ended December 31, 2004, compared to 2003. The increased earnings were largely driven by the higher margin at WPSC (including the effect of timely retail electric rate relief in 2004 compared to a delay in receiving retail electric rate relief in 2003), partially offset by higher operating and maintenance expenses.

Gas Utility Segment Operations

WPS Resources' Gas Utility Segment Results *(Millions)*	**2004**	2003	Change
Revenues	**$420.9**	$404.2	4.1%
Purchased gas costs	**301.9**	291.0	3.7%
Margins	**$119.0**	$113.2	5.1%
Throughput in therms	**801.3**	854.5	(6.2%)

Gas utility revenue increased $16.7 million, or 4.1%, for the year ended December 31, 2004, compared to 2003. Higher revenue was driven by an authorized rate increase and an increase in the per-unit cost of natural gas, partially offset by an overall 6.2% decrease in natural gas throughput volumes. The PSCW issued a final order authorizing a retail natural gas rate increase of $8.9 million, or 2.2%, effective January 1, 2004. Natural gas prices increased 14.2% per unit in 2004. Higher natural gas prices reflect higher marketplace natural gas costs in 2004. The PSCW and the MPSC allow WPSC to pass changes in the total cost of natural gas on to customers. As a result, changes in the price of the natural gas commodity do not have a direct impact on WPSC's margin. The decrease in natural gas throughput volumes was driven by weather that was 4.3% warmer during the heating season for the year ended December 31, 2004, compared to 2003.

The natural gas utility margin increased $5.8 million, or 5.1%, for the year ended December 31, 2004, compared to 2003. The higher natural gas utility margin is largely due to the authorized rate increase mentioned above. The ability of WPSC to realize the full benefit of an authorized rate increase is dependent upon normal throughput volumes; therefore, the decrease in natural gas throughput volumes negatively impacted WPSC's ability to benefit from the full amount of the rate increase.

The higher margin drove a $1.6 million, or 10.2% increase in natural gas utility earnings for the year ended December 31, 2004.

Overview of Nonregulated Operations

Nonregulated operations consist of natural gas, electric, and other sales at ESI, a diversified energy supply and services company, and the operations of PDI, an electric generation company. ESI and PDI are both reportable segments.

Income available for common shareholders attributable to ESI was $36.7 million for the year ended December 31, 2004, compared to $29.0 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 ESI in 2003.

PDI reported income available for common shareholders of $5.0 million for the year ended December 31, 2004, compared to a $7.9 million net loss for the year ended December 31, 2003, largely due to an increase in the amount of tax credits recognized and a lower loss from discontinued operations, partially offset by higher operating and maintenance expenses and a lower overall margin.

ESI's Segment Operations

Total segment revenues at ESI were $3,556.3 million for the year ended December 31, 2004, compared to $3,081.2 million for the year ended December 31, 2003. The total margin at ESI was $111.6 million for the year ended December 31, 2004 compared to $86.8 million for the year ended December 31, 2003. ESI's nonregulated natural gas and electric operations are the primary contributors to revenues and margins and are discussed below.

ESI's Natural Gas Results *(Millions except sales volumes)*	**2004**	2003	Change
Nonregulated natural gas revenues	**$3,035.1**	$2,696.6	12.5%
Nonregulated natural gas cost of sales	**2,978.5**	2,652.5	12.3%
Margins	**$ 56.6**	$ 44.1	28.3%
Wholesale sales volumes in billion cubic feet *	**236.3**	252.4	(6.4%)
Retail sales volumes in billion cubic feet *	**276.7**	240.6	15.0%

* Represents gross physical volumes

Natural gas revenue increased $338.5 million, driven by higher natural gas prices and the expansion of the Canadian retail natural gas business (due to obtaining new customers), partially offset by lower sales volumes from physical wholesale transactions. Sales volumes from physical wholesale transactions declined as a result of reduced price volatility of natural gas during the first half of 2004 (volatility provides more opportunity for profitable physical wholesale transactions).

The natural gas margin at ESI increased $12.5 million, or 28.3%, for the year ended December 31, 2004, compared to 2003. The margin related to retail natural gas operations increased $12.3 million, primarily driven by higher natural gas throughput volumes in Ohio (driven by the addition of new customers), operational improvements, and better management of supply for residential and small commercial customers. Customer growth in Canada also contributed to the increase in the retail natural gas margin. The margin attributed to wholesale natural gas operations increased $0.2 million. The increase in wholesale natural gas margin was driven by a $4.6 million margin increase related to the natural gas storage cycle, a $2.2 million increase in the Canadian wholesale natural gas margin, and increased margins from other structured wholesale natural gas transactions. Favorable settlements of liabilities with several counterparties in 2003 (in the amount of $8.4 million) largely offset these increases in the wholesale natural gas margin. For the year ended December 31, 2004, the natural gas storage cycle had a $2.0 million positive impact on margin, compared with a $2.6 million negative impact on margin for the same period in 2003. The increase in the Canadian wholesale natural gas margin is related to higher volumes (more structured wholesale transactions) as ESI continues to increase its wholesale natural gas operations in this region.

ESI experiences 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. ESI's policy is to hedge the value of natural gas storage with sales in the over-the-counter and futures markets, effectively locking in a margin on the natural gas in storage. However, 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 prices. When the spot price of natural gas changes disproportionately to the forward price of natural gas, ESI experiences volatility in its earnings. Consequently, earnings volatility may occur within the contract period for natural gas in storage. The accounting treatment does not impact the underlying cash flows or economics of these transactions. At December 31, 2004, there was a $0.6 million difference between the market value of natural gas in storage and the market value of future sales contracts (net risk management liability), related to the 2004/2005 natural gas storage cycle. At December 31, 2003, there was a $2.6 million difference (net risk management liability) related to the 2003/2004 natural gas storage cycle. The difference between the market value of natural gas in storage and the market value of future sales contracts related to the

2004/2005 storage cycle is expected to vary with market conditions, but will reverse entirely when all of the natural gas is withdrawn from storage.

ESI's Electric Results *(Millions)*	**2004**	2003	Change
Nonregulated electric revenues	**$518.9**	$382.2	35.8%
Nonregulated electric cost of sales	**466.1**	341.8	36.4%
Margins	**$ 52.8**	$ 40.4	30.7%
Wholesale sales volumes in kilowatt-hours *	**3,181.5**	2,768.0	14.9%
Retail sales volumes in kilowatt-hours *	**7,202.9**	6,435.3	11.9%

* Represents gross physical volumes

Electric revenue increased $136.7 million, largely due to an $83.7 million increase resulting from higher volumes from portfolio optimization strategies. In the first quarter of 2004, ESI first implemented the portfolio optimization strategies to optimize the value of PDI's merchant generation fleet and its own retail supply portfolios to reduce market price risk and extract additional value from these assets through the use of various financial and physical instruments (such as forward contracts and options). Electric revenue also increased as a result of the July 1, 2004, acquisition of Advantage Energy and higher energy prices compared to the prior year. These increases were partially offset by lower sales volumes from participation in the New Jersey Basic Generation Services Program, as ESI's participation in this program ended in May 2004.

ESI's electric margin increased $12.4 million, or 30.7%, for the year ended December 31, 2004, compared to 2003. The 2004 retail electric margin increased $7.8 million compared to 2003. The margin related to retail electric operations in Ohio increased $7.6 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 counterparty pricing dispute and positive operating results from Advantage Energy. The increase in the retail electric margin was partially offset by a decrease in margin from retail electric operations in Maine. The lower margin in Maine was anticipated due to the sales price and supply cost associated with the new provider of last resort in northern Maine (which became effective in March 2004). The margin from retail electric operations in Michigan also decreased, driven by higher wholesale electricity prices, higher transmission related charges, and an increase in competition. The margin attributed to wholesale electric operations increased $4.6 million. The higher wholesale electric margin was driven by a $10.3 million increase from the portfolio optimization strategies discussed above. This increase was partially offset by a $5.7 million decrease in margin from ESI's participation in the New Jersey Basic Generation Services Program, which began in August 2003 and ended in May 2004. Under the program, ESI realized greater margins in 2003, compared to 2004.

PDI's Segment Operations

All revenues and costs of PDI's discontinued operations (Sunbury) 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.

PDI's Production Results *(Millions)*	**2004**	2003	Change
Nonregulated other revenues	**$71.4**	$82.4	(13.4%)
Nonregulated other cost of sales	**48.1**	57.9	(16.9%)
Margins	**$23.3**	$24.5	(4.9%)

PDI's revenue decreased $11.0 million, or 13.4%, for the year ended December 31, 2004, compared to 2003, largely due to reduced generation from its Beaver Falls facility in New York, lower revenue from its Combined Locks Energy Center in Wisconsin, lower revenue from its steam boiler in Oregon, and lower revenue from its Wyman generation facility in Maine. 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 PDI has been more conservative in the dispatch of this unit to preserve the limited remaining service life of the turbine blades for higher margin opportunities. The decrease in revenue at the Combined Locks Energy Center was driven by lower demand for energy by the counterparty to a power purchase agreement in place at this facility and an unplanned plant outage that began in March 2004, and continued through May 2004. 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. A power purchase agreement in place at the Wyman facility in 2003 was not renewed in 2004. As a result, energy from the Wyman facility was sold into short-term power markets in 2004, but unfavorable energy prices and lack of demand for capacity resulted in a decline in the amount of power generated at this facility in 2004, compared to 2003. The decline in revenue was partially offset by higher sales volumes at the Stoneman generation facility in Cassville, Wisconsin, related to a new power purchase agreement in place at this facility.

PDI's margin for the year ended December 31, 2004, decreased $1.2 million, or 4.9%, compared to 2003. This margin does not include the results of PDI's discontinued operations, which are reported separately in the Consolidated Statements of Income (Discontinued Operations are discussed below). The Niagara, Beaver Falls, and Wyman generating facilities experienced a combined $4.6 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 lower volumes related to PDI's decision to only dispatch the facility at times when energy prices are at a very favorable level, drove the decrease in margin at this facility. Unfavorable energy prices and lack of demand for capacity negatively impacted sales volumes at the Wyman generation facility (there was a power purchase agreement in place at this facility in 2003). These decreases were partially offset by a combined $2.9 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 driven by a negotiated increase in the dispatch flexibility of steam sold under a supply agreement with a counterparty, resulting in an increase in the value of electricity produced from this facility. The increase in margin at the Stoneman generation facility was due to higher sales volumes.

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 WPSC and UPPCO. Holding Company and Other operations had income available for common shareholders of $11.9 million for the year ended December 31, 2004, compared to a net loss of $2.1 million for the year ended December 31, 2003. This favorable variance can be attributed to an increase in earnings recognized from the sale of Wisconsin land located along the Peshtigo River and an increase in equity earnings from ATC and Wisconsin River Power Company. Equity earnings from ATC were $16.0 million in 2004, compared to $10.1 million in 2003. WPSC nonutility operations recognized a $13.3 million pre-tax gain on the sale of land located near the Peshtigo River in the fourth quarter of 2004, compared to a $6.2 million pre-tax gain that was recognized on the sale of land in the fourth quarter of 2003. WPSC also realized an income tax benefit in the fourth quarter of 2004 from the donation of land to the WDNR.

Operating Expenses

WPS Resources' Operating Expenses *(Millions)*	**2004**	2003	Change
Operating and maintenance expense	**$513.2**	$459.5	11.7%
Depreciation and decommissioning expense	**107.0**	138.4	(22.7%)
Taxes other than income	**46.1**	43.8	5.3%

Operating and Maintenance Expense

Operating and maintenance expenses increased $53.7 million, or 11.7%, for the year ended December 31, 2004, compared to 2003. Utility operating and maintenance expenses increased $36.3 million. Electric transmission and distribution costs were up $15.2 million at the utilities due primarily to an increase in transmission rates. Pension and postretirement medical costs incurred at the utilities increased $11.0 million. Additionally, $6.8 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 (previously deferred as regulatory assets). Maintenance expenses at WPSC's coal-fired generation facilities were $4.2 million higher in 2004, compared to 2003, driven by an extension of the annual planned outage at the Pulliam 6 generation facility in 2004. Higher payroll and other benefit costs also contributed to the increase in operating and maintenance expenses. The fall refueling outage at Kewaunee did not significantly impact the year-over-year change in operating and maintenance expenses as there was also a refueling outage at Kewaunee in spring 2003, and the PSCW approved the deferral of incremental operating and maintenance expenses that were incurred as a direct result of the refueling outage extension ($1.8 million of operating and maintenance expenses were deferred in the fourth quarter of 2004 and collection is anticipated in 2006). Operating expenses at ESI increased $10.5 million mostly due to higher payroll, benefits, and other costs associated with continued business expansion. Operating and maintenance expenses at PDI were $1.5 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.

Depreciation and Decommissioning Expense

Depreciation and decommissioning expense decreased $31.4 million, or 22.7%, for the year ended December 31, 2004, compared to 2003, due primarily to a decrease of $35.9 million resulting from lower realized gains on decommissioning trust assets and because the decommissioning trust was not funded in 2004 in anticipation of selling Kewaunee. Realized gains on decommissioning trust assets are substantially offset by depreciation expense pursuant to regulatory practice (see detailed discussion in "Miscellaneous Income" below). An increase in depreciation expense from plant asset additions at WPSC partially offset the decrease in decommissioning expense.

Other Income (Expense)

WPS Resources' Other Income (Expense) *(Millions)*	**2004**	2003	Change
Miscellaneous income	**$ 47.7**	$ 63.6	(25.0%)
Interest expense and distributions of preferred securities	**(54.2)**	(55.6)	(2.5%)
Minority interest	**3.4**	5.6	(39.3%)
Other income (expense)	**$ (3.1)**	$ 13.6	(122.8%)

Miscellaneous Income

Miscellaneous income decreased $15.9 million, or 25.0%, for the year ended December 31, 2004, compared to 2003. The decrease in miscellaneous income is largely due to a decrease in realized gains on decommissioning trust assets of $33.5 million. There were significant realized gains recognized on decommissioning trust assets in the fourth quarter of 2003, which were driven by a change in the investment strategy for WPSC's qualified nuclear decommissioning trust assets. Qualified decommissioning trust assets were placed in more conservative investments in anticipation of the sale of Kewaunee. Pursuant to regulatory practice, realized gains on decommissioning trust assets are substantially offset by depreciation expense. A $1.5 million write-off of previously deferred financing costs associated with the redemption of our trust preferred securities in the first quarter of 2004 also unfavorably impacted miscellaneous income. Partially offsetting the decreases discussed above were an $8.7 million increase in equity earnings from investments, a $7.1 million increase in income recognized from the sale of Wisconsin land located along the Peshtigo River (discussed previously), and a combined $3.1 million increase related to higher royalties and a decrease in operating losses realized from our investment in a synthetic fuel producing facility. The increase in equity earnings was primarily related to our investments in ATC, Wisconsin River Power Company, and Wisconsin Valley Improvement Company. Equity earnings from ATC were $16.0 million in 2004, compared to $10.1 million in 2003. Royalty income recognized from the synthetic fuel facility increased as a result of higher production levels at this facility.

Minority Interest

The decrease in minority interest is related to the fact that PDI's partner in its subsidiary, ECO Coal Pellitization #12 LLC, was allocated more production from the synthetic fuel operation in 2003 compared to 2004. PDI's partner was not allocated any production from the synthetic fuel facility in the first quarter of 2004 as they requested additional production in the fourth quarter of 2003.

Provision for Income Taxes

The effective tax rate was 16.1% for the year ended December 31, 2004, compared to 23.4% for the year ended December 31, 2003. The decrease in the effective tax rate was driven by tax deductions pertaining to items that exceed the related book expense (including land donated to the WDNR in the fourth quarter of 2004), resulting in a $5.7 million decrease in the 2004 provision for income taxes compared to 2003, a $9.6 million increase in the amount of tax credits recognized in 2004 (related to an increase in synthetic fuel tax credits produced in 2004 and the favorable settlement of several federal tax audits and refund claims related to prior tax years).

Our ownership interest in the synthetic fuel operation resulted in the recognition of $27.8 million of Section 29 federal tax credits for the year ended December 31, 2004, and $18.2 million of tax credits for 2003. The increase in synthetic fuel related tax credits was primarily due to an increase in tax credits produced and allocable to PDI, an increase in the value of the credits produced resulting from the higher Btu content of coal and the annual inflation adjustment allowed, and the favorable settlement of several tax audits and refund claims related to prior tax years.

Discontinued Operations

The after-tax loss from discontinued operations (Sunbury) was $13.4 million for the year ended December 31, 2004, compared to $16.0 million in 2003. The decrease in the loss from discontinued operations was driven by a $4.4 million termination payment that was received from Duquesne Power in December 2004 as a result of Duquesne's termination of the asset sale agreement for Sunbury, a $3.7 million decrease in operating and maintenance expenses, and a $0.7 million reduction in interest expense. The decrease in operating and maintenance expenses was driven by lower depreciation expense resulting from the discontinuance of depreciation on those assets classified as held for sale effective December 2003. In addition, repair and maintenance expenses were higher in 2003 because of mechanical difficulties related to fuel delivery systems. Sunbury's margin decreased in 2004, compared to 2003, partially offsetting the favorable variances discussed above. The 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 opportunities to sell power into the spot market. In anticipation of the sale, Sunbury did not enter into staggered term coal contracts in accordance with its normal procurement practice.

Cumulative Effect of Change in Accounting Principles

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 ESI) 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 SFAS No. 143, "Accounting for Asset Retirement Obligations," at PDI 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 Sunbury.

2003 Compared with 2002

WPS Resources Overview

WPS Resources' 2003 and 2002 results of operations are shown in the following table:

WPS Resources' Results (Millions, except share amounts)	2003	2002	Change
Consolidated operating revenues	$4,321.3	$1,461.1	196%
Income available for common shareholders	$94.7	$109.4	(13%)
Basic earnings per share	$2.87	$3.45	(17%)
Diluted earnings per share	$2.85	$3.42	(17%)

Total revenues increased significantly due to the required reclassification of previously reported 2002 revenues and cost of sales (see ESI's Segment Operations below for further information). Total revenues also increased due to sales volume growth at ESI, electric utility rate increases, and higher natural gas prices.

Income available for common shareholders was $94.7 million ($2.87 basic earnings per share) for the year ended December 31, 2003, compared to $109.4 million ($3.45 basic earnings per share) for the year ended December 31, 2002. Significant factors impacting the change in earnings and earnings per share are as follows (and are discussed in more detail below):

- Approved rate increases and a change in electric utility sales mix favorably impacted margins at the utilities.
- Cooler weather during the cooling season in 2003 negatively impacted electric utility margins.
- Colder weather during the heating season in 2003 positively impacted natural gas throughput volumes.
- Rising operating expenses (primarily pension and medical costs), together with a delay in receiving 2003 retail electric rate relief, negatively impacted electric utility earnings.
- ESI's November 2002 acquisition of a retail natural gas business in Canada and favorable settlements with several counterparties drove an increased year-over-year retail natural gas margin.
- ESI's electric margin improved as a result of acquisition synergies, improved management of retail operations in Michigan, and participation in the New Jersey Basic Generation Service Program.
- PDI's earnings were significantly lower in 2003, primarily as a result of an $18.2 million decrease in after-tax gains recognized from sales of portions of its interest in a synthetic fuel operation, a $10.0 million increased loss from discontinued operations, and a $5.1 million reduction in tax credits recognized from the synthetic fuel operation.
- Consolidated operating expenses increased in 2003.

- Also impacting basic earnings per share was an increase of 1.3 million in the weighted average number of outstanding shares of WPS Resources' common stock in 2003 compared to 2002. The increase was largely due to issuing 4,025,000 additional shares through a public offering in November 2003. Additional shares were also issued in 2003 under the Stock Investment Plan.

Overview of Utility Operations

Income available for common shareholders attributable to the electric utility segment was $60.0 million in 2003 compared to $61.0 million in 2002. Income available for common shareholders attributable to the gas utility segment was $15.7 million in 2003 compared to $18.4 million in 2002.

Electric Utility Segment Operations

WPS Resources' Electric Utility Segment Results *(Millions)*	2003	2002	Change
Revenues	$814.1	$763.1	7%
Fuel and purchased power costs	266.3	242.7	10%
Margins	$547.8	$520.4	5%
Sales in kilowatt-hours	14,346.7	14,547.6	(1%)

Electric utility segment revenues increased $51.0 million, or 7%, for the year ended December 31, 2003, compared to the year ended December 31, 2002. The increase was largely due to retail and wholesale electric rate increases for our Wisconsin and Michigan customers in accordance with new rate orders.

The electric utility margin increased $27.4 million, or 5%, in 2003 compared to 2002. Due primarily to the electric rate increases, electric margins at WPSC increased $20.2 million, or 4%. Electric margins at WPSC were also impacted favorably by a change in sales mix in 2003. While total sales volumes remained basically unchanged in 2003 compared to 2002, sales volumes to higher margin residential, and commercial and industrial customers increased slightly. The increase in sales volumes to these higher margin customer classes reflects growth within WPSC's service area and changes in the economy. These increases were partially offset by cooler weather during the cooling season for the year ended December 31, 2003, compared to the year ended December 31, 2002. Electric margins at UPPCO increased $7.2 million, or 17%, due primarily to retail electric rate increases, partially offset by a 3% decrease in sales volumes. The decrease in sales volumes was attributed to less favorable weather conditions for the year ended December 31, 2003, compared to the year ended December 31, 2002, and customer conservation of electricity made necessary due to a flood that occurred earlier in 2003.

Although the electric utility margin increased, electric utility segment earnings for the year ended December 31, 2003, decreased $1.0 million compared to the year ended December 31, 2002. The primary reason for the decrease in electric utility segment earnings was due to a decrease in earnings at WPSC attributed to a delay in receiving 2003 retail electric rate relief, together with rising operating expenses (primarily pension and medical costs). Rate relief for our increasing operating costs was expected on January 1, 2003; however, the increase in retail electric rates granted by the PSCW was not effective until March 21, 2003. The delay in receiving rate relief was a significant factor in our inability to achieve our authorized 12% return on equity in 2003. The decrease in earnings experienced by WPSC was partially offset by a modest increase in earnings at UPPCO due to the increase in rates.

Gas Utility Segment Operations

WPS Resources' Gas Utility Segment Results *(Millions)*	2003	2002	Change
Revenues	$404.2	$310.7	30%
Purchased gas costs	291.0	198.6	47%
Margins	$113.2	$112.1	1%
Throughput in therms	854.5	845.4	1%

Gas utility segment revenues increased $93.5 million, or 30%, for the year ended December 31, 2003, compared to the year ended December 31, 2002. The increase in gas utility revenues is mostly due to a 39% increase in the average cost of natural gas for the year ended December 31, 2003, compared to the prior year, partially offset by the 0.3% decrease in retail natural gas rates ordered by the PSCW, effective March 21, 2003.

The natural gas utility margin for the year ended December 31, 2003, increased $1.1 million, or 1%, compared to the year ended December 31, 2002. The increase in the natural gas utility margin can be attributed to a 1% increase in natural gas throughput volumes in 2003 compared to 2002. Natural gas throughput volumes to our higher margin residential and commercial and industrial customers increased 6% in the aggregate, mostly as a result of colder weather in 2003 compared to 2002. Natural gas throughput volumes to our lower margin transport customers decreased 5% due to the rising price of natural gas together with their ability to use alternate fuel sources.

Despite the modest increase in gas utility margins, gas utility earnings for the year ended December 31, 2003, decreased $2.7 million compared to 2002. The decline is primarily due to rising operating expenses (primarily pension and medical costs) together with the decrease in natural gas rates mentioned above.

Overview of Nonregulated Operations

ESI's income available for common shareholders increased to $29.0 million in 2003 compared with $11.0 million in 2002, primarily as a result of increased electric and natural gas margins discussed below.

PDI recognized a net loss of $7.9 million in 2003 compared to income available for common shareholders of $24.0 million in 2002. Despite an increase in margins, PDI's earnings were impacted by a decrease in gains recognized from the sale of portions of its interest in a synthetic fuel operation, increased losses from discontinued operations, and a decrease in the amount of tax credits recognized.

ESI's Segment Operations

Total segment revenues at ESI were $3,081.2 million in 2003 compared to $361.2 million in 2002. The total margin at ESI was $86.8 million in 2003 compared to $48.4 million in 2002. ESI's nonregulated natural gas and electric operations are the primary contributors to revenues and margins and are discussed below.

ESI's Natural Gas Results *(Millions except sales volumes)*	2003	2002	Change
Nonregulated natural gas revenues	$2,696.6	$245.1	1,000%
Nonregulated natural gas cost of sales	2,652.5	210.2	1,162%
Margins	$ 44.1	$ 34.9	26%
Wholesale sales volumes in billion cubic feet *	252.4	233.8	8%
Retail sales volumes in billion cubic feet *	240.6	135.7	77%

* Represents gross physical volumes

ESI's nonregulated natural gas revenues increased $2,451.5 million for the year ended December 31, 2003, compared to the prior year. Approximately $997 million of the increase related to the required adoption of Issue No. 02-03, effective January 1, 2003 (see Trends - WPS Resources for more information about this accounting change). Volume growth driven by the acquisition of a retail natural gas business in Canada accounted for approximately $500 million of the increase in revenues in 2003. Most of the remaining increase was attributed to higher natural gas prices compared to the prior year.

Natural gas margins at ESI increased $9.2 million, or 26%, in 2003 compared to 2002. Approximately $6 million of the increase related to the November 1, 2002, acquisition of a retail natural gas business in Canada. The remaining increase related to favorable settlements of pending liabilities with several counterparties, partially offset by the change in accounting prescribed by the required adoption of Issue 02-03. See Cumulative Effect of Change in Accounting Principles below for further discussion.

ESI's Electric Results *(Millions)*	2003	2002	Change
Nonregulated electric revenues	$382.2	$113.7	236%
Nonregulated electric cost of sales	341.8	102.6	233%
Margins	$ 40.4	$ 11.1	264%
Wholesale sales volumes in kilowatt-hours *	2,768.0	4,250.0	(35%)
Retail sales volumes in kilowatt-hours *	6,435.3	2,703.6	138%

* Represents gross physical volumes

ESI's nonregulated electric revenues increased $268.5 million for the year ended December 31, 2003, compared to the prior year. Approximately $130 million of the increase related to the required adoption of Issue 02-03. Another $88 million of the increase was attributed to participation in the New Jersey Basic Generation Services Program. ESI acquired 700 megawatts of fixed price load and 250 megawatts of variable priced load for the period from August 1, 2003, to May 31, 2004, as a result of its participation in this program. The remaining increase in nonregulated electric revenues was attributed to increased prices and expansion within existing service territories. ESI also acquired retail electric operations in Michigan in 2003. Prior to the acquisition, this operation was an electric wholesale customer of ESI; therefore, the acquisition did not have a significant impact on total revenues in 2003 compared to 2002. The acquisition did, however, account for most of the increase in retail sales volumes and related decrease in wholesale sales volumes in 2003 compared to 2002.

ESI's electric margin increased $29.3 million, or 264%, in 2003 compared to 2002. Approximately $26 million of the increase was due to acquisition synergies and improved management of retail operations in Michigan and participation in the New Jersey Basic Generation Service Program. The remaining increase in ESI's electric margins was largely due to the impact of the change in accounting prescribed by the required adoption of Issue 02-03, which precluded mark-to-market accounting for nonderivative trading contracts.

PDI's Segment Operations

All revenues and costs of PDI'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 the results of discontinued operations, which are discussed separately within Discontinued Operations below.

PDI's Production Results *(Millions)*	2003	2002	Change
Nonregulated other revenues	$82.4	$59.4	39%
Nonregulated other cost of sales	57.9	37.8	53%
Margins	$24.5	$21.6	13%

PDI's revenues increased $23.0 million, or 39%, in 2003 compared to 2002. PDI's margin increased $2.9 million, or 13%, in 2003 compared to 2002. The increase in revenues and margin was primarily the result of increased generation from generating assets acquired in New York on June 1, 2002, revenues from the Combined Locks Energy Center that became fully operational in the second quarter of 2002, and an increase in generation at the hydroelectric plants in Maine and Canada as a result of increased rainfall, higher capacity revenues, and increased pricing on a renegotiated outtake contract. Partially offsetting these increases was a decrease in revenues and margins at PDI's Stoneman generating facility in Cassville, Wisconsin, as a result of the expiration of an energy and capacity outtake contract that was not renewed.

Overview of Holding Company and Other Segment Operations

Holding Company and Other operations experienced a net loss of $2.1 million in 2003 compared to a net loss of $5.0 million in 2002. The decrease in the net loss experienced was largely related to an increase in gains recognized on hydroelectric land sales in 2003 compared to 2002 (recorded as a component of miscellaneous income), primarily due to a $6.2 million pre-tax gain recognized in 2003 from land sales to the WDNR. The sale of these hydroelectric lands was part of our asset management strategy, which was initiated in 2001, and was intended to optimize shareholder return from the sale, development, or use of certain assets or entire business units.

Operating Expenses

WPS Resources' Operating Expenses *(Millions)*	2003	2002	Change
Operating and maintenance expense	$459.5	$412.5	11%
Depreciation and decommissioning expense	138.4	94.8	46%
Taxes other than income	43.8	39.9	10%

Operating and Maintenance Expense

Operating expenses increased $47.0 million, or 11%, for the year ended December 31, 2003, compared to the year ended December 31, 2002. Utility operating expenses increased $30.7 million, or 9%, in 2003 compared to 2002. Approximately $18 million of the increase reflects higher pension, postretirement medical, and active medical costs. The remaining increase pertains to costs incurred for plant maintenance related to Kewaunee's scheduled refueling outage in 2003 (there was no refueling outage in 2002), additional operating expenses at Kewaunee, and wage increases. Operating expenses at ESI increased $12.0 million, or 40%, in 2003 compared to 2002, largely due to costs associated with business expansion, including the acquisition of a retail natural gas business in Canada and a retail electric business in Michigan. The remaining increase was largely due to higher incentive compensation costs and the costs associated with a full year of operation of generation assets in New York that were purchased by PDI in June 2002.

Depreciation and Decommissioning Expense

Depreciation and decommissioning expense increased $43.6 million, or 46%, due primarily to an increase of $37.4 million from increased realized gains on the decommissioning trust assets that resulted in recording decommissioning expense approximately equal to the gains recognized in miscellaneous income pursuant to regulatory practice. The increase in realized gains was due primarily to the change in investment strategy for WPSC's qualified nuclear decommissioning trust assets. Qualified decommissioning trust assets were transferred to more conservative investments in 2003 pending the sale of Kewaunee, thus triggering realized gains. Most of the remaining increase resulted from plant asset additions at WPSC and PDI.

Taxes Other Than Income

Taxes other than income increased $3.9 million, or 10%, primarily due to an increase in gross receipts taxes paid by WPSC as a result of increased revenues.

Other Income (Expense)

WPS Resources' Other Income (Expense) *(Millions)*	2003	2002	Change
Miscellaneous income	$63.6	$47.8	33%
Interest expense and distributions of preferred securities	(55.6)	(55.8)	-%
Minority interest	5.6	-	-
Other income (expense)	$13.6	$ (8.0)	-

Miscellaneous Income

Miscellaneous income increased $15.8 million for the year ended December 31, 2003, compared to the year ended December 31, 2002. The increase in miscellaneous income was largely due to an increase in realized gains on the decommissioning trust assets of $36.4 million, which was primarily the result of the change in investment strategy for the qualified nuclear decommissioning trust assets. The realized gains were offset by increased decommissioning expense, as discussed above. Miscellaneous income also increased $6.2 million as a result of the sale of land to the WDNR and $8.1 million resulting from an increase in earnings from equity investments.

The increases in miscellaneous income were partially offset by lower gains from sales of ownership interests in PDI's synthetic fuel operation. PDI recognized a $7.6 million pre-tax gain in 2003 compared with a $38.0 million pre-tax gain in 2002 related to these sales. An increase in operating losses generated by the synthetic fuel operation due to increased production decreased miscellaneous income by approximately $3.5 million in 2003. The increased operating losses were driven by our partner's ability to utilize tax credits in 2003 and were offset by minority interest, which is discussed below. In the aggregate, the items mentioned above relating to the synthetic fuel operation resulted in a $33.9 million decrease in miscellaneous income.

The 2003 gain resulted from the 2002 sale of a portion of PDI's interest in its synthetic fuel operation. Similar gains from the 2002 sale are expected to be recognized annually through 2007, dependent upon production at the synthetic fuel facility. The gain reported in 2002 resulted from a 2001 sale of a portion of PDI's interest in a synthetic fuel operation, which was recognized in its entirety by December 31, 2002.

Minority Interest

As a result of PDI's sale of an approximate 30% interest in its subsidiary, ECO Coal Pelletization #12 LLC, on December 19, 2002, $5.6 million of losses related to the synthetic fuel operation and reported in miscellaneous income were allocated to PDI's partner and reported as a minority interest.

Provision for Income Taxes

The effective tax rate was 23.4% in 2003 compared to 19.5% in 2002. The increase in the effective tax rate in 2003 compared to 2002 was largely due to a decrease in tax credits that could be recognized from our ownership interest in a synthetic fuel operation. Tax credits recognized during the year ended December 31, 2003, decreased $5.1 million compared to the prior year, due to the sale of a portion of our interest in the synthetic fuel operation on December 19, 2002. Lower taxable income in 2003 also reduced the amount of tax credits that could be claimed. Our ownership interest in the synthetic fuel operation resulted in the recognition of $18.1 million of Section 29 tax credits as a reduction of federal income tax expense in 2003 compared to $23.2 million in 2002.

Discontinued Operations

The after-tax loss from discontinued operations increased to $16.0 million for the year ended December 31, 2003, from $6.0 million for the year ended December 31, 2002. The increased loss was largely due to a decrease in capacity sales in 2003 due to the expiration of a sales contract, an increase in variable production expenses related to increased emission costs, and an increase in operating costs. Operating costs increased in 2003 as a result of issues related to fuel quality and associated mechanical difficulties involving fuel delivery systems early in 2003, operational issues related to newly installed environmental equipment in various boilers, and turbine outages. The increase in the loss from discontinued operations was partially offset by decreases in payroll and employee benefits as a result of a restructuring that took place at the end of 2002.

BALANCE SHEET - WPS RESOURCES

2004 Compared with 2003

Current assets from risk management activities decreased $78.6 million, or 15.2%, at December 31, 2004, compared to December 31, 2003, and current liabilities from risk management activities decreased $115.7 million, or 22.4%. Long-term assets from risk management activities decreased $23.9 million, or 22.9%, at December 31, 2004, compared to December 31, 2003, and long-term liabilities from risk management activities decreased $23.9 million, or 25.9%. The decrease in short-term risk management assets and liabilities was primarily related to changes in the forward price curve of natural gas. The decrease in long-term risk management assets and liabilities was driven by lower natural gas volumes under contract beyond one year and changes in the forward price curve for natural gas.

Property, plant, and equipment, net, increased $173.9 million to $2,002.6 million at December 31, 2004, compared to $1,828.7 million at December 31, 2003. This increase was mostly due to a $174.3 million increase in property, plant, and equipment at WPSC primarily related to capital expenditures associated with the construction of Weston 4 and the installation of automated meter reading.

Regulatory assets increased $33.2 million, from $127.7 million at December 31, 2003, to $160.9 million at December 31, 2004, largely due to the increase in environmental remediation liabilities related to manufactured gas plants at WPSC, as discussed below. WPSC expects to recover cleanup costs related to the manufactured gas plants, net of insurance recoveries, in future rates.

Short-term debt increased $254.4 million, from $38.0 million at December 31, 2003, to $292.4 million at December 31, 2004. Retirements of long-term debt and increased capital expenditures (primarily related to Weston 4) drove the increase in short-term debt.

Current portion of long-term debt decreased from $56.6 million at December 31, 2003, to $6.7 million at December 31, 2004. On January 19, 2004, WPSC retired early $49.9 million of its 7.125% series first mortgage bonds. These bonds had an original maturity date of July 1, 2023.

Accounts payable increased $78.7 million, from $510.7 million at December 31, 2003, to $589.4 million at December 31, 2004. Accounts payable at WPSC increased $40.2 million, driven by expenditures related to Weston 4. Accounts payable at ESI increased $38.0 million, primarily as a result of higher natural gas prices compared to the prior year.

The environmental remediation liability increased $30.5 million from December 31, 2003, to December 31, 2004. This liability primarily relates to clean-up costs associated with several manufactured gas plant sites at WPSC (see Note 17 to WPS Resources' Consolidated Financial Statements - Commitments and Contingencies, for more information). WPSC's estimate of future clean-up costs required to remediate these sites increased significantly to reflect the WDNR's application of sediment guidance that was recently issued.

Pension and postretirement benefit obligations decreased $43.1 million, or 31.3%, from December 31, 2003, to December 31, 2004, primarily due to a reduction in the minimum pension liability. The decrease in the minimum pension liability was driven by WPS Resources' merger of its two non-contributory qualified retirement plans. On a combined basis, the minimum pension liability and related pension asset were reduced pursuant to generally accepted accounting principles.

LIQUIDITY AND CAPITAL RESOURCES - WPS RESOURCES

We believe that our cash balances, liquid assets, operating cash flows, access to equity capital markets and borrowing capacity made available 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, our 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 these ratings are among the best in the energy industry (see Financing Cash Flows, *Credit Ratings* below).

Operating Cash Flows

During 2004, net cash provided by operating activities was $243.0 million, compared to $62.4 million in 2003. The increase was driven by operating activities at ESI and WPSC. In 2003, operating activities at ESI used cash due primarily to increasing working capital requirements resulting from business growth and gas storage opportunities near the end of the year. ESI's natural gas operations did not experience the same level of growth in 2004 as they did in 2003, and storage opportunities were similar at the end of both years, which enabled ESI to generate additional operating cash flow in 2004. The increase in net cash provided by operating activities at WPSC was driven by improved operating results.

During 2003, net cash provided by operating activities was $62.4 million, compared with $188.5 million in 2002. The decrease was primarily due to increased working capital requirements, specifically at ESI and WPSC. Inventories increased due to high natural gas prices at both ESI and WPSC, as well as business growth at ESI. The inventory increase was also the result of ESI taking advantage of opportunities to put additional gas into storage at favorable relationships to forward prices. The change in receivables and payables was also attributable to the high natural gas prices as well as the business growth at ESI.

Investing Cash Flows

Net cash used for investing activities was $312.6 million in 2004, compared to $244.0 million in 2003. The increase was largely related to a $114.0 million increase in utility capital expenditures (see *Capital Expenditures* below), partially offset by a $50.4 million decrease in cash used for the purchase of equity investments and other acquisitions. Purchase of equity investments and other acquisitions consisted primarily of additional investments in ATC, capital contributions to ECO Coal Pelletization #12 LLC, and the acquisition of Advantage Energy in 2004. In 2003, purchase of equity investments and other acquisitions consisted primarily of WPSC's final payment for the purchase of the De Pere Energy Center, WPSC's purchase of a one-third interest in Guardian Pipeline, additional investments in ATC, and capital contributions to ECO Coal Pelletization. WPS Resources contributed capital of $15.7 million to ECO Coal Pelletization in 2004 and $14.0 million in 2003. See WPS Resources' Notes to Consolidated Financial Statements, Note 6 - Acquisitions and Sales of Asset for more information.

Net cash used for investing activities was $244.0 million in 2003 compared to $265.4 million in 2002, a decrease of $21.4 million. The decrease is largely attributed to a $34.1 million decrease in capital expenditures, mainly at the utilities (see *Capital Expenditures* below), as well as a $24.3 million increase in cash received from the sale of property, plant, and equipment. The majority of the increase in the sale of property, plant, and equipment was the result of WPSC's sale of $20.1 million of assets at book value related to the Wausau, Wisconsin, to Duluth, Minnesota, transmission line to ATC in June 2003. Partially offsetting this decrease was a $30.4 million increase in cash used for the purchase of equity investments and other acquisitions. The composition of purchase of equity investments and other acquisitions in 2003 is discussed above. In 2002, the purchase of equity investments and other acquisitions primarily related to PDI's acquisition of CH Resources and a $11.7 million capital contribution to ECO Coal Pelletization. See WPS Resources' Notes to Consolidated Financial Statements, Note 6 - Acquisitions and Sales of Assets for more information.

Capital Expenditures

Capital expenditures by business segment for the years ended December 31, 2004, 2003, and 2002 are as follows:

Millions	Years Ended December 31,		
	2004	2003	2002
Electric utility	**$223.0**	$131.0	$164.3
Gas utility	**62.7**	40.7	34.0
ESI	**1.6**	1.4	0.8
PDI	**2.4**	3.3	8.2
Other	**0.3**	(0.2)	3.0
WPS Resources Consolidated	**$290.0**	$176.2	$210.3

The increase in capital expenditures at the electric utility in 2004 as compared to 2003 is mainly due to higher capital expenditures associated with the construction of a 500-megawatt coal-fired Weston 4 generation facility located near Wausau, Wisconsin. Gas utility capital expenditures increased primarily due to the installation of automated meter reading. Capital expenditures at PDI and ESI remained fairly consistent between 2004 and 2003.

Capital expenditures in the electric utility were higher in 2002, as compared to 2003, mainly due to the construction of portions of the Pulliam combustion turbine at WPSC in 2002. Gas utility capital expenditures increased due to the installation of automated meter reading in 2003. PDI's capital expenditures were higher in 2002 compared to 2003 due to the conversion of the Combined Locks

Energy Center to a combined cycle system in 2002. Capital expenditures at ESI remained fairly consistent between 2003 and 2002.

Financing Cash Flows

Net cash provided by financing activities was $76.8 million in 2004, compared to $198.6 million in 2003. Less cash was required from financing activities as a result of the increase in cash generated from operating activities in 2004, partially offset by higher capital expenditures incurred in 2004.

Net cash provided by financing activities was $198.6 million in 2003, compared to $93.1 million in 2002. The $105.5 million increase in cash provided by financing activities in 2003 is primarily related to the decrease in cash provided by operating activities in 2003 compared to 2002. A larger amount of investing activities was financed through common stock and debt issuances in 2003 as compared to the prior year.

Significant Financing Activities

WPS Resources had outstanding commercial paper borrowings of $279.7 million and $28.0 million at December 31, 2004, and 2003, respectively. WPS Resources had other outstanding short-term debt of $12.7 million and $10.0 million as of December 31, 2004, and 2003, respectively. Short-term borrowings in 2004 were used primarily to fund capital expenditures related to Weston 4.

In 2004, 2003 and 2002 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 $28.3 million, $31.0 million, and $28.3 million in 2004, 2003, and 2002, respectively.

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

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.

WPSC issued $125.0 million of 4.80% 10-year senior notes in December 2003. The senior notes are collateralized by a pledge of first mortgage bonds and may become non-collateralized if WPSC retires all of its outstanding first mortgage bonds. The net proceeds from the issuance of the senior notes were used to call $49.9 million of 7.125% first mortgage bonds on January 19, 2004, fund construction costs and capital additions, reduce short-term indebtedness, and for other corporate utility purposes.

In November 2003, 4,025,000 shares of WPS Resources common stock were sold in a public offering at $43.00 per share, which resulted in a net increase in equity of $166.8 million. Net proceeds from this offering were used to retire the trust preferred securities in January 2004, reduce short-term debt, fund equity contributions to subsidiary companies, and for general corporate purposes.

In November 2003, PDI retired all of its notes payable under a revolving credit note, in the amount of $12.5 million.

WPSC called $9.1 million of 6.125% tax-exempt bonds in May 2003.

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

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

WPSC issued $150.0 million of 4.875% 10-year senior notes in December 2002. The senior notes are collateralized by a pledge of first mortgage bonds and may become non-collateralized if WPSC retires all of its outstanding first mortgage bonds. WPSC used approximately $72 million of the net proceeds from the issuance of the senior notes to acquire the De Pere Energy Center and $69 million to retire short-term debt. The balance of the net proceeds was used for other corporate utility purposes.

WPS Resources issued $100.0 million of 5.375% 10-year senior non-collateralized notes in November 2002. We used approximately $55 million of the net proceeds from the issuance of these notes to repay short-term debt incurred to provide equity capital to our subsidiaries and the remainder for other corporate purposes.

In October 2002, WPSC retired $50.0 million of 7.30% first mortgage bonds that had reached maturity.

Credit Ratings

WPS Resources and WPSC use internally generated funds and commercial paper borrowing to satisfy most of their capital requirements. WPS Resources also periodically issues long-term debt and common stock to reduce short-term debt, maintain desired capitalization ratios, and fund future growth. WPS Resources may seek nonrecourse financing for funding nonregulated acquisitions. WPS Resources' commercial paper borrowing program provides for working capital requirements of the nonregulated businesses and UPPCO. WPSC has its own commercial paper borrowing program. WPSC also periodically issues long-term debt, receives equity contributions from WPS Resources, and makes payments for return of capital to WPS Resources to reduce short-term debt, fund future growth, and maintain capitalization ratios as authorized by the PSCW. 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 WPSC are listed in the table below.

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

In January 2005, Standard & Poor's downgraded its ratings for WPSC one ratings level and established a negative outlook. At the same time, Standard & Poor's affirmed WPS Resources ratings but changed the outlook from stable to negative. In taking these actions, Standard & Poor's cited WPSC's substantial capital spending program and the risk profile of WPSR's nonregulated businesses.

In November 2003, Moody's downgraded its long-term ratings for WPS Resources and WPSC one ratings level, leaving only commercial paper ratings unchanged. Moody's downgrade of WPS Resources was based principally on a gradual shift in the company's financial and business risk profile attributable to the growth of nonregulated businesses, the impact of weaker wholesale power markets, and a relatively high dividend payout. Moody's downgrade of WPSC was based on the expectation that the utility's substantial capital spending program will exceed its retained cash flow through 2007, which is likely to lead to a meaningful increase in debt. Following the 2003 downgrade, Moody's set the ratings outlook at stable for both WPS Resources and WPSC.

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, and future direction. Some of the quantitative measures can be analyzed through a few key financial ratios, while the qualitative ones are more subjective.

WPS Resources and WPSC 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 WPSC. A significant 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.

ESI 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 counterparty to demand additional assurance of payment. This provision could pertain to existing business, new business or both with the counterparty. 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 ESI can conduct.

ESI 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 counterparty 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 only 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.

		Payments Due By Period			
Contractual Obligations As of December 31, 2004 (*Millions*)	Total Amounts Committed	Less Than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
Long-term debt principal and interest payments	**$1,316.6**	**$ 58.9**	**$ 118.8**	**$269.7**	**$ 869.2**
Operating leases	**18.2**	**4.2**	**4.5**	**3.6**	**5.9**
Commodity purchase obligations	**3,600.4**	**2,243.7**	**696.6**	**212.6**	**447.5**
Purchase orders	**499.6**	**305.7**	**163.3**	**30.6**	**-**
Capital contributions to equity method investment	**175.3**	**56.2**	**97.5**	**21.6**	**-**
Other	**221.7**	**32.6**	**48.2**	**46.6**	**94.3**
Total contractual cash obligations	**$5,831.8**	**$2,701.3**	**$1,128.9**	**$584.7**	**$1,416.9**

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 ESI included as part of commodity purchase obligations are generally entered into to meet obligations to deliver energy to customers. WPSC and UPPCO 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 100% of Weston 4 obligations even though we expect 30% of these costs to be paid by Dairyland Power Cooperative after certain conditions are met. 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 post-retirement funding obligations.

Capital Requirements

WPSC makes large investments in capital assets. Net construction expenditures are expected to be approximately $1.2 billion in the aggregate for the 2005 through 2007 period (upon the closing of the sale of Kewaunee, expenditures would decrease approximately $73.8 million during this period). The largest of these expenditures is for the construction of Weston 4, in which WPSC is expected to incur costs of $432 million between 2005 through 2007, assuming 100% ownership in 2005, and 70% ownership in 2006 and 2007 after the expected purchase of a 30% interest in Weston 4 by Dairyland Power Cooperative.

As part of its regulated utility operations, on September 26, 2003, WPSC submitted an application for a Certificate of Public Convenience and Necessity to the PSCW seeking approval to construct Weston 4, 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 December 31, 2004, WPSC has incurred a total cost of $94.9 million related to this project. In addition, WPSC 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 Weston 4. ATC will reimburse WPSC for the construction costs of the interconnection and related carrying costs when Weston 4 becomes commercially operational which is expected to occur in June 2008.

On October 7, 2004, we received the final PSCW order granting authority to proceed with construction of Weston 4 contingent upon receipt of an air permit. The air permit was issued by the WDNR on October 19, 2004. We believe the air permit is one of the most stringent in the nation, which means that Weston 4 will be one of the cleanest plants of its kind in the United States. Construction began in October 2004, and on November 15, 2004, a petition was filed with the WDNR contesting the air permit issued. On December 2, 2004, the WDNR granted the petition and forwarded the matter to the Division of Hearings and Appeals. Construction continues and it is anticipated that the contested case hearing will be held in the second half of 2005.

Other significant anticipated expenditures during this three-year period (2005 to 2007) include:

- mercury and pollution control projects - $188 million
- corporate services infrastructures - $34 million
- jointly owned 500-megawatt base-load plant - $65 million
- nuclear fuel - $43 million

Other capital requirements for the three-year period include a potential contribution of $3.3 million to the Kewaunee decommissioning trust fund if the sale of Kewaunee is not completed.

On April 18, 2003, the PSCW approved WPSC's request to transfer its interest in the Wausau, Wisconsin, to Duluth, Minnesota, transmission line to the ATC. WPS Resources committed to fund 50% of total project costs incurred up to $198 million, and receive additional equity in ATC. WPS Resources may terminate funding if the project extends beyond January 1, 2010. On December 19, 2003, WPSC and

ATC received approval to continue the project at a 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 ATC 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 2005 through 2008, we expect to make capital contributions of approximately $175 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.

WPS Resources expects to provide additional capital contributions to ATC of approximately $36 million for the period 2005 through 2007 for other projects.

UPPCO is expected to incur construction expenditures of about $47 million in the aggregate for the period 2005 through 2007, primarily for electric distribution improvements and repairs and safety measures at hydroelectric facilities.

Capital expenditures identified at PDI for 2005 through 2007 are expected to be approximately $7.4 million, primarily for fuel improvements and blade replacement at WPS Empire State.

Capital expenditures identified at ESI for 2005 through 2007 are expected to be approximately $7.0 million, largely due to the Advantage Energy acquisition 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 2005 through 2007 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

As of December 31, 2004, both WPS Resources and WPSC were in compliance with all of the covenants under their lines of credit and other debt obligations.

For the period 2005 through 2007, 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 debt to equity ratios at appropriate levels to support current ratings and corporate growth. 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. WPSC has the ability to issue up to an additional $375.0 million of debt under its currently effective shelf registration statements. The shelf registrations are subject to the ultimate terms and conditions to be determined prior to the actual issuance of specific securities.

WPS Resources and WPSC have 364-day credit line facilities for $400.0 million and $115.0 million, respectively. The credit lines are used to back 100% of WPS Resources' and WPSC's commercial paper borrowing programs and letters of credit for WPS Resources. As of December 31, 2004, there was a total of $141.7 million and $20.2 million available under WPS Resources' and WPSC's credit lines, respectively.

In 2003, WPS Resources announced the sale of Sunbury, and WPSC announced the sale of its portion of Kewaunee. We anticipate being able to complete the sale of Sunbury in 2005. See the *Kewaunee* paragraph below for a discussion on this potential sale. A portion of the proceeds related to the Sunbury sale may be used to pay the non-recourse debt related to the plant. A portion of the proceeds related to the Kewaunee sale will be used to retire debt at WPSC. The remainder of the proceeds from both the Sunbury and Kewaunee 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

WPS Resources made capital contributions of $24.5 million to Sunbury in 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. In 2004, WPS Resources' Board of Directors granted authorization to contribute up to $32.8 million of additional capital to Sunbury. Of that amount, $8.3 million remains available in 2005, as authorized by WPS Resources' Board of Directors.

On September 30, 2004, PDI received a letter of termination from Duquesne Power, L.P. related to the previously announced agreement to sell Sunbury 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 believed did not satisfy a closing condition in the agreement. PDI is continuing its efforts to sell Sunbury. The carrying value of Sunbury is about $117 million, and this project carries approximately $66 million of project-financed debt. Based upon consideration of all information available at this time, management determined that no adjustment to the carrying value of Sunbury was required in 2004. Although management cannot predict the precise timetable or ultimate outcome, PDI is progressing with the sale process, and anticipates being able to complete the sale of Sunbury in 2005.

Kewaunee

On November 7, 2003, WPSC entered into a definitive agreement to sell its 59% ownership interest in Kewaunee 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. The transaction is subject to approvals from various regulatory agencies, of which all major approvals have been obtained, except for approval by the PSCW. The PSCW rejected the sale on November 19, 2004. However, WPSC, Wisconsin Power and Light Company, and Dominion Resources, Inc. offered a proposal addressing the PSCW's concerns in December 2004. In January 2005, the PSCW agreed to reconsider its decision on this transaction and we expect a decision to be rendered in March 2005.

WPSC 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 WPSC assets being sold. In addition to the cash proceeds, WPSC 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 Kewaunee. The net of tax fair value of the non-qualified decommissioning trust's assets at December 31, 2004, was $102.5 million. Dominion will assume responsibility for the eventual decommissioning of Kewaunee and will receive WPSC's qualified decommissioning trust assets that had a net of tax fair value of $242.0 million at December 31, 2004. WPSC has requested deferral of the gain or loss resulting from this transaction and related costs from the PSCW. Accordingly, the gain or loss 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.

On February 20, 2005, Kewaunee was temporarily removed from service after a potential design weakness was identified in a backup cooling system. Plant engineering staff identified the concern and the unit was shutdown in accordance with the plant license. A modification is being made to resolve the issue and it is anticipated that the unit will be back in service at 100% power by mid April. WPSC intends to file a request with the PSCW for recovery of incremental costs associated with fuel, purchased power, and operating and maintenance costs. WPSC and Dominion remain committed to the sale of Kewaunee.

Asset Management Strategy

WPS Resources is finalizing its sales strategy for the balance of its identified excess real estate holdings. This strategy is expected to provide for WPS Resources to meet its average annualized earnings per share goal.

Regulatory

For a discussion of regulatory considerations, see Note 22, Regulatory Environment, to WPS Resources' Notes to Consolidated Financial Statements.

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." This domestic production provision allows as a deduction an amount equal to a specified percent of the lesser of the qualified production activities income of the taxpayer for the taxable year or taxable income for the taxable year. The deduction is phased in, providing a deduction of three percent of income through 2006, a six percent deduction through 2009, and a nine percent deduction after 2009. On December 21, 2004, the FASB issued final staff position ("FSP") 109-1, effective the same day, on accounting for the effects of the domestic production deduction provisions. The FSP 109-1 said the deduction should be accounted for as a special deduction rather than a tax rate reduction. The FSP 109-1 also said the special deduction should be considered by an enterprise in measuring deferred taxes when graduated tax rates are a significant factor and also in assessing if a valuation allowance is necessary. On December 8, 2004, the PSCW issued an order authorizing WPSC to defer of the revenue requirements impacts resulting from the 2004 Jobs Act. The Internal Revenue Service and Department of Treasury issued interim guidance on January 19, 2005, covering the implementation of the domestic production provision of the 2004 Jobs Act. WPS Resources is currently reviewing this guidance in order to quantify the tax impact of this deduction or identify all potential tax issues related to the 2004 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. A phase out or elimination of the Section 29 federal tax credits would have no impact on the value of alternative minimum tax credits WPS Resources 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 inter-company 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 FIN No. 45, "Guarantors' Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others."

At December 31, 2004, 2003, and 2002, outstanding guarantees totaled $977.9 million, $981.8 million, and $652.2 million, respectively, as follows:

WPS Resources' Outstanding Guarantees (Millions)	**December 31, 2004**	December 31, 2003	December 31, 2002
Guarantees of subsidiary debt	**$ 27.2**	$ 39.7	$ 38.8
Guarantees supporting commodity transactions of subsidiaries	**863.9**	874.4	584.3
Standby letters of credit	**80.9**	61.1	22.7
Surety bonds	**0.6**	1.1	6.4
Other guarantee	**5.3**	5.5	-
Total guarantees	**$977.9**	$981.8	$652.2

WPS Resources' Outstanding Guarantees (Millions) Commitments Expiring	**Total Amounts Committed At December 31, 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	**863.9**	812.6	22.4	12.9	16.0
Standby letters of credit	**80.9**	68.0	12.9	-	-
Surety bonds	**0.6**	0.6	-	-	-
Other guarantee	**5.3**	-	-	-	5.3
Total guarantees	**$977.9**	$881.2	$35.3	$12.9	$48.5

At December 31, 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 PDI'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 ESI. WPS Resources primarily issues the guarantees to counterparties in the wholesale electric and natural gas marketplace to provide counterparties the assurance that ESI will perform on its obligations and permit ESI to operate within these markets. The amount of guarantees actually issued by WPS Resources to support the business operations at ESI at December 31, 2004, was $817.7 million, and this is reflected in the table above. These guarantees reflect the amount of outstanding business ESI could have with the counterparties holding the guarantees at any point in time. At December 31, 2004, the actual amount of ESI's obligations to counterparties supported by WPS Resources' parental guarantees was $132.6 million.

At December 31, 2004, WPS Resources had issued $38.3 million in corporate guarantees to support the business operation of PDI, which are reflected in the above table. WPS Resources issues the guarantees for indemnification obligations related to business purchase agreements and counterparties in the wholesale electric marketplace to meet their credit requirements and permit PDI to operate within these markets. The amount supported is dependent on the amount of the outstanding obligations that PDI has with the parties holding the guarantees at any point in time. At December 31, 2004, the amount of PDI's obligations supported by WPS Resources' parental guarantees was $4.7 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 PDI in addition to guarantees that receive specific WPS Resources Board authorization.

Another $7.9 million of corporate guarantees support energy and transmission supply at UPPCO 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 $15.0 million to support the business operations of UPPCO. 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 $80.9 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 counterparty 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 December 31, 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 $5.3 million listed on the above table was issued by WPSC to indemnify a third party for exposures related to the construction of utility assets. This amount is not reflected on the consolidated balance sheet.

WPS Resources guarantees the potential retrospective premiums that could be addressed under WPS Resources' nuclear insurance program.

See Note 23, "Variable Interest Entities," to WPS Resources' Notes to the Consolidated Financial Statements for information on the implementation of Interpretation No. 46R. 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.

MARKET PRICE RISK MANAGEMENT ACTIVITIES - WPS RESOURCES

Market price risk management activities include the electric and natural gas marketing and related risk management activities of ESI. ESI's 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. ESI 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. ESI 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 ESI's assets and liabilities from risk management activities for the 12 months ended December 31, 2004.

ESI 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	**10.9**	**(2.0)**	**8.9**
Plus - changes in fair value of contracts in existence at December 31, 2004	**29.2**	**5.4**	**34.6**
Fair value of contracts at December 31, 2004	**$31.6**	**$13.7**	**$45.3**

The fair value of contracts at January 1, 2004, and December 31, 2004, reflects 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 includes the value of contracts in existence at January 1, 2004, that were no longer included in the net mark-to-market assets as of December 31, 2004, along with the amortization of those derivatives later designated as normal purchases and sales under SFAS 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 ESI's portfolio at December 31, 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. The table below shows the sources of fair value and maturity of ESI's risk management instruments.

ESI
Risk Management Contract Aging at Fair Value
As of December 31, 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	**$27.4**	**$1.8**	**-**	**-**	**$29.2**
Prices provided by external sources	**8.1**	**5.1**	**-**	**-**	**13.2**
Prices based on models and other valuation methods	**2.8**	**0.1**	**-**	**-**	**2.9**
Total fair value	**$38.3**	**$7.0**	**-**	**-**	**$45.3**

We derive the pricing for most contracts in the above table from active quotes or external sources. "Prices actively quoted" includes NYMEX contracts and basis swaps. "Prices provided by external sources" includes electric and natural gas 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.

ESI, as a result of PDI'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 December 31, 2004, was $0.7 million.

ESI 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. However, the application of hedge accounting rules causes ESI to experience earnings volatility associated with electric and natural gas operations. While risks associated with power generating capacity and power sales are economically hedged, certain transactions do not meet the definition of a derivative or 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 ESI's reported period-by-period earnings; 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 December 31, 2004, the unrealized mark-to-market gains were $5.4 million for ESI's electric operations and related hedges that did not qualify for cash flow hedge treatment under SFAS No. 133. See *Results of Operations - Overview of Nonregulated Operations - ESI's Segment Operations* for information regarding earnings volatility associated with the natural gas storage cycle.

CRITICAL ACCOUNTING POLICIES - WPS RESOURCES

We have identified the following accounting policies to be critical to the understanding of our financial statements because their application requires significant judgment and reliance on estimations of matters that are inherently uncertain. WPS Resources' management has discussed these critical accounting policies with the Audit Committee of the Board of Directors.

Risk Management Activities

WPS Resources has entered into contracts that are accounted for as derivatives under the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. At December 31, 2004, those derivatives not designated as hedges are primarily commodity contracts to manage price risk associated with wholesale and retail natural gas purchase and sale activities and electric energy contracts. Management's expectations and intentions are key factors in determining the appropriate accounting for a derivative transaction, and as a result, such expectations and intentions are documented. Cash flow hedge accounting treatment may be used when WPS Resources contracts to buy or sell a commodity at a fixed price for future delivery corresponding with anticipated physical sales or purchases. Fair value hedge accounting may be used when WPS Resources holds firm commitments and enters into transactions that hedge the risk that the price of a commodity may change between the contract's inception and the physical delivery date of the commodity. To the extent that the fair value of a hedge instrument is fully effective in offsetting the transaction being hedged, there is no impact on income available for common shareholders prior to settlement of the hedge. In addition, WPS Resources may apply the normal purchases and sales exemption, provided by SFAS No. 133, as amended, to certain contracts. The normal purchases and sales exception provides that no recognition of the contract's fair value in the consolidated financial statements is required until the settlement of the contract.

Derivative contracts that are determined to fall within the scope of SFAS No. 133, as amended, are recorded at fair value on the Consolidated Balance Sheet of WPS Resources. Changes in fair value, except those related to derivative instruments designated as cash flow hedges, are generally included in the determination of income available for common shareholders at each financial reporting date until the contracts are ultimately settled. When available, quoted market prices are used to record a contract's fair value. If no active trading market exists for a commodity or for a contract's duration, fair value is estimated through the use of internally developed valuation techniques or models. Such estimates require significant judgment as to assumptions and valuation methodologies deemed appropriate by WPS Resources' management. As a component of the fair value determination, WPS Resources maintains reserves to account for the estimated direct costs of servicing and holding certain of its contracts based upon administrative costs, credit/counterparty risk, and servicing margin with both fixed and variable components. The effect of changing the underlying servicing and credit/counterparty risk assumptions is as follows:

Change in Assumption *(Millions)*	Effect to Operating Reserve at December 31, 2004
100% increase	$ 11.4
50% decrease	$(5.7)

These potential changes to the operating reserve would be shown as part of the Nonregulated cost of fuel, gas and purchased power on the Consolidated Statements of Income and current and long-term Assets/Liabilities from risk management activities on the Consolidated Balance Sheets.

Asset Impairment

WPS Resources annually reviews its assets for impairment. SFAS No. 144, "Accounting for the Impairment and Disposal of Long-Lived Assets," and SFAS No. 142, "Goodwill and Other Intangible Assets," form the basis for these analyses.

The review for impairment of tangible assets is more critical to PDI than to our other segments because of its significant investment in property, plant, and equipment and lack of access to regulatory relief that is available to our regulated segments. At December 31, 2004, the carrying value of PDI's property, plant, and equipment totaled $138.1 million, excluding assets held for sale, which totaled $73.9 million. We believe that the accounting estimate related to asset impairment of power plants is a "critical accounting estimate" because: (1) the estimate is susceptible to change from period to period because it requires management to make assumptions about future market sales pricing, production costs, capital expenditures and generation volumes and (2) the impact of recognizing an impairment could be material to our financial position or results of operations. Management's assumptions about future market sales prices and generation volumes require significant judgment because actual market sales prices and generation volumes have fluctuated in the past as a result of changing fuel costs, environmental changes, and required plant maintenance and are expected to continue to do so in the future.

The primary estimates used at PDI in the impairment analysis are future revenue streams and operating costs. A combination of input from both internal and external sources is used to project revenue streams. PDI's operations group forecasts future operating costs with input from external sources for fuel costs and forward energy prices. These estimates are modeled over the projected remaining life of the power plants using the methodology defined in SFAS No. 144. PDI evaluates property, plant, and equipment for impairment whenever indicators of impairment exist. These indicators include a significant underperformance of the assets relative to historical or projected future operating results, a significant change in the use of the assets or business strategy related to such assets, and significant negative industry or economic trends. SFAS No. 144 requires that if the sum of the undiscounted expected future cash flows from a company's asset is less than the carrying value of the asset, an asset impairment must be recognized in the financial statements. For assets held for sale, impairment charges are recorded if the carrying value of such assets exceeds the estimated fair value less costs to sell. The amount of impairment recognized is calculated by reducing the carrying value of the asset to its fair value.

Throughout 2004, PDI tested its power plants for impairment whenever events or changes in circumstances indicated that their carrying amount may not be recoverable. No impairment charges were recorded in 2004 as a result of these recoverability tests. Results of past impairment tests may not necessarily be an indicator of future tests given the criticality of the accounting estimates involved, as discussed more fully above. Changes in actual results or assumptions could result in an impairment.

WPSC recorded goodwill of $36.4 million in its gas utility segment following the merger of Wisconsin Fuel and Light into WPSC in 2001. The goodwill is tested for impairment yearly based on the guidance of SFAS No. 142. The test for impairment includes assumptions about future profitability of the gas utility segment and the correlation between our gas utility segment and published projections for other similar gas utility segments. A significant change in the natural gas utility market and/or our projections of future profitability could result in a loss being recorded on the income statement related to a decrease in the goodwill asset as a result of the impairment test.

Receivables and Reserves

Our regulated natural gas and electric utilities and ESI accrue estimated amounts of revenue for services rendered but not yet billed. Estimated unbilled sales are calculated using actual generation and throughput volumes, recorded sales, and weather factors. The estimated unbilled sales are assigned different rates based on historical customer class allocations. At December 31, 2004, 2003, and 2002, the amount of unbilled revenues was $113.2 million, $90.0 million, and $105.9 million, respectively. Any difference between actual sales and the estimates or weather factors would cause a change in the estimated revenue.

WPS Resources records reserves for potential uncollectible customer accounts as an expense on the income statement and an uncollectible reserve on the balance sheet. WPSC records a regulatory asset to offset its uncollectible reserve. Because the nonregulated energy marketing business involves higher credit risk, the reserve is more critical to ESI than to our other segments. At ESI, the reserve is based on historical uncollectible experience and specific customer identification where practical. If the assumption that historical uncollectible experience matches current customer default is incorrect, or if a specific customer with a large account receivable that has not previously been identified as a risk defaults, there could be significant changes to the expense and uncollectible reserve balance.

Pension and Postretirement Benefits

The costs of providing non-contributory defined benefit pension benefits and other postretirement benefits, described in Note 18 to the Consolidated Financial Statements, are dependent upon numerous factors resulting from actual plan experience and assumptions regarding future experience.

Pension costs and other postretirement benefit costs are impacted by actual employee demographics (including age, compensation levels, and employment periods), the level of contributions we make to the plan, and earnings on plan assets. Other postretirement benefit costs are also impacted by health care cost trends. Pension and other postretirement benefit costs may be significantly affected by changes in key actuarial assumptions, including anticipated rates of return on plan assets, discount rates used in determining the projected benefit and other postretirement benefit obligation and pension and other postretirement benefit costs, and health care cost trends. Changes made to the plan provisions may also impact current and future pension and other postretirement benefit costs.

WPS Resources' pension plan assets and other postretirement benefit plan assets are primarily made up of equity and fixed income investments. Fluctuations in actual equity market returns as well as changes in general interest rates may result in increased or decreased pension costs in future periods. Management believes that such changes in costs would be recovered at our regulated segments through the ratemaking process.

The following chart shows how a given change in certain actuarial assumptions would impact the projected benefit obligation, the net amount recognized on the balance sheet, and the reported annual pension cost on the income statement as they relate to all of our defined benefit pension plans. Each factor below reflects an evaluation of the change based on a change in that assumption only.

Actuarial Assumption *(Millions, except percentages)*	Percent Change in Assumption	Impact on Projected Benefit Obligation	Impact on Net Amount Recognized	Impact on Pension Cost
Discount rate	(0.5)	$ 44.2	$(3.7)	$ 3.7
Discount rate	0.5	(41.6)	3.7	(3.7)
Rate of return on plan assets	(0.5)	N/A	(2.6)	2.6
Rate of return on plan assets	0.5	N/A	2.6	(2.6)

The following chart shows how a given change in certain actuarial assumptions would impact the projected other postretirement benefit obligation, the reported other postretirement benefit liability on the balance sheet, and the reported annual other postretirement benefit cost on the income statement. Each factor below reflects an evaluation of the change based on a change in that assumption only.

Actuarial Assumption *(Millions, except percentages)*	Percent Change in Assumption	Impact on Postretirement Benefit Obligation	Impact on Postretirement Benefit Liability	Impact on Postretirement Benefit Cost
Discount rate	(0.5)	$23.8	$(1.9)	$ 1.9
Discount rate	0.5	(20.5)	1.6	(1.6)
Health care cost trend rate	(1.0)	(34.7)	4.8	(4.8)
Health care cost trend rate	1.0	42.0	(5.2)	5.2
Rate of return on plan assets	(0.5)	N/A	(0.7)	0.7
Rate of return on plan assets	0.5	N/A	0.7	(0.7)

In selecting an assumed discount rate, we consider long-term Corporate Aa rated bond yield rates. To select an assumed rate of return on plan assets, we consider the historical returns and the future expectations for returns for each asset class, as well as the target allocation of the benefit trust portfolios. In selecting assumed health care cost trend rates, we consider past performance and forecasts of health care costs.

Regulatory Accounting

The electric and gas utility segments of WPS Resources follow SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," and our financial statements reflect the effects of the different ratemaking principles followed by the various jurisdictions regulating these segments. We defer certain items that would otherwise be immediately recognized as expenses and revenues because our regulators have authorized deferral as regulatory assets and regulatory liabilities for future recovery or refund to customers. Future recovery of regulatory assets is not assured, but is generally subject to review by regulators in rate proceedings for matters such as prudence and reasonableness. Management regularly assesses whether these regulatory assets and liabilities are probable of future recovery or refund by considering factors such as regulatory environment changes and the status of any pending or potential deregulation legislation. Once approved, we amortize the regulatory assets and liabilities into income over the rate recovery period. If recovery of costs is not approved or is no longer deemed probable, these regulatory assets or liabilities are recognized in current period income.

If our electric and gas utility segments no longer meet the criteria for application of SFAS No. 71, we would discontinue its application as defined under SFAS No. 101, "Regulated Enterprises - Accounting for the Discontinuation of Application of SFAS No. 71." Assets and liabilities recognized solely due to the actions of rate regulation would no longer be recognized on the balance sheet and would be classified as an extraordinary item in income for the period in which the discontinuation occurred. A write-off of all WPS Resources' regulatory assets and regulatory liabilities at December 31, 2004, would result in a 3.6% decrease in total assets, an 8.7% decrease in total liabilities, and a 68.4% increase in income before taxes.

Tax Provision

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes for each of the jurisdictions in which we operate. This process involves estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as depreciation, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We must also assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, we must establish a valuation allowance, which is offset by an expense within the tax provisions in the income statement.

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our deferred tax assets. The assumptions involved are supported by historical data and reasonable projections. Significant changes in these assumptions could have a material impact on WPS Resources' financial condition and results of operations.

RELATED PARTY TRANSACTIONS - WPS RESOURCES

WPS Resources has investments in related parties that are accounted for under the equity method of accounting. These include WPS Investments, LLC's (a consolidated subsidiary of WPS Resources) investments in ATC and Guardian Pipeline; WPSC's investment in Wisconsin River Power Company; and WPS Nuclear Corporation's (a consolidated subsidiary of WPS Resources) investment in Nuclear Management Company. WPS Resources also had an investment in WPSR Capital Trust I, which was dissolved January 8, 2004. See Note 10 of WPS Resources' Notes to the Consolidated Financial Statements, "Investments in Affiliates, at Equity Method," for information regarding related party transactions involving ATC, Guardian Pipeline, and Nuclear Management Company. Note 24, "Company-Obligated Mandatorily Redeemable Trust Preferred Securities of Preferred Stock Trust," contains information regarding WPSR Capital Trust I.

TRENDS - WPS RESOURCES

Environmental

See Note 17, "Commitments and Contingencies," to the WPS Resources' Notes to Consolidated Financial Statements for a detailed discussion of WPS Resources' environmental commitments and contingencies.

Energy and Capacity Prices

Prices for electric energy and capacity have been extremely volatile over the past three years. WPS Resources' nonregulated entities are impacted by this volatility, which has been driven by the exit of many of the largest speculative traders, equilibrium between natural gas supply and demand, changes in the economy, and significant overbuilding of generation capacity.

Although electric energy prices are currently high due to increased natural gas prices, we expect that electric capacity prices will continue to be depressed for several years. Pressure on capacity prices will continue until existing reserve margins are depleted either by load growth or capacity retirements. PDI has been negatively impacted by the depressed capacity prices and volatile energy prices discussed above, and as a result we have taken certain steps to reduce our exposure to the merchant marketplace.

In 2004, PDI entered into tolling agreements with ESI to market electric production from its facilities and to manage natural gas costs for its gas-fired generation facilities. ESI is utilizing various financial tools, including forwards and options, to limit exposure and extract additional value from volatile commodity prices. PDI continues to manage costs of fuel for its coal-fired facilities.

Synthetic Fuel Operation

See Note 17, "Commitments and Contingencies," for a detailed discussion of WPS Resources' synthetic fuel production facility.

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. This bill required Ohio electric distribution companies to file electric transition plans, including the collection of transition costs and freezing generation rates at a 5% discount during the course of the market development period. At the end of the market development period, rates would 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, ESI 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.

ESI participated as an intervener in the FirstEnergy Rate Stabilization Plan and competitive bid process cases in an effort to preserve the competitive electric business established in the FirstEnergy service areas in the 2006-2008 time period. ESI filed comments requesting modifications to the competitive bid process to allow for fair competition. In October 2004, the Public Utilities Commission of Ohio issued orders directing FirstEnergy to modify the competitive bid process based on filed comments and direction from independent consultants and scheduled the auction for December 8, 2004.

The competitive bid process was conducted on December 8, 2004, concluding the same day. On December 9, 2004, the Public Utility Commission of Ohio rejected the auction price citing the clearing price of 5.45 cents per kilowatt-hour was inadequate in comparison to the FirstEnergy Rate Stabilization Plan. While the details of the rate comparison and auction results have not been made public; the Public Utility Commission of Ohio requested stakeholder comments relative to what information to maintain as confidential and for what period of time. The Public Utility Commission of Ohio intends to conduct a similar auction next year, believing the economy of the power market will improve, increasing the probability of an acceptable auction clearing price.

Given the auction results, the FirstEnergy Rate Stabilization Plan will be implemented. ESI participated in recent case developments relative to the price to be paid by customers who return from competitive supply to default service during the Rate Stabilization Plan period. Continued service by ESI beyond December 31, 2005, to customers of the existing aggregation programs will be dependent on the ability of the communities to comply with the FirstEnergy Rate Stabilization Plan requirements imposed on governmental aggregation programs and improved market power prices.

Meanwhile, on September 23, 2004, an Ohio House Bill was introduced, proposing change to the electric restructuring law. The bill proposes to give the Public Utilities Commission of Ohio explicit authority to implement rate stabilization plans, where it has been determined that there is insufficient development of the generation market or lack of effective competition in an electric utility's service area and ensuring against any undue competitive disadvantage between Ohio and regional customers of an electric utility of its affiliates. Recent news releases indicate an increased momentum in the Ohio General Assembly for legislation that would make major changes to Senate Bill 3 in 2005.

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. As the Michigan legislature closed out 2004 with this package of bills not being voted out of the Senate Energy and Technology Committee, they must be reintroduced and sponsored again, if they are to be addressed in 2005. It is our expectation that such a move will be initiated early in 2005.

Under current legislation, Michigan’s regulated utilities were able to securitize overrun costs associated with large generation assets and the MPSC 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, ESI, 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 initial Senate bills contained provisions that would have substantially harmed the Electric Choice market and returned Michigan to a model of the regulated supply monopoly. If similar legislation is proposed and passed in 2005, it could diminish the benefits of competitive supply for Michigan business customers. The impact on ESI 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 ESI 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 ESI, 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. ESI is actively participating in the legislative and regulatory process in order to protect its interests in Michigan.

WPSC, UPPCO, and ESI are members of the Midwest Independent System Operator (ISO), which is in the process of restructuring the bulk electric power market across its footprint. The implementation of market restructuring by the Midwest ISO is currently expected to occur April 1, 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, WPSC does not currently expect the ultimate outcome will have a material impact on its results of operations or financial condition. WPSC, UPPCO, and ESI are working closely with the Midwest ISO and the FERC to ensure that there is a smooth transition to the new market in order to minimize any impact on them and their customers. ESI currently participates in markets that have gone through comparable transitions. We believe this past experience has prepared ESI for the Midwest ISO transition and positions ESI to manage the risk and pursue the opportunities that will exist.

Seams Elimination Charge Adjustment

ESI has identified an issue that could create financial exposure through March 2006. Through a series of orders issued by FERC, Regional Through and Out Rates for transmission service between the Midwest ISO and the PJM Interconnection have been eliminated effective December 1, 2004. The FERC ordered a transitional pricing mechanism called the Seams Elimination Charge Adjustment (SECA) to be put into place on December 1, 2004, through March 31, 2006, which would be paid by load serving entities. The purpose of the SECA is to compensate transmission owners (during the 16-month transition period) for the revenue they would no longer receive due to the elimination of the Regional Through and Out Rates. Because ESI is a load serving entity, it will be billed for SECA charges based on its power imports during 2002 and 2003. Although actual SECA charges have only been calculated for the first 4 months of the 16-month period, total exposure for the 16-month transitional period is estimated to be approximately \$13 million for Michigan and \$2 million for Ohio.

On February 10, 2005, FERC issued an order accepting compliance filings implementing the SECA effective December 1, 2004, subject to refund and surcharge, as appropriate, and setting the case in its entirety for a formal hearing. It is anticipated that the case could take a year or more to reach a final decision. In addition, matters related to the justness and reasonableness and other legal challenges to the SECA itself remain pending before FERC on rehearing. It is not known when FERC will issue an order on these requests for rehearing. It appears that ESI will be required to pay the SECA charges during this process, subject to refund. ESI has actively participated in the SECA case since its beginning and believes its position has strong merits. The application and legality of the SECA is being challenged by many other load serving entities and ESI will continue to pursue all avenues to appeal and/or reduce the SECA obligations. In the interim, the exposure will be managed through customer charges and other available avenues, where feasible. Through existing contracts, ESI has the ability to pass SECA charges on to customers. However, doing so may hinder ESI's competitiveness in the marketplace.

New Accounting Pronouncements

See Note 1(v), "New Accounting Pronouncements," for a detailed discussion of new accounting pronouncements.

IMPACT OF INFLATION - WPS RESOURCES

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and report operating results in terms of historic cost. The statements provide a reasonable, objective, and quantifiable statement of financial results; but they do not evaluate the impact of inflation. Under rate treatment prescribed by utility regulatory commissions, WPSC's and UPPCO's projected operating costs are recoverable in revenues. Because rate forecasting assumes inflation, most of the inflationary effects on normal operating costs are recoverable in rates. However, in these forecasts, WPSC and UPPCO are only allowed to recover the historic cost of plant via depreciation. Our nonregulated businesses include inflation in forecasted costs. However, any increase from inflation is offset with projected business growth. Therefore, the estimated effect of inflation on our nonregulated businesses is minor.

RESULTS OF OPERATIONS - WISCONSIN PUBLIC SERVICE

WPSC 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 66% of revenues in 2004, while natural gas operations contributed 34% to 2004 revenues.

2004 Compared with 2003

Wisconsin Public Service Overview

WPSC's results of operations for the years ended December 31 are shown in the following table:

Wisconsin Public Service's Results (Millions)	**2004**	2003	Change
Operating revenues	**$1,222.1**	$1,129.1	8.2%
Earnings on common stock	**$104.8**	$78.9	32.8%

Approved retail and wholesale electric rate increases drove a $76.3 million increase in WPSC's electric revenue. The $16.7 million increase in WPSC's natural gas revenue was driven by an increase in the per-unit cost of natural gas and an authorized retail natural gas rate increase, partially offset by a 6.2% decrease in natural gas throughput volumes resulting from unfavorable weather conditions.

WPSC's earnings on common stock were $104.8 million for the year ended December 31, 2004, compared with $78.9 million for the same period in 2003. As discussed in more detail below, the following factors impacted earnings for the year ended December 31, 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 the electric margin.
- An approved retail natural gas rate increase favorably impacted the natural gas margin at WPSC, but a decrease in natural gas throughput volumes partially offset the favorable impact of this rate increase.
- Land sales, land donations, and higher earnings from equity investments favorably impacted earnings.
- Higher operating and maintenance expense negatively impacted earnings.

Electric Utility Operations

Electric Utility Results *(Millions)*	**2004**	2003	Change
Revenues	**$801.2**	$724.9	10.5%
Fuel and purchased power	**249.0**	225.0	10.7%
Margins	**$552.2**	$499.9	10.5%
Sales in kilowatt-hours	**13,493.4**	13,411.4	0.6%

Electric utility revenue increased $76.3 million, or 10.5%, for the year ended December 31, 2004, compared to the same period in 2003. Electric utility revenue increased largely due to authorized retail and wholesale electric rate increases for WPSC's Wisconsin and Michigan customers (see discussion within *Results of Operations - WPS Resources*) to recover higher fuel and purchased power costs, increased operating expenses, and expenditures incurred for infrastructure improvements. Electric utility sales volumes were also slightly higher in 2004, increasing 0.6% over 2003 sales volumes. A 1.5% increase in sales volumes to commercial and industrial customers was partially offset by a 1.2% decrease in sales volumes to residential customers. Higher sales volumes to our commercial and industrial customers reflect an improving economy and growth within our service area, while the decrease in sales volumes to residential customers reflects weather that was 6.6% cooler during the 2004 cooling season, compared to 2003.

WPSC's electric margin increased $52.3 million, or 10.5%, for the year ended December 31, 2004, compared to 2003. The increase in WPSC's electric margin is primarily related to the retail and wholesale electric rate increases, partially offset by a $20.4 million increase in purchased power costs. The quantity of power purchased in 2004 increased 9.3% over 2003 purchases and purchased power costs were 17.4% higher (on a per-unit basis) in 2004, compared to 2003. The PSCW allows WPSC 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. In response to a request for additional fuel cost recovery filed early in 2004, WPSC was allowed to recover $3.2 million of its increased fuel and purchased power costs during 2004. The PSCW also allowed WPSC to defer $5.4 million of unanticipated fuel and purchased power costs directly associated with the extension of the Kewaunee refueling outage in the fourth quarter of 2004. The Kewaunee outage was extended three weeks due primarily to difficulties encountered with lifting equipment related to the reactor vessel and procedures to perform the lifts. It is anticipated that these costs will be recovered in 2006, pending final approval.

WPSC's electric earnings increased $12.2 million, or 22.8%, for the year ended December 31, 2004, compared to 2003. The increased earnings were largely driven by the higher margin (including the effect of timely retail electric rate relief in 2004 compared to a delay in receiving retail electric rate relief in 2003), partially offset by higher operating and maintenance expenses.

Gas Utility Operations

Gas Utility Results *(Millions)*	**2004**	2003	Change
Revenues	**$420.9**	$404.2	4.1%
Purchase costs	**301.9**	291.0	3.7%
Margins	**$119.0**	$113.2	5.1%
Throughput in therms	**801.3**	854.5	(6.2%)

Gas utility revenue increased $16.7 million, or 4.1%, for the year ended December 31, 2004, compared to 2003. Higher revenue was driven by an authorized rate increase and an increase in the per-unit cost of natural gas, partially offset by an overall 6.2% decrease in natural gas throughput volumes. Natural gas prices increased 14.2% per unit in 2004. Higher natural gas prices reflect higher marketplace natural gas costs in 2004. The PSCW and the MPSC allow WPSC to pass changes in the total cost of natural gas on to customers. As a result, changes in the price of the natural gas commodity do not have a direct impact on WPSC's margin. The decrease in natural gas throughput volumes was driven by weather that was 4.3% warmer during the heating season for the year ended December 31, 2004, compared to 2003.

The natural gas utility margin increased $5.8 million, or 5.1%, for the year ended December 31, 2004, compared to 2003. The higher natural gas utility margin is largely due to the authorized rate increase mentioned above. The ability of WPSC to realize the full benefit of an authorized rate increase is dependent upon normal throughput volumes; therefore, the decrease in natural gas throughput volumes negatively impacted WPSC's ability to benefit from the full amount of the rate increase.

The higher margin drove a $1.6 million, or 10.2%, increase in gas utility earnings for the year ended December 31, 2004.

Operating Expenses

Operating Expenses (*Millions*)	**2004**	2003	Change
Operating and maintenance expense	**$386.0**	$355.1	8.7%
Depreciation and decommissioning expense	**91.0**	122.9	(26.0%)

Operating and maintenance expense

Operating and maintenance expenses at WPSC increased $30.9 million, or 8.7%, for the year ended December 31, 2004, compared to 2003. Electric transmission and distribution costs were up $13.5 million due primarily to an increase in transmission rates. Pension and postretirement medical costs incurred at WPSC increased $8.9 million. Additionally, $6.8 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 (previously deferred as regulatory assets). Maintenance expenses at WPSC's coal-fired generation facilities were $4.2 million higher in 2004, compared to 2003, driven by an extension of the annual planned outage at the Pulliam 6 generation facility in 2004. Higher payroll and other benefit costs also contributed to the increase in operating and maintenance expenses. The fall refueling outage at Kewaunee did not significantly impact the year-over-year change in operating and maintenance expenses as there was also a refueling outage at Kewaunee in the spring of 2003, and the PSCW approved the deferral of incremental operating and maintenance expenses that were incurred as a direct result of the refueling outage extension ($1.8 million of operating and maintenance expenses were deferred in the fourth quarter of 2004 and collection is anticipated in 2006, pending approval by the PSCW).

Depreciation and decommissioning expense

Depreciation and decommissioning expense decreased $31.9 million, or 26.0%, for the year ended December 31, 2004, compared to 2003, due primarily to a decrease of $35.9 million resulting from lower realized gains on decommissioning trust assets and because the decommissioning trust was not funded in 2004 in anticipation of selling Kewaunee. Realized gains on decommissioning trust assets are substantially offset by depreciation expense pursuant to regulatory practice. An increase in depreciation expense from plant asset additions at WPSC partially offset the decrease in decommissioning expense.

Other Income

Other income decreased $22.3 million, from $55.3 million in 2003 to $33.0 million in 2004, largely due to a decrease in realized gains on decommissioning trust assets of $33.5 million. Lower realized gains were substantially offset by lower decommissioning expense, as discussed above. Partially offsetting the lower gains on decommissioning trust assets were higher earnings realized from equity investments and an increase in gains recognized from land sales in 2004, compared to 2003.

2003 Compared with 2002

Wisconsin Public Service Overview

WPSC's 2003 and 2002 results of operations are shown in the following table:

Wisconsin Public Service's Results (Millions)	2003	2002	Change
Operating revenues	$1,129.1	$1,007.6	12%
Earnings on common stock	78.9	83.1	(5%)

Wisconsin retail electric and wholesale electric rate increases together with higher natural gas prices contributed to the increase in operating revenues in 2003.

WPSC's earnings on common stock were $78.9 million in 2003 compared with $83.1 million in 2002. As discussed in more detail below, the following factors impacted year-over-year earnings:

- Electric rate increases and a change in sales mix at WPSC favorably impacted electric margins.

- Favorable weather conditions had a favorable impact on the natural gas margin, but the impact of favorable weather conditions was largely offset by a decrease in natural gas rates allowed by the PSCW.

- Cooler weather during the cooling season in 2003 negatively impacted electric utility margins.

- Rising operating expenses (primarily pension and medical costs) together with a delay in receiving 2003 retail electric rate relief negatively impacted electric utility earnings. Rate relief for these increasing operating costs was expected on January 1, 2003; however, the increase in retail electric rates granted by the PSCW was not effective until March 21, 2003.

Electric Utility Operations

Electric Utility Results *(Millions)*	2003	2002	Change
Revenues	$724.9	$696.9	4%
Fuel and purchased power	225.0	217.2	4%
Margins	$499.9	$479.7	4%
Sales in kilowatt-hours	13,411.4	13,579.7	(1%)

Electric utility revenues increased $28.0 million, or 4%, in 2003 compared to 2002. The increase was largely due to the retail and wholesale electric rate increases for the Wisconsin and Michigan customers in accordance with new rate orders.

Due primarily to the electric rate increases, electric margins at WPSC increased $20.2 million, or 4%, in 2003. Electric margins were also impacted favorably by a change in sales mix in 2003. While total sales volumes remained basically unchanged in 2003 compared to 2002, sales volumes to higher margin residential and commercial and industrial customers increased slightly. The increase in sales volumes to these higher margin customer classes reflects growth within WPSC's service area and changes in the economy. These increases were partially offset by cooler weather during the cooling season for the year ended December 31, 2003 compared to the year ended December 31, 2002.

Gas Utility Operations

Gas Utility Results *(Millions)*	2003	2002	Change
Revenues	$404.2	$310.7	30%
Purchase costs	291.0	198.6	47%
Margins	$113.2	$112.1	1%
Throughput in therms	854.5	845.4	1%

Gas utility revenues increased $93.5 million, or 30%, for the year ended December 31, 2003 compared to the year ended December 31, 2002. The increase in gas utility revenues was mostly due to a 39% increase in the average cost of natural gas for the year ended December 31, 2003, compared to the prior year, partially offset by the 0.3% decrease in retail natural gas rates ordered by the PSCW, effective March 21, 2003.

The natural gas utility margin for the year ended December 31, 2003, increased $1.1 million, or 1%, compared to the year ended December 31, 2002. The increase in the natural gas utility margin can be attributed to a 1% increase in natural gas throughput volumes in 2003 compared to 2002. Natural gas throughput volumes to our higher margin residential and commercial and industrial customers increased 6% in the aggregate, mostly as a result of colder weather in 2003 compared to 2002. Natural gas throughput volumes to our lower margin transport customers decreased 5% due to the rising price of natural gas together with their ability to use alternate fuel sources.

Operating Expenses

Operating Expenses (*Millions*)	2003	2002	Change
Operating and maintenance expense	$355.1	$326.9	9%
Depreciation and decommissioning expense	122.9	81.9	50%

Operating and maintenance expense

Utility operating and maintenance expense increased $28.2 million, or 9%, for the year ended December 31, 2003, compared to the prior year. Approximately $17 million of the increase reflects higher pension, postretirement medical, and active medical costs. The remaining increase pertains to costs incurred for plant maintenance related to Kewaunee's scheduled refueling outage in 2003 (there was no refueling outage in 2002), additional operating expenses at Kewaunee and wage increases.

Depreciation and decommissioning expense

Utility depreciation and decommissioning expense increased $41.0 million, or 50%, for the year ended December 31, 2003, compared to the prior year, mostly related to an increase of $37.4 million resulting from higher realized gains on the decommissioning trust assets that resulted in recording decommissioning expense approximately equal to the gains recognized in miscellaneous income pursuant to regulatory practice. The remaining increase is related to plant asset additions.

Other Income

Other income increased $41.3 million in 2003, largely due to an increase in realized gains on the decommissioning trust assets of $36.4 million. The realized gains were offset by increased decommissioning expense, as discussed above. Gains recognized on hydroelectric land sales in 2003 compared to 2002 (primarily due to the $6.2 million pre-tax gain recognized in 2003 from land sales to the WDNR) were also higher in 2003. Earnings from equity method investments also increased in 2003 compared to 2002.

BALANCE SHEET - WISCONSIN PUBLIC SERVICE

2004 Compared with 2003

Net utility plant increased $186.5 million, or 9.9%, from December 31, 2003, to December 31, 2004. The increase in net utility plant primarily relates to capital expenditures associated with the construction of Weston 4 and the installation of automated meter reading.

Pension assets decreased from $67.8 million at December 31, 2003, to $0 at December 31, 2004. The decrease in the pension assets was the result of the merger of WPS Resource's two non-contributory qualified retirement plans effective December 31, 2004. For the combined plan, WPSC's cumulative contributions were less than cumulative accrued net benefit costs; therefore, no assets were recorded at December 31, 2004. Prior to the merger, an asset was recognized for one of the plans. (See Note 18 to WPS Resources' Consolidated Financial Statements - Employee Benefit Plans, for more information.)

The current portion of long-term debt decreased from $49.9 million at December 31, 2003, to $0 at December 31, 2004. On January 19, 2004, WPSC retired early $49.9 million of its 7.125% series first mortgage bonds. These bonds had an original maturity date of July 1, 2023. None of WPSC's long-term debt is scheduled to mature in 2005.

Short-term debt increased $91 million, from $10.0 million at December 31, 2003, to $101.0 million at December 31, 2004. Short-term debt was used to finance a portion of WPSC's capital expenditures in 2004.

Accounts payable increased $40.2 million, or 38.3%, from December 31, 2003, to December 31, 2004. The increase in accounts payable was driven by expenditures for Weston 4.

The environmental remediation liability increased $30.5 million from December 31, 2003, to December 31, 2004. This liability relates to clean-up costs associated with several manufactured gas plant sites (see Note 17 to WPS Resources' Consolidated Financial Statements - Commitments and Contingencies, for more information). WPSC's estimate of future clean-up costs required to remediate these sites increased to reflect the WDNR's application of sediment guidance that was recently issued.

Pension and postretirement benefit obligations decreased $43.0 million, or 31.6%, from December 31, 2003, to December 31, 2004, primarily due to a reduction in the minimum pension liability that was recorded. The decrease in the minimum pension liability was driven by WPS Resources' merger of its two non-contributory qualified retirement plans. On a combined basis, the minimum pension liability and related pension asset were reduced pursuant to generally accepted accounting principles.

LIQUIDITY AND CAPITAL RESOURCES - WISCONSIN PUBLIC SERVICE

WPSC 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, WPSC's operating cash flow and access to capital markets can be impacted by macroeconomic factors outside its control. In addition, WPSC'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, WPSC believes these ratings continue to be among the best in the energy industry (see the *Financing Cash Flows* and *Credit Ratings* sections below).

Operating Cash Flows

During 2004, net cash provided by operating activities was $213.9 million, compared with $152.6 million in 2003. The increase was driven by improved operating results.

During 2003, net cash provided by operating activities was $152.6 million, compared with $185.4 million in 2002. The decrease was primarily due to increased working capital requirements. Gas inventories increased $19.9 million due to high natural gas prices. Receivables and accrued revenues also increased due to higher natural gas prices.

Investing Cash Flows

Net cash used for investing activities was $252.0 million in 2004 compared to $182.2 million in 2003. The increase was largely related to a $111.2 million increase in utility capital expenditures (see *Capital Expenditures* below), partially offset by a $48.4 million decrease in cash used for the purchase of equity investments and other acquisitions. The final payment in the amount of $48.4 million related to the De Pere Energy Center was made in December 2003.

Net cash used for investing activities was $182.2 million in 2003 compared to $184.0 million in 2002. The small decrease is attributed to a $29.4 million decrease in capital expenditures and an increase in the sale of property, plant, and equipment of $26.2 million. The majority of the increase in the sale of property, plant, and equipment was the result of WPSC's sale of $20.1 million of assets at book value related to the Wausau, Wisconsin, to Duluth, Minnesota, transmission line to ATC in June 2003. These factors were partially offset by an increase in the purchase of equity investments and other acquisitions of $48.4 million from the remaining purchase price for the 180-megawatt De Pere Energy Center paid in December 2003. See "Note 6 - Acquisitions and Sales of Assets" in WPS Resources' Notes to Consolidated Financial Statements for more information.

Capital Expenditures

Capital expenditures by business segment for the years ended December 31, 2004, 2003, and 2002 are as follows:

(Millions)	Years Ended December 31,		
	2004	2003	2002
Electric Utility	**$210.1**	$120.6	$157.0
Gas Utility	**62.7**	40.7	34.0
Other	**-**	0.3	-
Wisconsin Public Service Consolidated	**$272.8**	$161.6	$191.0

The increase in capital expenditures at the electric utility in 2004 as compared to 2003 is mainly due to higher capital expenditures associated with the construction of the 500-megawatt coal-fired Weston 4 generation facility located near Wausau, Wisconsin. Gas utility capital expenditures increased primarily due to the installation of automated meter reading. See *Liquidity and Capital Resources - WPS Resources* for more information regarding construction of Weston 4.

Capital expenditures in the electric utility were higher in 2002 compared to 2003 mainly due to construction of portions of the Pulliam combustion turbine at WPSC in 2002. Gas utility capital expenditures increased due to the installation of automated meter reading in 2003.

Financing Cash Flows

Net cash provided by financing activities was $36.9 million in 2004 compared to $30.9 million in 2003. Although cash provided by operating activities increased significantly in 2004, additional borrowings were required to fund WPSC's capital expenditures, primarily related to the construction of Weston 4.

Net cash provided by financing activities was $30.9 million in 2003 compared to cash used for financing activities of $7.9 million in 2002. WPSC required cash from financing activities in 2003 as cash provided by operating activities was not adequate to fund investing activities.

Significant Financing Activities

See *Liquidity and Capital Resources - WPS Resources* for detailed information on significant financing activities for WPSC.

Credit Ratings

See *Liquidity and Capital Resources* - WPS Resources for detailed information on WPSC's credit ratings.

Future Capital Requirements and Resources

Contractual Obligations

The following table summarizes the contractual obligations of WPSC, including its subsidiary.

Contractual Obligations As of December 31, 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	**$ 759.8**	**$ 27.1**	**$ 54.1**	**$ 54.1**	**$ 624.5**
Operating lease obligations	**14.5**	**3.2**	**3.4**	**3.0**	**4.9**
Commodity purchase obligations	**1,198.1**	**187.1**	**294.9**	**202.9**	**513.2**
Purchase orders	**493.8**	**299.9**	**163.3**	**30.6**	**-**
Other	**215.8**	**30.1**	**47.0**	**46.1**	**92.6**
Total contractual cash obligations	**$2,682.0**	**$547.4**	**$562.7**	**$336.7**	**$1,235.2**

Long-term debt principal and interest payments represent bonds issued, notes issued, and loans made to WPSC. We record all principal obligations on the balance sheet. Commodity purchase obligations represent mainly commodity purchase contracts of WPSC. WPSC expects to recover the costs 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.

Capital Requirements

See *Liquidity and Capital Resources - WPS Resources* for detailed information on capital requirements for WPSC.

Capital Resources

See *Liquidity and Capital Resources - WPS Resources* for detailed information on capital resources for WPSC.

Other Future Considerations

Kewaunee

See *Liquidity and Capital Resources - WPS Resources* for detailed information on the proposed sale of WPSC's interest in Kewaunee.

Regulatory

See Note 22, Regulatory Environment, to WPS Resources' Consolidated Financial Statements for detailed information on WPSC's regulatory issues.

American Jobs Creation Act of 2004

See *Liquidity and Capital Resources - WPS Resources* for detailed information on the American Jobs Creation Act of 2004.

OFF BALANCE SHEET ARRANGEMENTS - WISCONSIN PUBLIC SERVICE

See *Guarantees and Off Balance Sheet Arrangements - WPS Resources* for information regarding WPSC's off balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES - WISCONSIN PUBLIC SERVICE

See *Critical Accounting Policies - WPS Resources* for information regarding WPSC's critical accounting policies.

RELATED PARTY TRANSACTIONS - WISCONSIN PUBLIC SERVICE

See *Related Party Transactions - WPS Resources* for information regarding WPSC's related party transactions.

TRENDS - WISCONSIN PUBLIC SERVICE

See *Trends - WPS Resources* for information regarding WPSC's trends.

IMPACT OF INFLATION - WISCONSIN PUBLIC SERVICE

See *Impact of Inflation - WPS Resources* for information regarding the impact of inflation on WPSC.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risks and Other Significant Risks

WPS Resources has potential market risk exposure related to commodity price risk, interest rate risk, equity return, and principal preservation risk. WPS Resources is also exposed to other significant risks due to the nature of our subsidiaries' business and the environment from which we operate. WPS Resources has risk management policies in place to monitor and assist in controlling these risks and may use derivative and other instruments to manage some of these exposures as further described below.

Interest Rate Risk

WPS Resources and WPSC are exposed to interest rate risk resulting from their variable rate long-term debt and short-term commercial paper borrowing. Exposure to interest rate risk is managed by limiting the amount of variable rate obligations and continually monitoring the effects of market changes in interest rates. WPS Resources and WPSC enter into long-term fixed rate debt when it is advantageous to do so. WPS Resources and WPSC may also enter into derivative financial instruments, such as swaps, to mitigate interest rate exposure. At December 31, 2004, and 2003, WPS Resources utilized one interest rate swap to fix the interest rate on a variable rate loan at one of its nonregulated subsidiaries.

Based on the variable rate debt of WPS Resources and WPSC outstanding at December 31, 2004, a hypothetical increase in market interest rates of 100 basis points in 2005 would increase annual interest expense by approximately $3.2 million at WPS Resources and $1.0 million at WPSC. Comparatively, based on the variable rate debt outstanding at December 31, 2003, an increase in interest rates of 100 basis points would have increased interest expense in 2004 by approximately $0.7 million at WPS Resources and $0.1 million at WPSC. These amounts were determined by performing a sensitivity analysis on the impact of a hypothetical 100 basis points increase in interest rates on the variable rate debt of WPS Resources and WPSC outstanding as of December 31, 2004, and 2003. This sensitivity analysis was performed 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 WPS Resources' and WPSC's exposure to the change.

Commodity Price Risk

WPS Resources is exposed to commodity price risk resulting from the impact of market fluctuations in the price of certain commodities, including but not limited to electricity, natural gas, coal, fuel oil, and uranium, which are used and/or sold by our subsidiaries in the normal course of their business. We employ established policies and procedures and utilize contracts of various duration to manage our fuel and gas supply costs and to reduce the market risk associated with changing commodity prices, including using various types of commodity and derivative instruments.

WPS Resources' exposure to commodity price risk in its regulated utilities is significantly mitigated by the current ratemaking process for the recovery of its electric fuel and purchased energy costs as well as its cost of natural gas purchased for resale. Recovery of electric fuel and purchased energy costs through the PSCW ratemaking process can be sought if they exceed more than 2% of the estimated costs used to establish the rates. The risk associated with exposure to costs less than 2% above the estimated costs that are not recoverable are not material. Recovery of utility natural gas commodity costs are allowed to be passed through to retail customers in both Wisconsin and Michigan via gas cost recovery plans authorized by the PSCW and MPSC, respectively. An additional risk within the ratemaking process, regulatory lag risk, occurs between the time we submit rate proceedings and the time we receive the final approval or denial from the PSCW, MPSC, or FERC. The regulatory lag risk may increase or decrease with any change in commodity prices, unplanned outages, or unscheduled maintenance during the approval period. The regulatory lag risk is deemed to be insignificant; therefore, the Value-at-Risk amounts discussed below do not include measures for WPS Resources' regulated utilities. To further manage commodity price risk and the associated regulatory lag risk, our regulated utilities enter into contracts of various durations for the purchase and/or sale of natural gas, fuel for electric generation, and electricity.

For the nonregulated utilities, PDI utilizes purchase and/or sale contracts for electric fuel and electricity to help manage its commodity price risk and ESI uses derivative financial and commodity instruments to reduce market risk associated with the changing prices of natural gas and electricity sold at firm prices to customers. ESI also utilizes these instruments to manage market risk associated with anticipated energy purchases.

For purposes of risk management disclosure, PDI and ESI's activities are classified as non-trading. Certain PDI merchant plants are under contract to ESI and ESI 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 PDI's risk is now essentially managed and reported through ESI, a separate Value-at-Risk amount has not been presented for PDI.

Value-at-Risk

To measure commodity price risk exposure, WPS Resources performs a Value-at-Risk analysis of its exposures.

Value-at-Risk is used to describe a probabilistic approach to quantifying the exposure to market risk. The Value-at-Risk amount represents an estimate of the potential change in fair value that could occur from changes in market factors, within a given confidence level, if an instrument or portfolio is held for a specified time period. Value-at-Risk models are relatively sophisticated. However, the quantitative risk information is limited by the parameters established in creating the model. The instruments being used may have features that could trigger a potential loss in excess of the calculated amount if the changes in the underlying commodity price exceed the confidence level of the model used. Value-at-Risk is not necessarily indicative of actual results that may occur.

Value-at-Risk is estimated using a delta-normal approximation based on a one-day holding period and a 95% confidence level. The delta-normal approximation is based on the assumption that changes in the value of the portfolio over short time periods, such as one day, are normally distributed. It does not take into account higher order risk exposures, so it may not provide a good approximation of the risk in a portfolio with substantial option positions. We utilized a delta-normal approximation because our portfolio has limited exposure to optionality. Our Value-at-Risk calculation includes derivative financial and commodity instruments, such as forwards, futures, swaps, and options as well as commodities held in inventory, such as natural gas held in storage to the extent such positions are significant.

The Value-at-Risk amount for ESI was calculated to be $0.5 million at December 31, 2004, compared to $0.8 million at December 31, 2003. The decrease is due to less volatility in the market and fewer unusual fluctuations in the various portfolios. Due to the fact that a majority of PDI's risk is essentially managed and reported through ESI, a separate Value-at-Risk amount has not been presented for PDI in 2004. The Value-at-Risk amount for PDI at December 31, 2003 was calculated to be $1.2 million.

For the year ended December 31, 2004, the average, high, and low Value-at-Risk amounts for ESI were $0.6 million, $0.8 million, and $0.5 million, respectively. The same amounts for the year ended December 31, 2003, were $0.5 million, $0.8 million, and $0.4 million. The average, high, and low amounts were computed using the Value-at-Risk amounts at the beginning of the reporting period and the four quarter-end amounts.

Equity Return and Principal Preservation Risk

WPS Resources and WPSC currently fund liabilities (accumulated benefit obligations) related to employee benefits and nuclear decommissioning through various external trust funds. These funds are managed by various investment managers and hold investments in debt and equity securities. Changes in the market value of these investments can have an impact on the future expenses related to these liabilities. WPS Resources maintains a qualified pension plan for employees' retirement. The liability (accumulated benefit obligation) of the qualified plan exceeded the value of the qualified plan's assets by \$20.4 million at December 31, 2004, and WPS Resources was, therefore, required to recognize a minimum pension liability as prescribed by SFAS No. 87. Declines in the equity markets or declines in interest rates may result in increased future pension costs for the plan and possible future required contributions. Changes in the market value of investments related to other employee benefits or nuclear decommissioning could also impact future contributions. WPS Resources monitors the trust fund portfolio by benchmarking the performance of the investments against certain security indices. All decommissioning costs and most of the employee benefit costs relate to WPS Resources' regulated utilities. As such, the majority of these costs are recovered in customers' rates, mitigating the equity return and principal preservation risk on these exposures.

Foreign Currency Exchange Rate Risk

WPS Resources is 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 and electricity by our nonregulated subsidiaries. Forward foreign exchange contracts designated as fair value hedges are utilized to manage the risk associated with currency fluctuations on certain firm sales and sales commitments denominated in Canadian dollars and certain Canadian dollar denominated asset and liability positions. WPS Resources’ exposure to foreign currency risk was not significant at December 31, 2004, or 2003.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WPS RESOURCES CORPORATION

A. CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31 (Millions, except per share data)	**2004**	2003	2002
Nonregulated revenue	**$3,598.6**	$3,137.6	$410.8
Utility revenue	**1,292.0**	1,183.7	1,050.3
Total revenues	**4,890.6**	4,321.3	1,461.1
Nonregulated cost of fuel, gas, and purchased power	**3,458.8**	3,016.6	339.7
Utility cost of fuel, gas, and purchased power	**576.2**	532.3	419.0
Operating and maintenance expense	**513.2**	459.5	412.5
Depreciation and decommissioning expense	**107.0**	138.4	94.8
Taxes other than income	**46.1**	43.8	39.9
Operating income	**189.3**	130.7	155.2
Miscellaneous income	**47.7**	63.6	47.8
Interest expense and distributions on trust preferred securities	**(54.2)**	(55.6)	(55.8)
Minority interest	**3.4**	5.6	-
Other income (expense)	**(3.1)**	13.6	(8.0)
Income before taxes	**186.2**	144.3	147.2
Provision for income taxes	**30.0**	33.7	28.7
Income from continuing operations	**156.2**	110.6	118.5
Discontinued operations, net of tax	**(13.4)**	(16.0)	(6.0)
Net income before cumulative effect of change in accounting principles	**142.8**	94.6	112.5
Cumulative effect of change in accounting principles, net of tax	-	3.2	-
Net income before preferred stock dividends of subsidiary	**142.8**	97.8	112.5
Preferred stock dividends of subsidiary	**3.1**	3.1	3.1
Income available for common shareholders	**$139.7**	$94.7	$109.4
Average shares of common stock			
Basic	**37.4**	33.0	31.7
Diluted	**37.6**	33.2	32.0
Earnings (loss) per common share (basic)			
Income from continuing operations	**$4.09**	$3.26	$3.64
Discontinued operations	**(0.35)**	(0.49)	(0.19)
Cumulative effect of change in accounting principles	-	0.10	-
Earnings per common share (basic)	**$3.74**	$2.87	$3.45
Earnings (loss) per common share (diluted)			
Income from continuing operations	**$4.07**	$3.24	$3.61
Discontinued operations	**(0.35)**	(0.49)	(0.19)
Cumulative effect of change in accounting principles	-	0.10	-
Earnings per common share (diluted)	**$3.72**	$2.85	$3.42
Dividends per common share	**$2.20**	$2.16	$2.12

The accompanying notes to WPS Resources Corporation's consolidated financial statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WPS RESOURCES CORPORATION

B. CONSOLIDATED BALANCE SHEETS

At December 31 (Millions)	**2004**	2003
Assets		
Cash and cash equivalents	**$40.0**	$50.7
Restricted funds	**-**	3.2
Accounts receivable - net of reserves of $8.0 and $6.6, respectively	**531.3**	502.4
Accrued unbilled revenues	**113.2**	90.0
Inventories	**188.8**	178.3
Current assets from risk management activities	**439.5**	518.1
Assets held for sale	**119.6**	116.4
Other current assets	**86.1**	86.4
Current assets	**1,518.5**	1,545.5
Property, plant, and equipment, net	**2,002.6**	1,828.7
Nuclear decommissioning trusts	**344.5**	332.3
Regulatory assets	**160.9**	127.7
Long-term assets from risk management activities	**80.4**	104.3
Other	**338.7**	353.8
Total assets	**$4,445.6**	$4,292.3
Liabilities and Shareholders' Equity		
Short-term debt	**$292.4**	$38.0
Current portion of long-term debt	**6.7**	56.6
Note payable to preferred stock trust	**-**	51.5
Accounts payable	**589.4**	510.7
Current liabilities from risk management activities	**401.6**	517.3
Liabilities held for sale	**2.8**	2.7
Deferred income taxes	**14.6**	1.7
Other current liabilities	**72.6**	86.9
Current liabilities	**1,380.1**	1,265.4
Long-term debt	**865.7**	871.9
Deferred income taxes	**65.5**	78.8
Deferred investment tax credits	**16.2**	17.7
Regulatory liabilities	**288.3**	304.4
Environmental remediation liabilities	**68.4**	37.9
Pension and postretirement benefit obligations	**94.6**	137.7
Long-term liabilities from risk management activities	**68.3**	92.2
Asset retirement obligations	**364.4**	344.0
Other	**91.2**	88.0
Long-term liabilities	**1,922.6**	1,972.6
Commitments and contingencies		
Preferred stock of subsidiary with no mandatory redemption	**51.1**	51.1
Common stock equity	**1,091.8**	1,003.2
Total liabilities and shareholders' equity	**$4,445.6**	$4,292.3

The accompanying notes to WPS Resources Corporation's consolidated financial statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WPS RESOURCES CORPORATION

C. CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY

(Millions)	Comprehensive Income	Total	Employee Stock Plan Guarantees and Deferred Compensation Trust	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2001	-	$715.9	($4.2)	$31.5	$325.4	$373.6	($7.7)	($2.7)
Income available for common shareholders	$109.4	109.4	-	-	-	109.4	-	-
Other comprehensive income - cash flow hedges (net of tax of $3.1)	(4.6)	(4.6)	-	-	-	-	-	(4.6)
Other comprehensive income - minimum pension liability (net of tax of $1.8)	(2.7)	(2.7)	-	-	-	-	-	(2.7)
Comprehensive income	$102.1	-	-	-	-	-	-	-
Issuance of common stock	-	28.3	-	0.5	21.7	-	6.1	-
Purchase of common stock	-	(1.3)	(1.3)	-	-	-	-	-
Dividends on common stock	-	(67.1)	-	-	-	(67.1)	-	-
Other	-	4.9	0.1	-	4.7	-	0.1	-
Balance at December 31, 2002	-	$782.8	($5.4)	$32.0	$351.8	$415.9	($1.5)	($10.0)
Income available for common shareholders	$94.7	94.7	-	-	-	94.7	-	-
Other comprehensive income - cash flow hedges (net of tax of $4.8)	7.2	7.2	-	-	-	-	-	7.2
Other comprehensive income - minimum pension liability (net of tax of $8.2)	(12.3)	(12.3)	-	-	-	-	-	(12.3)
Other comprehensive income - currency translation	0.1	0.1	-	-	-	-	-	0.1
Comprehensive income	$89.7	-	-	-	-	-	-	-
Issuance of common stock	-	197.7	-	4.8	191.8	-	1.1	-
Purchase of common stock	-	(1.0)	(1.0)	-	-	-	-	-
Dividends on common stock	-	(71.8)	-	-	-	(71.8)	-	-
Other	-	5.8	(0.1)	-	5.9	-	-	-
Balance at December 31, 2003	-	$1,003.2	($6.5)	$36.8	$549.5	$438.8	($0.4)	($15.0)
Income available for common shareholders	$139.7	139.7	-	-	-	139.7	-	-
Other comprehensive income - cash flow hedges (net of tax of $3.1)	4.6	4.6	-	-	-	-	-	4.6
Other comprehensive income - minimum pension liability (net of tax of $4.0)	(6.0)	(6.0)	-	-	-	-	-	(6.0)
Other comprehensive income - currency translation	0.3	0.3	-	-	-	-	-	0.3
Comprehensive income	$138.6	-	-	-	-	-	-	-
Issuance of common stock	-	26.3	-	0.6	25.6	-	0.1	-
Dividends on common stock	-	(81.3)	-	-	-	(81.3)	-	-
Other	-	5.0	(1.9)	0.1	7.0	(0.2)	-	-
Balance at December 31, 2004	**-**	**$1,091.8**	**($8.4)**	**$37.5**	**$582.1**	**$497.0**	**($0.3)**	**($16.1)**

The accompanying notes to WPS Resources Corporation's consolidated financial statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WPS RESOURCES CORPORATION

D. CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31			
(Millions)	**2004**	2003	2002
Operating Activities			
Net income before preferred stock dividends of subsidiary	**$142.8**	$97.8	$112.5
Adjustments to reconcile net income to net cash provided by operating activities			
Discontinued operations, net of tax	**13.4**	16.0	6.0
Depreciation and decommissioning	**107.0**	138.4	94.8
Amortization of nuclear fuel and other	**44.7**	42.4	46.5
Unrealized gain on investments	**(5.5)**	(38.7)	(1.7)
Pension and postretirement expense	**39.8**	26.4	5.2
Pension and postretirement funding	**(17.8)**	(15.6)	(7.3)
Deferred income taxes and investment tax credit	**(2.1)**	(0.4)	0.7
Unrealized (gains) losses on nonregulated energy contracts	**(10.7)**	10.4	5.8
Gain on sales of partial interest in synthetic fuel operation	**(7.5)**	(7.6)	(38.0)
Gain on sale of property, plant, and equipment	**(12.0)**	(7.1)	(0.8)
Cumulative effect of change in accounting principles, net of tax	**-**	(3.2)	-
Other	**(11.1)**	(33.7)	(8.0)
Changes in working capital, net of businesses acquired			
Receivables, net	**(67.6)**	(183.3)	(83.2)
Inventories	**(11.6)**	(79.9)	17.8
Other current assets	**(0.9)**	(19.4)	(6.2)
Accounts payable	**45.2**	102.8	59.1
Other current liabilities	**(3.1)**	17.1	(14.7)
Net cash operating activities	**243.0**	62.4	188.5
Investing Activities			
Capital expenditures	**(290.0)**	(176.2)	(210.3)
Sale of property, plant, and equipment	**26.9**	31.4	7.1
Purchase of equity investments and other acquisitions	**(52.3)**	(102.7)	(72.3)
Decommissioning funding	**(0.3)**	(3.0)	(2.6)
Other	**3.1**	6.5	12.7
Net cash investing activities	**(312.6)**	(244.0)	(265.4)
Financing Activities			
Short-term debt - net	**251.2**	14.7	3.9
Issuance of long-term debt	**-**	125.0	250.3
Repayment of long-term debt, note to preferred stock trust and capital lease	**(105.1)**	(87.7)	(129.6)
Payment of dividends			
Preferred stock	**(3.1)**	(3.1)	(3.1)
Common stock	**(81.3)**	(71.8)	(67.1)
Issuance of common stock	**26.3**	197.7	28.3
Purchase of common stock	**-**	(1.0)	(1.3)
Other	**(11.2)**	24.8	11.7
Net cash financing activities	**76.8**	198.6	93.1
Change in cash and cash equivalents - continuing operations	**7.2**	17.0	16.2
Change in cash and cash equivalents - discontinued operations	**(17.9)**	(9.6)	(16.8)
Change in cash and cash equivalents	**(10.7)**	7.4	(0.6)
Cash and cash equivalents at beginning of year	**50.7**	43.3	43.9
Cash and cash equivalents at end of year	**$40.0**	$50.7	$43.3

The accompanying notes to WPS Resources Corporation's consolidated financial statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WPS RESOURCES

E. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The notes to the consolidated financial statements that follow include consolidated WPS Resources footnotes and certain combined footnotes for both WPS Resources and its wholly owned subsidiary registrant, WPSC. WPSC's financial statements also include supplemental footnotes related to WPSC. Refer to Item 8, Section L for a listing of the combined footnotes included in the WPS Resources notes and the supplemental footnotes that are applicable to the WPSC registrant.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations--WPS Resources is a holding company. Our wholly owned subsidiary, WPSC, is an electric and natural gas utility. WPSC supplies and distributes electric power and natural gas in its franchised service territory in northeastern Wisconsin and an adjacent portion of the Upper Peninsula of Michigan. Our other wholly owned utility subsidiary, UPPCO, is an electric utility. UPPCO supplies and distributes electric energy to a portion of the Upper Peninsula of Michigan. Another wholly owned subsidiary, WPS Resources Capital Corporation, is a holding company for our nonregulated businesses, ESI and PDI. ESI is a diversified energy supply and services company. PDI is an electric generation company.

The term "utility" refers to the regulated activities of WPSC and UPPCO, while the term "nonutility" refers to the activities of WPSC and UPPCO that are not regulated. The term "nonregulated" refers to activities other than those of WPSC and UPPCO.

(b) Consolidation Basis of Presentation--The Consolidated Financial Statements include the accounts of WPS Resources and all majority owned subsidiaries, after eliminating significant intercompany transactions and balances. If a minority owner's equity is reduced to zero, our policy is to record 100% of the subsidiary's losses until the minority owner makes capital contributions or commitments to fund its share of the operating costs. The cost method of accounting is used for investments when WPS Resources owns less than 20% of the voting stock of the company, unless other evidence indicates we have significant influence over the operating and financial policies of the investee. Investments in businesses not controlled by WPS Resources, but over which we have significant influence regarding the operating and financial policies of the investee, are accounted for using the equity method. For additional information on our equity method investments see Note 10, "Investments in Affiliates, at Equity Method."

For all periods presented, certain assets and liabilities of Sunbury are classified as held for sale and Sunbury's operating results have been separately classified and reported as discontinued operations. Refer to Note 4, "Assets Held for Sale," for more information.

(c) Use of Estimates--We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America. We make estimates and assumptions that affect reported amounts. These estimates and assumptions include assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

(d) Cash and Cash Equivalents--We consider short-term investments with an original maturity of three months or less to be cash equivalents.

Cash paid for taxes during 2004, 2003, and 2002 was $37.0 million, $21.9 million, and $34.6 million, respectively. During 2004, 2003, and 2002, cash paid for interest totaled $54.4 million, $57.9 million, and $52.3 million, respectively.

Non-cash transactions were as follows:

(Millions)	**2004**	2003	2002
Weston 4 construction costs funded through accounts payable	**$22.6**	$ -	$ -
Minimum pension liability equity adjustment	**6.0**	12.3	2.7
Restricted cash	**3.2**	1.0	17.8
Debt assumed in Advantage acquisition	**3.2**	-	-
Exchange of transmission assets for equity interest in ATC	**-**	5.9	-
Conversion of indebtedness to equity in Quest Energy LLC	**-**	-	2.4
Debt assumed in WPS Empire State acquisition	**-**	-	0.9

(e) Revenue and Customer Receivables--Revenues are recognized on the accrual basis and include estimated amounts for electric and natural gas services rendered but not billed. Approximately 6.6% of WPS Resources' total revenue and approximately 10.1% of WPSC's total revenue in 2004 was from companies in the paper products industry.

WPSC and UPPCO use automatic fuel and purchased power adjustment clauses for the MPSC retail electric portions of their business. WPSC also uses automatic fuel and purchased power adjustment clauses for its FERC wholesale electric business; however, at UPPCO, most wholesale electric contracts are special contracts and have no automatic fuel and purchased power adjustment clauses. The Wisconsin retail electric portion of WPSC's business uses a "cost variance range" approach, based on a specific estimated fuel and purchased power cost for the forecast year. If WPSC's actual fuel and purchased power costs fall outside this range, the PSCW can authorize an adjustment to future rates. Decreases to rates can be implemented without a hearing, unless requested by WPSC, Commission Staff, or interveners, while increases to rates are generally subject to a hearing. For more information on current regulatory actions related to the fuel and purchased power adjustment clauses, see Note 22, "Regulatory Environment."

The PSCW approved a modified one-for-one gas cost recovery plan for WPSC commencing in January 1999. This plan allows WPSC to pass changes in the cost of natural gas on to system natural gas customers, subject to regulatory review by the Commission for reasonableness.

The MPSC has approved one-for-one recovery of prudently incurred natural gas costs for WPSC, subject to regulatory review. The MPSC also approved a natural gas cost recovery factor adjustment mechanism for WPSC for the period November 2004 through October 2005. This adjustment mechanism allows WPSC to upwardly adjust the natural gas rates charged to customers in Michigan based on upward changes to the New York Mercantile Exchange natural gas futures price without further MPSC action.

Billings to UPPCO's customers under the MPSC's jurisdiction include base rate charges and a power supply cost recovery factor. UPPCO receives MPSC approval each year to recover projected power supply costs by establishment of power supply cost recovery factors. The MPSC reconciles these factors to actual costs annually and permits 100% recovery of allowed power supply costs. UPPCO recognizes any over or under recovery currently in its revenues, and the payable or receivable is recognized on the balance sheet until settlement. The deferrals are relieved with additional billings or refunds.

WPSC and UPPCO are required to provide service and grant credit to customers within their service territories. The two companies continually review their customers' credit-worthiness and obtain or refund deposits accordingly. Both utilities are precluded from discontinuing service to residential customers during winter moratorium months. The regulated segments calculate a reserve for potential uncollectible customer receivables using a four-year average of bad debts net of recoveries as a percentage of total accounts receivable. The historical percentage is applied to the current year-end accounts receivable balance to determine the required reserve balance.

At PDI, electric power revenues related to fixed-price contracts are recognized at the lower of amounts billable under the contract or an amount equal to the volume of the capacity made available or the energy delivered during the period multiplied by the estimated average revenue per kilowatt-hour per the terms of the contract. Under floating-price contracts, electric power revenues are recognized when capacity is provided or energy is delivered.

ESI accrues revenues in the month that energy is delivered and/or services are rendered. With the January 1, 2003, adoption of Emerging Issues Task Force Issue No. 02-03, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities," revenues related to derivative instruments classified as trading are reported net of related cost of sales for all periods presented. Therefore, previously reported revenues for derivatives classified as trading in 2002 have been reclassified to be shown net of cost of fuel, natural gas, and purchased power, while most 2004 and 2003 revenues continue to be reported on a gross basis. See Note 1(t), "Cumulative Effect of Change in Accounting Principle," for more information. Neither margins nor income available for common shareholders were impacted by the reclassification of revenue upon adoption of Issue No. 02-03.

ESI calculates the reserve for potential uncollectible customer receivable balances by applying an estimated bad debt experience rate to each past due aging category and reserving for 100% of specific customer receivable balances deemed to be uncollectible. The basis for calculating the reserve for receivables from wholesale counterparties considers netting agreements, collateral, and guarantees.

(f) Inventories--Inventories consist of natural gas in storage and fossil fuels, including coal. We value all fossil fuels using average cost. Average cost is also used to value natural gas in storage for our regulated segments. Natural gas in storage for our nonregulated segments is valued at the lower of cost or market unless hedged pursuant to a fair value hedge. Through December 2002, natural gas in storage for our nonregulated segments was marked to the current spot price under fair value accounting rules. To comply with accounting requirements resulting from the rescission of Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities," we adopted the inventory valuation method described above for our nonregulated natural gas inventories effective January 1, 2003.

(g) 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 and interest rates.

WPS Resources evaluates its derivative contracts in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended and interpreted. SFAS 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 SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," the derivatives are marked to fair value pursuant to SFAS No. 133 and are offset with a corresponding regulatory asset or liability.

Prior to the adoption of Issue No. 02-03, effective January 1, 2003, ESI accounted for contracts in accordance with Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." See Note 1(t), "Cumulative Effect of Change in Accounting Principle," for more information concerning the transition from Issue No. 98-10 to Issue No. 02-03.

In the fourth quarter of 2003, WPS Resources adopted Issue No. 03-11, "Reporting Realized Gains and Losses on Derivative Instruments that are Subject to SFAS 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 prior to 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. Previously reported wholesale natural gas sales volumes for the nine months ended September 30, 2003 would have decreased 10.8 billion cubic feet. Neither margins, income, nor cash flows were impacted by the adoption of Issue No. 03-11.

WPS Resources classifies mark-to-market gains and losses on derivative instruments not qualifying for hedge accounting as a component of revenues.

(h) Property, Plant, and Equipment--Utility plant is stated at the original cost of construction including an allowance for funds used during construction. The cost of renewals and betterments of units of property (as distinguished from minor items of property) is capitalized as an addition to the utility plant accounts. Except for land, no gain or loss is recognized in connection with ordinary retirements of utility property units. Maintenance, repair, replacement, and renewal costs associated with items not qualifying as units of property are considered operating expenses. The utility charges the cost of units of property retired, sold, or otherwise disposed of, less salvage, to the accumulated provision for depreciation. The cost of removal associated with the retirement is charged to a regulatory liability.

We record straight-line depreciation expense over the estimated useful life of utility property and include amounts for estimated removal and salvage. The PSCW approved depreciation rates for WPSC effective January 1, 1999. On December 21, 2004, WPSC received approval for new depreciation rates effective January 1, 2005, which are not expected to have a material impact on annual depreciation expense. Depreciation rates for UPPCO were approved by the MPSC effective January 1, 2002.

The depreciation of Kewaunee production plant for the Wisconsin retail jurisdiction is being accrued based on a PSCW order. The cost of the steam generators that went into service in December 2001 will be recovered over an 8 1/2 year period using the sum-of-years-digits method of depreciation. Also under this order, the unrecovered plant investment at January 1, 2001, and future additions will be recovered over a period ending 8 1/2 years after the installation of the steam generators using a straight-line remaining life depreciation methodology. For the Michigan retail and wholesale jurisdictions, depreciation for Kewaunee is calculated on a straight-line basis using depreciation rates approved by the PSCW effective January 1, 1994.

Depreciation expense also includes accruals for nuclear decommissioning. These accruals are not included in the annual composite rates shown below. An explanation of this item is included in Note 8, "Nuclear Plant Operation."

Annual Utility Composite Depreciation Rates	**2004**	2003	2002
Electric	**3.59%**	3.63%	3.66%
Gas	**3.65%**	3.63%	3.59%

Nonutility property interest capitalization takes place during construction, and gain and loss recognition occurs in connection with retirements. Nonutility property is depreciated using straight-line depreciation. Asset lives range from 3 to 20 years.

Nonregulated plant is stated at the original construction cost, which includes capitalized interest, or estimated fair value at the time of acquisition pursuant to a business combination. The costs of renewals, betterments, and major overhauls are capitalized as an addition to plant. The gains or losses associated with ordinary retirements are recorded in the period of retirement. Maintenance, repair, and minor replacement costs are expensed as incurred.

Most of the nonregulated subsidiaries compute depreciation using the straight-line method over the following estimated useful lives:

Structures and improvements	15 to 40 years
Office and plant equipment	5 to 35 years
Office furniture and fixtures	3 to 10 years
Vehicles	5 years
Computer equipment	3 years
Leasehold improvements	Shorter of: life of the lease or life of the asset

The Combined Locks Energy Center, however, is using the units of production depreciation method for selected pieces of equipment having defined lives stated in terms of hours of production.

WPS Resources capitalizes certain costs related to software developed or obtained for internal use and amortizes those costs to operating expense over the estimated useful life of the related software, which is usually three to seven years.

(i) Capitalized Interest and Allowance for Funds Used During Construction--Our nonregulated subsidiaries capitalize interest for construction projects, while our utilities use an allowance for funds used during construction ("AFUDC") calculation, which includes both a debt and an equity component as required by regulatory accounting.

Approximately 50% of WPSC's retail jurisdictional construction work-in-progress expenditures are subject to AFUDC, except on specific projects approved by the PSCW. For 2004, WPSC's AFUDC retail rate was 9.21%.

WPSC's construction work-in-progress AFUDC debt and equity percentage formula for the wholesale jurisdiction is specified in the FERC's Uniform System of Accounts. The 2004 average AFUDC wholesale rate was 6.99%.

WPSC's allowance for equity funds used during construction for 2004, 2003, and 2002 was $2.0 million, $2.4 million, and $3.0 million, respectively. WPSC's allowance for borrowed funds used during construction for 2004, 2003, and 2002 was $0.7 million, $1.0 million, and $1.2 million, respectively. UPPCO did not record AFUDC for 2004, 2003, or 2002, as UPPCO did not have significant construction projects during these years.

Our nonregulated subsidiaries calculate capitalized interest on long-term construction projects for periods during which financing is provided by WPS Resources through interim debt. The interest rate capitalized is based upon the monthly short-term borrowing rate WPS Resources incurs for such funds. The amount of interest capitalized during 2004, 2003, and 2002 was insignificant.

(j) Asset Impairment--We review the recoverability of long-lived tangible and intangible assets, excluding goodwill, other indefinite lived intangible assets, and regulatory assets, in accordance with SFAS No. 144, "Accounting for the Impairment and Disposal of Long-Lived Assets." SFAS No. 144 requires review of assets when circumstances indicate that the carrying amount may not be recoverable. The carrying amount of assets held and used is not recoverable if it exceeds the undiscounted sum of cash flows expected to result from the use and eventual disposition of the asset. If the carrying value is not recoverable, the impairment loss is measured as the excess of the asset's carrying value over its fair value. The carrying value of assets held for sale is not recoverable if it exceeds the fair value less cost to sell the asset. An impairment charge is recorded for any excess of the carrying value over the fair value less cost to sell. If events or circumstances indicate the carrying value of investments accounted for under the equity method of accounting may not be recoverable, potential impairment is assessed by comparing the future anticipated cash flows from these investments to their carrying values. Impairment charges are recorded if the carrying value of such assets exceeds the future anticipated cash flows.

(k) Regulatory Assets and Liabilities--WPSC and UPPCO are subject to the provisions of SFAS No. 71. Regulatory assets represent probable future revenue associated with certain incurred costs which will be recovered from customers through the ratemaking process. Regulatory liabilities represent amounts that are refundable in future customer rates. Based on a current evaluation of the various factors and conditions that are expected to impact future cost recovery, we believe that future recovery of our regulatory assets is probable.

(l) Goodwill and Other Intangible Assets--In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill and other assets with indefinite lives are not amortized, but are subject to annual impairment tests. WPSC performs its impairment test during the second quarter of each year, while PDI performs its impairment test annually during the third quarter. The impairment tests are updated whenever events or changes in circumstances indicate that the assets might be impaired. Based upon the results of testing, no impairments were noted in 2004, 2003, or 2002.

Other intangible assets with definite lives, consisting primarily of emission credits and customer related intangible assets, are amortized over periods from 1 to 30 years. For more information on WPS Resources' intangible assets, see Note 11, "Goodwill and Other Intangible Assets."

(m) Retirement of Debt--Premiums, discounts, and expenses incurred with the issuance of outstanding long-term debt are amortized over the terms of the debt issues. Any call premiums or unamortized expenses associated with refinancing higher-cost debt obligations used to finance regulated assets and operations are amortized consistent with regulatory treatment of those items, where appropriate.

(n) Research and Development-- Electric research and development expenditures for WPSC totaled $0.7 million, $0.6 million, and $0.3 million, in 2004, 2003, and 2002, respectively. No other research and development expenditures were significant.

(o) Asset Retirement Obligations--Effective January 1, 2003, WPS Resources adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." Under this accounting standard, WPS Resources recognizes, at fair value, legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction or development, and/or normal operation of the asset. The associated retirement costs are capitalized as part of the related long-lived asset and depreciated over the useful life of the asset. For the utility segments of WPS Resources, we believe it is probable that any differences between expenses under SFAS No. 143 and expenses currently recovered through customer rates will be recoverable or refundable in future customer rates. Accordingly, the adoption of this statement had no impact on the utility segment's income as its effect is offset by the establishment of regulatory assets or liabilities pursuant to SFAS No. 71. Refer to Note 15, "Asset Retirement Obligations," for additional information on SFAS No. 143.

(p) Income Taxes--We account for income taxes using the liability method as prescribed by SFAS No. 109, "Accounting for Income Taxes." Under this method, deferred income taxes have been recorded using currently enacted tax rates for the differences between the tax basis of assets and liabilities and the basis reported in the financial statements. Due to the effects of regulation on WPSC and UPPCO, certain adjustments made to deferred income taxes are, in turn, recorded as regulatory assets or liabilities.

Investment tax credits, which have been used to reduce our federal income taxes payable, have been deferred for financial reporting purposes. These deferred investment tax credits are being amortized over the useful lives of the property to which they relate.

WPS Resources is an indirect part owner in a facility that produces synthetic fuel that qualifies for tax credits under Section 29 if certain requirements are satisfied. Section 29 tax credits are currently scheduled to expire at the end of 2007. Tax credits that are not used to reduce tax expense as a result of alternative minimum tax rules relating to United States federal income taxes are carried forward as alternative minimum tax credits to reduce current tax expense in future years. Under current federal law, alternative minimum tax credits do not expire.

WPS Resources files a consolidated United States income tax return that includes domestic subsidiaries in which its ownership is 80% or more. WPS Resources and its consolidated subsidiaries are parties to a tax allocation arrangement under which each entity determines its income tax provision on a stand-alone basis, after which the effects of federal consolidation are accounted for.

WPS Resources records a reserve for tax contingencies based upon management's assessment of the probabilities that certain deductions or income tax positions may not be sustained when income tax returns are audited by taxing jurisdictions. Our identified tax exposures are discussed below.

WPS Resources and its subsidiaries have routinely been subject to examination by various taxing jurisdictions. The periods currently open for examination include: Internal Revenue Service - 2002 and subsequent tax years, Wisconsin Department of Revenue - 1996 and subsequent tax years, and other state and local taxing jurisdictions - various time periods. At any given time there might be several of these audits open covering multiple tax years. Management has not been informed by any taxing jurisdictions of any material adjustment to any filed or proposed tax position as a result of the on-going examinations.

WPS Resources has submitted a request to have the Internal Revenue Service conduct a pre-filing review of two tax positions related to the 2004 tax return. The first position relates to the value of the Peshtigo River land donated to the WDNR in 2004. The second position relates to the current deductibility of a planned repair that was made to the reactor vessel at Kewaunee in 2004. The IRS has not yet responded to these requests. If the IRS decides not to undertake a pre-filing review, WPS Resources will have to wait for resolution of these positions when they come up for examination post-filing. WPS Resources has recorded a tax benefit with respect to these positions based upon management's assessment of the probability of sustaining the position WPS Resources intends to take in filing its 2004 tax return.

The combined current benefit of Section 29 tax credits and the deferred benefit of alternative minimum tax credits (arising from Section 29 tax credits) is limited to an amount equal to the WPS Resources regular consolidated federal tax liability. In 2004, and in some previous years, this limitation has impacted the amount of the tax benefit recorded as compared to actual Section 29 tax credits produced.
WPS Resources has recorded a tax benefit with respect to Section 29 tax credits based upon management's assessment of the probability of sustaining the filing position for federal tax returns.

(q) Excise Taxes--WPS Resources presents revenue net of pass-through taxes on the Consolidated Statements of Income.

(r) Guarantees--Effective January 1, 2003, WPS Resources adopted the provisions of FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees Including Indirect Guarantees of Indebtedness of Others." Interpretation No. 45 requires that the guarantor recognize, at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee.

At December 31, 2004, WPSC had an outstanding guarantee to indemnify a third party for certain unrecovered costs related to a utility construction project in the event the project is not completed. At December 31, 2004, the guarantee carries a maximum exposure of $5.3 million. A liability for the fair value of this obligation was not recognized in the Consolidated Balance Sheets of WPSC because the guarantee was issued prior to the effective date for initial measurement and recognition as defined by Interpretation No. 45.

(s) Stock-Based Employee Compensation--WPS Resources has stock-based employee compensation plans, which are described more fully in Note 21, "Stock-Based Compensation."
WPS Resources accounts for these plans under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Upon grant of stock options, no stock-based employee 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 income available for common shareholders and earnings per share if the company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation:

(Millions, except per share amounts)	**2004**	2003	2002
Income available for common shareholders			
As reported	**$139.7**	$94.7	$109.4
Add: Stock-based compensation expense using the intrinsic value method - net of tax	**1.4**	2.1	1.3
Deduct: Stock-based compensation expense using the fair value method - net of tax	**(2.1)**	(2.6)	(1.8)
Pro forma	**$139.0**	$94.2	$108.9
Basic earnings per common share			
As reported	**$3.74**	$2.87	$3.45
Pro forma	**3.72**	2.85	3.44
Diluted earnings per common share			
As reported	**$3.72**	$2.85	$3.42
Pro forma	**3.70**	2.84	3.40

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes stock option pricing model assuming:

	2004	2003	2002
Expected life	**10 years**	10 years	10 years
Risk-free interest rate	**4.40%**	4.40% to 4.65%	4.43% to 5.57%
Expected dividend yield	**5.19%**	5.68 % to 6.23%	6.23% to 6.60%
Expected volatility	**15.44%**	18.25% to 19.97%	19.53% to 20.53%

(t) Cumulative Effect of Change in Accounting Principles--ESI had been applying the accounting standards of Issue No. 98-10, from the first quarter of 2000 until this standard was rescinded by Issue No. 02-03 in October 2002. ESI 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 effect of 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 ESI operations) 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 SFAS No. 133. The cumulative effect of adopting this new accounting standard is expected to reverse upon the settlement of the contracts impacted by the standard. Most of this reversal occurred in 2004. The required change in accounting had no impact on the underlying economics or cash flows of the contracts.

The adoption of SFAS No. 143 at PDI on January 1, 2003, resulted in a $0.3 million negative after-tax cumulative effect of change in accounting principle related to recording a liability for the closure of an ash basin at Sunbury.

(u) Reclassifications--We reclassified certain prior year financial statement amounts to conform to the current year presentation.

(v) New Accounting Pronouncements--In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment," which addresses the accounting for share-based payment transactions. SFAS No. 123R eliminates the ability to account for share-based compensation transactions using APB Opinion No. 25, "Accounting for Stock Issued to Employees," and requires a company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost is recognized over the period during which an employee is required to provide service in exchange for the award. SFAS No. 123R will be effective for WPS Resources on July 1, 2005. SFAS No. 123R offers companies alternative methods of adopting this standard. At the present time, WPS Resources has not determined which alternative method it will use, or the resulting impact on its financial position or results of operations. However, we do not expect a significant impact when we adopt the standard.

In March 2004, the FASB issued EITF No. 03-01, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments," which provides new guidance for assessing impairment losses on debt and equity investments. The new impairment model applies to investments accounted for under the cost method and investments accounted for under SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities." EITF No. 03-01 also includes new disclosure requirements for cost method investments and for all investments that are in an unrealized loss position. In September 2004, the FASB delayed the accounting provisions of EITF No. 03-01; however, the disclosure requirements were effective for WPS Resources for the year ended December 31, 2004. WPS Resources does not expect the adoption of the accounting provisions of EITF No. 03-01 to have a significant impact on financial position or results of operations.

WPS Resources' investments accounted for under SFAS No. 115 that have unrealized losses at December 31, 2004, were not significant. At December 31, 2004, the aggregate carrying amount of WPS Resources' cost method investments totaled $1.5 million. These investments were not evaluated for impairment because the fair value of the investments was not estimated in accordance with paragraphs 14 and 15 of SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," and no events or changes in circumstances were identified that would have had a significant adverse effect on the fair value of those investments.

NOTE 2--FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash, Short-Term Investments, Energy Conservation Loans, Notes Payable, and Outstanding Commercial Paper: The carrying amount approximates fair value due to the short maturity of these investments and obligations.

Nuclear Decommissioning Trusts: Nuclear decommissioning trust investments are recorded at fair value, net of taxes payable on unrealized gains and losses. This represents the amount of assets available to accomplish decommissioning. The nonqualified trust investments designated to pay income taxes when unrealized gains become realized are classified as nuclear decommissioning trusts - other assets.

Long-Term Debt and Preferred Stock: The fair values of long-term debt and preferred stock are estimated based on the quoted market price for the same or similar issues or on the current rates offered to WPS Resources for debt of the same remaining maturity.

Risk Management Activities: Assets and liabilities from risk management activities are recorded at fair value pursuant to SFAS No. 133.

The estimated fair values of our financial instruments as of December 31 were:

(Millions)	2004		2003	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**$ 40.0**	**$ 40.0**	$ 50.7	$ 50.7
Restricted cash	**-**	**-**	3.2	3.2
Energy conservation loans	**1.6**	**1.6**	1.9	1.9
Nuclear decommissioning trusts	**344.5**	**344.5**	332.3	332.3
Nuclear decommissioning trusts - other assets	**26.8**	**26.8**	22.5	22.5
Notes payable	**12.7**	**12.7**	10.0	10.0
Commercial paper	**279.7**	**279.7**	28.0	28.0
Note payable to preferred stock trust	**-**	**-**	51.5	51.5
Long-term debt	**874.4**	**925.2**	931.2	1,014.7
Preferred stock	**51.1**	**50.0**	51.1	49.0
Risk management activities - net	**50.0**	**50.0**	12.9	12.9

NOTE 3--RISK MANAGEMENT ACTIVITIES

The following table shows WPS Resources' assets and liabilities from risk management activities as of December 31, 2004 and 2003:

	Assets		Liabilities	
(Millions)	**2004**	2003	**2004**	2003
Utility Segment				
Gas and electric purchase contracts	**$ 11.0**	$ 8.4	**$ -**	$ -
Other	**-**	-	**0.6**	-
Nonregulated Segments				
Commodity and foreign currency contracts	**465.3**	588.7	**435.4**	586.4
Fair value hedges	**3.8**	0.3	**2.3**	4.0
Cash flow hedges				
Commodity contracts	**39.8**	25.0	**22.9**	9.0
Interest rate swap	**-**	-	**8.7**	10.1
Total	**$519.9**	$622.4	**$469.9**	$609.5
Balance Sheet Presentation				
Current	**$439.5**	$518.1	**$401.6**	$517.3
Long-Term	**80.4**	104.3	**68.3**	92.2
Total	**$519.9**	$622.4	**$469.9**	$609.5

Assets and liabilities from risk management activities are classified as current or long-term based upon the maturities of the underlying financial instruments.

Utility Segment

WPSC has entered into a limited number of natural gas and electric purchase contracts that are accounted for as derivatives. The PSCW approved the recognition of a regulatory asset or liability for the fair value of derivative amounts as a result of these contracts. 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

The derivatives in the nonregulated segments not designated as hedges are primarily commodity contracts used to manage price risk associated with wholesale and retail natural gas purchase and sale activities, electric energy contracts, and foreign currency contracts used to manage foreign currency exposure related to our nonregulated Canadian businesses. 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 the price 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 in 2004, 2003, or 2002. At December 31, 2004, a mark-to-market gain of $3.0 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 and are used to mitigate the risk of cash flow variability associated with the future purchases and sales of natural gas and electricity. To the extent they are effective, the changes in the values of these contracts are included in other comprehensive income, net of deferred taxes. Cash flow hedge ineffectiveness recorded in nonregulated revenue on the Consolidated Statements of Income was not significant in 2004, 2003, or 2002. 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 2004, we reclassified a $1.9 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 amounts reclassified during 2003 and 2002 were not significant. In the next 12 months, subject to changes in market prices of natural gas and electricity, it is expected that $11.5 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 Sunbury. 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 $1.8 million, assuming interest rates comparable to those at December 31, 2004, and assuming the hedged transaction continues after Sunbury is sold. (See Note 4, "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.

NOTE 4--ASSETS HELD FOR SALE

On September 30, 2004, PDI received a letter of termination from Duquesne Power, L.P. related to the previously announced agreement to sell Sunbury 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 believed did not satisfy a closing condition in the agreement. PDI is progressing with a sale process using an investment banking advisor, and anticipates being able to complete the sale of Sunbury in 2005. This facility currently sells power on a wholesale basis, and previously provided energy for a 200-megawatt around-the-clock outtake contract that expired 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.

In December 2004, PDI completed the sale of certain silt reserves that were utilized in the operation of Sunbury. Consideration consisted of an up-front payment of $1.4 million and possible future payments based upon future silt extraction. The sale of the silt reserves resulted in a loss of $0.1 million.

At December 31, 2004, and 2003, the assets and liabilities associated with Sunbury have been classified as held for sale in accordance with SFAS No. 144, which 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. Based upon consideration of all information available, no adjustments to write down assets held for sale were required during the years ended December 31, 2004, and 2003.

The major classes of assets and liabilities held for sale are as follows at December 31:

(Millions)	**2004**	2003
Inventories	**$ 7.3**	$ 4.2
Other current assets	**5.4**	5.1
Property, plant, and equipment, net	**74.7**	71.5
Other assets (includes emission credits)	**32.2**	35.6
Assets held for sale	**$119.6**	$116.4
Other current liabilities	**$ 0.6**	$ 0.6
Asset retirement obligations	**2.2**	2.1
Liabilities held for sale	**$ 2.8**	$ 2.7

PDI 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 the sale, WPS Resources will be required to recognize the amount accumulated within other comprehensive income ($5.2 million net of tax at December 31, 2004) currently in earnings. No such determination has been made at December 31, 2004.

A summary of the components of discontinued operations recorded in the Consolidated Statements of Income for the years ended December 31 was as follows:

(Millions)	**2004**	2003	2002
Nonregulated revenue	**$ 60.2**	$ 81.2	$ 87.2
Operating expenses	**(80.7)**	(97.7)	(91.3)
Other income	**4.3**	-	-
Interest expense	**(5.5)**	(6.2)	(5.8)
Loss before taxes	**(21.7)**	(22.7)	(9.9)
Income tax benefit	**(8.3)**	(6.7)	(3.9)
Discontinued operations, net of tax	**$(13.4)**	$(16.0)	$ (6.0)

Interest expense represents the non-recourse 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 years ended December 31 are as follows:

(Millions)	**2004**	2003	2002
Net cash operating activities	**$(12.2)**	$(3.2)	$ 5.5
Net cash investing activities	**(2.4)**	(3.4)	(19.4)
Net cash financing activities	**(3.3)**	(3.0)	(2.9)
Change in cash and cash equivalents	**$(17.9)**	$(9.6)	$(16.8)

During 2004, 2003, and 2002 cash paid for interest associated with the non-recourse debt of discontinued operations was $5.4 million, $5.5 million, and $5.8 million, respectively.

NOTE 5--PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consists of the following utility, nonutility, and nonregulated assets.

(Millions)	**2004**	2003
Electric utility	**$2,409.4**	$2,288.9
Gas utility	**510.0**	457.2
Total utility plant	**2,919.4**	2,746.1
Less: Accumulated depreciation	**1,260.9**	1,200.8
Net	**1,658.5**	1,545.3
Construction in progress	**154.5**	89.3
Nuclear fuel, less accumulated amortization	**24.6**	20.3
Net utility plant	**1,837.6**	1,654.9
Nonutility plant	**19.5**	20.3
Less: Accumulated depreciation	**5.3**	4.9
Net nonutility plant	**14.2**	15.4
Electric nonregulated	**163.0**	161.2
Gas nonregulated	**6.6**	7.0
Other nonregulated	**20.1**	20.8
Total nonregulated property, plant, and equipment	**189.7**	189.0
Less: Accumulated depreciation	**38.9**	30.6
Net nonregulated property, plant, and equipment	**150.8**	158.4
Total property, plant, and equipment	**$2,002.6**	$1,828.7

NOTE 6--ACQUISITIONS AND SALES OF ASSETS

Sale of Peshtigo River Lands

On October 5, 2004, WPSC sold at auction 279 acres of Peshtigo River development lands for $12.2 million. Under terms of a multi-phase agreement reached with the WDNR in 2001 related to lands near the Peshtigo River, the WDNR bought more than 5,000 acres of land for $13.5 million in 2001. In December 2003, WPSC sold an additional 542 acres of land to the WDNR for $6.5 million. WPSC completed the multi-phase agreement with the sale of 179 acres for $5.0 million to the WDNR on December 9, 2004. Following the close of this final phase of the WDNR agreement, WPSC donated an additional 5,176 acres to the state. The sales are a part of our asset management strategy.

Wausau, Wisconsin, to Duluth, Minnesota, Transmission Line

On April 18, 2003, the PSCW approved WPSC's request to transfer its interest in the Wausau, Wisconsin, to Duluth, Minnesota, transmission line to ATC in exchange for an ownership interest in the company. ATC is a for-profit transmission-only company created by the transfer of transmission assets previously owned by multiple electric utilities serving the upper Midwest. WPSC sold, at book value, approximately $20.1 million of assets related to the Wausau to Duluth transmission line to ATC in June 2003. No gain or loss was recognized on the transaction. In December 2003, WPSC also transferred other transmission assets to ATC, increasing its investment an additional $5.9 million. In 2004 and 2003, WPS Resources invested $15.7 million and $14.0 million, respectively, in ATC, related to its agreement to fund approximately half of the Wausau, Wisconsin, to Duluth, Minnesota, transmission line. At December 31, 2004, WPS Resources' ownership interest in ATC was 22.64%. Our investment in ATC is described more fully in Note 10, "Investments in Affiliates, at Equity Method."

Advantage Energy Inc.

On July 1, 2004, ESI acquired all of the outstanding stock of Advantage Energy Inc., a New York based energy-marketing company founded in 1997. On the date of acquisition, Advantage served 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. Payments under the earn-out will be made on July 1, 2005, 2006 and 2007.

Kewaunee

On November 7, 2003, WPSC and Wisconsin Power and Light Company entered into an agreement to sell Kewaunee to a subsidiary of Dominion Resources, Inc. The transaction is subject to approvals from various regulatory agencies, of which all major approvals have been obtained, except for approval by the PSCW. The Commission rejected the sale on November 19, 2004; however, WPSC, Wisconsin Power and Light Company, and Dominion offered a proposal addressing the Commission's concerns in December 2004. In January 2005, the Commission agreed to reconsider its decision on this transaction, and we anticipate a decision by the Commission in March 2005.

If the Commission approves the proposed transaction, WPSC 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 WPSC assets being sold. In addition to the cash proceeds, WPSC 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 Kewaunee. The pretax fair value of the non-qualified decommissioning trust's assets at December 31, 2004, was $129.4 million. Dominion will assume responsibility for the eventual decommissioning of Kewaunee and will receive WPSC's qualified decommissioning trust assets that had a pretax fair value of $241.9 million at December 31, 2004. WPSC has requested deferral of the gain expected to result from this transaction and related costs from the PSCW. Accordingly, WPSC 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 December 31, 2004, WPSC'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	**$177.9**
Qualified decommissioning trust fund	**241.9**
Other current assets	**5.3**
Total assets	**$425.1**
Regulatory liabilities	**$ (55.9)**
Asset retirement obligations	**363.9**
Total liabilities	**$308.0**

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 SFAS No. 144 due to uncertainties inherent in the regulatory approval process.

Assuming the closing of the sale, WPSC 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 Kewaunee 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 WPSC 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 WPSC's customers and reduce our risk profile. In April 2004, WPSC 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 WPSC 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.

Guardian Pipeline

On May 30, 2003, WPS Resources purchased a one-third interest in Guardian Pipeline, LLC from CMS Gas Transmission Company for approximately $26 million. Guardian Pipeline owns a natural gas pipeline, which began operating in 2002, that stretches about 140 miles from near Joliet, Illinois, into southern Wisconsin. The pipeline can transport up to 750 million cubic feet of natural gas daily. Our interest in Guardian Pipeline is accounted for as an equity method investment and is described more fully in Note 10, "Investments in Affiliates, at Equity Method."

Quest Energy, LLC

Through 2002, WPS Resources provided financial support and energy supply services to a third party, Quest Energy, LLC, a Michigan limited liability company that markets electric power to retail customers in Michigan. Financial support was in the form of wholesale electric sales extended without generally required credit assurances, an interest-bearing note including an equity conversion option with an initial maturity date of May 2005, and trade credit indebtedness, all secured by the assets of Quest. ESI reported revenues related to wholesale electric sales to Quest of $1.4 million in 2002. In November 2002, Quest Energy Holdings, LLC, an independent Michigan limited liability company and owner of Quest Energy, LLC, appointed ESI as manager of Quest Energy LLC. The appointment as manager, as well as other factors, including the provision of substantial financial support, resulted in the consolidation of Quest's financial statements with those of WPS Resources as of December 31, 2002. WPS Resources assigned the equity conversion option to ESI on January 29, 2003, and ESI acquired a 100% ownership interest in Quest. ESI used the purchase accounting method to account for this acquisition. There was no cash consideration paid; therefore, the purchase price of $0.7 million was equivalent to the carrying value of the note receivable from Quest on December 31, 2002.

De Pere Energy Center

On December 16, 2002, WPSC completed the purchase of the 180-megawatt De Pere Energy Center from Calpine Corporation, a California-based independent power producer. Prior to this purchase, the power from the De Pere Energy Center was under long-term contract to WPSC and was accounted for as a capital lease. This power purchase agreement required Calpine to expand the facility in the future. The agreement became uneconomical in the current market, and the contract was terminated concurrent with the purchase of the De Pere Energy Center. The $120.4 million purchase included a $72.0 million payment upon closing and a $48.4 million payment in December 2003. As a result of the purchase, the capital lease obligation was reversed and the difference between the capital lease asset and the $120.4 million purchase price was recorded as a regulatory asset. Of the $47.8 million regulatory asset initially recorded, $45.6 million is under the jurisdiction of the PSCW and is being amortized over a 20-year period beginning on January 1, 2004. Amortization of the remaining regulatory asset, which is under the jurisdiction of FERC and the MPSC, began in 2003 and will also occur over 20 years.

The transaction also includes a power purchase agreement with Calpine Corporation for capacity and energy from the Fox Energy Center, which is currently under construction near Kaukauna, Wisconsin. The agreement calls for WPSC to purchase 150 megawatts of capacity beginning on June 1, 2005, escalating to 470 megawatts of capacity on June 1, 2006, until May 31, 2015, when it decreases to 235 megawatts. On May 31, 2016, the agreement terminates. Under the agreement, WPSC will also be responsible for fuel supply to the facility over the life of the agreement. The new power purchase agreement is contingent on timely plant construction and does not meet the requirements of a capital lease. At this time, WPSC believes Calpine will fulfill its contractual commitments, including a June 1, 2005 project in-service date.

ECO Coal Pelletization #12

As a result of several transactions in 2001, PDI became the sole member of ECO Coal Pelletization #12 LLC, which contributed 100% of its synthetic fuel producing machinery to a newly formed entity in exchange for cash and a one-third ownership interest in the newly formed entity that produces synthetic fuel from coal qualifying for tax credits under Section 29 of the Internal Revenue Code.

These transactions generated a pre-tax gain of $40.2 million, of which $38.0 million had been deferred as of December 31, 2001, as a result of certain rights of rescission and put options that were granted to the buyer. The rights of rescission and the put options expired in 2002 and, as a result, PDI recognized all of the $38.0 million deferred gain in miscellaneous income on the Consolidated Statement of Income in 2002.

The actual payments for the purchase of the former partner's interest in ECO #12 were contingent upon the same provisions referred to above. As a result, $21.3 million was originally held in escrow and was released proportionately as the respective rescission rights and put options expired. At December 31, 2002, this escrow had a balance of $3.5 million, $2.7 million of which was released in 2003 as the remaining contingencies, not related to the recognition of the deferred gain, expired. As a result of negotiations with our former partner, the remaining $0.8 million was released to PDI and recorded as a gain, within miscellaneous income, in 2003.

On December 19, 2002, PDI sold an approximate 30% interest in ECO #12 to a third party. The buyer purchased the Class A interest in ECO #12, which gives the buyer a preferential allocation of tons of synthetic fuel produced and sold annually. The buyer may be allocated additional tons of synthetic fuel if PDI makes them available, but neither party is obligated beyond the required annual allocation of tons. The buyer's share of losses generated from the synthetic fuel operation, $3.4 million in 2004, is recorded as minority interest in the Consolidated Statements of Income.

PDI received consideration of $3.0 million cash, as well as a fixed note and a variable note for the second sale transaction. Payments under the variable note are contingent upon the achievement of specified levels of synthetic fuel production by the facility. In conjunction with the sale, PDI agreed to make certain payments to a third-party broker, consisting of an up-front payment of $1.5 million (which was paid at the time of closing), $1.4 million in 2003, and $1.9 million in 2004. A deferred gain of $6.9 million and $9.2 million was reflected on PDI's balance sheet at December 31, 2004, and 2003, respectively. This deferred gain represents the present value of future payments under the fixed note and the up-front cash payments net of transaction costs. It does not include an amount for the variable note, which is contingent upon the synthetic fuel production. Payments on the variable note are a function of fuel production and are recognized as a component of the gain when received. Pre-tax gains of $7.5 million and $7.6 million were recognized as a component of miscellaneous income in 2004 and 2003, respectively, related to this transaction. Similar gains are expected to result from this transaction through 2007. There was no gain recognized in 2002 from the 2002 sale.

Canadian Retail Gas Business

On November 1, 2002, ESI entered into an agreement to purchase a book of retail natural gas business in the Canadian provinces of Quebec and Ontario. Consideration for the purchase consisted of an earn-out to the seller based on a percentage of gross margins on the volume of natural gas delivered to certain customers during a two-year period ending October 31, 2004. The earn-out was equivalent to fixed percentages of gross margin realized over this two-year period for customers already under contract and for customers appearing on the acquired customer list who entered into a contract with ESI subsequent to the date of purchase. Total consideration paid amounted to $0.9 million. This transaction was accounted for using the purchase method of accounting; therefore, the results of operations are included in the financial statements presented for WPS Resources only since the acquisition date. There was no goodwill recorded in the acquisition as the purchase price approximated the fair value of the acquired assets and liabilities. The business is part of the operations of WPS Energy Services of Canada Corp., a subsidiary of ESI, which was created in October 2002.

WPS Empire State, Inc.

Effective June 1, 2002, PDI acquired a business, now called WPS Empire State, which owns three power plants and associated assets in upstate New York with a combined nameplate capacity of 259 megawatts. PDI used the purchase method of accounting to account for the acquisition. The operations of WPS Empire State are included in the financial statements presented for WPS Resources for all periods beginning June 1, 2002, but do not have a material impact. The purchase price, including acquisition costs, was $61.1 million. There was no goodwill recorded in this acquisition, as the purchase price approximated the fair value of the acquired assets and liabilities.

NOTE 7--JOINTLY OWNED UTILITY FACILITIES

Information regarding WPSC's share of major jointly owned electric-generating facilities in service at December 31, 2004, is set forth below:

(Millions, except for percentages)	West Marinette Unit No. 33	Columbia Energy Center	Edgewater Unit No. 4	Kewaunee
Ownership	**68.0%**	**31.8%**	**31.8%**	**59.0%**
WPSC's share of plant nameplate capacity (megawatts)	**56.8**	**335.2**	**105.0**	**358.7**
Utility plant in service	**$18.0**	**$132.2**	**$30.4**	**$270.1**[1]
Accumulated depreciation	**$ 7.9**	**$ 85.0**	**$17.7**	**$189.5**[1]
In-service date	**1993**	**1975 and 1978**	**1969**	**1974**

(1) Excludes asset retirement obligation asset and related accumulated depreciation.

WPSC's share of direct expenses for these plants is included in the corresponding operating expenses in the Consolidated Statements of Income. WPSC has supplied its own financing for all jointly-owned projects.

NOTE 8--NUCLEAR PLANT OPERATION

On November 7, 2003, WPSC and Wisconsin Power and Light Company entered into an agreement to sell Kewaunee to a subsidiary of Dominion Resources, Inc. The transaction is subject to approvals from various regulatory agencies, of which all major approvals have been obtained, except for approval by the PSCW. The PSCW rejected the sale on November 19, 2004. However, WPSC, Wisconsin Power and Light Company, and Dominion Resources, Inc. offered a proposal addressing the PSCW's concerns in December 2004. In January 2005, the PSCW agreed to reconsider its decision on this transaction, and we expect a decision to be rendered in March 2005. See Note 6, "Acquisitions and Sales of Assets," for more information on the transaction.

The quantity of heat produced for the generation of electric energy by Kewaunee is the basis for the amortization of the costs of nuclear fuel, including an amount for ultimate disposal. These costs are recovered currently from customers in rates. The ultimate storage of fuel is the responsibility of the United States Department of Energy pursuant to a contract required by the Nuclear Waste Act of 1982. The Department of Energy receives quarterly payments for the storage of fuel based on generation.

Payments from WPSC to the Department of Energy totaled $2.6 million, $2.3 million, and $2.0 million, during 2004, 2003, and 2002 respectively.

On an interim basis, spent nuclear fuel storage space is provided at Kewaunee. Expenses associated with interim spent fuel storage at Kewaunee are recognized as current operating costs. At current production levels, the plant has sufficient storage for all fuel assemblies until 2009 with full core offload. Additional capacity will be needed by 2010 to maintain full core offload capability for fuel assemblies in use at the end of its current license in 2013.

The accumulated provision for nuclear fuel, which represents nuclear fuel purchases and amortization, totaled $273.0 million at December 31, 2004, and $265.1 million at December 31, 2003.

For information on the depreciation policy for Kewaunee, see Note 1(h), "Property, Plant, and Equipment."

WPSC's share of nuclear decommissioning costs to date has been accrued over the estimated service life of Kewaunee, recovered currently from customers in rates, and deposited in external trusts. Such costs totaled $0.3 million in 2004, $3.0 million in 2003, and $2.6 million in 2002. In developing our decommissioning funding plan, we assumed a long-term after-tax earnings rate of approximately 5%.

As of December 31, 2004, the market value of the external nuclear decommissioning trusts totaled $344.5 million, net of tax.

As part of the anticipated sale of Kewaunee, WPSC will transfer its qualified nuclear decommissioning trust assets to Dominion. WPSC will retain the nonqualified trust assets, which totaled $129.4 million pretax ($102.5 million net of tax) at December 31, 2004. The funds collected from customers for the decommissioning obligation related to the nonqualified trust are expected to be refunded to customers in accordance with yet-to-be-determined regulatory guidelines. Also in conjunction with the anticipated sale, the PSCW suspended funding into the retail jurisdiction of WPSC's decommissioning trusts for 2004. For the wholesale jurisdiction, funding during 2004 was $0.3 million.

In the fourth quarter of 2003, WPSC changed its investment strategy for its qualified trust and placed the assets in short-term investments. This was done to reduce volatility in the value of the trust for the anticipated transfer to Dominion at the time of closing of the Kewaunee sale. A condition of the sale specifies a minimum amount of qualified trust assets to be transferred. This liquidation and reinvestment resulted in a sizable increase in realized earnings for 2003 and a corresponding increase in depreciation expense. It also resulted in a sizable decrease in the percent of investments held in equity securities compared to prior years.

Investments in the nuclear decommissioning trusts are recorded at fair value. Investments at December 31, 2004, consisted of 71% cash and cash equivalents and 29% equity securities. The investments are presented net of related income tax effects on unrealized gains, and represent the amount of assets available to accomplish decommissioning. The nonqualified trust investments designated to pay income taxes when unrealized gains become realized are classified as other assets. At December 31, 2004, the amount classified as other assets was $26.8 million. An offsetting regulatory liability reflects the expected reduction in future rates as unrealized gains in the nonqualified trust are realized. Information regarding the cost and fair value of the external nuclear decommissioning trusts, net of tax is set forth below:

2004 Security Type *(Millions)*	**Fair Value**	**Cost**	**Unrealized Gain**
Cash and cash equivalents	**$243.9**	**$243.9**	**$ -**
Equity	**100.6**	**60.6**	**40.0**
Balance at December 31	**$344.5**	**$304.5**	**$40.0**

2003 Security Type *(Millions)*	Fair Value	Cost	Unrealized Gain
Fixed income	$239.7	$239.6	$ 0.1
Equity	92.6	59.1	33.5
Balance at December 31	$332.3	$298.7	$33.6

Future decommissioning costs collected in customer rates and a charge for realized earnings from external trusts are included in depreciation expense. Realized trust earnings totaled $5.5 million in 2004, $38.7 million in 2003, and $1.7 million in 2002. In 2002, unrealized gains and losses, net of taxes, in the external trusts were reflected as changes to the decommissioning reserve, since decommissioning expense is recognized as the gains and losses are realized, in accordance with regulatory requirements.

If the sale is not consummated, WPSC's share of Kewaunee decommissioning, based on its 59% ownership interest, is estimated to be $350 million in current (2004) dollars based on a site-specific study. The study was performed in 2002 by an external consultant and is used as the basis for calculating regulatory funding requirements. The study uses several assumptions, including immediate dismantlement as the method of decommissioning and plant shutdown in 2013. Based on the standard cost escalation assumptions reflected in our current funding plan, which were determined based on the requirements of a July 1994 PSCW order, the undiscounted amount of WPSC's share of decommissioning costs forecasted to be expended between the years 2013 and 2037 is $929 million if the sale is not consummated. See Note 6, "Acquisitions and Sales of Assets," for further discussion of the pending sale of Kewaunee.

Beginning January 1, 2003, we adopted SFAS No. 143. This statement applies to all entities with legal obligations associated with the retirement of a tangible long-lived asset that results from the acquisition, construction, or development and/or normal operation of that asset. We have identified the final decommissioning of Kewaunee as an asset retirement obligation and have recorded an asset retirement obligation of $363.9 million at December 31, 2004. This amount is based on several significant assumptions, including the scope of decommissioning work performed, the timing of future cash flows, and inflation and discount rates. Some of these assumptions differ significantly from the assumptions authorized by the PSCW to calculate the nuclear decommissioning liability for funding purposes. For more information on SFAS No. 143 and its impact on Kewaunee refer to Note 15, "Asset Retirement Obligations."

NOTE 9--REGULATORY ASSETS AND LIABILITIES

The following regulatory assets and liabilities are reflected in our consolidated balance sheets as of December 31:

WPS Resources' Regulatory Assets/Liabilities ***(Millions)***	**2004**	2003
Regulatory assets		
Environmental remediation costs (net of insurance recoveries)	**$ 72.7**	$ 41.0
De Pere Energy Center	**45.3**	47.7
Deferred nuclear costs	**10.9**	4.9
Plant related costs	**6.5**	2.6
Minimum pension liability	**6.4**	15.2
Reserve for uncollectible accounts	**5.5**	4.4
Unamortized loss on debt	**2.4**	1.4
Automated meter reading costs	**1.8**	4.5
Funding for enrichment facilities	**1.8**	2.4
Other	**7.6**	3.6
Total	**$160.9**	$127.7
Regulatory liabilities		
Cost of removal reserve	**$186.2**	$180.0
Asset retirement obligations	**46.6**	66.9
Unrealized gain on decommissioning trust	**26.8**	22.5
Income tax related items	**11.2**	11.8
Derivatives	**11.0**	8.4
Deferred gain on emission allowance sales	**3.7**	5.1
Deferred ATC costs	**1.6**	3.4
Demand-side management expenditures	**1.1**	5.3
Interest from tax refunds	**-**	0.7
Other	**0.1**	0.3
Total	**$288.3**	$304.4

Our utility subsidiaries expect to recover their regulatory assets and return their regulatory liabilities through rates charged to customers based on specific ratemaking decisions or precedent for each item over periods specified by the regulators or over the normal operating period of the assets and liabilities to which they relate. Except for amounts expended for manufactured gas plant remediation, WPSC is recovering carrying costs for all regulatory assets. UPPCO may recover carrying costs on environmental regulatory assets. Based on prior and current rate treatment for such costs, we believe it is probable that WPSC and UPPCO will continue to recover from customers the regulatory assets described above.

See Note 6, "Acquisitions and Sales of Assets;" Note 15, "Asset Retirement Obligations;" Note 16, "Income Taxes;" and Note 18, "Employee Benefit Plans," for specific information on regulatory deferrals related to the De Pere Energy Center, asset retirement obligations and cost of removal, income taxes, and pensions. See Note 17, "Commitments and Contingencies," for information on environmental remediation deferred costs.

NOTE 10--INVESTMENTS IN AFFILIATES, AT EQUITY METHOD

Investments in corporate joint ventures and other companies accounted for under the equity method at December 31, 2004, and 2003 follow.

(Millions)	**2004**	2003
ATC, LLC	**$113.4**	$ 79.9
Guardian Pipeline, LLC	**29.0**	27.4
Wisconsin River Power Company	**12.8**	12.8
Other	**6.8**	4.9
Investments in affiliates, at equity method	**$162.0**	$125.0

Investments in affiliates under the equity method are a component of other assets on the Consolidated Balance Sheets, and the equity income is recorded in miscellaneous income on the Consolidated Statements of Income. Most of the equity income is taxable to the investor, rather than the investees, due to the nontaxable nature of several of the investees' business structures. Accordingly, the provision for income taxes includes our taxes on this equity income.

WPS Investments, LLC, a consolidated subsidiary of WPS Resources, had a 22.64% ownership interest in ATC at December 31, 2004. ATC is a for-profit, transmission-only company. It owns, maintains, monitors, and operates, electric transmission assets in portions of Wisconsin, Michigan, and Illinois. Its assets previously were owned and operated by multiple electric utilities serving the upper Midwest, all of which transferred their transmission assets to ATC in exchange for an ownership interest. A Wisconsin law encouraged utilities in the state to transfer ownership and control of their transmission assets to a state-wide transmission company. The Midwest Independent System Operator directs ATC's operation of the transmission system.

During 2003, WPSC made additional contributions and sold the Wausau, Wisconsin, to Duluth, Minnesota, transmission line to ATC. See Note 6, "Acquisitions and Sales of Assets," for more information on these transactions.

WPSC and UPPCO record related-party transactions for services provided to and network transmission services received from ATC. Charges to ATC for services provided by WPSC were $9.3 million, $14.4 million, and $12.9 million in 2004, 2003, and 2002, respectively. UPPCO charged $6.7 million, $4.8 million, and $4.5 million in 2004, 2003, and 2002, respectively for services provided. Network transmission service costs paid to ATC by WPSC were $42.6 million, $33.6 million, and $31.0 million in 2004, 2003, and 2002, respectively. UPPCO recorded network transmission service costs of $4.0 million, $4.2 million, and $4.9 million in 2004, 2003, and 2002, respectively.

WPS Resources recorded dividends received of $11.7 million and $7.5 million from ATC in 2004 and 2003, respectively.

Condensed financial data of ATC follows.

(Millions)	**2004**	2003	2002
Income statement data			
Revenues	**$ 262.8**	$225.6	$205.3
Operating expenses	**(157.7)**	(139.5)	(131.1)
Other income (expense)	**(26.9)**	(23.4)	(20.1)
Net income	**$ 78.2**	$ 62.7	$ 54.1
WPS Investment's equity in net income	**$ 16.0**	$ 10.1	$ 7.9
Balance sheet data			
Current assets	**$ 30.1**	$ 33.1	$ 40.7
Non-current assets	**1,156.5**	927.3	754.3
Total assets	**$1,186.6**	$960.4	$795.0
Current liabilities	**$ 194.4**	$ 66.6	$ 46.9
Long-term debt	**448.5**	448.2	348.0
Other non-current liabilities	**6.7**	12.9	6.6
Shareholders' equity	**537.0**	432.7	393.5
Total liabilities and shareholders' equity	**$1,186.6**	$960.4	$795.0

WPSC owns 50% of the voting stock of Wisconsin River Power Company, which operates two hydroelectric plants on the Wisconsin River and an oil-fired combustion turbine. Two-thirds of the energy output of the hydroelectric plants is sold to WPSC, and the remaining one-third is sold to Wisconsin Power and Light. The electric power from the combustion turbine is sold in equal parts to WPSC and Wisconsin Power and Light.

WPSC records related party transactions for sales to and purchases from Wisconsin River Power. Revenues from services provided to Wisconsin River Power were $1.1 million, $1.4 million, and $1.5 million for 2004, 2003, and 2002, respectively. Purchases from Wisconsin River Power by WPSC were $3.2 million, $2.3 million, and $2.1 million for 2004, 2003, and 2002, respectively.

WPSC recorded dividends received of $6.0 million and $1.5 million from Wisconsin River Power in 2004 and 2003, respectively.

Condensed financial data of Wisconsin River Power follows.

(Millions)	**2004**	2003	2002
Income statement data			
Revenues	**$ 7.5**	$ 6.7	$ 6.4
Operating expenses	**(5.5)**	(5.0)	(4.9)
Other income (expense)	**10.4**	7.7	4.2
Net income	**$12.4**	$ 9.4	$ 5.7
WPSC's equity in net income	**$ 6.2**	$ 4.7	$ 2.7
Balance sheet data			
Current assets	**$ 9.0**	$ 8.3	$ 3.6
Non-current assets	**20.1**	19.9	20.1
Total assets	**$29.1**	$28.2	$23.7
Current liabilities	**$ 1.0**	$ 1.1	$ 3.5
Other non-current liabilities	**2.5**	1.7	1.0
Shareholders' equity	**25.6**	25.4	19.2
Total liabilities and shareholders' equity	**$29.1**	$28.2	$23.7

WPS Investments, LLC, a consolidated subsidiary of WPS Resources, purchased a 33% ownership interest in Guardian Pipeline, LLC on May 30, 2003. Guardian Pipeline owns a natural gas pipeline, which began operating in 2002, that stretches about 140 miles from near Joliet, Illinois, into southern Wisconsin. It can transport up to 750 million cubic feet of natural gas daily.

ESI records related party transactions for purchases from Guardian Pipeline. These purchases amounted to $0.4 million and $0.1 million for 2004 and 2003, respectively.

Condensed financial data of Guardian Pipeline, LLC as of December 31 and for the year ended December 31, 2004, and the period from May 30, 2003, to December 31, 2003, follows.

(Millions)	2004	2003
Income statement data		
Revenues	**$ 35.2**	$ 20.6
Operating expenses	**(16.8)**	(3.1)
Other income (expense)	**(13.4)**	(13.8)
Net income	**$ 5.0**	$ 3.7
WPS Investment's equity in net income	**$ 1.7**	$ 1.2
Balance sheet data		
Current assets	**$ 5.0**	$ 7.4
Non-current assets	**268.4**	272.3
Total assets	**$273.4**	$279.7
Current liabilities	**$ 18.1**	$ 21.6
Long-term debt	**157.8**	165.6
Shareholder's equity	**97.5**	92.5
Total liabilities and shareholders' equity	**$273.4**	$279.7

Other investments accounted for under the equity method include WPS Nuclear Corporation's (a consolidated subsidiary of WPS Resources) investment in Nuclear Management Company and other minor investments. The Nuclear Management Company is owned by affiliates of five utilities in the upper Midwest and operates the six nuclear power plants of these utilities. At December 31, 2004, WPS Nuclear Corporation's ownership in Nuclear Management Company was 20%. WPSC recorded related party transactions for services provided by Nuclear Management Company for the management and operation of Kewaunee. Management service fees paid to Nuclear Management Company by WPSC were $26.7 million, $25.6 million, and $24.7 million in 2004, 2003, and 2002, respectively.

NOTE 11--GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill recorded by WPS Resources was $36.8 million at December 31, 2004, and 2003. Of this amount, $36.4 million is recorded in WPSC's natural gas segment relating to its merger with Wisconsin Fuel and Light. In 2003, WPSC transferred $0.9 million from a regulatory acquisition premium (previously classified as property, plant, and equipment) to goodwill. The increase in goodwill reflected an adjustment to the amount of recoverable goodwill from the Wisconsin Fuel and Light merger allowed by the PSCW in its March 2003 rate order. The remaining $0.4 million of goodwill relates to PDI.

Goodwill and purchased intangible assets are included in other assets on the Consolidated Balance Sheets. Emission credits are recorded at the lower of cost or market. Information in the tables below relates to total purchased identifiable intangible assets for the years indicated (excluding assets held for sale).

(Millions)		**December 31, 2004**		
Asset Class	**Average Life (Years)**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net**
Emission credits	**1 to 30**	**$ 6.9**	**$(0.9)**	**$ 6.0**
Customer related	**1 to 8**	**11.2**	**(4.6)**	**6.6**
Other	**1 to 30**	**4.2**	**(1.6)**	**2.6**
Total		**$22.3**	**$(7.1)**	**$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

A customer related intangible asset in the amount of $7.3 million was recorded in conjunction with the July 1, 2004 acquisition of Advantage Energy. This intangible asset will be amortized over a period of eight years.

Intangible asset amortization expense, in the aggregate, for the years ended December 31, 2004, and 2003 was $2.4 million and $1.7 million, respectively.

Estimated Amortization Expense:

For year ending December 31, 2005	$2.7 million
For year ending December 31, 2006	2.2 million
For year ending December 31, 2007	2.1 million
For year ending December 31, 2008	1.9 million
For year ending December 31, 2009	1.6 million

NOTE 12--LEASES

WPS Resources leases various property, plant, and equipment. Terms of the leases vary, but generally require WPS Resources to pay property taxes, insurance premiums, and maintenance costs associated with the leased property. Rental expense attributable to operating leases was $5.7 million, $5.2 million, and $5.1 million in 2004, 2003, and 2002 respectively. Future minimum rental obligations under non-cancelable operating leases, are payable as follows:

Year ending December 31 (Millions)	
2005	$ 4.2
2006	2.3
2007	2.2
2008	2.0
2009	1.6
Later years	5.9
Total payments	$18.2

NOTE 13--SHORT-TERM DEBT AND LINES OF CREDIT

WPS Resources has a syndicated $225 million 364-day revolving credit facility and a $175 million 364-day bi-lateral loan agreement. WPSC has syndicated a $115 million 364-day revolving credit facility, to provide short-term borrowing flexibility and security for commercial paper outstanding.

The information in the table below relates to short-term debt and lines of credit for the years indicated.

(Millions, except for percentages)	**2004**	2003	2002
As of end of year			
Commercial paper outstanding	**$279.7**	$28.0	$16.0
Average discount rate on outstanding commercial paper	**2.46%**	1.15%	1.35%
Short-term notes payable outstanding	**$12.7**	$10.0	$13.8
Average interest rate on short-term notes payable	**2.52%**	1.12%	1.22%
Available (unused) lines of credit	**$161.9**	$288.9	$264.5
For the year			
Maximum amount of short-term debt	**$312.5**	$194.2	$133.4
Average amount of short-term debt	**$75.3**	$104.3	$59.7
Average interest rate on short-term debt	**1.82%**	1.38%	1.73%

The commercial paper has varying maturity dates ranging from January 4, 2005, through January 25, 2005.

NOTE 14--LONG-TERM DEBT

At December 31 *(Millions)*			2004	2003
First mortgage bonds - WPSC				
	Series	Year Due		
	6.90%	2013	**$ 22.0**	$ 22.0
	7.125%	2023	**0.1**	50.0
Senior notes - WPSC				
	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 - UPPCO				
	Series	Year Due		
	10.0%	2008	**-**	0.9
	9.32%	2021	**15.3**	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			**82.3**	87.2
Tax exempt bonds			**27.0**	27.0
Senior secured note			**2.7**	2.9
Total			**874.4**	931.2
Unamortized discount and premium on bonds and debt			**(2.0)**	(2.7)
Total long-term debt			**872.4**	928.5
Less current portion			**(6.7)**	(56.6)
Total long-term debt			**$865.7**	$871.9

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

All of WPSC's debt securities are subject to the terms and conditions of the First Mortgage of WPSC. Under the terms of the mortgage, substantially all property owned by WPSC is pledged as collateral for these outstanding debt securities. All these debt securities require semiannual payments of interest. All principal payments are due on the maturity date of each series. All WPSC senior notes become non-collateralized if WPSC retires all of its outstanding first mortgage bonds.

Under the terms of the First Mortgage of UPPCO, substantially all property owned by UPPCO is pledged as collateral for this outstanding debt series. Interest payments are due semiannually on May 1 and November 1 with a sinking fund payment of $900,000 due each November 1. The final sinking fund payment due November 1, 2021, will completely retire the series.

Borrowings by PDI under term loans and collateralized by nonregulated assets totaled $82.3 million at December 31, 2004. The assets of WPS New England Generation, Inc. and WPS Canada Generation, Inc., subsidiaries of PDI, collateralize $5.4 million and $13.2 million, respectively, of the total outstanding amount. Both have semiannual installment payments, an interest rate of 8.75%, and mature in May 2010. Sunbury Generation, LLC, an indirect subsidiary of PDI, is the borrower of the remaining $63.7 million that is collateralized by its plant. Quarterly payments are made in relation to this financing, which, as the result of an interest rate swap, carries an effective interest rate of 8.1% for the year ended December 31, 2004, and matures in March 2018. This loan also has renewals in 2006 and 2012. However, if certain debt covenants are not met, the lender is not required to renew the loans.

In April 2001, the Schuylkill County Industrial Development Authority issued $27.0 million of refunding tax-exempt bonds. At the time of issuance of the refunding bonds, WPS Westwood Generation, LLC, a subsidiary of PDI, owned the original bonds, the proceeds of which were used in substantial part to provide facilities. Upon issuance of the refunding bonds, the original bonds were paid off. WPS Westwood Generation was paid $27.0 million from the proceeds of the refunding bonds for the retirement of the original bonds plus accrued interest. WPS Westwood Generation is now obligated to pay the refunding bonds with monthly payments that have a floating interest rate that is reset weekly. At December 31, 2004, the interest rate was 1.8%. The bonds mature in April 2021. WPS Resources agreed to guarantee WPS Westwood Generation's obligation to provide sufficient funds to pay the refunding bonds and the related obligations and indemnities.

Upper Peninsula Building Development Corporation has a senior secured note of $2.7 million as of December 31, 2004, which requires semiannual payments at an interest rate of 9.25%, and matures in 2011. The note is secured by a first mortgage lien on the building they own, which is also leased to UPPCO for use as their corporate headquarters.

At December 31, 2004, WPS Resources and its subsidiaries were in compliance with all covenants relating to outstanding debt. A schedule of all principal debt payment amounts, including bond maturities and early retirements, for WPS Resources is as follows:

Year ending December 31 *(Millions)*	
2005	$ 6.7
2006	7.7
2007	8.3
2008	9.4
2009	159.9
Later years	682.4
Total payments	$874.4

NOTE 15--ASSET RETIREMENT OBLIGATIONS

Legal retirement obligations, as defined by the provisions of SFAS No. 143, "Accounting for Asset Retirement Obligations," identified at WPSC relate primarily to the final decommissioning of Kewaunee. WPSC has a legal obligation to decommission the irradiated portions of Kewaunee in accordance with the Nuclear Regulatory Commission's minimum decommissioning requirements. The liability, calculated under the provisions of SFAS No. 143, is based on several 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 PSCW to calculate the nuclear decommissioning liability for funding purposes. In accordance with SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," WPSC established a regulatory liability to record the differences between ongoing expense regulation under SFAS No. 143 and the ratemaking practices for retirement costs authorized by the PSCW. As of December 31, 2004, the net of tax market value of external nuclear decommissioning trusts established for future retirement costs, authorized by the PSCW, was approximately $344.5 million. See Note 6, "Acquisitions and Sales of Assets," for information on the pending sale of Kewaunee.

We also identified other legal retirement obligations related to utility plant assets that are not significant to the financial statements. Upon implementation of SFAS No. 143 on January 1, 2003, we recorded a net asset retirement cost of $90.8 million and an asset retirement obligation of $324.8 million. The difference between previously recorded liabilities of $290.5 million and the cumulative effect of adopting SFAS No. 143 was deferred to a regulatory liability pursuant to SFAS No 71.

PDI has identified a legal retirement obligation related to the closure of an ash basin located at Sunbury. The adoption of SFAS No. 143 at PDI 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 4, "Assets Held for Sale."

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

(Millions)	WPSC	PDI	Total
Asset retirement obligations at December 31, 2002	$ -	$ -	$ -
Liability recognized in transition	324.8	2.0	326.8
Accretion expense	19.2	0.1	19.3
Asset retirement obligations at December 31, 2003	344.0	2.1	346.1
Accretion expense	20.4	0.1	20.5
Asset retirement obligation at December 31, 2004	$364.4	$2.2	$366.6

Pro forma income available for common shareholders and earnings per share have not been presented for the periods ended December 31, 2004, 2003, and 2002 because the pro forma application of SFAS No. 143 to prior periods does not materially differ from the actual amounts reported for those periods in the Consolidated Statements of Income.

NOTE 16--INCOME TAXES

The principal components of our deferred tax assets and liabilities recognized in the balance sheet as of December 31 are as follows:

(Millions)	2004	2003
Deferred tax assets:		
Deferred tax credit carry forwards	**$ 74.0**	$ 52.0
Plant related	**59.0**	55.8
Employee benefits	**31.5**	28.7
Deferred income and deductions	**17.5**	21.1
Other comprehensive income	**16.4**	13.4
State capital and operating loss carry forwards	**11.3**	10.9
Risk management activities	**10.3**	6.9
Regulatory deferrals	**1.8**	3.4
Other	**7.5**	(1.2)
Total deferred tax assets	**229.3**	191.0
Valuation allowance	**(1.5)**	(3.0)
Net deferred tax assets	**$227.8**	$188.0
Deferred tax liabilities:		
Plant related	**$243.3**	$233.3
Risk management activities	**18.3**	-
Regulatory deferrals	**13.2**	8.7
Employee benefits	**11.0**	16.1
Other comprehensive income	**5.8**	3.4
Deferred income and deductions	**3.5**	3.3
Other	**12.8**	3.7
Total deferred tax liabilities	**$307.9**	$268.5
Consolidated Balance Sheet Presentation:		
Current deferred tax liabilities	**$ 14.6**	$ 1.7
Long-term deferred tax liabilities	**65.5**	78.8
Net deferred tax liabilities	**$ 80.1**	$ 80.5

Deferred tax credit carryforwards include $71.1 million of alternative minimum tax credits related to tax credits available under Section 29 of the Internal Revenue Code. These alternative minimum tax credit carryforwards can be carried forward indefinitely. Carry forward periods for state capital and operating loss carryforwards vary, but in the majority of states in which we do business, the period is 15 years or more. The balance of the carryforward of state net operating losses is $220.0 million for all states. Valuation allowances have been established for certain state operating and capital loss carryforwards due to the uncertainty of the ability to realize the benefit of these losses in the future. The implementation of new tax strategies allowed WPS Resources to reduce its valuation allowance in 2004.

The following table presents a reconciliation of federal income taxes (which are calculated by multiplying the statutory federal income tax rate by book income before federal income tax) to the provision for income taxes reported in the Consolidated Statements of Income.

(Millions, except for percentages)	**2004**		2003		2002	
	Rate	**Amount**	Rate	Amount	Rate	Amount
Statutory federal income tax	**35.0%**	**$65.2**	35.0%	$50.5	35.0%	$51.5
State income taxes, net	**3.4**	**6.4**	5.9	8.5	5.3	7.8
Plant related	**0.1**	**0.1**	(0.8)	(1.1)	(1.6)	(2.4)
Benefits and compensation	**(2.0)**	**(3.7)**	(1.6)	(2.3)	(1.4)	(2.1)
Investment tax credit	**(0.8)**	**(1.5)**	(1.2)	(1.7)	(1.2)	(1.7)
Federal tax credits	**(17.6)**	**(32.8)**	(13.1)	(18.9)	(16.4)	(24.1)
Other differences, net	**(2.0)**	**(3.7)**	(0.8)	(1.3)	(0.2)	(0.3)
Effective income tax	**16.1%**	**$30.0**	23.4%	$33.7	19.5%	$28.7
Current provision						
Federal		**$20.1**		$18.3		$17.3
State		**11.6**		14.0		11.1
Foreign		**0.4**		1.8		(0.4)
Total current provision		**32.1**		34.1		28.0
Deferred provision (benefit)		**1.1**		2.8		3.2
Recognition of net operating loss carryforward		**(1.7)**		(1.5)		(0.8)
Recognition of deferred investment tax credit		**(1.5)**		(1.7)		(1.7)
Total income tax expense		**$30.0**		$33.7		$28.7

Foreign income (loss) before taxes was $8.3 million in 2004, $4.3 million in 2003, and $(1.2) million in 2002.

As the related temporary differences reverse, WPSC and UPPCO are prospectively refunding taxes to customers for which deferred taxes were recorded in prior years at rates different than current rates. The regulatory liability for these refunds and other regulatory tax effects totaled $11.2 million as of December 31, 2004, and $11.8 million as of December 31, 2003.

NOTE 17--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 December 31, 2004.

ESI has unconditional purchase obligations related to energy supply contracts that total $2.4 billion. Substantially all of these obligations end by 2009, with obligations totaling $2.6 million extending from 2010 through 2012. The majority of the energy supply contracts are to meet ESI's offsetting obligations to deliver energy to its customers.

WPSC has obligations related to nuclear fuel, coal, purchased power, and natural gas. Nuclear fuel contracts total $38.2 million and extend through 2014. Assuming Kewaunee 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 $386.2 million. Through 2016, WPSC has obligations totaling $600.6 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 $129.7 million through 2010. WPSC expects to recover these costs in future customer rates. Additionally, WPSC has contracts to sell electricity and natural gas to customers.

PDI has entered into purchase contracts totaling $12.6 million. The majority of these contracts relate to coal purchases for Sunbury and expire in 2005. See Note 4, "Assets Held for Sale," for more information on Sunbury.

UPPCO has made commitments for the purchase of commodities, mainly capacity or energy related to purchased power, which total $5.2 million and extend through 2006.

WPS Resources also has commitments in the form of purchase orders issued to various vendors. At December 31, 2004, these purchase orders totaled $499.6 million and $493.8 million for WPS Resources and WPSC, respectively. The majority of these commitments relate to large construction projects, including construction of the 500-megawatt Weston 4 coal-fired generation facility near Wausau, Wisconsin.

Nuclear Plant Operation

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 WPSC 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 relate to WPSC's 59% ownership in Kewaunee.

Clean Air Regulations

The generation facilities of PDI are located in an ozone transport region. As a result, these generation facilities are subject to additional restrictions on emissions of nitrogen oxide. During 2004, no additional nitrogen oxide emission allowances were purchased and no additional allowance purchases are anticipated for 2005. PDI began 2004 with some sulfur dioxide emission allowances for its generation facilities that are required to participate in the sulfur dioxide emission program. During 2004, additional sulfur dioxide allowances of 15,000 were purchased at market rates. PDI estimates purchasing approximately 10,000 sulfur dioxide allowances in total, at market rates, to meet its 2005 requirements for its generation facilities.

United States Environmental Protection Agency Section 114 Request

In November 1999, the EPA 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 EPA 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 EPA's pre-construction permit program and without installing appropriate air pollution control equipment. In addition, the EPA 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, WPSC received from the EPA a request for information under Section 114 of the Clean Air Act. The EPA sought information and documents relating to work performed on the coal-fired boilers located at WPSC's Pulliam and Weston electric generating stations. WPSC filed a response with the EPA in early 2001.

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

In 2000 and 2002, Wisconsin Power and Light Company received a similar series of EPA 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 WPSC). 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 EPA's review of the information, the EPA 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 WPSC and/or third parties who have information relating to the boilers or close out the investigation. To date, the EPA has not responded to the filings made by WPSC and Wisconsin Power and Light. In addition, under the federal Clean Air Act, citizen groups may pursue a claim. WPSC has received no notice of a claim from a citizen suit.

In response to the EPA Clean Air Act enforcement initiative, several utilities have elected to settle with the EPA, 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 WPSC and if it were determined by a court that historic projects at WPSC's Pulliam and Weston plants required either a state or federal Clean Air Act permit, WPSC 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 EPA 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 April 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

On October 1, 2004, the mercury emission control rule became effective in Wisconsin. The rule requires WPSC to control annual system mercury emissions 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. WPSC estimates capital costs of approximately $101 million to achieve the proposed 75% reductions. The capital costs are expected to be recovered in a future rate case.

In December 2003, the EPA proposed mercury "maximum achievable control technology" standards and an alternative mercury "cap and trade" program substantially modeled on the Clear Skies legislation initiative. The EPA 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 EPA proposed mercury "maximum achievable control technology" rule is promulgated, WPSC'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%. Weston 4 will install and operate mercury control technology with the aim of achieving a mercury emission rate less than that proposed in the EPA proposed mercury "maximum achievable control technology" rule. As to the mercury cap and trade program, WPSC 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, WPSC anticipates meeting the proposed targets. Mercury control technology is still in development. WPSC 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. WPSC 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, PDI's current analysis indicates that additional emission control equipment on the existing units may be required. Excluding Sunbury, PDI estimates the capital cost for the remaining units to be approximately $1 million to achieve a 70% reduction. If Sunbury is not sold, the mercury control costs would be approximately $33 million in total. See Note 4, "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 WPSC's and PDI's facilities is uncertain.

Currently, WPSC 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 WPSC'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, WPSC 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.

PDI is evaluating the compliance options for the Clean Air Interstate Rule proposal. Additional nitrogen oxide controls on some of PDI'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, PDI will evaluate a number of options using the cap and trade program, fuel switching, and/or installing controls. See Note 4, "Assets Held for Sale," for more information on Sunbury.

Other Environmental Issues

Groundwater testing at a former ash disposal site of UPPCO 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. UPPCO received an order from the MPSC permitting deferral and future recovery of these costs. UPPCO 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 3 years is $1.6 million. UPPCO has recorded $0.3 million of this amount as its share of the liability as of December 31, 2004.

Manufactured Gas Plant Remediation

WPSC 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 is expected to begin on the sediment portion of the Sheboygan site in 2005. Sediment removal work at the Marinette site is scheduled for 2005. Work at the other sites remains to be scheduled.

The WDNR recently issued interim guidance for sediment remediation. Based on WDNR's application of this guidance, WPSC estimated future undiscounted investigation and cleanup costs as of December 31, 2004 to be $66.7 million. WPSC may adjust these estimates in the future contingent upon remedial technology, regulatory requirements, and the assessment of natural resource damages.

WPSC's liability was reviewed in December 2004 against projected cleanup costs. Accordingly, the liability was increased to $66.7 million. WPSC has received $12.7 million to date in insurance recoveries. WPSC expects to recover actual cleanup costs, net of insurance recoveries, in future customer rates. Under current PSCW policies, WPSC will not recover carrying costs associated with the cleanup expenditures.

Stray Voltage Claims

From time to time, WPSC 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 WPSC's electrical system. Past cases have been resolved without any material adverse effect on the financial statements of WPSC. Currently, there are three such cases pending in state court in Wisconsin, one of which is on appeal.

The PSCW has established certain requirements regarding stray voltage for all utilities subject to its jurisdiction. The PSCW 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, WPSC believes that it was in compliance with the PSCW's orders, and that none of the plaintiffs had a stray voltage problem as defined by the PSCW for which WPSC 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 PSCW's established level of concern.

One of the three remaining cases was appealed to the Wisconsin Court of Appeals. On February 15, 2005, the Court of Appeals affirmed the jury verdict that awarded the plaintiff approximately $0.8 million for economic damages and $1 million for nuisance. The Court of Appeals also remanded the issue of future damages relative to an injunction. WPSC is considering further appeal. The other two pending cases have trial dates in April 2005 and September 2005. Discovery has been completed in both cases. One of the two pending cases was tried to a jury in the fall of 2004. The jury deadlocked 10 - 4 in favor of WPSC, and then, in response to an instruction from the trial judge to try to reach a verdict, crafted a compromise that was invalid under the law, resulting in a mistrial. The expert witnesses retained by WPSC do not believe that there is a scientific basis for concluding that electricity has harmed or damaged the plaintiffs or their cows in either of the two remaining cases. Accordingly, WPSC is vigorously defending and contesting these actions.

WPSC 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, WPSC believes that the total cost to it of resolving the remaining three actions will not be material.

One of the cases awaiting trial includes a claim for common law punitive damages as well as a claim for treble damages under a Wisconsin statute, sec. 196.94. In light of the information it now has, WPSC does not believe there is any basis for the award of punitive or treble damages in this case. However, if a jury awarded such damages, and if the total of defense costs and all damages exceeded the self-insured retention, WPSC believes its insurance policies would cover such a verdict, including any punitive or treble damages.

Flood Damage

On May 14, 2003, a fuse plug at the Silver Lake reservoir owned by UPPCO 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 FERC'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 UPPCO 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. To date no lawsuits have been commenced.

In November 2003, UPPCO received approval from the MPSC and the FERC 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. On October 14, 2004, the MPSC approved final recovery of the $5.2 million of increased 2003 power supply costs related to UPPCO's integrated system. As of December 31, 2004, UPPCO has deferred $2.6 million pretax and expensed $1.5 million pretax of costs for damages resulting from the flood. In addition, UPPCO has recorded an $0.8 million insurance receivable at December 31, 2004. The total insurance payments received to date as of December 31, 2004 were $2.7 million.

In January 2005, UPPCO announced its decision to restore Silver Lake as a reservoir for power generation, pending approval of a design by FERC. Provided that FERC approves a design in the spring of 2005, work is expected to begin in 2005 and be completed in 2006.

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 in Minnesota.

ATC has assumed primary responsibility for the overall management of the project and will own and operate the completed line. WPSC received approval from the PSCW and the FERC to transfer ownership of the project to ATC. WPSC will continue to manage construction of the project and be responsible for obtaining private property rights in Wisconsin necessary for the construction of the project. Various WDNR permit related decisions are currently the subject of a contested case hearing in Wisconsin. A decision on the contested case is expected in the third quarter of 2005.

In December 2003, the PSCW issued an amended Certificate of Public Convenience and Necessity per ATC's request for relief. This decision was appealed to the Dane County Circuit Court by certain landowners. The court affirmed the PSCW's decision. It is unknown whether the court decision will be appealed.

WPS Resources committed to fund 50% of total project costs incurred up to $198 million. WPS Resources will receive additional equity in ATC in exchange for a portion of the project funding. During the year ended December 31, 2004, WPS Resources invested $15.7 million in ATC, 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, WPSC and ATC 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 ATC 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 equity portion of revised cost estimate. For the period 2005 through 2008, we expect to fund up to approximately $175 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 $113.3 million of Section 29 tax credits as reductions of income tax expense from the project's inception in June 1998 through December 31, 2004. As a result of alternative minimum tax rules, approximately $71.1 million of this tax benefit has been carried forward as a deferred tax asset as of December 31, 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.

Dairyland Power Cooperative

Dairyland Power Cooperative has confirmed its intent to purchase an interest in Weston 4 by signing a joint plant agreement in November 2004, subject to a number of conditions. 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.

NOTE 18--EMPLOYEE BENEFIT PLANS

WPS Resources has a non-contributory qualified retirement plan covering substantially all employees. During 2004, $1.6 million was contributed to the Pension Plan. No contributions were made in 2003 or 2002. WPS Resources also sponsors several nonqualified retirement plans, which are not funded.

WPS Resources also currently offers medical, dental, and life insurance benefits to employees and their dependents. We expense these items for active employees as incurred. We fund benefits for retirees through irrevocable trusts as allowed for income tax purposes.

WPSC serves as plan sponsor and administrator for the qualified retirement plan and the postretirement plans. Accordingly, WPSC's Consolidated Balance Sheets reflect the assets and liabilities associated with these plans. With the exception of UPPCO's Supplemental Employee Retirement Plan, the assets and liabilities related to the non-qualified pension plans are also recorded on WPSC's Consolidated Balance Sheets. The net periodic benefit cost associated with the plans is allocated among WPS Resources' subsidiaries. Actuarial calculations are performed (based upon specific employees and their related years of service) in order to determine the appropriate benefit cost allocation.

The costs of pension and postretirement benefits are expensed over the period in which the employee renders service. The transition obligation for postretirement benefits of current and future retirees is being recognized over a 20-year period beginning in 1993. WPS Resources uses a December 31 measurement date for the majority of its plans.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("the Act") provides a prescription drug benefit under Medicare Part D as well as a federal subsidy to sponsors of certain retiree health care benefit plans. In May 2004, the FASB staff issued FASB Staff Position ("FSP") 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003."

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 as of July 1, 2004 (the date FSP 106-2 was adopted). As of July 1, 2004, WPS Resources' and WPSC's accumulated postretirement benefit obligation decreased $40.3 million and $33.5 million, respectively, as a result of the Act. The change in the accumulated postretirement benefit obligation 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 WPSC's retained earnings as of July 1, 2004. The effect of the subsidy served to reduce the net postretirement benefit cost by $2.6 million for WPS Resources, including $2.2 million for WPSC, for the year ended December 31, 2004.

The following tables provide a reconciliation of the changes in the plan's benefit obligations and fair value of assets during 2004, 2003, and 2002, as well as a statement of the funded status as of December 31 for each year.

	Pension Benefits			Other Benefits		
(Millions)	**2004**	2003	2002	**2004**	2003	2002
Reconciliation of benefit obligation (qualified and non-qualified plans)						
Obligation at January 1	**$637.2**	$553.8	$513.1	**$281.6**	$234.3	$ 176.2
Service cost	**20.5**	15.2	12.0	**7.5**	7.1	5.3
Interest cost	**39.8**	36.9	34.9	**16.9**	15.3	12.5
Plan amendments	**-**	-	-	**-**	(15.3)	(4.7)
Actuarial (gain) loss - net	**62.0**	67.0	27.5	**(3.4)**	49.5	52.5
Benefit payments	**(38.8)**	(35.7)	(33.7)	**(7.9)**	(9.3)	(7.5)
Obligation at December 31	**$720.7**	$637.2	$553.8	**$294.7**	$281.6	$ 234.3
Reconciliation of fair value of plan assets (qualified plans)						
Fair value of plan assets at January 1	**$569.9**	$511.6	$591.9	**$149.7**	$119.7	$ 134.7
Actual return on plan assets	**54.5**	92.7	(47.8)	**12.9**	23.7	(14.8)
Employer contributions	**1.6**	-	-	**16.2**	15.6	7.3
Benefit payments	**(37.1)**	(34.4)	(32.5)	**(7.9)**	(9.3)	(7.5)
Fair value of plan assets at December 31	**$588.9**	$569.9	$511.6	**$170.9**	$149.7	$ 119.7
Funded status of plans						
Funded status at December 31	**$(131.8)**	$(67.3)	$(42.2)	**$(123.8)**	$(131.9)	$(114.6)
Unrecognized transition obligation	**0.4**	0.6	0.6	**3.4**	3.8	13.1
Unrecognized prior-service cost	**44.8**	50.5	56.3	**(19.4)**	(21.5)	(16.3)
Unrecognized loss	**127.0**	78.0	58.6	**91.1**	99.7	66.0
Net asset (liability) recognized	**$ 40.4**	$ 61.8	$ 73.3	**$ (48.7)**	$ (49.9)	$ (51.8)

Amounts recognized in the Consolidated Balance Sheets related to the benefit plans consist of:

	Pension Benefits		Other Benefits	
(Millions)	**2004**	2003	**2004**	2003
Prepaid benefit cost	**$ -**	$ 67.9	**$ -**	$ -
Accrued benefit cost	**(45.9)**	(87.8)	**(48.7)**	(49.9)
Intangible assets	**45.0**	41.6	**-**	-
Regulatory asset	**6.4**	15.2	**-**	-
Accumulated other comprehensive income (before tax effect of $14.0 million and $10.0 million, respectively)	**34.9**	24.9	**-**	-
Net asset (liability) recognized	**$40.4**	$ 61.8	**$(48.7)**	$(49.9)

Included in the above table is an accrued benefit cost of $1.7 million at December 31, 2004, and $1.8 million at December 31, 2003, related to UPPCO's Supplemental Employee Retirement Plan.

The accumulated benefit obligation for all defined benefit pension plans was $634.8 million and $572.4 million at December 31, 2004, and 2003, respectively. Information for pension plans with an accumulated benefit obligation in excess of plan assets is presented in the following table.

	December 31,	
(Millions)	**2004**	2003
Projected benefit obligation	**$720.7**	$321.4
Accumulated benefit obligation	**634.8**	315.1
Fair value of plan assets	**588.9**	250.2

The following table presents the components of the consolidated net periodic benefit cost (credit) for the plans for 2004, 2003, and 2002:

	Pension Benefits			Other Benefits		
(Millions)	**2004**	2003	2002	**2004**	2003	2002
Net periodic benefit cost						
Service cost	**$20.5**	$15.2	$12.0	**$ 7.5**	$ 7.1	$ 5.3
Interest cost	**39.8**	36.9	34.9	**16.9**	15.3	12.5
Expected return on plan assets	**(45.9)**	(46.7)	(47.7)	**(11.6)**	(10.6)	(10.2)
Amortization of transition (asset) obligation	**0.2**	-	(1.8)	**0.4**	1.0	1.3
Amortization of prior-service cost (credit)	**5.7**	5.8	5.8	**(2.2)**	(1.8)	(1.2)
Amortization of net (gain) loss	**4.5**	0.7	(0.6)	**4.1**	2.6	(1.2)
Special termination benefits	**-**	0.8	-	**-**	-	-
Net periodic benefit cost (credit) before settlement/ curtailment	**24.8**	12.7	2.6	**15.1**	13.6	6.5
Amortization of settlement gain regulatory liability	**-**	-	(11.8)	**-**	-	-
Amortization of curtailment loss regulatory asset	**-**	-	8.1	**-**	-	-
Net periodic benefit cost (credit)	**$24.8**	$12.7	$ (1.1)	**$15.1**	$13.6	$ 6.5

Net periodic benefit cost (credit) recorded by WPSC related to pension benefits was $16.3 million in 2004, $6.7 million in 2003, and ($4.9) million in 2002. Net periodic benefit cost recorded by WPSC related to other benefits was $12.4 million in 2004, $12.0 million in 2003, and $4.5 million in 2002.

Assumptions

The weighted average assumptions used at December 31 in the accounting for the plans are as follows:

	Pension Benefits			Other Benefits		
	2004	2003	2002	**2004**	2003	2002
Discount rate for benefit obligations	**5.75%**	6.25%	6.75%	**5.75%**	6.25%	6.75%
Discount rate for net periodic benefit cost	**6.25%**	6.75%	7.25%	**6.25%**	6.75%	7.25%
Expected return on assets	**8.75%**	8.75%	8.75%	**8.75%**	8.75%	8.75%
Rate of compensation increase	**5.50%**	5.50%	5.50%	**-**	-	-

Starting in 2005, WPS Resources plans to change its expected return on plan assets from 8.75% to 8.50%. To develop the expected long-term rate of return on assets, WPS Resources considered the historical returns and the future expectations for returns for each asset class, as well as the target allocation of the benefit trust portfolios.

The assumptions used for WPS Resources' medical and dental cost trend rates are shown in the following table:

	2004	2003	2002
Assumed medical cost trend rate (under age 65)	**10.0%**	11.0%	12.0%
Ultimate trend rate	**5.0%**	5.0%	5.0%
Ultimate trend rate reached in	**2010**	2010	2010
Assumed medical cost trend rate (over age 65)	**12.0%**	13.0%	14.0%
Ultimate trend rate	**6.5%**	6.5%	6.5%
Ultimate trend rate reached in	**2011**	2011	2011
Assumed dental cost trend rate	**5.0%**	5.0%	6.0%
Ultimate trend rate	**5.0%**	5.0%	5.0%
Ultimate trend rate reached in	**2004**	2004	2004

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1% change in assumed health care cost trend rates would have the following effects:

(Millions)	1% Increase	1% Decrease
Effects on total of service and interest cost components of net periodic postretirement health care benefit cost	$ 3.5	$ (3.1)
Effect on the health care component of the accumulated postretirement benefit obligation	$42.0	$(34.7)

Plan Assets

Weighted-average asset allocations of the plans at December 31, 2004, and 2003, are as follows:

	Pension Plan Assets at December 31,		**Postretirement Plan Assets at December 31,**	
	2004	2003	**2004**	2003
Asset category				
Equity securities	**63%**	61%	**63%**	62%
Debt securities	**33%**	36%	**37%**	38%
Real Estate	**4%**	3%	**0%**	0%
Total	**100%**	100%	**100%**	100%

The Board of Directors has established the Employee Benefits Administrator Committee to manage the operations and administration of all benefit plans and related trusts. The Committee has investment policies for the plan assets that establish target asset allocations for the above listed asset classes as follows: pension plan - equity securities 60%, debt securities 35%, and real estate 5%; postretirement plan - equity securities 65%, debt securities 35%.

Cash Flows

WPS Resources expects to contribute $8.2 million to its pension plans and $20.9 million to its other postretirement benefit plans in 2005.

The following table shows the payments, reflecting expected future service, that WPS Resources expects to make for pension and other postretirement benefits. In addition, the table shows the expected federal subsidies under Medicare Part D, which will partially offset other postretirement benefits, as discussed earlier.

(Millions)	**Pension Benefits**	**Other Benefits**	**Federal Subsidies**
2005	$ 37.5	$10.8	$ -
2006	39.6	11.9	(1.3)
2007	41.8	13.1	(1.5)
2008	44.0	14.1	(1.6)
2009	46.0	15.3	(1.8)
2010-2014	262.3	89.9	(10.9)

Defined Contribution Benefit Plans

WPS Resources maintains a 401(k) Savings Plan for substantially all full-time employees. Employees generally may contribute from 1% to 30% of their base compensation to individual accounts within the 401(k) Savings Plan. Participation in this plan automatically qualifies eligible non-union employees for participation in the ESOP. The company match, in the form of WPS Resources shares of common stock, is contributed to an employee's ESOP account. The plan requires a match equivalent to 100% of the first 4% and 50% of the next 2% contributed by non-union employees. Certain union employees receive a contribution to their ESOP account regardless of their participation in the 401(k) Savings Plan. The ESOP held 2.2 million shares of WPS Resources common stock (market value of approximately $109 million) at December 31, 2004. Total costs incurred under these plans were $7.7 million in 2004, $5.7 million in 2003, and $4.8 million in 2002. WPSC's share of the total costs was $6.5 million in 2004, $4.6 million in 2003, and $3.9 million in 2002.

WPS Resources maintains a deferred compensation plan that enables certain key employees and non-employee directors to defer a portion of their compensation or fees on a pre-tax basis. Non-employee directors can defer up to 100% of their director fees. There are essentially two separate investment programs available to plan participants. The first program ("Program 1") offers WPS Resources common stock as a hypothetical investment option for participants; deemed dividends paid on the common stock are automatically reinvested; and all distributions must be made in WPS Resources common stock. The second program ("Program 2") offers a variety of hypothetical investment options indexed to mutual funds, WPS Resources' return on equity, and WPS Resources common stock. Participants may not redirect investments between the two programs. All employee deferrals are remitted to WPSC and, therefore, the liabilities and costs associated with the deferred compensation plans are included on WPSC's Consolidated Balance Sheets and Consolidated Statements of Income, respectively.

Program 1 is accounted for as a plan that does not permit diversification. As a result, the deferred compensation arrangement is classified as an equity instrument and changes in the fair value of the deferred compensation obligation are not recognized. The deferred compensation obligation associated with Program 1 was $13.0 million at December 31, 2004, and $10.3 million at December 31, 2003.

Program 2 is accounted for as a plan that permits diversification. As a result, the deferred compensation obligation associated with this program is classified as a liability in the Consolidated Balance Sheets and adjusted, with a charge or credit to expense, to reflect changes in the fair value of the deferred compensation obligation. The obligation, classified within other long-term liabilities, was $21.0 million at December 31, 2004, and $18.7 million at December 31, 2003. The costs incurred under Program 2 were $2.1 million in 2004, $2.4 million in 2003, and $1.6 million in 2002.

The deferred compensation programs are partially funded through WPS Resources common stock that is held in a rabbi trust. The common stock held in the rabbi trust is classified in equity in a manner similar to accounting for treasury stock. The total cost of WPS Resources common stock held in the rabbi trust was $8.4 million at December 31, 2004, and $6.5 million at December 31, 2003.

NOTE 19--PREFERRED STOCK OF SUBSIDIARY

WPSC has 1,000,000 authorized shares of preferred stock with no mandatory redemption and a $100 par value. Outstanding shares are as follows at December 31:

		2004		2003	
(Millions, except share amounts)	Series	**Shares Outstanding**	**Carrying Value**	Shares Outstanding	Carrying Value
	5.00%	**130,799**	**$13.1**	130,853	$13.1
	5.04%	**29,920**	**3.0**	29,920	3.0
	5.08%	**49,928**	**5.0**	49,928	5.0
	6.76%	**150,000**	**15.0**	150,000	15.0
	6.88%	**150,000**	**15.0**	150,000	15.0
Total		**510,647**	**$51.1**	510,701	$51.1

All shares of preferred stock of all series are of equal rank except as to dividend rates and redemption terms. Payment of dividends from any earned surplus or other available surplus is not restricted by the terms of any indenture or other undertaking by WPSC. Each series of outstanding preferred stock is redeemable in whole or in part at WPSC's option at any time on 30 days' notice at the respective redemption prices. WPSC may not redeem less than all, nor purchase any, of its preferred stock during the existence of any dividend default.

In the event of WPSC's dissolution or liquidation, the holders of preferred stock are entitled to receive (a) the par value of their preferred stock out of the corporate assets other than profits before any of such assets are paid or distributed to the holders of common stock and (b) the amount of dividends accumulated and unpaid on their preferred stock out of the surplus or net profits before any of such surplus or net profits are paid to the holders of common stock. Thereafter, the remainder of the corporate assets, surplus, and net profits shall be paid to the holders of common stock.

The preferred stock has no pre-emptive, subscription, or conversion rights, and has no sinking fund provisions.

NOTE 20--COMMON EQUITY

Shares outstanding at December 31	**2004**	2003
Common stock, $1 par value, 200,000,000 shares authorized	**37,500,791**	36,830,556
Treasury stock	**12,000**	15,700
Average cost of treasury shares	**$25.19**	$25.19
Shares in deferred compensation rabbi trust	**229,238**	192,880
Average cost of deferred compensation rabbi trust shares	**$36.84**	$33.72

On November 24, 2003, 4,025,000 shares of WPS Resources common stock were issued at $43.00 per share and resulted in a net increase in equity of $166.8 million.

Treasury shares at December 31, 2004, relate to our Non-Employee Directors Stock Option Plan. The number of stock options granted under this plan may not exceed 100,000 shares. All options under this plan have a ten-year life, but may not be exercised until one year after the date of grant.

Effective January 2001, we began issuing new stock under our Stock Investment Plan and under certain of our stock-based employee benefit plans. These stock issuances increased equity $28.3 million, $31.0 million, and $28.3 million in 2004, 2003, and 2002, respectively.

Reconciliation of Common Shares	Common Stock Shares Outstanding
Balance at December 31, 2001	31,053,250
Stock Investment Plan and other stock-based employee benefit plans	544,578
Stock issued from Treasury Stock	241,402
Increase in deferred compensation rabbi trust shares	(30,451)
Balance at December 31, 2002	31,808,779
Common stock offering	4,025,000
Stock Investment Plan and other stock-based employee benefit plans	764,681
Stock issued from Treasury Stock	49,950
Increase in deferred compensation rabbi trust shares	(26,434)
Balance at December 31, 2003	36,621,976
Stock Investment Plan and other stock-based employee benefit plans	670,235
Stock issued from Treasury Stock	3,700
Increase in deferred compensation rabbi trust shares	(36,358)
Balance at December 31, 2004	**37,259,553**

In December 1996, we adopted a Shareholder Rights Plan. The plan is designed to enhance the ability of the Board of Directors to protect shareholders of WPS Resources if efforts are made to gain control of our company in a manner that is not in the best interests of our shareholders. The plan gives our existing shareholders, under certain circumstances, the right to purchase stock at a discounted price. The rights expire on December 11, 2006.

WPS Resources is a holding company and our ability to pay dividends is largely dependent upon the ability of our subsidiaries to pay dividends to us. The PSCW has by order restricted our principal subsidiary, WPSC, to paying normal dividends on its common stock of no more than 109% of the previous year's common stock dividend. The PSCW also requires WPSC to maintain a capital structure (i.e., the percentages by which each of common stock, preferred stock and debt constitute the total capital invested in a utility), which has a common equity range of 54% to 58%. Each of these limitations may be modified by a future order of the PSCW. Our right to receive dividends on the common stock of WPSC is also subject to the prior rights of WPSC's preferred shareholders and to provisions in WPSC's restated articles of incorporation which limit the amount of common stock dividends which WPSC may pay if its common stock and common stock surplus accounts constitute less than 25% of its total capitalization. These limitations are not expected to limit any dividend payments in the foreseeable future.

UPPCO's indentures relating to its first mortgage bonds contain certain limitations on the payment of cash dividends on its common stock, which is held solely by WPS Resources. Under the most restrictive of these provisions, approximately $19.6 million of retained earnings were available at December 31, 2004 for the payment of common stock cash dividends by UPPCO.

At December 31, 2004, WPS Resources had $474.4 million of retained earnings available for dividends.

Earnings per share is computed by dividing income available for common shareholders 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 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, restricted shares, and performance share grants. The calculation of diluted earnings per share for the years shown excludes some stock option plan shares that had an anti-dilutive effect. The shares having an anti-dilutive effect are not significant for any of the years shown. The following table reconciles the computation of basic and diluted earnings per share:

Reconciliation of Earnings Per Share (Millions except per share amounts)	**2004**	2003	2002
Income available for common shareholders	**$139.7**	$94.7	$109.4
Basic weighted average shares	**37.4**	33.0	31.7
Incremental issuable shares	**0.2**	0.2	0.3
Diluted weighted average shares	**37.6**	33.2	32.0
Basic earnings per common share	**$3.74**	$2.87	$3.45
Diluted earnings per common share	**$3.72**	$2.85	$3.42

NOTE 21--STOCK-BASED COMPENSATION

WPS Resources has three main stock option plans: the 2001 Omnibus Incentive Compensation Plan ("Omnibus Plan"), the 1999 Stock Option Plan ("Employee Plan"), and the 1999 Non-Employee Directors Stock Option Plan ("Director Plan"). No additional stock options will be issued under the Employee Plan, although the plan will continue to exist for purposes of the existing outstanding options.

In May of 2001, shareholders approved the Omnibus Plan for certain management personnel. The Long-Term Incentive Plan was approved under the 2001 Omnibus Plan. The Long-Term Incentive Plan has two stock-based compensation components: non-qualified stock options and performance shares.

Under the provisions of the Omnibus Plan, the number of shares for which stock options may be granted may not exceed 2 million, and no single employee that is the chief executive officer of the company or any of the other four highest compensated officers of the company and its subsidiaries can be granted options for more than 150,000 shares during any calendar year. Stock options are granted by the Compensation Committee of the Board of Directors and may be granted at any time. No stock options will have a term longer than ten years. The exercise price of each stock option is equal to the fair market value of the stock on the date the stock option was granted.

A portion of the executive long-term incentive was awarded in the form of performance shares. These shares vest over a three-year performance period and are paid out in shares of WPS Resources common stock. The number of shares paid out is calculated by multiplying a performance percentage by a target number of shares. The performance multiplier is based on the performance of WPS Resources relative to the performance of a specific peer group of companies. The payout may range from 0% to 200% of target. Based upon these criteria, 119,296 shares are included in the denominator of the diluted earnings per share computation at December 31, 2004. In accordance with Accounting Principles Board Opinion No. 25, WPS Resources accrues the plan expense over the three-year period in which the services are performed. Compensation expense recorded was $2.3 million in 2004, $3.3 million in 2003, and $1.8 million in 2002.

Restricted stock shares granted on April 18, 2002, totaled 12,186 shares and had a one-year vesting period. Beginning April 18, 2003, 15% of the shares became unrestricted, with an additional 15% release of restriction at each six-month interval thereafter until fully unrestricted. Restricted shares have a value equal to the fair market value of the shares on the grant date. No compensation expense was recorded for these shares in 2004. In 2003 and 2002, $0.2 million and $0.3 million of compensation expense was recorded, respectively.

Under the provisions of the Director Plan, the number of stock options granted under the plan may not exceed 100,000, and the shares to be delivered will consist solely of treasury shares. Stock options are granted at the discretion of the Board of Directors. No options may be granted under this plan after December 31, 2008. All options have a ten-year life, but may not be exercised until one year after the date of grant. Options granted under this plan are immediately vested. The exercise price of each option is equal to the fair market value of the stock on the date the stock options were granted.

One-fourth of the stock options granted under the Omnibus Plan and the Employee Plan will become vested and exercisable each year on the anniversary date of the grant. The number of shares subject to each stock option plan, each outstanding stock option, and stock option exercise prices are subject to adjustment in the event of any stock split, stock dividend, or other transaction affecting our outstanding common stock.

A summary of the activity of the stock option plans for 2004, is presented below:

Stock Options	**Shares**	**Weighted-Average Exercise Price**
Options outstanding at beginning of year		
Omnibus plan	**993,677**	**$38.9707**
Employee plan	**283,621**	**33.1055**
Director plan	**15,700**	**25.4853**
Granted during 2004		
Omnibus plan	**321,313**	**48.1100**
Exercised during 2004		
Omnibus plan	**30,431**	**35.1724**
Employee plan	**38,301**	**30.5332**
Director plan	**3,700**	**25.4375**
Forfeited during 2004		
Omnibus plan	**4,437**	**41.2294**
Outstanding at end of year		
Omnibus plan	**1,280,122**	**41.3472**
Employee plan	**245,320**	**33.5071**
Director plan	**12,000**	**25.5000**
Options exercisable at year-end		
Omnibus plan	**459,425**	**37.3676**
Employee plan	**245,320**	**33.5071**
Director plan	**12,000**	**25.5000**
Weighted-average fair value of options granted during 2004		
Omnibus plan	**$4.40**	

A summary of the activity of the stock option plans for 2003, is presented below:

Stock Options	Shares	Weighted-Average Exercise Price
Options outstanding at beginning of year		
Omnibus plan	663,548	$36.1131
Employee plan	492,021	31.5572
Director plan	19,400	25.4762
Granted during 2003		
Omnibus plan	335,424	44.5601
Exercised during 2003		
Omnibus plan	4,420	34.6538
Employee plan	207,150	29.4879
Director plan	3,700	25.4375
Forfeited during 2003		
Omnibus plan	875	36.3014
Employee plan	1,250	23.1875
Outstanding at end of year		
Omnibus plan	993,677	38.9707
Employee plan	283,621	33.1055
Director plan	15,700	25.4853
Options exercisable at year-end		
Omnibus plan	241,076	35.4684
Employee plan	225,116	33.0890
Director plan	15,700	25.4852
Weighted-average fair value of options granted during 2003		
Omnibus plan	$4.53	

A summary of the activity of the stock option plans for 2002, is presented below:

Stock Options	Shares	Weighted-Average Exercise Price
Options outstanding at beginning of year		
Omnibus plan	327,427	$34.1038
Employee plan	705,916	30.9806
Director plan	23,150	25.4699
Granted during 2002		
Omnibus plan	341,613	38.0064
Exercised during 2002		
Employee plan	206,849	29.5512
Director plan	3,750	25.4375
Forfeited during 2002		
Omnibus plan	5,492	34.0900
Employee plan	7,046	32.6744
Outstanding at end of year		
Omnibus plan	663,548	36.1131
Employee plan	492,021	31.5572
Director plan	19,400	25.4762
Options exercisable at year-end		
Omnibus plan	80,484	34.1040
Employee plan	256,011	31.6679
Director plan	19,400	25.4762
Weighted-average fair value of options granted during 2002		
Omnibus plan	$3.64	

The following table summarizes the status of the stock options outstanding and exercisable at December 31, 2004, under the 2001 Omnibus Plan.

Stock Options Outstanding				Stock Options Exercisable	
Exercise Prices	Shares	Weighted-Average Remaining Contractual Life (in Years)	Weighted-Average Exercise Price Per Share	Shares	Weighted-Average Exercise Price Per Share
$34.0900	281,689	7	$34.0900	205,545	$34.0900
34.3800	13,386	6	34.3800	9,493	34.3800
36.3800	500	7	36.3800	250	36.3800
37.9600	325,310	8	37.9600	158,383	37.9600
41.2900	5,000	7	41.2900	2,500	41.2900
38.2500	8,797	8	38.2500	2,200	38.2500
44.7300	324,127	9	44.7300	81,054	44.7300
48.1100	321,313	10	48.1100	-	48.1100
	1,280,122		$41.3472	459,425	$37.3676

The following table summarizes the status of the stock options outstanding and exercisable at December 31, 2004, under the 1999 Stock Option Plan.

Stock Options Outstanding				Stock Options Exercisable	
Exercise Prices	Shares	Weighted-Average Remaining Contractual Life (in Years)	Weighted-Average Exercise Price Per Share	Shares	Weighted-Average Exercise Price Per Share
$29.8750	49,500	4	$29.8750	49,500	$29.8750
23.1875	5,500	5	23.1875	5,500	23.1875
34.7500	190,320	6	34.7500	190,320	34.7500
	245,320		$33.5071	245,320	$33.5071

The following table summarizes the status of the stock options outstanding and exercisable at December 31, 2004, under the 1999 Non-Employee Director Stock Option Plan.

Stock Options Outstanding				Stock Options Exercisable	
Exercise Prices	Shares	Weighted-Average Remaining Contractual Life (in Years)	Weighted-Average Exercise Price Per Share	Shares	Weighted-Average Exercise Price Per Share
$25.4375	9,000	5	$25.4375	9,000	$25.4375
25.6875	3,000	5	25.6875	3,000	25.6875
	12,000		$25.5000	12,000	$25.5000

NOTE 22--REGULATORY ENVIRONMENT

Wisconsin

On December 19, 2003, the PSCW issued a final written order authorizing a retail electric rate increase of $59.4 million (9.4%) and a retail natural gas rate increase of $8.9 million (2.2%), effective January 1, 2004. The rates reflect a 12.0% return on equity and allowed average equity of 56% of total capital.

As a result of the Kewaunee unplanned outage, which lasted approximately two weeks during late January and into early February 2004, and other fuel cost and purchased power increases expected in 2004, WPSC received an interim fuel rate order from the PSCW allowing for a $6.0 million (1.2%) increase in rates that went into effect April 2, 2004. In September 2004, the PSCW issued its final order, requiring WPSC to refund $1.8 million of revenues collected under the interim rate order to customers. The refund was 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 allowed WPSC recovery of an estimated $3.2 million of its increased fuel and purchased power costs.

On December 21, 2004, the PSCW issued a final written order authorizing a retail electric increase of $60.7 million (8.6%) and a retail natural gas rate increase of $5.6 million (1.1%), 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 Midwest Independent System Operator costs. The natural gas rate increase is primarily related to increases in benefit costs and the cost of distribution system improvements. The 2005 rates reflect an 11.5% return on equity. The PSCW also approved a common equity ratio of 57.35% in the utility's regulatory capital structure.

On November 5, 2004, WPSC filed an application with the PSCW to defer all incremental costs, including carrying costs, resulting from unexpected problems encountered in the refueling outage at Kewaunee. During the refueling outage, an unexpected problem was encountered with equipment used for lifting internal vessel components to perform a required 10-year inspection. These equipment problems caused the outage to be extended by approximately three weeks. On November 11, 2004, the PSCW authorized WPSC to defer the replacement fuel costs related to the extended outage. On November 23, 2004, the PSCW authorized WPSC to defer purchased power costs ($5.4 million) and operating and maintenance expenses ($1.8 million) related to the extended outage, effective from when the problems were discovered, including carrying costs at WPSC's authorized weighted average cost of capital. Kewaunee returned to service on December 4, 2004. On February 18, 2005, WPSC filed for PSCW approval to recover these costs and it is anticipated that these costs will be recovered in 2006, pending final approval by the PSCW.

On November 9, 2004, WPSC filed an application with the PSCW to defer, with carrying costs, the 2005 revenue requirement impacts resulting from the American Jobs Creation Act of 2004 (Jobs Creation Act). The Jobs Creation Act reduces the corporate income tax on certain manufacturing industries. Because the act was not signed into law until October 22, 2004, it was not included in WPSC's 2005 rate proceeding. On December 7, 2004, the PSCW authorized WPSC to defer the 2005 revenue requirement impacts resulting from the Jobs Creation Act including carrying costs at WPSC's authorized weighted average cost of capital.

On February 20, 2005, Kewaunee was temporarily removed from service after a potential design weakness was identified in a backup cooling system. Plant engineering staff identified the concern and the unit was shutdown in accordance with the plant license. A modification is being made to resolve the issue and it is anticipated that the unit will be back in service at 100% power by mid April. WPSC intends to file a request with the PSCW for recovery of incremental costs associated with fuel, purchased power, and operating and maintenance costs. WPSC and Dominion remain committed to the sale of Kewaunee.

Michigan

On March 31, 2004, UPPCO submitted an application to the MPSC to recover $5.2 million of increased 2003 power supply costs relating to UPPCO's integrated system. In addition, UPPCO requested deferral of $1.8 million of power supply costs related to the Dead River flood. On August 31, 2004, the MPSC approved the deferral of the $1.8 million of power supply costs relating to the Dead River flood, and authorized the interim recovery of the $5.2 million pending a final prudence determination. On October 14, 2004, the Commission approved final recovery of the $5.2 million of increased 2003 power supply costs relating to UPPCO's integrated system. These costs will be recovered from customers through December 2005.

On December 8, 2004, UPPCO submitted a request to the MPSC to approve UPPCO's proposed treatment of the net gain proceeds from certain sales of undeveloped and partially developed land located in the Upper Peninsula of Michigan as appropriate for ratemaking purposes. If approved by the MPSC, UPPCO will voluntarily forego retail electric service base rate increases through December 31, 2005; however, UPPCO may file for base rate increases in 2005 to be effective on or after January 1, 2006. UPPCO may also file for MPSC consideration of deferred accounting of any governmental mandates during the moratorium and for any unusual and extraordinary events. At this time, the MPSC has not accepted the proposal, and final approval or denial from the MPSC is still pending.

On February 4, 2005, UPPCO submitted an application to the MPSC for a 7.6% increase in retail electric rates ($5.7 million in revenues). UPPCO also requested interim rate recovery of 6.0% ($4.5 million in revenues) to allow UPPCO to recover costs during the time the MPSC is reviewing the full case. The retail electric rate increase is primarily due to costs associated with improving service quality and reliability, technology upgrades, and managing rising employee and retiree benefit costs.

Federal

On April 30, 2003, WPSC received a draft order from the FERC approving a $4.1 million (21%), interim increase in wholesale electric rates. The new wholesale rates were effective on May 11, 2003, and were subject to refund if the final rate increase was less. The draft order also granted the use of formula rates, which allow for the adjustment of wholesale electric rates to reflect actual costs without having to file additional rate requests. On March 4, 2004, the FERC and WPSC reached a tentative settlement regarding the final rate increase. WPSC had no material refunds or other adjustments to revenues recorded under the interim rates based on the terms of the tentative agreement. The final settlement was approved by FERC on November 19, 2004. No material refunds were required as a result of the settlement. This was WPSC's first rate increase for its wholesale electric customers in 17 years.

On February 10, 2005 the FERC issued an order accepting compliance filings implementing the Seams Elimination Charge Adjustment effective December 1, 2004, subject to refund and surcharge, and set the matters raised for evidentiary hearing. On February 28, 2005, Quest Energy, LLC, a wholly-owned subsidiary of ESI, filed a motion for partial stay of FERC's February 10, 2005 order imposing a Seams Elimination Charge Adjustment on Quest. The purpose of the Seams Elimination Charge Adjustment is to compensate transmission owners for the revenue they would no longer receive due to the elimination of the Regional Through and Out Rates. Because ESI is a load serving entity, it will be billed for Seams Elimination Charge Adjustment charges based on its power imports during 2002 and 2003.

NOTE 23--VARIABLE INTEREST ENTITIES

The FASB 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.

The application of Interpretation No. 46R was required for financial statements of public entities that have interests in special-purpose entities for periods ending after December 15, 2003. WPS Resources identified WPSR Capital Trust I as a special purpose entity that is within the scope of Interpretation No. 46R. Refer to Note 24, "Company-Obligated Mandatorily Redeemable Trust Preferred Securities of Preferred Stock Trust," for further discussion of the impacts of implementing this portion of Interpretation No. 46R on the financial statement of WPS Resources.

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 PDI, 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 December 31, 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 December 31, 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 December 31, 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 24--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.

As discussed in Note 23, "Variable Interest Entities," it was determined that WPSR Capital Trust I qualified as a special purpose entity and, therefore, the provisions of Interpretation No. 46R were applied to the Trust at December 31, 2003. Prior to this date, we consolidated the preferred securities of the Trust into our financial statements as we held all of the voting securities. Per the provisions of Interpretation No. 46R, however, it was determined that the preferred security holders held the majority of the residual economic risks associated with WPSR Capital Trust I and, therefore, the Trust was deconsolidated effective December 31, 2003. As a result of the deconsolidation, WPS Resources recorded a $1.5 million investment in trust within other current assets and a $51.5 million note payable to preferred stock trust, respectively, within the Consolidated Balance Sheet at December 31, 2003.

On January 8, 2004, WPS Resources redeemed all of the subordinated debentures that were initially issued to the Trust for $51.5 million and paid accrued interest of $0.1 million. This action required the Trust to redeem an equal amount of trust securities at face value plus any accrued interest and unpaid distributions. As a result of these transactions, the Trust was dissolved effective January 8, 2004.

NOTE 25--SEGMENTS OF BUSINESS

We manage our reportable segments separately due to their different operating and regulatory environments.

Our principal business segments are the regulated electric utility operations of WPSC and UPPCO and the regulated natural gas utility operations of WPSC. WPSC's revenues are primarily derived from the service of electric and natural gas retail customers in northeastern and central Wisconsin and an adjacent portion of Upper Michigan. WPSC also provides wholesale electric service to various customers, including municipal utilities, electric cooperatives, energy marketers, other investor-owned utilities, and a municipal joint action agency. Portions of WPSC's electric and natural gas operations cannot be specifically identified as electric or natural gas and instead are allocated using either actual labor hours, revenues, number of customers, or number of meters. UPPCO derives revenues from the sale of electric energy in the Upper Peninsula of Michigan.

Our other reportable segments include ESI and PDI. ESI offers nonregulated natural gas, electric, and alternate fuel supplies as well as energy management and consulting services to retail and wholesale customers primarily in the northeastern quadrant of the United States and adjacent portions of Canada. Although ESI has a widening array of products and services, revenues are primarily derived through sales of electricity and natural gas to retail and wholesale customers. ESI's marketing and trading operations manage power and natural gas procurement as an integrated portfolio with its retail and wholesale sales commitments. Electricity required to fulfill these sales commitments was procured primarily from independent generators, energy marketers, and organized electric power markets. Natural gas was purchased from a variety of suppliers under daily, monthly, seasonal and long-term contracts with pricing delivery and volume schedules to accommodate customer requirements. ESI's customers include utilities, municipalities, cooperatives, commercial and industrial consumers, aggregators, and other marketing and retail entities.

PDI competes in the wholesale merchant electric power generation industry, primarily in the Midwest and northeastern United States and adjacent portions of Canada. PDI's core competencies include power plant operation and maintenance, and material condition assessment of assets. In order to enable PDI to focus on its core competencies and improve the efficiency and reliability of its existing fleet of power plants, ESI has assumed much of the market price risk associated with these plants. In 2004, PDI entered into tolling and power purchase agreements with ESI to manage electric production from many of its facilities and to manage natural gas costs for its gas-fired generation facilities. PDI continues to manage costs of fuel for its coal-fired facilities. The agreements allow ESI to operate PDI facilities at its discretion, when market conditions and fuel costs are advantageous. PDI has power purchase agreements in place with third-party customers at facilities not under contract with ESI.

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 WPSC and UPPCO.

The tables below present information for the respective years pertaining to our operations segmented by lines of business.

Segments of Business
(Millions)

	Regulated Utilities			Nonutility and Nonregulated Operations				
2004	Electric Utility[(1)]	Gas Utility[(1)]	Total Utility[(1)]	ESI	PDI	Other	Reconciling Eliminations	WPS Resources Consolidated
Income Statement								
External revenues	**$875.6**	**$416.4**	**$1,292.0**	**$3,553.5**	**$ 45.1**	**$ -**	**$ -**	**$4,890.6**
Internal revenues	**21.0**	**4.5**	**25.5**	**2.8**	**26.3**	**1.1**	**(55.7)**	**-**
Depreciation and decommissioning	**79.5**	**16.0**	**95.5**	**2.5**	**8.5**	**0.5**	**-**	**107.0**
Miscellaneous income	**10.4**	**0.4**	**10.8**	**1.7**	**(2.0)**	**40.6**	**(3.4)**	**47.7**
Interest expense	**25.6**	**7.7**	**33.3**	**0.8**	**2.4**	**20.8**	**(3.1)**	**54.2**
Provision for income taxes	**39.2**	**10.2**	**49.4**	**20.4**	**(36.0)**	**(3.8)**	**-**	**30.0**
Discontinued operations	**-**	**-**	**-**	**0.4**	**(13.8)**	**-**	**-**	**(13.4)**
Income available for common shareholders	**68.8**	**17.3**	**86.1**	**36.7**	**5.0**	**11.9**	**-**	**139.7**
Total assets	**2,225.2**	**577.9**	**2,803.1**	**1,087.3**	**380.5**	**321.5**	**(146.8)**	**4,445.6**
Cash expenditures for long-lived assets	**223.0**	**62.7**	**285.7**	**1.6**	**2.4**	**0.3**	**-**	**290.0**

(1) Includes only utility operations. Nonutility operations are included in the Other column.

Segments of Business
(Millions)

2003	Regulated Utilities Electric Utility[1]	Gas Utility[1]	Total Utility[1]	Nonutility and Nonregulated Operations ESI	PDI	Other	Reconciling Eliminations	WPS Resources Consolidated
Income Statement								
External revenues	$ 785.6	$398.1	$1,183.7	$3,063.2	$ 74.3	$ 0.1	$ -	$4,321.3
Internal revenues	28.5	6.1	34.6	18.0	8.1	1.1	(61.8)	-
Depreciation and decommissioning	112.8	14.3	127.1	1.8	8.9	0.6	-	138.4
Miscellaneous income	43.6	1.3	44.9	1.2	(5.0)	30.7	(8.2)	63.6
Interest expense	24.9	6.7	31.6	0.5	2.8	27.3	(6.6)	55.6
Provision for income taxes	33.9	9.2	43.1	17.4	(24.2)	(2.6)	-	33.7
Discontinued operations	-	-	-	0.3	(16.3)	-	-	(16.0)
Cumulative effect of change in accounting principle	-	-	-	3.3	(0.3)	-	0.2	3.2
Income available for common shareholders	60.0	15.7	75.7	29.0	(7.9)	(2.1)	-	94.7
Total assets	2,102.1	497.0	2,599.1	1,162.7	373.8	305.0	(148.3)	4,292.3
Cash expenditures for long-lived assets	131.0	40.7	171.7	1.4	3.3	(0.2)	-	176.2

[1] Includes only utility operations. Nonutility operations are included in the Other column.

Segments of Business
(Millions)

2002	Regulated Utilities Electric Utility[1]	Gas Utility[1]	Total Utility[1]	Nonutility and Nonregulated Operations ESI	PDI	Other	Reconciling Eliminations	WPS Resources Consolidated
Income Statement								
External revenues	$741.6	$308.7	$1,050.3	$358.8	$ 51.8	$ 0.2	$ -	$1,461.1
Intersegment revenues	21.5	2.0	23.5	2.4	7.6	1.1	(34.6)	-
Depreciation and decommissioning	72.6	13.3	85.9	1.1	7.3	0.5	-	94.8
Miscellaneous income	6.3	0.3	6.6	1.8	27.7	19.8	(8.1)	47.8
Interest expense	28.7	6.3	35.0	1.6	3.4	22.4	(6.6)	55.8
Provision for income taxes	31.9	12.4	44.3	6.6	(18.3)	(3.6)	(0.3)	28.7
Discontinued operations	-	-	-	0.6	(6.6)	-	-	(6.0)
Income available for common shareholders	61.0	18.4	79.4	11.0	24.0	(5.0)	-	109.4
Cash expenditures for long-lived assets	164.3	34.0	198.3	0.8	8.2	3.0	-	210.3

[1] Includes only utility operations. Nonutility operations are included in the Other column.

Geographic Information
(Millions)

	2004		2003		2002
	Revenues	**Long-Lived Assets**	Revenues	Long-Lived Assets	Revenues
United States	**$3,763.6**	**$2,823.8**	$3,749.6	$2,618.4	$1,407.4
Canada[1]	**1,127.0**	**22.9**	571.7	24.1	53.7
Total	**$4,890.6**	**$2,846.7**	$4,321.3	$2,642.5	$1,461.1

[1]Revenues and assets of Canadian subsidiaries.

NOTE 26--QUARTERLY FINANCIAL INFORMATION (Unaudited)

(Millions, except for share amounts)	Three Months Ended				
			2004		
	March	**June**	**September**	**December**	**Total**
Operating revenues	**$1,373.3**	**$1,045.9**	**$1,072.5**	**$1,398.9**	**$4,890.6**
Operating Income	**71.0**	**17.5**	**49.9**	**50.9**	**189.3**
Income from continuing operations	**46.4**	**10.7**	**37.8**	**61.3**	**156.2**
Income available for common shareholders	**42.6**	**4.6**	**34.8**	**57.7**	**139.7**
Average number of shares of common stock (basic)	**37.1**	**37.3**	**37.4**	**37.5**	**37.4**
Average number of shares of common stock (diluted)	**37.3**	**37.5**	**37.6**	**37.8**	**37.6**
Earnings per common share (basic) (2)					
Income from continuing operations	**$1.23**	**$0.27**	**$0.99**	**$1.61**	**$4.09**
Earnings per common share (basic)	**1.15**	**0.12**	**0.93**	**1.54**	**3.74**
Earnings per common share (diluted) (2)					
Income from continuing operations	**$1.22**	**$0.26**	**$0.99**	**$1.60**	**$4.07**
Earnings per common share (diluted)	**1.14**	**0.12**	**0.93**	**1.53**	**3.72**

			2003		
	March	**June**	**September**	**December**	**Total**
Operating revenues (1)	$1,281.8	$971.9	$989.3	$1,078.3	$4,321.3
Operating income	57.4	10.5	52.5	10.3	130.7
Income from continuing operations	35.7	9.2	33.3	32.4	110.6
Net income before cumulative effect of change in accounting principles	30.6	3.5	34.8	25.7	94.6
Income available for common shareholders	33.0	2.7	34.1	24.9	94.7
Average number of shares of common stock	32.1	32.4	32.6	34.5	33.0
Average number of shares of common stock (diluted)	32.4	32.7	32.9	34.8	33.2
Earnings per common share (basic) (2)					
Income from continuing operations	$1.09	$0.26	$1.00	$0.92	$3.26
Net income before cumulative effect of change in accounting principles	0.93	0.08	1.05	0.72	2.77
Earnings per common share (basic)	1.03	0.08	1.05	0.72	2.87
Earnings per common share (diluted) (2)					
Income from continuing operations	$1.08	$0.26	$0.99	$0.91	$3.24
Net income before cumulative effect of change in accounting principles	0.92	0.08	1.04	0.72	2.75
Earnings per common share (diluted)	1.02	0.08	1.04	0.72	2.85

(1) Revenue has been reclassified, including revenues related to discontinued operation, to conform to current year presentation.

(2) Earnings per share for the individual quarters do not total the year ended earnings per share amount because of the significant changes to the average number of shares outstanding and changes in incremental issuable shares throughout the year.

Because of various factors, which affect the utility business, the quarterly results of operations are not necessarily comparable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WPS RESOURCES CORPORATION

F. REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of WPS Resources Corporation

We have audited the accompanying consolidated balance sheets of WPS Resources Corporation and subsidiaries (the "Company") as of December 31, 2004 and 2003, and the related consolidated statements of income, common shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of WPS Resources Corporation and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2003 the Company changed its method of accounting for certain energy trading contracts to adopt EITF 02-3, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities." As discussed in Notes 1 and 15 to the consolidated financial statements, effective January 1, 2003, the Company changed its method of accounting for asset retirement obligations to adopt Statement of Financial Accounting Standard No. 143, "Accounting for Asset Retirement Obligations."

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 9, 2005 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Milwaukee, Wisconsin
March 9, 2005

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WISCONSIN PUBLIC SERVICE CORPORATION

G. CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31 (Millions)	**2004**	2003	2002
Operating revenues			
Electric	**$801.2**	$724.9	$696.9
Gas	**420.9**	404.2	310.7
Total operating revenues	**1,222.1**	1,129.1	1,007.6
Operating expenses			
Electric production fuels	**137.7**	134.1	127.7
Purchased power	**111.3**	90.9	89.5
Gas purchased for resale	**301.9**	291.0	198.6
Other operating expenses	**306.9**	283.1	257.5
Maintenance	**79.1**	72.0	69.4
Depreciation and decommissioning	**91.0**	122.9	81.9
Federal income taxes	**37.8**	30.9	33.0
Investment tax credit restored	**(1.3)**	(1.5)	(1.5)
State income taxes	**10.6**	8.9	10.3
Gross receipts tax and other	**38.5**	36.8	33.4
Total operating expense	**1,113.5**	1,069.1	899.8
Operating income	**108.6**	60.0	107.8
Other income and (deductions)			
Allowance for equity funds used during construction	**2.0**	2.4	3.0
Other, net	**35.2**	60.3	16.0
Income taxes	**(4.2)**	(7.4)	(5.0)
Total other income	**33.0**	55.3	14.0
Interest expense			
Interest on long-term debt	**29.9**	27.8	27.2
Other interest	**4.5**	4.9	7.9
Allowance for borrowed funds used during construction	**(0.7)**	(1.0)	(1.2)
Total interest expense	**33.7**	31.7	33.9
Minority interest	**-**	(1.6)	(1.7)
Net income	**107.9**	82.0	86.2
Preferred stock dividend requirements	**3.1**	3.1	3.1
Earnings on common stock	**$104.8**	$78.9	$83.1

The accompanying WPS Resources Corporation's and Wisconsin Public Service Corporation's notes are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WISCONSIN PUBLIC SERVICE CORPORATION

H. CONSOLIDATED BALANCE SHEETS

At December 31 (Millions)	**2004**	2003
Assets		
Utility plant		
Electric	**$2,223.9**	$2,121.2
Gas	**510.0**	457.2
Total	**2,733.9**	2,578.4
Less - Accumulated depreciation	**1,189.3**	1,132.4
Total	**1,544.6**	1,446.0
Nuclear decommissioning trusts	**344.5**	332.3
Construction in progress	**153.1**	81.7
Nuclear fuel, less accumulated amortization	**24.6**	20.3
Net utility plant	**2,066.8**	1,880.3
Current assets		
Cash and cash equivalents	**3.5**	4.7
Customer and other receivables, net of reserves of $5.5 at December 31, 2004 and $4.4 at December 31, 2003	**106.2**	103.6
Receivables from related parties	**9.1**	15.6
Accrued unbilled revenues	**68.4**	51.3
Fossil fuel, at average cost	**15.2**	14.9
Gas in storage, at average cost	**60.2**	50.9
Materials and supplies, at average cost	**28.3**	26.2
Assets from risk management activities	**5.7**	4.5
Prepayments and other	**39.3**	38.8
Total current assets	**335.9**	310.5
Regulatory assets	**156.5**	125.0
Pension assets	**-**	67.8
Goodwill	**36.4**	36.4
Investments and other assets	**173.0**	157.7
Total assets	**$2,768.6**	$2,577.7
Capitalization and Liabilities		
Capitalization		
Common stock equity	**$899.7**	$798.2
Preferred stock with no mandatory redemption	**51.2**	51.2
Long-term debt to parent	**12.0**	12.4
Long-term debt	**496.0**	495.4
Total capitalization	**1,458.9**	1,357.2
Current liabilities		
Current portion of long-term debt	**-**	49.9
Short-term debt	**101.0**	10.0
Accounts payable	**145.1**	104.9
Payables to related parties	**8.9**	14.9
Accrued interest and taxes	**8.1**	9.3
Other	**20.5**	16.5
Total current liabilities	**283.6**	205.5
Long-term liabilities and deferred credits		
Accumulated deferred income taxes	**130.1**	134.7
Accumulated deferred investment tax credits	**15.2**	16.5
Regulatory liabilities	**271.1**	285.4
Environmental remediation liability	**66.7**	36.2
Pension and postretirement benefit obligations	**92.9**	135.9
Asset retirement obligations	**364.4**	344.0
Payables to related parties	**18.6**	-
Other long-term liabilities	**67.1**	62.3
Total long-term liabilities and deferred credits	**1,026.1**	1,015.0
Commitments and contingencies	**-**	-
Total capitalization and liabilities	**$2,768.6**	$2,577.7

The accompanying WPS Resources Corporation's and Wisconsin Public Service Corporation's notes are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WISCONSIN PUBLIC SERVICE CORPORATION

I. CONSOLIDATED STATEMENTS OF CAPITALIZATION

At December 31 (Millions, except share amounts)			2004	2003
Common stock equity				
Common stock			**$95.6**	$95.6
Premium on capital stock			**516.0**	438.3
Accumulated other comprehensive loss			**(20.7)**	(14.9)
Retained earnings			**308.8**	279.2
Total common stock equity			**899.7**	798.2
Preferred stock				
Cumulative, $100 par value, 1,000,000 shares authorized with no mandatory redemption -				
	Series	Shares Outstanding		
	5.00%	131,916	**13.2**	13.2
	5.04%	29,983	**3.0**	3.0
	5.08%	49,983	**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	**7.0**	7.2
Total long-term debt to parent			**12.0**	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		
	6.08%	2028	**50.0**	50.0
	6.125%	2011	**150.0**	150.0
	4.875%	2012	**150.0**	150.0
	4.8%	2013	**125.0**	125.0
Total			**497.1**	547.0
Unamortized discount and premium on bonds, net			**(1.1)**	(1.7)
Total first mortgage bonds			**496.0**	545.3
Current portion			**-**	(49.9)
Total long-term debt			**496.0**	495.4
Total capitalization			**$1,458.9**	$1,357.2

The accompanying WPS Resources Corporation's and Wisconsin Public Service Corporation's notes are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WISCONSIN PUBLIC SERVICE CORPORATION

J. CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDER'S EQUITY

(Millions)	Comprehensive Income	Total	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss
Balance at December 31, 2001	-	$710.6	$95.6	$364.6	$250.4	-
Earnings on common stock	$83.1	83.1	-	-	83.1	-
Other comprehensive loss - minimum pension liability (net of taxes of $1.8)	(2.7)	(2.7)	-	-	-	(2.7)
Comprehensive income	$80.4	-	-	-	-	-
Net equity infusions from parent	-	15.0	-	15.0	-	-
Dividends to parent	-	(64.0)	-	-	(64.0)	-
Other	-	3.9	-	4.2	(0.3)	-
Balance at December 31, 2002	-	$745.9	$95.6	$383.8	$269.2	($2.7)
Earnings on common stock	$78.9	78.9	-	-	78.9	-
Other comprehensive loss - minimum pension liability (net of taxes of $8.2)	(12.2)	(12.2)	-	-	-	(12.2)
Comprehensive income	$66.7	-	-	-	-	-
Net equity infusions from parent	-	50.0	-	50.0	-	-
Dividends to parent	-	(69.0)	-	-	(69.0)	-
Other	-	4.6	-	4.5	0.1	-
Balance at December 31, 2003	-	$798.2	$95.6	$438.3	$279.2	($14.9)
Earnings on common stock	$104.8	104.8	-	-	104.8	-
Other comprehensive loss - minimum pension liability (net of taxes of $3.8)	(5.8)	(5.8)	-	-	-	(5.8)
Comprehensive income	$99.0	-	-	-	-	-
Net equity infusions from parent	-	75.0	-	75.0	-	-
Dividends to parent	-	(75.0)	-	-	(75.0)	-
Other	-	2.5	-	2.7	(0.2)	-
Balance at December 31, 2004	-	$899.7	$95.6	$516.0	$308.8	($20.7)

The accompanying WPS Resources Corporation's and Wisconsin Public Service Corporation's notes are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WISCONSIN PUBLIC SERVICE CORPORATION

K. CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31 *(Millions)*	**2004**	2003	2002
Cash flows from operating activities:			
Net income	**$107.9**	$82.0	$86.2
Adjustments to reconcile net income to net cash from operating activities -			
Depreciation and decommissioning	**91.0**	122.9	81.9
Gain on nuclear decommissioning trust	**(5.5)**	(38.7)	(1.7)
Amortization	**42.8**	41.4	45.5
Deferred income taxes	**1.0**	12.1	(0.3)
Allowance for equity funds used during construction	**(2.0)**	(2.4)	(3.0)
Equity income, net of minority interest	**(14.6)**	(9.3)	(9.5)
Gain on sale of property	**(13.7)**	(7.3)	(0.7)
Pension expense (credit)	**16.3**	6.7	(4.9)
Postretirement expense	**12.4**	12.0	4.5
Pension and postretirement funding	**(17.8)**	(15.6)	(7.3)
Other, net	**14.3**	(13.3)	9.6
Changes in -			
Customer and other receivables	**1.0**	(4.0)	(23.1)
Accrued utility revenues	**(17.1)**	(4.0)	(6.4)
Fossil fuel inventory	**(0.3)**	1.5	(1.3)
Gas in storage	**(9.3)**	(19.9)	2.6
Miscellaneous assets	**(3.3)**	(10.4)	(7.5)
Accounts payable	**9.0**	0.4	37.6
Accrued taxes and interest	**(1.2)**	(1.4)	(9.3)
Miscellaneous current and accrued liabilities	**3.0**	(0.1)	(7.5)
Net cash provided by operating activities	**213.9**	152.6	185.4
Cash flows from investing activities:			
Capital expenditures	**(272.8)**	(161.6)	(191.0)
Purchase of equity investments and other acquisitions	**-**	(48.4)	-
Sale of property, plant, and equipment	**19.5**	27.7	1.5
Decommissioning funding	**(0.3)**	(3.0)	(2.6)
Other	**1.6**	3.1	8.1
Net cash used for investing activities	**(252.0)**	(182.2)	(184.0)
Cash flows from financing activities:			
Short-term debt - net	**91.0**	(16.0)	16.0
Issuance of long-term debt	**-**	125.0	150.0
Payments of long-term debt and capital lease	**(50.3)**	(59.5)	(123.3)
Equity contributions from parent	**75.0**	50.0	60.0
Equity withdrawal by parent	**-**	-	(45.0)
Dividends to parent	**(75.0)**	(69.0)	(64.0)
Preferred stock dividends	**(3.1)**	(3.1)	(3.1)
Other	**(0.7)**	3.5	1.5
Net cash provided by (used for) financing activities	**36.9**	30.9	(7.9)
Net change in cash and equivalents	**(1.2)**	1.3	(6.5)
Cash and equivalents at beginning of year	**4.7**	3.4	9.9
Cash and equivalents at end of year	**$3.5**	$4.7	$3.4

The accompanying WPS Resources Corporation's and Wisconsin Public Service Corporation's notes are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WISCONSIN PUBLIC SERVICE CORPORATION

L. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Certain notes to WPSC's financial statements are combined with the notes to the financial statements of WPS Resources in Item 8, Section E. The combined notes are listed below.

	Item 8, Section E Footnote Reference
Summary of Significant Accounting Policies	Note 1
Fair Value of Financial Instruments	Note 2
Risk Management Activities	Note 3
Property, Plant, and Equipment	Note 5
Acquisitions and Sales of Assets	Note 6
Jointly Owned Utility Facilities	Note 7
Nuclear Plant Operation	Note 8
Regulatory Assets and Liabilities	Note 9
Investments in Affiliates, at Equity Method	Note 10
Goodwill and Other Intangible Assets	Note 11
Long-Term Debt	Note 14
Asset Retirement Obligations	Note 15
Commitments and Contingencies	Note 17
Employee Benefit Plans	Note 18
Preferred Stock of Subsidiary	Note 19
Stock-Based Compensation	Note 21
Regulatory Environment	Note 22

In addition to the combined notes, the following are supplemental notes for WPSC. These notes should be read in conjunction with WPS Resources' consolidated financial statements and the related notes. WPSC is subject to regulation by the FERC under the Federal Power Act and follows the Uniform System of Accounts prescribed by the FERC.

NOTE 1--CASH AND CASH EQUIVALENTS

Cash paid for taxes during 2004, 2003, and 2002 was $38.4 million, $29.7 million, and $52.2 million, respectively. During 2004, 2003, and 2002, cash paid for interest totaled $28.7 million, $28.4 million, and $25.4 million, respectively.

Non-cash transactions were as follows:

(Millions)	**2004**	2003	2002
Weston 4 construction costs funded through accounts payable	**$22.6**	$ -	$ -
Minimum pension liability equity adjustment	**5.8**	12.2	2.7
Exchange of transmission assets for equity interest in ATC	**-**	5.9	-

NOTE 2--FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of WPSC's financial instruments as of December 31 were:

(Millions)	**2004**		2003	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**$ 3.5**	**$ 3.5**	$ 4.7	$ 4.7
Energy conservation loans	**1.6**	**1.6**	1.9	1.9
Nuclear decommissioning trusts - utility plant	**344.5**	**344.5**	332.3	332.3
Nuclear decommissioning trusts - other assets	**26.8**	**26.8**	22.5	22.5
Notes payable	**10.0**	**10.0**	10.0	10.0
Commercial paper	**91.0**	**91.0**	-	-
Long-term debt	**497.1**	**523.2**	547.0	565.7
Preferred stock	**51.2**	**50.1**	51.2	49.1
Risk management activities - net	**10.4**	**10.4**	8.4	8.4

NOTE 3--REGULATORY ASSETS AND LIABILITIES

The following regulatory assets and liabilities were reflected in WPSC's consolidated balance sheets as of December 31:

(Millions)	**2004**	2003
Regulatory assets		
Manufactured gas plant remediation costs (net of insurance recoveries)	**$ 71.3**	$ 39.6
De Pere Energy Center	**45.3**	47.7
Deferred nuclear costs	**10.9**	4.9
Plant related costs	**6.5**	2.6
Minimum pension liability	**6.4**	15.2
Reserve for uncollectible accounts	**5.5**	4.4
Unamortized loss on debt	**2.4**	1.4
Automated meter reading costs	**1.8**	4.5
Funding for enrichment facilities	**1.8**	2.4
Other	**4.6**	2.3
Total	**$156.5**	$125.0
Regulatory liabilities		
Cost of removal reserve	**$173.7**	$167.9
Asset retirement obligations	**46.6**	66.9
Unrealized gain on decommissioning trust	**26.8**	22.5
Derivatives	**11.0**	8.4
Income tax related items	**6.6**	4.9
Deferred gain on emission allowance sales	**3.7**	5.1
Deferred ATC costs	**1.6**	3.4
Demand-side management expenditures	**1.1**	5.3
Other	**-**	1.0
Total	**$271.1**	$285.4

NOTE 4--LEASES

WPSC leases various property, plant, and equipment. Terms of the leases vary but generally require WPSC to pay property taxes, insurance premiums, and maintenance costs associated with the leased property. Rental expense attributable to operating leases was $4.2 million, $3.9 million, and $3.9 million in 2004, 2003, and 2002 respectively. Future minimum rental obligations under non-cancelable operating leases are payable as follows:

Year ending December 31 *(Millions)*	
2005	$ 3.2
2006	1.7
2007	1.7
2008	1.6
2009	1.4
Later years	4.9
Total payments	$14.5

NOTE 5--COMMON EQUITY

WPSC is restricted by a PSCW order to pay normal common stock dividends of no more than 109% of the previous year's common stock dividend without the PSCW's approval. WPS Resources may provide equity contributions or request a return of capital in order to maintain utility common equity levels consistent with those allowed by the regulators. Wisconsin law prohibits WPSC from making loans to or guaranteeing obligations of WPS Resources or its other subsidiaries.

During 2004, WPSC received equity contributions of $75.0 million from WPS Resources. WPSC paid common dividends of $75.0 million to WPS Resources in 2004. The equity contributions allowed WPSC's average equity capitalization ratio for ratemaking to remain within the target range as established by the PSCW in its most recent rate order.

NOTE 6--PREFERRED STOCK

WPSC has issued preferred stock with no mandatory redemption and a $100 par value. The following table shows the carrying value and shares outstanding at December 31, 2003, and 2004 of the 1,000,000 shares authorized:

(Millions, except share amounts)	Series	Shares Outstanding	Carrying Value
	5.00%	131,916	$13.2
	5.04%	29,983	3.0
	5.08%	49,983	5.0
	6.76%	150,000	15.0
	6.88%	150,000	15.0
Total		511,882	$51.2

NOTE 7--LONG-TERM DEBT

At December 31, 2004, WPSC was in compliance with all covenants relating to outstanding debt. A schedule of all principal debt payment amounts, including bond maturities and early retirement payments is as follows:

Year ending December 31 (Millions)	
2005	$ -
2006	-
2007	-
2008	-
2009	-
Later years	497.1
Total payments	$497.1

NOTE 8--SHORT-TERM DEBT AND LINES OF CREDIT

The information in the table below relates to short-term debt and lines of credit for the years indicated:

(Millions, except for percentages)	**2004**	2003	2002
As of end of year			
Commercial paper outstanding	**$91.0**	$ -	$16.0
Average discount rate on outstanding commercial paper	**2.44%**	-%	1.35%
Short-term notes payable outstanding	**$10.0**	$10.0	$10.0
Average interest rate on short-term notes payable	**2.26%**	1.12%	1.39%
Available (unused) lines of credit	**$20.2**	$115.0	$100.0
For the year			
Maximum amount of short-term debt	**$116.0**	$103.0	$80.0
Average amount of short-term debt	**$36.3**	$64.7	$22.9
Average interest rate on short-term debt	**1.67%**	1.24%	1.74%

The commercial paper had varying maturity dates ranging from January 4, 2005, through January 11, 2005.

NOTE 9--ASSET RETIREMENT OBLIGATIONS

WPSC has a legal obligation to decommission the irradiated portions of Kewaunee in accordance with the Nuclear Regulatory Commission's minimum decommissioning requirements. WPSC has also identified other legal retirement obligations that are not significant to the financial statements. Upon implementation of SFAS No. 143 on January 1, 2003, WPSC recorded a net asset retirement cost of $90.8 million and an asset retirement obligation of $324.8 million. The difference between the previously recorded liabilities of $290.5 million and the cumulative effect of adopting SFAS No. 143 was deferred as a regulatory liability pursuant to SFAS No. 71.

WPSC recognized removal costs for utility assets prior to the adoption of SFAS No. 143. Historically these removal costs were reflected as a component of depreciation expense and accumulated depreciation in accordance with regulatory treatment. Upon adoption of SFAS No. 143 on January 1, 2003, costs of removal with associated legal retirement obligations were accounted for as asset retirement obligations. Subsequent to adopting SFAS No. 143, amounts recognized for costs of removal that do not have an associated legal obligation are reported as a regulatory liability pursuant to SFAS No. 71.

NOTE 10--INCOME TAXES

The principal components of WPSC's deferred tax assets and liabilities recognized in the balance sheet as of December 31 are as follows:

(Millions)	**2004**	2003
Deferred tax assets		
Plant related	**$ 53.5**	$ 51.7
Employee benefits	**22.2**	18.9
Deferred income and deductions	**14.5**	13.4
Other comprehensive income	**13.8**	10.0
Regulatory deferrals	**1.8**	3.4
Other	**4.6**	1.4
Total	**$110.4**	$ 98.8
Deferred tax liabilities		
Plant related	**$212.6**	$203.2
Employee benefits	**11.0**	16.1
Regulatory deferrals	**10.6**	5.7
Deferred income and deductions	**3.8**	3.3
Other	**3.1**	4.6
Total	**$241.1**	$232.9
Consolidated Balance Sheet Presentation		
Prepayments and other	**$ -**	$ (0.6)
Other current liabilities	**0.6**	-
Long-term deferred tax liabilities	**130.1**	134.7
Net deferred tax liabilities	**$130.7**	$134.1

The following table presents a reconciliation of federal income taxes (which are calculated by multiplying the statutory federal income tax rate by book income before federal income tax) to the federal income tax expense reported in the Consolidated Statements of Income for the periods ended December 31.

(Millions, except for percentages)	**2004**		2003		2002	
	Rate	**Amount**	Rate	Amount	Rate	Amount
Statutory federal income tax	**35.0%**	**$55.7**	35.0%	$45.3	35.0%	$47.2
State income taxes, net	**5.1**	**8.1**	5.5	7.1	5.4	7.2
Investment tax credit restored	**(0.9)**	**(1.4)**	(1.2)	(1.5)	(1.1)	(1.5)
Plant related	**0.1**	**0.2**	(0.9)	(1.2)	(1.7)	(2.3)
Benefits and compensation	**(1.9)**	**(3.1)**	(1.5)	(1.9)	(1.3)	(1.8)
Federal tax credits	**(0.2)**	**(0.3)**	(0.2)	(0.3)	(0.2)	(0.3)
Other differences, net	**(5.0)**	**(7.9)**	(1.4)	(1.8)	(1.4)	(1.7)
Effective income tax	**32.2%**	**$51.3**	35.3%	$45.7	34.7%	$46.8
Current provision						
Federal		**$38.7**		$24.2		$35.6
State		**11.6**		9.4		11.5
Total current provision		**50.3**		33.6		47.1
Deferred provision		**2.3**		13.6		1.2
Investment tax credit restored		**(1.3)**		(1.5)		(1.5)
Total income tax expense		**$51.3**		$45.7		$46.8

As the related temporary differences reverse, WPSC is prospectively refunding taxes to customers for which deferred taxes were recorded in prior years at rates different than current rates. The regulatory liability for these refunds and other regulatory tax effects totaled $6.6 and $4.9 million as of December 31, 2004, and 2003, respectively.

NOTE 11--SEGMENTS OF BUSINESS

WPSC manages its reportable segments separately due to their different operating and regulatory environments. Its principal business segments are the regulated electric utility operations and the regulated gas utility operations. The tables below present information for the respective years pertaining to the operations of WPSC segmented by lines of business.

Segments of Business
(Millions)

	Regulated Utilities				
2004	Electric Utility	Gas Utility	Total Utility	Other [(1)]	WPSC Consolidated
Income Statement					
Operating revenues	**$ 801.2**	**$420.9**	**$1,222.1**	**$ -**	**$1,222.1**
Depreciation and decommissioning	**75.0**	**16.0**	**91.0**	**-**	**91.0**
Other income, excluding taxes	**10.4**	**0.4**	**10.8**	**26.4**	**37.2**
Interest expense	**23.1**	**7.7**	**30.8**	**2.9**	**33.7**
Income taxes	**38.4**	**10.2**	**48.6**	**2.7**	**51.3**
Earnings on common stock	**65.8**	**17.3**	**83.1**	**21.7**	**104.8**
Total assets	**2,080.8**	**577.9**	**2,658.7**	**109.9**	**2,768.6**
Cash expenditures for long-lived assets	**210.1**	**62.7**	**272.8**	**-**	**272.8**

[(1)] Nonutility operations are included in the Other column.

Segments of Business
(Millions)

2003	Regulated Utilities Electric Utility	Gas Utility	Total Utility	Other [1]	WPSC Consolidated
Income Statement					
Operating revenues	$ 724.9	$404.2	$1,129.1	$ -	$1,129.1
Depreciation and decommissioning	108.6	14.3	122.9	-	122.9
Other income, excluding taxes	43.7	1.3	45.0	17.7	62.7
Interest expense	22.3	6.7	29.0	2.7	31.7
Income taxes	31.7	9.2	40.9	4.8	45.7
Earnings on common stock	53.6	15.7	69.3	9.6	78.9
Total assets	1,965.7	497.0	2,462.7	115.0	2,577.7
Cash expenditures for long-lived assets	120.6	40.7	161.3	0.3	161.6

[1] Nonutility operations are included in the Other column.

Segments of Business
(Millions)

2002	Regulated Utilities Electric Utility	Gas Utility	Total Utility	Other [1]	WPSC Consolidated
Income Statement					
Operating revenues	$696.9	$310.7	$1,007.6	$ -	$1,007.6
Depreciation and decommissioning	68.6	13.3	81.9	-	81.9
Other income, excluding taxes	6.3	0.3	6.6	12.4	19.0
Interest expense	25.4	6.3	31.7	2.2	33.9
Income taxes	31.1	12.4	43.5	3.3	46.8
Earnings on common stock	58.6	18.4	77.0	6.1	83.1
Cash expenditures for long-lived assets	157.0	34.0	191.0	-	191.0

[1] Nonutility operations are included in the Other column.

NOTE 12--QUARTERLY FINANCIAL INFORMATION (Unaudited)

(Millions)	**Three Months Ended**				
			2004		
	March	**June**	**September**	**December**	**Total**
Operating revenues	**$372.0**	**$259.8**	**$260.2**	**$330.1**	**$1,222.1**
Operating income	**37.7**	**15.8**	**34.4**	**20.7**	**108.6**
Earnings on common stock	**32.5**	**11.9**	**30.5**	**29.9**	**104.8**
			2003		
	March	June	September	December	Total
Operating revenues	$351.7	$244.8	$254.0	$278.6	$1,129.1
Operating income	29.7	7.8	30.6	(8.1)	60.0
Earnings on common stock	23.9	4.3	28.0	22.7	78.9

Because of various factors that affect the utility business, the quarterly results of operations are not necessarily comparable.

NOTE 13--RELATED PARTY TRANSACTIONS

WPSC routinely enters into transactions with related parties, including WPS Resources, its subsidiaries, and other entities in which WPSC has material interests.

The following table shows purchases from and sales to related parties:

(Millions)	**2004**	2003	2002
Electric sales to UPPCO	**$16.1**	$27.1	$21.5
Electric purchases from UPPCO	**4.9**	1.4	-
Gas sales to ESI	**20.8**	16.4	5.4
Gas purchases from ESI	**15.4**	5.9	3.3

WPS Leasing, a consolidated subsidiary of WPSC, has a note payable to the WPS Resources parent company. The balance of the payable was $12.0 million and $12.4 million at December 31, 2004, and 2003, respectively. Interest expense on the note totaled $1.0 million per year in 2004, 2003, and 2002.

With the exception of UPPCO's Supplemental Employee Retirement Plan, the assets and liabilities related to the qualified and non-qualified pension plans and the postretirement plans of WPS Resources are recorded on WPSC's Consolidated Balance Sheets. The net periodic benefit cost associated with the plans is allocated among WPS Resources' subsidiaries. At December 31, 2004, and 2003, WPSC's Consolidated Balance Sheets included $1.4 million and $1.1 million, respectively, in receivables from related parties related to these benefit plans.

WPS Resources and its consolidated subsidiaries file consolidated federal income tax returns. WPSC pays the income taxes, which are then allocated to the appropriate entities. The tax allocable to each subsidiary is the amount of tax it would have paid had it filed a separate return for the tax year in question, after application of any credit to which it would be entitled on a separate return basis. Adjustments are made as necessary to reflect any items which are usable on the consolidated return, but which would not be usable on a separate return, such as deducting a capital loss that can be used against capital gains attributable to another member of the consolidated group. At December 31, 2004, WPSC's Consolidated Balance Sheet included intercompany taxes receivable of $3.1 million and intercompany taxes payable of $24.4 million. At December 31, 2003, intercompany taxes payable totaled $6.3 million.

At December 31, 2004, WPSC had a 36.4% interest in WPS Investments, accounted for under the equity method. WPS Investments is a consolidated subsidiary of WPS Resources that is jointly owned by WPS Resources, WPSC, and UPPCO. Prior to 2003, WPS Investments was a consolidated subsidiary of WPSC, but capital contributions during 2003 resulted in majority ownership by WPS Resources. The ownership interests have varied throughout 2004, 2003, and 2002 and will continue to change as cash is contributed by WPS Resources or additional assets are contributed by the utilities. Equity income recorded by WPSC during 2004 and 2003 was $6.9 million and $5.8 million, respectively.

WPSC also provides and receives other services, property, and things of value to and from its parent, WPS Resources, and other subsidiaries of WPS Resources. All such transactions are made pursuant to a master affiliated interest agreement approved by the PSCW. The agreement provides that WPSC receives payment equal to the higher of its cost or fair value for services and property and other things of value which WPSC provides to WPS Resources or its other nonregulated subsidiaries, and WPSC makes payments equal to the lower of the provider's cost or fair value for property, services, and other things of value which WPS Resources or its other nonregulated subsidiaries provide to WPSC. The agreement further provides that any services, property, or other things of value provided to or from WPSC to or for any other regulated subsidiary of WPS Resources be provided at cost. Modification or amendment to the master agreement requires the approval of the PSCW.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WISCONSIN PUBLIC SERVICE CORPORATION

M. REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Wisconsin Public Service Corporation

We have audited the accompanying consolidated balance sheets and statements of capitalization of Wisconsin Public Service Corporation and subsidiaries (the "Company") as of December 31, 2004 and 2003, and the related consolidated statements of income, common shareholder's equity, and cash flows for each of the three years in the period ended December 31, 2004. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Wisconsin Public Service Corporation and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 8 to the consolidated financial statements, effective January 1, 2003, the Company changed its method of accounting for asset retirement obligations to adopt Statement of Financial Accounting Standard No. 143, "Accounting for Asset Retirement Obligations."

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 9, 2005 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Milwaukee, Wisconsin
March 9, 2005

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, WPS Resources' and WPSC's management evaluated, with the participation of WPS Resources' and WPSC's Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of WPS Resources' and WPSC'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 WPSC'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 WPSC (including their consolidated subsidiaries) required to be included in their periodic SEC filings, particularly during the period in which this Annual Report on Form 10-K was being prepared.

Changes in Internal Controls

There were no significant changes in WPS Resources' and WPSC's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2004 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Management Reports on Internal Control over Financial Reporting

WPS Resources Corporation

The management of WPS Resources and its subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting. WPS Resources' control systems were designed to provide reasonable assurance to WPS Resources' management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

WPS Resources' management assessed the effectiveness of its internal control over financial reporting as of December 31, 2004. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based on this assessment, management believes that, as of December 31, 2004, WPS Resources' internal control over financial reporting is effective based on those criteria.

WPS Resources Corporation's independent registered public accounting firm has issued an audit report on management's assessment of WPS Resources' internal control over financial reporting.

Wisconsin Public Service Corporation

The management of WPSC and its subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting. WPSC's control systems were designed to provide reasonable assurance to WPSC's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

WPSC's management assessed the effectiveness of its internal control over financial reporting as of December 31, 2004. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based on this assessment, management believes that, as of December 31, 2004, WPSC's internal control over financial reporting is effective based on those criteria.

WPSC's independent registered public accounting firm has issued an audit report on management's assessment of WPSC's internal control over financial reporting.

Reports of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of WPS Resources Corporation

We have audited management's assessment, included in the accompanying Management Reports on Internal Control over Financial Reporting, that WPS Resources Corporation and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2004 of the Company and our report dated March 9, 2005 expressed an unqualified opinion on those financial statements and financial statement schedules.

/s/ Deloitte & Touche LLP

Milwaukee, Wisconsin
March 9, 2005

To the Board of Directors of Wisconsin Public Service Corporation

We have audited management's assessment, included in the accompanying Management Reports on Internal Control over Financial Reporting, that Wisconsin Public Service Corporation and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2004 of the Company and our report dated March 9, 2005 expressed an unqualified opinion on those financial statements and financial statement schedules.

/s/ Deloitte & Touche LLP

Milwaukee, Wisconsin
March 9, 2005

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANTS

Information required by this Item regarding the directors of WPS Resources, Section 16 compliance and the members of the audit committee and the audit committee financial expert can be found in WPS Resources' Proxy Statement for its Annual Meeting of Shareholders to be held May 19, 2005, under the captions "Election of Directors," "Ownership of Voting Securities-Section 16(a) Beneficial Ownership Reporting Compliance" and "Committees of the Board of Directors," respectively. Such information is incorporated by reference as if fully set forth herein. The directors of WPS Resources are also the directors of WPSC.

Information regarding the executive officers of WPS Resources and WPSC can be found in this Annual Report on Form 10-K in Item 4A.

WPS Resources has adopted a Code of Conduct, which serves as our Code of Business Conduct and Ethics. The Code of Conduct applies to all of our directors, officers, and employees, including the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and Controller and any other persons performing similar functions. The Code of Conduct also applies to WPSC and all of its directors, officers, and employees. The Code of Conduct is available on our web site at www.wpsr.com under "Investor Information" then select, "Corporate Governance." A copy is also available to any shareholder, upon request, by writing to Barth J. Wolf, Secretary and Manager - Legal Services, WPS Resources

Corporation, P.O. Box 19001, Green Bay, Wisconsin 54307-9001. Any amendments to, or waivers from, our Code of Conduct will be disclosed on our web site within the prescribed time period.

WPS Resources has also adopted corporate governance guidelines. These guidelines, as well as the charters for its audit committee, governance committee, and compensation committee are available on our web site at www.wpsr.com under "Investor Information" then select, "Corporate Governance." A copy of our corporate governance guidelines and our audit committee, governance committee and compensation committee charters are also available to any shareholder, upon request by writing to Barth J. Wolf, Secretary and Manager - Legal Services, WPS Resources Corporation, P.O. Box 19001, Green Bay, Wisconsin 54307-9001.

ITEM 11. EXECUTIVE COMPENSATION

WPS Resources

Information required by this Item regarding compensation paid by WPS Resources to its directors and its "named executive officers" can be found in WPS Resources' Proxy Statement for its Annual Meeting of Shareholders to be held May 19, 2005, under the captions "Board Compensation" and "Executive Compensation." Such information is incorporated by reference as if fully set forth herein. Named executive officers include the Chief Executive Officer and the next four most highly compensated executive officers for 2004.

Wisconsin Public Service

Summary Compensation Table

The following table sets forth cash and other compensation paid to or earned by each of the named executive officers of WPSC for the last three fiscal years. Named executive officers include the Chief Executive Officer and the next four most highly compensated executive officers for 2004. Compensation amounts for those WPSC named executive officers also reported as named executive officers of WPS Resources are repeated in this table and do <u>not</u> reflect additional compensation.

					Long-Term Compensation			
		Annual Compensation			Awards		Payouts	
Name and Title	Year	Salary ($) (1)	Bonus ($)	Other Annual Compen-sation ($) (2)	Restricted Stock Awards ($) (3)	Securities Underlying Options (#)	LTIP Payouts ($)	All Other Compen-sation ($)(4)
Larry L. Weyers Chairman and Chief Executive Officer	2004	600,000	777,060	30,078	-	111,607	1,161,681	25,669
	2003	544,817	409,465	38,880	-	97,015	1,058,688	27,837
	2002	539,300	358,853	26,627	-	99,027	-	22,068
Joseph P. O'Leary Senior Vice President and Chief Financial Officer	2004	261,862	158,016	-	-	23,304	234,603	7,717
	2003	234,778	98,428	-	-	17,371	120,936	2,065
	2002	232,400	110,264	-	-	17,781	-	2,065
Charles A. Schrock President and Chief Operating Officer - Generation	2004	248,153	144,223	1,026	-	16,000	223,854	18,134
	2003	240,031	34,294	1,326	-	14,404	-	18,711
	2002	237,600	79,765	908	-	16,967	-	16,526
Thomas P. Meinz Executive Vice President - Public Affairs	2004	186,992	108,082	11,421	-	13,326	162,557	16,895
	2003	174,265	71,267	14,763	-	11,505	159,485	17,498
	2002	172,500	81,999	10,110	-	12,318	-	15,516
Bernard J. Treml Senior Vice President - Human Resources	2004	175,213	97,138	6,637	-	7,634	88,275	17,062
	2003	165,678	62,552	8,579	-	6,538	87,724	17,740
	2002	164,000	75,821	5,876	-	6,692	-	15,675

(1) In addition to base salary, these amounts include elective deferred compensation in a reserve account for each individual.

(2) These amounts reflect above-market earnings on elective deferred compensation. Perquisites for the Chief Executive Officer and the four other named executive officers were less than $50,000 or 10% of the total of salary and bonus for the year and, accordingly, are not listed.

(3) Performance shares of WPS Resources Common Stock have been awarded to each of the named executive officers as reported in the Long-Term Incentive Plan table presented below. At December 31, 2004, the closing stock price of WPS Resources common stock was $49.96. Based on this valuation, an award of the performance shares at target would have a value at year-end of $1,950,139 for Larry L. Weyers, $368,855 for Joseph P. O'Leary, $301,009 for Charles A. Schrock, $235,561 for Thomas P. Meinz, and $132,194 for Bernard J. Treml.

(4) All Other Compensation for 2004 as reported in the table above is:

Name and Title	Year	Contributions to Employee Stock Ownership Plan ($)	Deferred Compensation Contribution for ESOP Restoration Benefit ($)	Life Insurance Premiums ($)	Above Market Earnings on Mandatory Deferred Compensation ($)
Larry L. Weyers	2004	10,899	0	4,350	10,420
Joseph P. O'Leary	2004	5,198	0	2,519	-
Charles A. Schrock	2004	10,904	0	2,304	4,926
Thomas P. Meinz	2004	8,601	2,117	1,791	4,386
Bernard J. Treml	2004	8,073	2,621	1,710	4,658

Agreements with Named Executive Officers

Individual employment and severance agreements exist with each of the named executive officers. The agreements are intended to retain the services of these officers in the event of a change in control of WPS Resources. Each agreement entitles the officer to a continuation of salary and benefits for a maximum period of three years after a change in control. Each employment and severance agreement also provides a cash termination payment should there be a termination of the officer's employment after a change of control or in anticipation of a change in control. Generally, total termination payments provided are not to exceed the present value of 2.99 times the executive's average annual salary and annual bonuses for the five years immediately preceding a change of control. Certain named executive officers may receive termination payments in excess of 2.99 times average annual salary, portions of which may not be tax deductible. The termination payments replace all other severance payments to which the executive may be entitled under current severance agreements.

Option Grants to Named Executives in Last Fiscal Year

Individual Grants					
Name	Number of securities underlying options/SARs granted	Percent of total options/SARs granted to employees in fiscal year	Exercise or base price ($/sh)	Expiration date	Grant date present value $
Larry L. Weyers	111,607	34.73%	$48.11	12/8/14	629,463
Joseph P. O'Leary	23,304	7.25%	$48.11	12/8/14	131,435
Charles A. Schrock	16,000	4.98%	$48.11	12/8/14	90,240
Thomas P. Meinz	13,326	4.15%	$48.11	12/8/14	75,159
Bernard J. Treml	7,634	2.38%	$48.11	12/8/14	43,056

As of December 31, 2004, WPS Resources has not granted SARs to any employee.

All options for WPS Resources common stock reported above will vest at a rate of 25% per year beginning on December 8, 2005 and ending on December 8, 2008. The year-end closing price of WPS Resources stock was $49.96. There were no stock appreciation rights granted to any employee in 2004.

The grant date present value in the last column of the table above is based on option values of $5.64 per option granted on December 8, 2004. This value was calculated using the standard Binomial Model. For purposes of determining the value of these options, the following assumptions were made:

Option Value	$5.64
Annual dividend yield	5.19%
Volatility	15.44%
Risk free rate of return	4.40%
Time of exercise	10 years

The annual dividend yield assumption was based on actual dividends and stock prices of WPS Resources common stock over the prior 36-month period to determine an annualized 12-month yield. The risk free rate of return equals the interest rate on 10-year treasuries on the grant date. Due to the lack of experience with the plan, the time of exercise was assumed to be the maximum exercise period of the options. Expected volatility is based on the monthly price of WPS Resources common stock over the three years prior to the grant date.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year End Option Values for the Named Executive Officers

			Number of securities underlying unexercised options/SARs at fiscal year end (#)	**Value of unexercised in-the-money options/SARs at fiscal year end (1) ($)**
Name	**Shares acquired on exercise (#)**	**Value realized ($)**	**Exercisable/ Unexercisable**	**Exercisable/ Unexercisable**
Larry L. Weyers	0	0	213,195 / 255,410	2,884,329 / 1,522,834
Joseph P. O'Leary	0	0	34,680 / 52,371	467,318 / 330,571
Charles A. Schrock	1,200	21,582	43,534 / 39,436	699,822 / 253,756
Thomas P. Meinz	8,000	145,880	29,349 / 31,127	403,891 / 191,507
Bernard J. Treml	0	0	16,091 / 17,520	220,927 / 105,897

(1) Amounts represent the excess fair market value of the underlying stock at year-end and the exercise price of each option. The year-end stock price was $49.96.

Performance Share (Long-Term Incentive Plan) Awards to the Named Executive Officers

Long-Term Incentive Plans - Awards in Last Fiscal Year					
			Estimated future payouts under non-stock price-based plans		
Name	Number of shares, units or other rights (#)	Performance or other period until maturation or payout	Threshold ($ or #)	Target ($ or #)	Maximum ($ or #)
Larry L. Weyers	12,991	3 years	-	-	-
Joseph P. O'Leary	2,713	3 years	-	-	-
Charles A. Schrock	1,862	3 years	-	-	-
Thomas P. Meinz	1,551	3 years	-	-	-
Bernard J. Treml	889	3 years	-	-	-

Performance shares are part of the WPS Resources 2001 Omnibus Incentive Compensation Plan. The program sets performance goals, based on total shareholder return, at the start of each three-year period. Comparison of WPS Resources' total shareholder return with the shareholder return of a peer group of major publicly traded energy service companies, for the three-year period, determines if the performance share awards are ultimately issued, and if so, how many. The number of shares initially awarded individuals within the plan is based on market levels of incentive compensation and competitiveness of the total compensation package. Award levels are targeted to meet the median of the range of similar awards paid by comparable companies.

Pension Plans

The tables below show the lump sum retirement benefit payable to a covered participant for specified salary levels and years of service under the provisions of the WPSC Retirement Plan and the WPS Resources Corporation Pension Restoration and Supplemental Retirement Plan in effect January 1, 2005, assuming termination of employment on that date:

Pension Plan Table
Lump Sum Retirement Benefits (1) at
January 1, 2005
For Years of Service Indicated
(For Hires Prior to January 1, 2001)

Final Average Pay(2)	15 Years	20 Years	25 Years	30 Years	35 Years
$ 200,000	$ 507,900	$ 641,400	$ 800,000	$ 950,000	$1,100,000
250,000	634,875	801,750	1,000,000	1,187,500	1,375,000
300,000	761,850	962,100	1,200,000	1,425,000	1,650,000
350,000	888,825	1,122,450	1,400,000	1,662,500	1,925,000
400,000	1,015,800	1,282,800	1,600,000	1,900,000	2,200,000
450,000	1,142,775	1,443,150	1,800,000	2,137,500	2,475,000
500,000	1,269,750	1,603,500	2,000,000	2,375,000	2,750,000
550,000	1,396,725	1,763,850	2,200,000	2,612,500	3,025,000
600,000	1,523,700	1,924,200	2,400,000	2,850,000	3,300,000
650,000	1,650,675	2,084,550	2,600,000	3,087,500	3,575,000
700,000	1,777,650	2,244,900	2,800,000	3,325,000	3,850,000
750,000	1,904,625	2,405,250	3,000,000	3,562,500	4,125,000
800,000	2,031,600	2,565,600	3,200,000	3,800,000	4,400,000
850,000	2,158,575	2,725,950	3,400,000	4,037,500	4,675,000
900,000	2,285,550	2,886,300	3,600,000	4,275,000	4,950,000
950,000	2,412,525	3,046,650	3,800,000	4,512,500	5,225,000
1,000,000	2,539,500	3,207,000	4,000,000	4,750,000	5,500,000
1,050,000	2,666,475	3,367,350	4,200,000	4,987,500	5,775,000
1,100,000	2,793,450	3,527,700	4,400,000	5,225,000	6,050,000
1,150,000	2,920,425	3,688,050	4,600,000	5,462,500	6,325,000
1,200,000	3,047,400	3,848,400	4,800,000	5,700,000	6,600,000

(1) The Pension Plan provides a lump sum benefit, which may be converted into an actuarially equivalent annuity with monthly payments. The benefit is not subject to any deduction for Social Security or other offset.

(2) "Final Average Pay" is the average of the last 60 months or the 5 highest calendar years' compensation within the 10-year period immediately proceeding the participant's termination of employment, whichever is greater.

Pension Plan Table
Lump Sum Retirement Benefits[1] at
January 1, 2005
For Years of Service Indicated
(For Hires After December 31, 2000)

Final Average Pay[2]	15 Years	20 Years	25 Years	30 Years	35 Years
$300,000	$435,000	$600,000	$795,000	$ 990,000	$1,185,000
350,000	507,500	700,000	927,500	1,155,000	1,382,500
400,000	580,000	800,000	1,060,000	1,320,000	1,580,000

(1) The pension plan provides a lump sum benefit, which may be converted into an actuarially equivalent annuity with monthly payments. The benefit is not subject to any deduction for Social Security or other offset.

(2) "Final Average Pay" is the average of the last 60 months or the 5 highest calendar years' compensation within the 10-year period immediately proceeding the participant's termination of employment, whichever is greater.

Named executive officers' compensation for pension purposes differs from annual compensation reported in the Summary Compensation Table. Pension compensation for the named executive officers is:

Name	2004 Pension Compensation ($)	Years of Service
Larry L. Weyers	989,966	19
Joseph P. O'Leary	357,889	3
Charles A. Schrock	282,447	25
Thomas P. Meinz	258,259	35
Bernard J. Treml	234,786	32

Annual benefits payable from the pension plan were subject to a maximum limitation of $165,000 for 2004 under the Internal Revenue Code. The amount of compensation considered for purposes of the pension plan was limited to $205,000 for 2004 under the Internal Revenue Code. The pension restoration plan provides additional pension benefits for pension restoration plan participants to compensate for any loss of benefit payable under the pension plan caused by the maximum benefit limitation, compensation limitation, or any salary deferral under the WPS Resources Deferred Compensation Plan. Retirement benefits presented in the pension plan tables include the pension restoration benefit.

The WPS Resources Supplemental Retirement Plan provides supplemental monthly payments to its participants. Certain executive officers, including the Chief Executive Officer and each of the other named executive officers, participate in the supplemental retirement plan. Retirement benefits presented in the pension plan tables do not include benefits under the supplemental retirement plan.

Benefits under the supplemental retirement plan are payable if the participant retires or terminates employment after reaching age 55 and completing at least 10 years of credited service or 5 years in the event of termination following a change in control. An eligible participant with 15 or more years of credited service will receive a monthly benefit equal to 60 percent of the participant's "Final Average Earnings," reduced by the monthly pension plan benefit and restoration plan benefit to which the participant is entitled or would be entitled had the participant elected an annuity form of payment. "Final Average Earnings" mean 1/36th of the base salary and annual bonus paid to the participant during the month in which the participant's employment is terminated and the immediately preceding 35 months, or during the 3 calendar years immediately preceding the calendar year in which the participant's employment is terminated. If the participant has fewer than 15 years of credited service, the 60 percent target benefit percentage is reduced by 4 percent for each year by which the participant's years of credited service is less than 15 years.

Estimated annual benefits to be received by each of the named executive officers under the Supplemental Retirement Plan upon normal retirement are as follows:

Name	Estimated Supplemental Retirement Benefit ($)
Larry L. Weyers	362,799
Joseph P. O'Leary	0
Charles A. Schrock	103,231
Thomas P. Meinz	59,903
Bernard J. Treml	63,266

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

WPS Resources

Information required by this Item regarding the principal securities holders of WPS Resources and the security holdings of its directors and executive officers can be found in WPS Resources' Proxy Statement for its Annual Meeting of Shareholders to be held May 19, 2005 under the caption "Ownership of Voting Securities--Beneficial Ownership." Such information is incorporated by reference as if fully set forth herein.

Wisconsin Public Service

Ownership of Voting Securities

All of the common stock of WPSC is held by WPS Resources.

Listed in the following table are the shares of WPS Resources' common stock owned as of February 21, 2005 by the directors and named executive officers of WPSC, who are not directors or named executive officers of WPS Resources, as well as the number of shares owned by the directors and executive officers of WPSC as a group as of February 21, 2005.

	Amount and Nature of Shares Beneficially Owned February 21, 2004		
Name and Title	Aggregate Number of Shares Beneficially Owned (1)	Number of Shares Subject to Stock Options	Percent of Shares
Charles A. Schrock President and Chief Operating Officer - Generation	52,317	43,534	*
Thomas P. Meinz Executive Vice President - Public Affairs	41,397	23,711	*
Bernard J. Treml Senior Vice President – Human Resources	26,559	16,091	*
All 18 directors and executive officers as a group	611,601	389,018	1.6%

* Less than 1% of WPS Resources outstanding shares of common stock

(1) Aggregate Number of Shares Beneficially Owned includes shares of common stock held in the Employee Stock Ownership Plan and Trust, the WPSC Deferred Compensation Trust, and all stock options, which are exercisable within 60 days of February 21, 2005. Each director or officer has sole voting and investment power with respect to the shares reported, unless otherwise noted. No voting or investment power exists related to the stock options reported until exercised.

None of the persons listed beneficially owns shares of any other class of WPS Resources' equity securities.

Equity Compensation Plan Information

Information required by this Item regarding equity compensation plans of WPS Resources can be found in WPS Resources' Proxy Statement for its Annual Meeting of Shareholders to be held May 19, 2005 under the caption "Ownership of Voting Securities--Equity Compensation Plan Information." Such information is incorporated by reference as if fully set forth herein.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

WPSC provides and receives services, property, and other things of value to and from its parent, WPS Resources, and other subsidiaries of WPS Resources. All such transactions are made pursuant to a master affiliated interest agreement approved by the PSCW. The agreement provides that WPSC receives payment equal to the higher of its cost or fair value for services and property and other things of value which WPSC provides to WPS Resources or its other nonregulated subsidiaries, and WPSC makes payments equal to the lower of the provider's cost or fair value for property, services, and other things of value which WPS Resources or its other nonregulated subsidiaries provide to WPSC. The agreement further provides that any services, property, or other things of value provided to or from WPSC to or for any other regulated subsidiary of WPS Resources be provided at cost. Modification or amendment to the master agreement requires the approval of the PSCW.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following is a summary of the fees billed to WPS Resources and WPSC by Deloitte & Touche LLP for professional services performed for 2004 and 2003:

Fees	2004	2003
Audit Fees (a)	**$2,050,083**	$1,555,124
Audit Related Fees (b)	**197,415**	142,067
Tax Fees (c)	**-**	-
All Other Fees (d)	**14,345**	36,396
Total Fees	**$2,261,843**	$1,733,587

a) *Audit Fees*. Consists of aggregate fees billed to WPS Resources and WPSC by Deloitte & Touche LLP for professional services rendered for the audits of the annual consolidated financial statements, reviews of the interim consolidated financial statements included in quarterly reports and audits of the effectiveness of, and management's assessment of the effectiveness of, internal control over financial reporting, of WPS Resources and its subsidiaries. Audit fees also include services that are normally provided by Deloitte & Touche in connection with statutory and regulatory filings or engagements, including comfort letters, consents and other services related to SEC matters, and consultations arising during the course of the audits and reviews concerning financial accounting and reporting standards.

b) *Audit Related Fees.* Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the consolidated financial statements or internal control over financial reporting and are not reported under "Audit Fees." These services include employee benefit plan audits, accounting consultations in connection with potential transactions, and consultations concerning financial accounting and reporting standards.

c) *Tax Fees.* Consists of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal and state tax compliance, tax audit issues, mergers and acquisitions, and tax planning.

d) *All Other Fees*. Consists of other fees billed to WPS Resources and WPSC by Deloitte & Touche LLP for products and services other than the services reported above. All Other Fees are for software licensing provided in 2004 and 2003. The nature of the software license fees, which include support and learning services, have been deemed to be permissible non-attest services.

In considering the nature of the services provided by the independent auditor, the audit committee determined that such services are compatible with the provision of independent audit services. The audit committee discussed these services with the independent auditor and WPS Resources management and determined that they are permitted under the rules and regulations concerning auditor independence promulgated by the SEC to implement the Sarbanes-Oxley Act of 2002, as well as those of the American Institute of Certified Public Accountants. Since May 6, 2003, the audit committee has approved in advance 100% of the services described in the table above under "Audit-Related Fees," "Tax Fees" and "All Other Fees" in accordance with its pre-approval policy.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

(1) Consolidated Financial Statements included in Part II at Item 8 above:

(2) Financial Statement Schedules.

The following financial statement schedules are included in Part IV of this report. Schedules not included herein have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

Description	Pages in 10-K
Schedule I - Condensed Parent Company Only Financial Statements	
A. Statements of Income and Retained Earnings	181
B. Balance Sheets	182
C. Statements of Cash Flows	183
D. Notes to Parent Company Financial Statements	184
Schedule II WPS Resources Valuation and Qualifying Accounts	187
Schedule II WPSC Valuation and Qualifying Accounts	188

(3) Listing of all exhibits, including those incorporated by reference.

Exhibit Number	Description of Documents
2.1*	Asset Contribution Agreement between ATC and Wisconsin Electric Power Company, Wisconsin Power and Light Company, WPSC, Madison Gas & Electric Co., Edison Sault Electric Company, South Beloit Water, Gas and Electric Company, dated as of December 15, 2000. (Incorporated by reference to Exhibit 2A-3 to WPS Resources' and WPSC's Form 10-K for the year ended December 31, 2000.)
3.1	Restated Articles of Incorporation of WPS Resources. (Incorporated by reference to Exhibit 3(i).(2) to WPS Resources' Form 10-Q for the quarter ended September 30, 2002.)
3.2	Articles of Incorporation of WPSC as effective May 26, 1972 and amended through May 31, 1988 (Incorporated by reference to Exhibit 3A to Form 10-K for the year ended December 31, 1991); Articles of Amendment to Articles of Incorporation dated June 9, 1993 (Incorporated by reference to Exhibit 3 to Form 8-K filed June 10, 1993.)
3.3	By-Laws of WPS Resources, as amended through April 1, 2004. (Incorporated by reference to Exhibit 3.1 to WPS Resources' and WPSC's Form 10-Q for the quarterly period ended March 31, 2004.)
3.4	By-Laws of WPSC, as in effect August 15, 2004. (Incorporated by reference to Exhibit 3.1 to WPS Resources' and WPSC's Form 10-Q for the quarterly period ended September 30, 2005.)
4.1	Rights Agreement, dated December 12, 1996, between WPS Resources and U.S. Bank National Association (successor to Firstar Trust Company) (Incorporated by reference to Exhibit 4.1 to WPS Resources' Form 8-A filed December 13, 1996 [File No.1-11337].)

4.2 Amendment to Rights Agreement, effective as of October 9, 2002, by and among WPS Resources, U.S. Bank National Association and American Stock Transfer & Trust Company. (Incorporated by reference to Exhibit 4(h) to WPS Resources' Form S-3 filed on April 28, 2003, File No. 333-104787.)

4.3 First Mortgage and Deed of Trust, dated as of January 1, 1941 from WPSC to U.S. Bank National Association (successor to First Wisconsin Trust Company), Trustee (Incorporated by reference to Exhibit 7.01 - File No. 2-7229); Supplemental Indenture, dated as of November 1, 1947 (Incorporated by reference to Exhibit 7.02 - File No. 2-7602); Supplemental Indenture, dated as of November 1, 1950 (Incorporated by reference to Exhibit 4.04 - File No. 2-10174); Supplemental Indenture, dated as of May 1, 1953 (Incorporated by reference to Exhibit 4.03 - File No. 2-10716); Supplemental Indenture, dated as of October 1, 1954 (Incorporated by reference to Exhibit 4.03 - File No. 2-13572); Supplemental Indenture, dated as of December 1, 1957 (Incorporated by reference to Exhibit 4.03 - File No. 2-14527); Supplemental Indenture, dated as of October 1, 1963 (Incorporated by reference to Exhibit 2.02B - File No. 2-65710); Supplemental Indenture, dated as of June 1, 1964 (Incorporated by reference to Exhibit 2.02B - File No. 2-65710); Supplemental Indenture, dated as of November 1, 1967 (Incorporated by reference to Exhibit 2.02B - File No. 2-65710); Supplemental Indenture, dated as of April 1, 1969 (Incorporated by reference to Exhibit 2.02B - File No. 2-65710); Fifteenth Supplemental Indenture, dated as of May 1, 1971 (Incorporated by reference to Exhibit 2.02B - File No. 2-65710); Sixteenth Supplemental Indenture, dated as of August 1, 1973 (Incorporated by reference to Exhibit 2.02B - File No. 2-65710); Seventeenth Supplemental Indenture, dated as of September 1, 1973 (Incorporated by reference to Exhibit 2.02B - File No. 2-65710); Eighteenth Supplemental Indenture, dated as of October 1, 1975 (Incorporated by reference to Exhibit 2.02B - File No. 2-65710); Nineteenth Supplemental Indenture, dated as of February 1, 1977 (Incorporated by reference to Exhibit 2.02B - File No. 2-65710); Twentieth Supplemental Indenture, dated as of July 15, 1980 (Incorporated by reference to Exhibit 4B to Form 10-K for the year ended December 31, 1980); Twenty-First Supplemental Indenture, dated as of December 1, 1980 (Incorporated by reference to Exhibit 4B to Form 10-K for the year ended December 31, 1980); Twenty-Second Supplemental Indenture dated as of April 1, 1981 (Incorporated by reference to Exhibit 4B to Form 10-K for the year ended December 31, 1981); Twenty-Third Supplemental Indenture, dated as of February 1, 1984 (Incorporated by reference to Exhibit 4B to Form 10-K for the year ended December 31, 1983); Twenty-Fourth Supplemental Indenture, dated as of March 15, 1984 (Incorporated by reference to Exhibit 1 to Form 10-Q for the quarter ended June 30, 1984); Twenty-Fifth Supplemental Indenture, dated as of October 1, 1985 (Incorporated by reference to Exhibit 1 to Form 10-Q for the quarter ended September 30, 1985); Twenty-Sixth Supplemental Indenture, dated as of December 1, 1987 (Incorporated by reference to Exhibit 4A-1 to Form 10-K for the year ended December 31, 1987); Twenty-Seventh Supplemental Indenture, dated as of September 1, 1991 (Incorporated by reference to Exhibit 4 to Form 8-K filed September 18, 1991); Twenty-Eighth Supplemental Indenture, dated as of July 1, 1992 (Incorporated by reference to Exhibit 4B - File No. 33-51428); Twenty-Ninth Supplemental Indenture, dated as of October 1, 1992 (Incorporated by reference to Exhibit 4 to Form 8-K filed October 22, 1992); Thirtieth Supplemental Indenture, dated as of February 1, 1993 (Incorporated by reference to Exhibit 4 to Form 8-K filed January 27, 1993); Thirty-First Supplemental Indenture, dated as of July 1, 1993 (Incorporated by reference to Exhibit 4 to Form 8-K filed July 7, 1993); Thirty-Second Supplemental Indenture, dated as of November 1, 1993 (Incorporated by reference to Exhibit 4 to Form 10-Q for the quarter ended September 30, 1993); Thirty-Third Supplemental Indenture, dated as of December 1, 1998 (Incorporated by reference to Exhibit 4D to Form 8-K filed December 18, 1998); Thirty-Fourth Supplemental Indenture, dated as of August 1, 2001 (Incorporated by reference to Exhibit 4D to Form 8-K filed August 24, 2001); Thirty-Fifth Supplemental Indenture, dated as of December 1, 2002 (Incorporated by reference to Exhibit 4D to Form 8-K filed December 16, 2002); and Thirty-Sixth Supplemental Indenture, dated as of December 8, 2003 (Incorporated by reference to Exhibit 4.2 to Form 8-K filed December 9, 2003.)

All references to periodic reports are to those of WPSC (File No. 1-3016).

4.4 Indenture, dated as of December 1, 1998, between WPSC and U.S. Bank National Association (successor to Firstar Bank Milwaukee, N.A., National Association) (Incorporated by reference to Exhibit 4A to Form 8-K filed December 18, 1998); First Supplemental Indenture, dated as of December 1, 1998 between WPSC and Firstar Bank Milwaukee, N.A., National Association (Incorporated by reference to Exhibit 4C to Form 8-K filed December 18, 1998); Second Supplemental Indenture, dated as of August 1, 2001 between WPSC and Firstar Bank, National Association (Incorporated by reference to Exhibit 4C of Form 8-K filed August 24, 2001); Third Supplemental Indenture, dated as of December 1, 2002 between WPSC and U.S. Bank National Association (Incorporated by reference to Exhibit 4C of Form 8-K filed December 16, 2002); and Fourth Supplemental Indenture, dated as of December 8, 2003, by and between WPSC and U.S. Bank National Association (successor to Firstar Bank, National Association and Firstar Bank Milwaukee, N.A., National Association). (Incorporated by reference to Exhibit 4.1 to Form 8-K filed December 9, 2003). References to periodic reports are to those of WPSC (File No. 1-3016).

4.5 Indenture, dated as of October 1, 1999, between WPS Resources and U.S. Bank National Association (successor to Firstar Bank Milwaukee, N.A., National Association) (Incorporated by reference to Exhibit 4(b) to Amendment No. 1 to Form S-3 filed October 21, 1999 [Reg. No. 333-88525]); First Supplemental Indenture, dated as of November 1, 1999 between WPS Resources and Firstar Bank, National Association (Incorporated by reference to Exhibit 4A of Form 8-K filed November 12, 1999); and Second Supplemental Indenture, dated as of November 1, 2002 between WPS Resources and U.S. Bank National Association. (Incorporated by reference to Exhibit 4A of Form 8-K filed November 25, 2002). All references to filings are those of WPS Resources (File No. 1-11337).

10.1 Joint Power Supply Agreement among WPSC, Wisconsin Power and Light Company, and Madison Gas and Electric Company, dated February 2, 1967. (Incorporated by reference to Exhibit 4.09 in File No. 2-27308.)

10.2 Joint Power Supply Agreement (Exclusive of Exhibits) among WPSC, Wisconsin Power and Light Company, and Madison Gas and Electric Company dated July 26, 1973. (Incorporated by reference to Exhibit 5.04A in File No. 2-48781.)

10.3 Basic Generating Agreement, Unit 4, Edgewater Generating Station, dated June 5, 1967, between Wisconsin Power and Light Company and WPSC. (Incorporated by reference to Exhibit 4.10 in File No. 2-27308.)

10.4 Agreement for Construction and Operation of Edgewater 5 Generating Unit, dated February 24, 1983, between Wisconsin Power and Light Company, Wisconsin Electric Power Company, and WPSC. (Incorporated by reference to Exhibit 10C-1 to WPSC's Form 10-K for the year ended December 31, 1983.)

10.5 Amendment No. 1 to Agreement for Construction and Operation of Edgewater 5 Generating Unit, dated December 1, 1988. (Incorporated by reference to Exhibit 10C-2 to WPSC's Form 10-K for the year ended December 31, 1988.)

10.6 Revised Agreement for Construction and Operation of Columbia Generating Plant among WPSC, Wisconsin Power and Light Company, and Madison Gas and Electric Company, dated July 26, 1973. (Incorporated by reference to Exhibit 5.07 in File No. 2-48781.)

10.7+ Form of Key Executive Employment and Severance Agreement entered into between WPS Resources and each of the following: Phillip M. Mikulsky and Larry L. Weyers. (Incorporated by reference to Exhibit 10.8 to WPS Resources' and WPSC's Form 10-K for the year ended December 31, 2002.)

10.8+	Form of Key Executive Employment and Severance Agreement entered into between WPS Resources and each of the following: Larry B. Borgard, Diane L. Ford, David W. Harpole, Richard E. James, Bradley A. Johnson, Thomas P. Meinz, Barbara A. Nick, Joseph P. O'Leary, Mark A. Radtke, Charles A. Schrock, Bernard J. Treml and Daniel J Verbanac. (Incorporated by reference to Exhibit 10.9 to WPS Resources' and WPSC's Form 10-K for the year ended December 31, 2002.)
10.9+	Form of Key Executive Employment and Severance Agreement entered into between WPS Resources and each of the following: Barth J. Wolf. (Incorporated by reference to Exhibit 10.10 to WPS Resources' and WPSC's Form 10-K for the year ended December 31, 2002.)
10.10+	WPS Resources Deferred Compensation Plan as Amended and Restated Effective January 1, 2005
10.11+	WPS Resources 2001 Omnibus Incentive Compensation Plan. (Incorporated by reference to Exhibit 10H-4 to WPS Resources' and WPSC's Form 10-K for the year ended December 31, 2000.)
10.12+	WPS Resources 1999 Stock Option Plan. (Incorporated by reference to Exhibit 10-2 in WPS Resources' Form 10-Q for the quarter ended June 30, 1999, filed August 11, 1999.)
10.13+	WPS Resources 1999 Non-Employee Directors Stock Option Plan. (Incorporated by reference to Exhibit 4.2 in WPS Resources' Form S-8, filed December 21, 1999. [Reg. No. 333-93193].)
10.14	Term Loan Agreement, dated as of November 5, 1999 among PDI New England, Inc., PDI Canada, Inc., and Bayerische Landesbank Girozentrale. (Incorporated by reference to Exhibit 4H to WPS Resources' and WPSC's Form 10-K for the year ended December 31, 1999.)
10.15*	Credit Agreement dated as of April 14, 2000 among Sunbury Generation, LLC, as Borrower, Bayerische Landesbank Girozentrale, Cayman Islands Branch, as WC Lender, the Term Lenders Party Hereto From Time to Time and Bayerische Landesbank Girozentrale, New York Branch, as Administrative Agent. (Incorporated by reference to Exhibit 10J-2 to WPS Resources' and WPSC's Form 10-K for the year ended December 31, 2000.)
10.17+	Form of WPS Resources NonQualified Stock Option Agreement. (Incorporated by reference to Exhibit 10.1 to WPS Resources' and WPSC's Form 8-K filed December 13, 2004)
10.18+	Form of WPS Resources Performance Stock Right Agreement. (Incorporated by reference to Exhibit 10.2 to WPS Resources' and WPSC's Form 8-K filed December 13, 2004)
10.19* #	Joint Plant Agreement by and between WPSC and Dairyland Power Cooperative, dated as of November 23, 2004
12.1	WPS Resources Ratio of Earnings to Fixed Charges
12.2	WPSC Ratio of Earnings to Fixed Charges and Ratio of Earnings to Fixed Charges and Preferred Dividends
21	Subsidiaries of the Registrants
23.1	Consent of Independent Registered Public Accounting Firm for WPS Resources

23.2 Consent of Independent Registered Public Accounting Firm for WPSC

24 Powers of Attorney

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

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

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 WPSC

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 WPSC

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

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

99 Proxy Statement for WPS Resources' 2005 Annual Meeting of Shareholders [To be filed with the SEC under Regulation 14A within 120 days after December 31, 2004; except to the extent specifically incorporated by reference, the Proxy Statement for the 2005 Annual Meeting of Shareholders shall not be deemed to be filed with the SEC as part of this Annual Report on Form 10-K]

* Schedules and exhibits to this document are not filed therewith. The registrant agrees to furnish supplementally a copy of any such schedule or exhibit to the SEC upon request.

\+ A management contract or compensatory plan or arrangement.

\# Portions of this exhibit have been redacted and are subject to a confidential treatment request filed with the Secretary of SEC pursuant to Rule 24b-2 under the Securities and Exchange Act of 1934, as amended. The redacted material is being filed separately with the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized, on this 9th day of March, 2005.

WPS RESOURCES CORPORATION	WISCONSIN PUBLIC SERVICE CORPORATION
(Registrants)	
By: /s/ L. L. Weyers L. L. Weyers Chairman, President and Chief Executive Officer	By: /s/ L. L. Weyers L. L. Weyers Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of each of the Registrants and in the capacities and on the dates indicated.

Signature	Title	Date
Richard A. Bemis*	Director	
Albert J. Budney, Jr.*	Director	
Ellen Carnahan*	Director	
Robert C. Gallagher*	Director	
Kathryn M. Hasselblad-Pascale*	Director	
James L. Kemerling*	Director	
John C. Meng*	Director	
William F. Protz, Jr.*	Director	
/s/ L. L. Weyers L. L. Weyers	Chairman, President, Chief Executive Officer and Director (principal executive officer)	March 9, 2005
/s/ J. P. O'Leary J. P. O'Leary	Senior Vice President and Chief Financial Officer (principal financial officer)	March 9, 2005
/s/ D. L. Ford D. L. Ford	Vice President - Controller and Chief Accounting Officer (principal accounting officer)	March 9, 2005
*By: /s/ L. L. Weyers L. L. Weyers	Attorney-in-Fact	March 9, 2005

SCHEDULE I - CONDENSED
PARENT COMPANY FINANCIAL STATEMENTS
WPS RESOURCES CORPORATION (PARENT COMPANY ONLY)

A. STATEMENTS OF INCOME AND RETAINED EARNINGS

Year Ended December 31 (Millions)	**2004**	2003	2002
Income			
Equity earnings from subsidiaries in excess of dividends	**$79.4**	$35.8	$58.2
Dividends from subsidiaries	**81.0**	72.0	64.0
Equity earnings from subsidiaries	**160.4**	107.8	122.2
Investment income and other	**1.8**	3.4	3.3
Total income	**162.2**	111.2	125.5
Operating expenses	**12.3**	7.6	7.8
Income before interest expense and income taxes	**149.9**	103.6	117.7
Interest expense	**17.6**	20.6	16.3
Income before income taxes	**132.3**	83.0	101.4
Income taxes	**(7.4)**	(8.5)	(8.0)
Net income before cumulative effect of change in accounting principles	**139.7**	91.5	109.4
Cumulative effect of change in accounting principles, net of tax	**-**	3.2	-
Net Income	**139.7**	94.7	109.4
Retained earnings, beginning of year	**438.8**	415.9	373.6
Common stock dividends	**(81.3)**	(71.8)	(67.1)
Other	**(0.2)**	-	-
Retained earnings, end of year	**$497.0**	$438.8	$415.9
Average shares of common stock			
Basic	**37.4**	33.0	31.7
Diluted	**37.6**	33.2	32.0
Earnings per common share (basic)			
Net income before cumulative effect of change in accounting principles	**$3.74**	$2.77	$3.45
Cumulative effect of change in accounting principles	**-**	$0.10	-
Earnings per common share (basic)	**$3.74**	$2.87	$3.45
Earnings per common share (diluted)			
Net income before cumulative effect of change in accounting principles	**$3.72**	$2.75	$3.42
Cumulative effect of change in accounting principles	**-**	$0.10	-
Earnings per common share (diluted)	**$3.72**	$2.85	$3.42

The accompanying notes to WPS Resources Corporation's parent company financial statements are an integral part of these statements.

SCHEDULE I - CONDENSED
PARENT COMPANY FINANCIAL STATEMENTS
WPS RESOURCES CORPORATION (PARENT COMPANY ONLY)

B. BALANCE SHEETS

At December 31 (Millions)	2004	2003
Assets		
Current assets		
Cash and cash equivalents	**$0.5**	$0.5
Accounts receivable - affiliates	**7.7**	4.2
Other receivables	**2.2**	2.5
Current deferred income taxes	**0.1**	-
Notes receivable - affiliates	**66.6**	71.9
Total current assets	**77.1**	79.1
Long-term notes receivable - affiliates	**27.0**	27.4
Investments in subsidiaries, at equity		
Wisconsin Public Service Corporation	**899.7**	798.2
WPS Resources Capital Corporation	**391.8**	320.6
Upper Peninsula Power Company	**64.0**	59.8
Other	**82.2**	49.2
Total investments in subsidiaries, at equity	**1,437.7**	1,227.8
Net equipment	**0.3**	0.4
Other investments	**21.2**	21.5
Advance to affiliate	**18.6**	-
Deferred income taxes	**0.1**	4.2
Total assets	**$1,582.0**	$1,360.4

Liabilities and Capitalization		
Current liabilities		
Notes payable - affiliates	**$20.5**	$2.0
Notes payable to preferred stock trust	**-**	$51.5
Commercial paper	**188.8**	28.0
Accounts payable - affiliates	**4.1**	0.8
Accounts payable	**0.4**	1.1
Dividends payable	**-**	-
Other	**6.3**	3.9
Total current liabilities	**220.1**	87.3
Capitalization		
Total common stock equity	**1,091.8**	1,003.2
Unsecured senior notes, net of unamortized discount	**249.1**	248.9
Advances from affiliates	**21.0**	21.0
Total capitalization	**1,361.9**	1,273.1
Total liabilities and capitalization	**$1,582.0**	$1,360.4

The accompanying notes to WPS Resources Corporation's parent company financial statements are an integral part of these statements.

SCHEDULE I - CONDENSED
PARENT COMPANY FINANCIAL STATEMENTS
WPS RESOURCES CORPORATION (PARENT COMPANY ONLY)

C. STATEMENTS OF CASH FLOWS

Year Ended December 31 (Millions)	**2004**	2003	2002
Operating			
Net income	**$139.7**	$94.7	$109.4
(Deduct) equity earnings from subsidiaries in excess of dividends	**(79.4)**	(35.8)	(58.2)
Deferred income taxes	**4.0**	(0.2)	(1.1)
Cumulative effect of change in accounting principles, net of tax	**-**	(3.2)	-
Other - net	**(14.8)**	1.2	1.2
Changes in other items			
Receivables	**(3.2)**	(1.9)	(0.1)
Accounts payable	**2.6**	0.3	(5.9)
Other	**2.5**	(0.8)	0.3
Net cash - operating	**51.4**	54.3	45.6
Investing			
Notes receivable - affiliates	**5.7**	(83.7)	11.3
Capital contributions - affiliates, net	**(128.9)**	(117.6)	(82.2)
Investments - other	**(1.1)**	(1.1)	(4.3)
Net cash - investing	**(124.3)**	(202.4)	(75.2)
Financing			
Commercial paper, net	**160.8**	28.0	(15.0)
Intercompany debt, net	**18.5**	(13.6)	(6.2)
Repayment of note to preferred stock trust	**(51.5)**	-	-
Proceeds from long-term debt	**-**	-	100.0
Purchase of deferred compensation stock	**-**	(1.0)	(1.3)
Proceeds from issuance of common stock	**26.3**	197.7	28.3
Dividends paid on common stock	**(81.3)**	(71.8)	(67.1)
Financing - other	**0.1**	0.2	(0.5)
Net cash - financing	**72.9**	139.5	38.2
Net change in cash	**-**	(8.6)	8.6
Cash, beginning of year	**0.5**	9.1	0.5
Cash, end of year	**$0.5**	$0.5	$9.1

The accompanying notes to WPS Resources Corporation's parent company financial statements are an integral part of these statements.

SCHEDULE I - CONDENSED
PARENT COMPANY FINANCIAL STATEMENTS
WPS RESOURCES CORPORATION (PARENT COMPANY ONLY)

D. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

The following are supplemental notes to the WPS Resources Corporation (parent company only) financial statements and should be read in conjunction with our consolidated financial statements and the related notes.

SUPPLEMENTAL NOTES

Note 1 WPS Resources has short-term notes receivable from affiliates in 2004 and 2003 as follows. Notes receivable bear interest rates that approximate current market rates.

Affiliate	Year Ending December 31 (Millions) **2004**	2003
WPS Power Development	**$ 4.0**	$ 5.4
Upper Peninsula Power	**11.6**	6.5
WPS Energy Services	**51.0**	60.0
Total	**$66.6**	$71.9

Note 2 WPS Resources has long-term notes receivable from affiliates as follows:

Affiliate		Year Ending December 31 (Millions) **2004**	2003
Wisconsin Public Service			
Series	Year Due		
8.76%	2015	**$5.0**	$5.2
7.35%	2016	**7.0**	7.2
Upper Peninsula Power			
Series	Year Due		
5.25%	2013	**15.0**	15.0
Total		**$27.0**	$27.4

Note 3 WPS Resources has short-term notes payable to affiliates in 2004 and 2003 as follows. The notes bear interest at a rate that approximates current market rates.

Affiliate	Year Ending December 31 (Millions) **2004**	2003
WPS Power Development	**$20.5**	$ 2.0
WPS Resources Capital Trust I	**-**	51.5
Total	**$20.5**	$53.5

Note 4 WPS Resources has long-term unsecured notes payable as follows. Interest is paid semiannually.

		Year Ending December 31	
		2004	2003
Unsecured senior notes (Millions)			
Series	Year Due		
7.00%	2009	**$150.0**	$150.0
5.375%	2012	**100.0**	100.0
Total		**250.0**	250.0
Unamortized discount on notes		**(0.9)**	(1.1)
Total long-term notes payable		**$249.1**	$248.9

Note 5 WPS Resources has a long-term note payable to affiliates as follows. We also have guaranteed other long-term debt and obligations of our subsidiaries arising in the normal course of business for both years.

		Year Ending December 31	
Affiliate		**2004**	2003
WPS Power Development (Millions)			
Interest Rate	Year Due		
Market	2021	**$21.0**	$21.0
Total		**$21.0**	$21.0

Note 6 At December 31, 2004, WPS Resources (parent company) was in compliance with all covenants relating to outstanding debt. A schedule of all principal debt payment amounts for WPS Resources (parent company) is as follows:

Year Ending December 31 (Millions)	
2005	$ -
2006	-
2007	-
2008	-
2009	150.0
Later years	121.0
Total payments	$271.0

Note 7 As part of normal business, WPS Resources enters 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.

At December 31, 2004, 2003, and 2002, outstanding guarantees totaled $967.8 million, $976.3 million, and $652.2 million, respectively, as follows:

WPS Resources' Outstanding Guarantees (Millions)	**December 31, 2004**	December 31, 2003	December 31, 2002
Guarantees of subsidiary debt	**$ 27.2**	$ 39.7	$ 38.8
Guarantees supporting commodity transactions of subsidiaries	**863.9**	874.4	584.3
Standby letters of credit	**76.1**	61.1	22.7
Surety bonds	**0.6**	1.1	6.4
Total guarantees	**$967.8**	$976.3	$652.2

WPS Resources' Outstanding Guarantees (Millions) Commitments Expiring	**Total Amounts Committed At December 31, 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	**863.9**	812.6	22.4	12.9	16.0
Standby letters of credit	**76.1**	67.1	9.0	-	-
Surety bonds	**0.6**	0.6	-	-	-
Total guarantees	**$967.8**	$880.3	$31.4	$12.9	$43.2

At December 31, 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 PDI's subsidiaries. The underlying debt related to these guarantees is reflected on the consolidated balance sheet.

Guarantees supporting commodity transactions include agreements on behalf of ESI, WPSC, PDI, and UPPCO. WPS Resources primarily issues guarantees on behalf of ESI to counterparties in the wholesale electric and natural gas marketplace to meet the counterparties' requirements. We also issue guarantees to counterparties in the wholesale electric marketplace to meet credit requirements on behalf of PDI. Guaranties have also been issued on behalf of PDI for indemnification obligations related to business purchase agreements. The Consolidated Balance Sheets reflect the obligations supported by these parental guarantees.

At December 31, 2004, and 2003, financial institutions have issued $76.1 million and $61.1 million respectively, 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 counterparty 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 Sheets.

At December 31, 2004 and 2003, WPS Resources furnished $0.6 million and $1.1 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 Sheets.

SCHEDULE II
WPS RESOURCES CORPORATION
VALUATION AND QUALIFYING ACCOUNTS

Allowance for Doubtful Accounts
Years Ended December 31, 2004, 2003, and 2002
(In Millions)

Fiscal Year	Balance at Beginning of Year	Acquisitions of Businesses	Additions Charged to Expense	Reductions *	Balance at End of Year
2002	$5.0	$0.1	$7.9	$6.0	$7.0
2003	$7.0	-	$7.0	$7.4	$6.6
2004	**$6.6**	**-**	**$7.1**	**$5.7**	**$8.0**

* Represents amounts written off to the reserve, net of recoveries.

SCHEDULE II
WISCONSIN PUBLIC SERVICE CORPORATION
VALUATION AND QUALIFYING ACCOUNTS

Allowance for Doubtful Accounts
Years Ended December 31, 2004, 2003, and 2002
(In Millions)

Fiscal Year	Balance at Beginning of Year	Acquisitions of Businesses	Additions Charged to Expense	Reductions *	Balance at End of Year
2002	$3.5	-	$3.9	$3.7	$3.7
2003	$3.7	-	$5.2	$4.5	$4.4
2004	**$4.4**	**-**	**$6.0**	**$4.9**	**$5.5**

* Represents amounts written off to the reserve, net of recoveries.

EXHIBITS FILED HEREWITH

10.10	WPS Resources Deferred Compensation Plan as Amended and Restated Effective January 1, 2005
10.19#*	Joint Plant Agreement by and between Wisconsin Public Service Corporation and Dairyland Power Cooperative, dated as of November 23, 2004
12.1	WPS Resources Ratio of Earnings to Fixed Charges
12.2	WPSC Ratio of Earnings to Fixed Charges and Ratio of Earnings to Fixed Charges and Preferred Dividends
21	Subsidiaries of the Registrants
23.1	Consent of Independent Registered Public Accounting Firm for WPS Resources
23.2	Consent of Independent Registered Public Accounting Firm for WPSC
24	Powers of Attorney
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
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
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 WPSC
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 WPSC
32.1	Written Statement of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 for WPS Resources
32.2	Written Statement of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 for WPSC

Portions of this exhibit have been redacted and are subject to a confidential treatment request filed with the Secretary of SEC pursuant to Rule 24b-2 under the Securities and Exchange Act of 1934, as amended. The redacted material is being filed separately with the SEC.

* Schedules and exhibits to this document are not filed therewith. The registrant agrees to furnish supplementally a copy of any such schedule or exhibit to the SEC upon request.

Exhibit 10.10

WPS RESOURCES CORPORATION
DEFERRED COMPENSATION PLAN

As Amended and Restated Effective January 1, 2005

WPS RESOURCES CORPORATION
DEFERRED COMPENSATION PLAN

The WPS Resources Corporation Deferred Compensation Plan (the "Plan") has been adopted to promote the best interests of WPS Resources Corporation (the "Company") and the stockholders of the Company by attracting and retaining key management employees and non-employee directors possessing a strong interest in the successful operation of the Company and its subsidiaries or affiliates and encouraging their continued loyalty, service and counsel to the Company and its subsidiaries or affiliates. The Plan is amended and restated effective January 1, 2005 as set forth herein to reflect, among other things, the requirements of the American Jobs Creation Act of 2004 and for the purpose of presenting the Plan to the Company's shareholders for approval with respect to the number of shares of WPS Resources Stock authorized for issuance under the Plan.

Except as expressly provided herein, the Plan, as herein amended and restated effective January 1, 2005, applies to (i) those employees who are actively employed by the Company or a Participating Employer on January 1, 2005, and who have been designated for participation by the Committee, and (ii) non-employee directors of the Company and designated subsidiaries and affiliates. Except as expressly provided herein, distribution of benefits to an employee who retired from or terminated employment with the Company prior to January 1, 2005, or a director who terminated from service with the Company prior to January 1, 2005, shall be governed by the terms of the Plan (or predecessor plan) as in effect on the date of the employee's or director's retirement or termination of employment or service.

ARTICLE I. DEFINITIONS AND CONSTRUCTION

Section 1.01. Definitions.

The following terms have the meanings indicated below unless the context in which the term is used clearly indicates otherwise:

(a) Account: The record keeping account or accounts maintained to record the interest of each Participant under the Plan. An Account is established for record keeping purposes only and not to reflect the physical segregation of assets on the Participant's behalf. To the extent relevant with respect to any Participant, the Participant's overall Account shall include the subaccounts and balances identified in Section 5.01, and may consist of such other subaccounts or balances as the Committee may determine to be necessary or appropriate.

(b) Act: The Securities Act of 1933, as interpreted by regulations and rules issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of the Act shall be deemed to include reference to any successor provision thereto.

(c) Affiliate: A corporation, trade or business that, with the Company, forms part of a controlled group of corporations, group of trades or businesses under common control, or affiliated service group within the meaning of Code Section 414(b), (c) or (m).

(d) Annual Bonus Deferral: See Section 1.01(m)(iii).

(e) Available Investment Option: See Section 6.01(a).

(f) Base Compensation: The base salary or wage payable by a Participating Employer to an Eligible Employee for services performed prior to reduction for contributions by the Eligible Employee to this Plan or pre-tax or after-tax contributions by the Eligible Employee to any other employee benefit plan maintained by a Participating Employer, but exclusive of extraordinary payments such as overtime, bonuses, meal allowances, reimbursed expenses, termination pay, moving pay, commuting expenses, severance pay, non-elective deferred compensation payments or accruals, stock options, or the value of employer-provided fringe benefits or coverage, all as determined in accordance with such uniform rules, regulations or standards as may be prescribed by the Committee.

(g) Base Compensation Deferral: See Section 1.01(m)(i).

(h) Beneficiary: The person or entity designated by a Participant to be his or her beneficiary for purposes of this Plan. If a Participant designates his or her spouse as a beneficiary, such beneficiary designation automatically shall become null and void on the date of the Participant's divorce or legal separation from such spouse. If a valid designation of beneficiary is not in effect at time of the Participant's death, the estate of the Participant is deemed to be the sole beneficiary. If a beneficiary dies while entitled to receive distributions from the Plan, any remaining payments shall be paid to the estate of that beneficiary. Beneficiary designations shall be in writing, filed with the Committee, and in such form as the Committee may prescribe for this purpose.

(i) Board: The Board of Directors of the Company.

(j) Code: The Internal Revenue Code of 1986, as interpreted by regulations and rulings issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of the Code shall be deemed to include reference to any successor provision thereto.

(k) Committee: The Compensation Committee of the Board (with respect to Eligible Employee participation) or the Governance Committee of the Board (with respect to Director participation).

(l) Company: WPS Resources Corporation, or any successor corporation.

(m) Deferral: An amount credited, in accordance with a Participant's election, to the Participant's Account under the Plan in lieu of the current payment of an equal amount of cash compensation to the Participant. Deferrals made after June 30, 2001 include the following:

(i) Base Compensation Deferral: A Deferral of all or a portion of an Eligible Employee's Base Compensation in accordance with Section 3.02.

(ii) Director Deferral. A Deferral by a Director of all or a portion of his or her Director Fees in accordance with Section 4.02.

(iii) Annual Bonus Deferral: A Deferral of all or a portion of an Eligible Employee's annual bonus award in accordance with Section 3.03.

(iv) LTIP Deferral: A Deferral of all or a portion of the performance shares or other stock-based compensation awarded to an Eligible Employee under the Omnibus Plan, in accordance with Section 3.04.

(n) Director: A non-employee member of the Board, a non-employee member of the board of directors of an Affiliate who is designated for participation by the Board, and where the context so requires, a former director entitled to receive a benefit hereunder

(o) Director Deferral: See Section 1.01(m)(ii).

(p) Director Fees: Those fees, other than fees designated for the Deferred Stock Unit Account, payable to a Director for services rendered on the Board (including attendance fees and fees for serving as a committee chair) or for service on the board of directors of an Affiliate.

(q) Disability: The inability of a Participant to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, as determined by the Committee.

(r) Eligible Employee: Subject to Section 2.02, a common law employee of a Participating Employer who has been designated by the Committee as being eligible to participate in this Plan and, where the context so requires, a former employee entitled to receive a benefit hereunder.

(s) ERISA: The Employee Retirement Income Security Act of 1974, as interpreted by regulations and rulings issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of ERISA shall be deemed to include reference to any successor provision thereto.

(t) Exchange Act: The Securities Exchange Act of 1934, as interpreted by regulations and rules issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of the Exchange Act shall be deemed to include reference to any successor provision thereto.

(u) Investment Options: The hypothetical investment accounts described in Article V and such other investment options as the Committee may from time to time determine (which may, but need not, be based upon one or more of the investment options available under the Wisconsin Public Service Corporation Administrative Employees Savings Plan).

(v) LTIP Deferral: See Section 1.01(m)(iv).

(w) Omnibus Plan: The WPS Resources Corporation 2001 Omnibus Incentive Compensation Plan or the WPS Resources Corporation 2005 Omnibus Incentive Compensation Plan, as required by the context.

(x) Participant: A Director and/or an Eligible Employee, as required by the context.

(y) Participating Employer: The Company and each Affiliate that, with the consent of the Committee, participates in the Plan for the benefit of one or more Participants.

(z) "Pre-2005 Account: See Section 5.01(a).

(aa) "Post-2004 Account: See Section 5.01(b).

(bb) Stock Unit Accounts: The Incentive Stock Unit Account described in Section 5.04, the Deferred Stock Unit Account described in Section 5.05, the Base Stock Unit Account described in Section 5.06, and the Prior Plan WPS Stock Unit Account described in Section 5.07.

(cc) Trust: The WPS Resources Corporation Deferred Compensation Trust or other funding vehicle which may from time to time be established, as amended and in effect from time to time.

(dd) Valuation Date: See Section 6.01(e).

(ee) WPS Resources Stock: The common stock, $1.00 par value, of the Company.

(ff) WPS Resources Stock Units: The hypothetical shares of WPS Resources Stock that are credited to the Stock Unit Accounts in accordance with Sections 5.04, 5.05, 5.06 and 5.07.

Section 1.02. Construction and Applicable Law.

(a) Wherever any words are used in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are use in the singular or the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply. Titles of articles and sections are for general information only, and the Plan is not to be construed by reference to such items.

(b) This Plan is intended to be a plan of deferred compensation maintained for a select group of management or highly compensated employees as that term is used in ERISA, and shall be interpreted so as to comply with the applicable requirements thereof. In all other respects, the Plan is to be construed and its validity determined according to the laws of the State of Wisconsin to the extent such laws are not preempted by federal law. In case any provision of the Plan is held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the Plan, but the Plan shall, to the extent possible, be construed and enforced as if the illegal or invalid provision had never been inserted.

ARTICLE II. PARTICIPATION

Section 2.01. Eligibility.

(a) A Director shall be eligible to participate in the Plan.

(b) An employee shall be eligible to participate in the Plan only if the employee is employed by a Participating Employer and if the employee has been designated as an Eligible Employee by the Committee. When designating an employee as an Eligible Employee, the Committee, in its sole discretion, may designate the employee for participation in the entire Plan or any part thereof.

Section 2.02. Certain Transfers of Employment.

If determined by the Committee to be consistent with the requirements of Code Section 409A and if directed by the Committee, a Participant whose employment is transferred to a corporation or other entity (the "Transferee Employer") that is not a Participating Employer, but in which the Company or an Affiliate holds an ownership interest, then until the earliest to occur of (a) the date on which the Participant ceases to be employed by such Transferee Employer, (b) the date on which the Company or an affiliate of the Company no longer holds an ownership interest in the Transferee Employer, or (c) such other date determined by the Committee, the Participant shall be treated as if he or she were still actively employed by a Participating Employer. The foregoing rule shall apply only for the purpose of determining whether the Participant has terminated employment for purposes of the distribution provisions of Articles VII and VIII; it shall not apply, and the Participant shall not be entitled to make additional Deferrals, with respect to remuneration attributable to services rendered with the Transferee Employer. The Committee may promulgate such additional rules as may be necessary or desirable in connection with any such transfer of employment.

ARTICLE III. EMPLOYEE DEFERRED COMPENSATION

Section 3.01. Application. This Article III applies to Participants other than Directors.

Section 3.02. Deferrals Of Base Compensation.

(a) Amount. A Participant may elect, in such form and manner as the Committee may prescribe, to defer payment of a portion of the Base Compensation that would otherwise be paid to the Participant. A Participant's election shall specify the percentage (in increments of 1% to a maximum of 100% or such lesser amount or percentage as may be established by the Committee, or as may be necessary in order to comply with applicable withholding obligations, whether attributable to withholdings required under applicable law or other authorized withholdings) of the Participant's Base Compensation that the Participant wishes to defer.

(b) Initial Deferral Election. In the case of a Participant who has been designated for participation for the first time and who completes a Deferral election within 30 days of becoming eligible to participate in the Plan, the Participant's validly executed Deferral election shall become effective with respect to services to be performed subsequent to the election or on such later date as determined by the Committee for reasons of administrative convenience. If the Participant does not submit a Deferral election during the initial 30 day election period, the Participant may thereafter elect to defer payment of Base Compensation by submitting a validly executed Deferral election to the Committee, but the election shall become effective and shall apply only to Base Compensation for services performed on or after January 1 of the calendar year following the calendar year during which the election is received and accepted by the Committee, or as soon thereafter as practicable. A Participant's Deferral election, once effective, shall remain in effect until modified by the Participant in accordance with subsection (c) below or otherwise revoked in accordance with Plan rules.

(c) Revised Deferral Election. Except to the extent that the Committee is permitted to give earlier effect to a Participants revocation or revision to his or her Deferral election in accordance with regulations promulgated by the Secretary of the Treasury under Code Section 409A, a Participant's Deferral election, once effective with respect to a calendar year, may not be revoked or modified with respect to Base Compensation for services performed in that calendar year. A Participant may modify his or her then current Deferral election by filing a revised Deferral election form, properly completed and signed, with the Committee. However, except to the extent that the Committee is permitted to give earlier effect to a Participant's revised election in accordance with regulations promulgated by the Secretary of the Treasury under Code Section 409A, the revised election will be effective only with respect to Base Compensation for services performed on or after January 1 of the calendar year following the calendar year during which the revised election is received and accepted by the Committee, or as soon thereafter as practicable. A Participant's revised Deferral election, once effective, shall remain in effect until again modified by the Participant under this subsection (c) or otherwise revoked in accordance with Plan rules.

Section 3.03. Deferrals of Annual Bonus Awards.

A Participant may irrevocably elect, in such form and manner as the Committee may prescribe, to defer payment of a portion of the annual cash bonus that is awarded and that would otherwise be paid to the Participant with respect to any year. A Participant's election shall specify the percentage (in increments of 1% to a maximum of 100% or such lesser amount or percentage as may be established by the Committee, or as may be necessary in order to comply with applicable withholding obligations, whether attributable to withholdings required under applicable law or other authorized withholdings) of the Participant's annual cash bonus that the Participant wishes to defer. In the case of any award that is not performance-based compensation for purposes of Code Section 409A, a validly executed Deferral election shall be effective only if the Deferral election is received and accepted by the Committee prior to the last day of the calendar year preceding the calendar year for which the annual bonus is paid, or by such other time as provided in regulations promulgated by the Secretary of the Treasury. In the case of any award that is performance-based compensation for purposes of Code Section 409A, a validly executed Deferral election shall become effective with respect to the annual bonus that may be awarded to the Participant with respect to a calendar year if the Participant's Deferral election is received and accepted by the Committee at least 6 months prior to the end of the (calendar year) performance period for the bonus, or by such earlier (but not later) date as the Committee may establish. A Participant's election to defer an annual bonus award shall be effective only for the year to which the election relates, and shall not carry over from year to year. Notwithstanding the foregoing, a Participant's election to defer all or a portion of an award shall not be effective with respect to an award paid after the Participant's termination of employment if distribution to the Participant in accordance with Article VII or Article VIII has commenced.

Section 3.04. Deferral of LTIP Share Awards.

A Participant may irrevocably elect, in such form and manner as the Committee may prescribe, to defer payment of a portion of any performance share or other stock-based compensation awarded to the Participant under the Omnibus Plan. A Participant's election shall specify the whole number of shares (up to 100% of such shares or such lesser number or percentage as may be established by the Committee, or as may be necessary in order to comply with applicable withholding obligations, whether attributable to withholdings required under applicable law or other authorized withholdings) of the Participant's award that the Participant wishes to defer. In the case of any award that is not performance-based compensation for purposes of Code Section 409A, a validly executed Deferral election shall be effective only if the Deferral election is received and accepted by the Committee prior to the last day of the Participant's tax year preceding the year during which the service period for the award begins, or by such other time as provided in regulations promulgated by the Secretary of the Treasury. In the case of any award that is performance-based compensation for purposes of Code Section 409A, a validly executed Deferral election shall become effective with respect to shares to be earned by the Participant with respect to any Omnibus Plan performance period if the Participant's Deferral election is received and accepted by the Committee at least 6 months prior to the end of such performance period or by such earlier (but not later) date as the Committee may establish. A Participant's election to defer an award shall be effective only for the Omnibus Plan service period or performance period to which the election relates, and a Participant's election does not carry over from performance period to performance period or from service period to service period. A Participant's LTIP Deferral will be automatically credited to the Participant's Incentive Stock Unit Account. Notwithstanding the foregoing, (a) a Participant's election to defer all or a portion of an award shall not be effective with respect to an award paid after the Participant's termination of employment if distribution to the Participant in accordance with Article VII or Article VIII has commenced, and (b) a Participant may defer the receipt of shares upon exercise of a stock option or stock appreciation right only if and to the extent authorized by the Committee and in accordance with procedures designated by the Committee for purposes of complying with the requirements of Code Section 409A.

Section 3.05. Matching Contribution Credits.

(a) Allocation of Credits. A Participant who is a participant in the Wisconsin Public Service Corporation Administrative Employees' Savings Plan ("Savings Plan") and who makes Base Compensation Deferrals and/or Annual Bonus Deferrals under this Plan shall be entitled to a matching contribution credit, determined as of December 31 of each year, equal to the difference (if any) between:

(i) The value of the matching contribution that the Participant would have received under the Savings Plan, if Base Compensation Deferrals and Annual Bonus Deferrals made by the Participant under this Plan were instead treated as "compensation" under the Savings Plan for purposes of applying the Participant's Deferral election under the Savings Plan; provided that all limits and restrictions otherwise imposed under the Savings Plan, including the maximum compensation limit under Section 401(a)(17) of the Code, shall continue to apply; and

(ii) The value of the matching contribution actually received by the Participant for that year under the Savings Plan.

(b) Investment of Credits. A Participant's matching contribution credit will be automatically credited to the Participant's Incentive Stock Unit Account.

Section 3.06. Other Deferrals and Credits. The Committee, in its discretion, may, with respect to any Participant, determine that the Participant is eligible to make Deferrals with respect to additional components of the Participant's remuneration or receive employer contribution credits in addition to the credits described herein. In no event, however, shall the Committee authorize such additional Deferrals or credits unless the Committee has first determined that the Deferrals or credits have been elected or authorized in a manner that will not result in the imposition of tax under Code Section 409A.

Section 3.07. Involuntary Termination of Deferral Elections.

A Participant's Deferral elections shall be automatically revoked upon the Participant's termination of employment from the Participating Employers, unless the Committee determines otherwise in accordance with the requirements of Code Section 409A. In addition, and subject to Code Section 409A, a Participant's Deferral election will terminate if the Committee determines that the Participant is no longer eligible to participate in the Plan or that revocation of a Participant's eligibility is necessary or desirable in order for the Plan to qualify under ERISA as a plan of deferred compensation for a select group of management or highly compensated employees.

Section 3.08. 2005 Transitional Rules. Notwithstanding the rules otherwise set forth in this Article III regarding the timing of Deferral elections, and in accordance with Internal Revenue Service Notice 2005-1:

(a) A Participant, no later than March 1, 2005 (or such earlier date as the Committee may prescribe), may prospectively revise (upward or downward) his or her prior Deferral election with respect to 2005 Base Compensation that has not been paid or become payable at the time of the revised election. This includes the revision of a prior Deferral election (or deemed Deferral election) in which the Participant elected not to defer any amount.

(b) A Participant, no later than March 1, 2005 (or such earlier date as the Committee may prescribe), may revise (upward or downward) his or her prior Deferral election with respect to (i) the 2004 annual bonus (the Participant's right to and amount of which is determined, and absent a Deferral election would be payable, in 2005), (ii) the 2005 annual bonus (the Participant's right to and amount of which is determined, and absent a Deferral election would payable, in 2006), (iii) the 2002-2004 Omnibus Plan bonus (the Participant's right to and the amount of which is determined, and absent a Deferral election would be payable, in 2005), and (iv) the 2003-2005 Omnibus Plan bonus (the Participant's right to and the amount of which is determined, and absent a Deferral election would be payable, in 2006). Each of the foregoing incentive bonus amounts (if awarded) is subject to the requirements of Code Section 409A and, absent a Deferral election, would be payable after the latest election date established for that bonus award. The right to revise a prior Deferral election includes the revision of a prior Deferral election (or deemed Deferral election) in which the Participant elected not to defer any amount.

(c) On or before December 31, 2005, the Committee may (but need not) permit a Participant who has made a Deferral election with respect to one or more of the compensation categories described in subsections (a) and (b) above, to cancel any such Deferral election, in whole or in part, in accordance with Code Section 409A.

ARTICLE IV. DIRECTOR DEFERRED COMPENSATION

Section 4.01. Application. This Article IV applies only to Directors.

Section 4.02. Deferrals Of Director Fees.

(a) Amount. A Director may elect, in such form and manner as the Committee may prescribe, to defer payment of all or a portion of the Director Fees that would otherwise be paid to the Director. A Director's election shall specify the percentage (in increments of 1% to a maximum of 100% or such lesser amount or percentage as may be established by the Committee, or as may be necessary in order to comply with applicable withholding obligations, whether attributable to withholdings required under applicable law or other authorized withholdings) of the Director Fees that the Director wishes to defer.

(b) Initial Deferral Election. In the case of a Director who has become eligible for participation for the first time, and who completes a Deferral election within 30 days of becoming eligible to participate in the Plan, the Director's validity executed Deferral election shall become effective with respect to services to be performed subsequent to the election or on such later date as determined by the Committee for reasons of administrative convenience. If the Director does not submit an initial Deferral election during the initial 30 day election period, the Director may thereafter elect to defer the payment of Director Fees by submitting a validly executed Deferral election to the Committee, but the election shall become effective and shall apply only to Directors Fees for services performed on or after January 1 of the calendar year following the calendar year in which the election is received and accepted by the Committee, or as soon thereafter as practicable. A Director's Deferral election, once effective, shall remain in effect until modified by the Director in accordance with subsection (c) below or otherwise revoked in accordance with Plan rules.

(c) Revised Deferral Election. Except to the extent that the Committee is permitted to give earlier effect to a Director's revocation or revision to his or her Deferral election in accordance with regulations promulgated by the Secretary of the Treasury under Code Section 409A, a Director's Deferral election, once effective with respect to a calendar year, may not be modified or revoked with respect to Director Fees for services performed in that calendar year. A Director may modify his or her then current Deferral election by filing a revised Deferral election form, properly completed and signed, with the Committee. However, except to the extent that the Committee is permitted to give earlier effect to a Participants revision to his or her Deferral election in accordance with regulations promulgated by the Secretary of the Treasury under Code Section 409A, the revised election will be effective with respect to Director Fees for services performed on or after January 1 of the calendar year following the calendar year during which the revised election is received and accepted by the Committee, or as soon thereafter as practicable. A Director's revised Deferral election, once effective, shall remain in effect until again modified by the Director in accordance with this subsection (c) or otherwise revoked in accordance with Plan rules.

Section 4.03. Deferred Stock Units.

The Board may from time to time direct that a portion of the remuneration to be earned by a Director for service on the Board shall be credited under this Plan in the form of Deferred Stock Units. Except to the extent that the Committee is permitted to give earlier effect to a direction in accordance with regulations promulgated by the Secretary of the Treasury under Code Section 409A, any such direction shall be effective with respect to remuneration to be earned by the Director on and after January 1 of the calendar year following the date of such direction, and shall continue in effect through December 31 of the calendar year in which modified or revoked by a subsequent direction of the Board. The Board's direction may provide either for the direct credit of Deferred Stock Units or for the mandatory deferral of a prescribed amount of cash remuneration that will be converted into WPS Stock Units in accordance with Section 5.05(b) below.

Section 4.04. Involuntary Termination of Deferral Elections.

A Director's Deferral elections shall be automatically revoked upon the Director's termination of service with the Participating Employers, unless the Committee determines otherwise in accordance with Code Section 409A. In addition, and subject to Code Section 409A, a Director's Deferral election will terminate if the Committee determines that the Director is no longer eligible to participate in the Plan.

Section 4.05. 2005 Transitional Rules. Notwithstanding the rules otherwise set forth in this Article IV regarding the timing of Deferral elections, and in accordance with Internal Revenue Service Notice 2005-1:

(a) A Director, no later than March 1, 2005 (or such earlier date as the Committee may prescribe), may prospectively revise (upward or downward) his or her prior Deferral election with respect to 2005 Director Fees that has not been paid or become payable at the time of the revised election. This includes the revision of a prior Deferral election (or deemed Deferral election) in which the Director elected not to defer any amount.

(b) On or before December 31, 2005, the Committee may (but need not) permit a Director who has made a Deferral election with respect to 2005 Director Fees, to cancel such Deferral election, in whole or in part.

ARTICLE V. ACCOUNTS AND HYPOTHETICAL INVESTMENT OPTIONS

Section 5.01. Participant Accounts.

To the extent relevant, a Participant's Account shall consist of the following subaccounts or balances:

(a) The "Pre-2005 Account", to record the Participant's interest with respect to Deferrals or contribution credits made prior to January 1, 2005, together with any earnings or loss thereon through the date of distribution from the Plan, and which shall consist of the following:

(i) "Reserve Account A", reflecting the Participant's entire interest in Reserve Account A;

(ii) "Pre-July 1, 2001 Reserve Account B", reflecting the portion of the Participant's balance in Reserve Account B that is attributable to Deferrals made through June 30, 2001, together with all credits of interest equivalent on such Deferrals through the date of distribution from the Plan;

(iii) "July 1, 2001 Through December 31, 2004 Reserve Account B", reflecting the portion of the Participant's balance in Reserve Account B that is attributable to Deferrals made after June 30, 2001 and through December 31, 2004, together with all credits of interest equivalent on such Deferrals through the date of distribution from the Plan;

(iv) "Pre-2005 Incentive Stock Unit Account", reflecting the portion of the Participant's balance in the Incentive Stock Unit Account that is attributable to Annual Bonus Deferrals, LTIP Deferrals and matching contribution credits made after June 30, 2001 and through December 31, 2004, together with earnings or loss thereon through the date of distribution from the Plan;

(v) "Pre-2005 Deferred Stock Unit Account", reflecting the portion of the Participant's Deferred Stock Unit Account that is attributable to Deferred Stock Units allocated to a Director through December 31, 2004, and any earnings or loss thereon through the date of distribution from the Plan;

(vi) "Pre-2005 Base Stock Unit Account", reflecting the portion of the Participant's balance in the Base Stock Unit Account that is attributable to Deferrals made after June 30, 2001 and through December 31, 2004, and any earnings or loss thereon through the date of distribution from the Plan;

(vii) "Prior Plan WPS Stock Unit Account", reflecting the Participant's entire interest in the Prior Plan WPS Stock Unit Account; and

(viii) Pre-2005 Other Investments Account", reflecting the Participant's balance in any other Investment Option that is attributable to Deferrals made after June 30, 2001 and through December 31, 2004, and any earnings or loss thereon through the date of distribution from the Plan.

(b) The "Post-2004 Account", to record the Participant's interest with respect to Deferrals or contribution credits made after December 31, 2004, together with any earnings or loss thereon through the date of distribution from the Plan, and which shall consist of the following:

(i) "Post-2004 Reserve Account B", reflecting the portion of the Participant's balance in Reserve Account B that is attributable to Deferrals made after December 31, 2004, together with all credits of interest equivalent on such Deferrals through the date of distribution from the Plan;

(ii) "Post-2004 Incentive Stock Unit Account", reflecting the portion of the Participant's balance in the Incentive Stock Unit Account that is attributable to Annual Bonus Deferrals, LTIP Deferrals and matching contribution credits made after December 31, 2004, and any earnings or loss thereon through the date of distribution from the Plan;

(iii) "Post-2004 Deferred Stock Unit Account", reflecting the portion of the Participant's Deferred Stock Unit Account that is attributable to Deferred Stock Units allocated to a Director after December 31, 2004, and any earnings or loss thereon through the date of distribution from the Plan;

(iv) "Post-2004 Base Stock Unit Account", reflecting the portion of the Participant's balance in the Base Stock Unit Account that is attributable to Deferrals made after December 31, 2004, and any earnings or loss thereon through the date of distribution from the Plan; and

(v) "Post-2004 Other Investments Account", reflecting the Participant's balance in any other Investment Option that is attributable to Deferrals made after December 31, 2004, and any earnings or loss thereon through the date of distribution from the Plan.

Section 5.02. Reserve Account A.

(a) Limited Purpose Account. Reserve Account A is limited to compensation or director fees deferred by a Participant prior to January 1, 1996, together with attributed earnings on such deferrals. Except for attributed earnings as described below, no further deferrals, contributions or credits of any kind will be made to this account on behalf of a Participant.

(b) Crediting of Interest Equivalent. Reserve Account A will be credited with an interest equivalent on the balance in the account from time to time during the year. Unless the Committee prescribes an alternate method, the annual interest equivalent rate (on a non-compounded basis) will be the greater of:

(i) six percent (6.0%); or

(ii) a rate equal to the consolidated return on common shareholders' equity of the Company and all consolidated subsidiaries (ROE); provided, however, that unless the Committee determines otherwise, this Paragraph (ii) will not apply to a Participant following termination of employment if the Participant's termination of employment with the Company and its Affiliates occurs prior to attainment of age 55 and prior to the occurrence of a Change in Control (as defined in Section 10.01). For the months of April through September, ROE means the consolidated return on equity of the Company and all consolidated subsidiaries for the twelve (12) months ended on the preceding February 28 (or 29) as calculated pursuant to the Company's standard accounting procedure for financial reporting to shareholders. For the months October through March, ROE means return on equity as described above for the twelve (12) months ended on the preceding August 31.

(c) Revised Rate. Subject to Article X, the Committee may revise the interest equivalent rate or the manner in which it is calculated, but in no event shall the rate be less than six percent (6%) per annum. Any such revised rate shall be effective with the calendar month following such action by the Committee.

Section 5.03. Reserve Account B.

(a) Availability. Reserve Account B is an Available Investment Option with respect to the deemed investment of Base Compensation Deferrals, Director Deferrals and Annual Bonus Deferrals. The Account is credited with earnings equivalent based upon a percentage of the Company's return on equity for the year.

(b) Crediting of Interest Equivalent. Reserve Account B will be credited with an interest equivalent on the balance in the account from time to time during the year. Unless the Committee prescribes an alternate method, the annual interest equivalent rate (on a non-compounded basis) will be the greater of:

(i) six percent (6.0%); or

(ii) a rate equal to seventy percent (70%) of the consolidated return on common shareholders equity of the Company and all consolidated subsidiaries (ROE); provided, however, that unless the Committee determines otherwise, this Paragraph (ii) will not apply to a Participant following termination of employment if the Participant's termination of employment with the Company and its Affiliates occurs prior to attainment of age 55 and prior to the occurrence of a Change in Control (as defined in Section 10.01). For the months of April through September, ROE means the consolidated return on equity of the Company and all consolidated subsidiaries for the twelve (12) months ended on the preceding February 28 (or 29) as calculated pursuant to the Company's standard accounting procedure for financial reporting to shareholders. For the months October through March, ROE means return on equity as described above for the twelve (12) months ended on the preceding August 31.

(c) Revised Rate. Subject to Article X, the Committee may revise the interest equivalent rate or the manner in which it is calculated, but in no event shall the rate be less than six percent (6%) per annum. Any such revised rate shall be effective with the calendar month following such action by the Committee.

Section 5.04. Incentive Stock Unit Account.

(a) Limited Purpose "Buy Only" Account. The Incentive Stock Unit Account is a "buy only" account limited to (i) Annual Bonus Deferrals that are made after June 30, 2001 pursuant to Section 3.03 and that the Participant elects to be credited to the Incentive Stock Unit Account in accordance with Section 6.01(c), (ii) LTIP Deferrals made after June 30, 2001 pursuant to Section 3.04, and (iii) matching contribution credits made after June 30, 2001 pursuant to Section 3.05.

(b) Conversion to WPS Stock Units. All eligible Deferrals made by or on behalf of a Participant and allocated to the Incentive Stock Unit Account and all of a Participant's matching contribution credits under Section 3.05 (the "Incentive Stock Unit Convertible Amount") are converted, for record keeping purposes, into whole and fractional WPS Resources Stock Units, with fractional units calculated to four decimal places. The conversion shall be accomplished by dividing each Participant's Incentive Stock Unit Convertible Amount by the closing price of a share of WPS Resources Stock on the date on which the Deferral or credit would otherwise have been paid to the Participant, as reported in the Wall Street Journal's New York Stock Exchange Composite Transaction listing. Likewise, any dividends that would have been payable on the WPS Resources Stock Units credited to a Participant's Incentive Stock Unit Account had such Units been actual shares of WPS Resources Stock shall be converted, for record keeping purposes, into whole and fractional WPS Resources Stock Units based on the closing price of a share of WPS Resources Stock on the dividend date.

Section 5.05. Deferred Stock Unit Account.

(a) Limited Purpose "Buy Only" Account. A Director's Deferred Stock Unit Account is a "buy only" account limited to Deferred Stock Units allocated to the Director in accordance with Section 4.03. The Director is not able to exercise investment discretion with respect to his or her Deferred Stock Unit Account.

(b) Conversion to WPS Stock Units. All Deferred Stock Unit amounts directed by the Board in accordance with Section 4.03 shall be credited to the Director's Deferred Stock Unit Account. If the Board directs that a Director be credited with a prescribed number of WPS Resources Stock Units, the number of units so prescribed shall be credited to the Director's Deferred Stock Unit Account. If the Board directs that a Director be credited with WPS Resources Stock Units with a prescribed value, the value to be credited (the "Deferred Stock Unit Convertible Amount") will be converted, for record keeping purposes, into whole and fractional WPS Resources Stock Units, with fractional units calculated to four decimal places. The conversion shall be accomplished by dividing each Director's Deferred Stock Unit Convertible Amount by the closing price of a share of WPS Resources Stock on the effective date of the grant, as reported in the Wall Street Journal's New York Stock Exchange Composite Transactions listing. Any dividends that would have been payable on the WPS Resources Stock Units credited to a Director's Deferred Stock Unit Account had such Units been actual shares of WPS Resources Stock shall be converted, for record keeping purposes, into whole and fractional WPS Resources Stock Units based on the purchase price at which shares of WPS Resources Stock were purchased under the WPS Resources Corporation Stock Investment Plan on the purchase date that is coincident with or closest to the dividend date.

Section 5.06. Base Stock Unit Account.

(a) Availability. The Base Stock Unit Account is an Available Investment Option with respect to the deemed investment of Base Compensation Deferrals, Director Deferrals and Annual Bonus Deferrals that are made after June 30, 2001 and that the Participant elects to have credited to the Base Stock Unit Account in accordance with Section 6.01(b) and (c).

(b) Conversion to WPS Stock Units. All eligible Deferrals made by or on behalf of a Participant and allocated to the Base Stock Unit Account (the "Base Stock Unit Convertible Amount") are converted, for record keeping purposes, into whole and fractional WPS Resources Stock Units, with fractional units calculated to four decimal places. The conversion shall be accomplished by dividing each Participant's Base Stock Unit Convertible Amount by the closing price of a share of WPS Resources Stock on the date on which the Deferral would otherwise have been paid to the Participant, as reported in the Wall Street Journal's New York Stock Exchange Composite Transaction listing. Likewise, any dividends that would have been payable on the WPS Resources Stock Units credited to a Participant's Base Stock Unit Account had such Units been actual shares of WPS Resources Stock shall be converted, for record keeping purposes, into whole and fractional WPS Resources Stock Units based on the closing price of a share of WPS Resources Stock on the dividend date.

(c) Conversion from WPS Stock Units. If a Participant elects under Section 6.01(f) to reallocate all or any portion of his or her Base Stock Unit Account among the other Available Investment Options, the WPS Resources Stock Units to which such election relates shall be converted, for record keeping purposes, into an amount equal to the product of such units and the closing price of a share of WPS Resources Stock, on the effective date of such reallocation, as reported in the Wall Street Journal's New York Stock Exchange Composite Transaction listing.

(d) Securities Law Restrictions. Notwithstanding anything to the contrary herein, all reallocation elections under Section 6.01(f) by a Participant who is subject to Section 16 of the Exchange Act are subject to review by the Committee prior to implementation. Further, the following reallocation transactions under Section 6.01(f) by a Participant who is subject to Section 16 of the Exchange Act are prohibited: (i) elections to reallocate the deemed investment of the affected Participant's Account into WPS Resources Stock Units within six (6) months of an election to reallocate deemed investments out of WPS Resources Stock Units; and (ii) elections to reallocate the deemed investment of the affected Participant's Account out of WPS Resources Stock Units within six (6) months of an election to reallocate deemed investments into WPS Resources Stock Units (collectively, "Prohibited Transactions"). All Prohibited Transactions are void. In accordance with Section 11.02, the Committee may restrict additional transactions, or impose other rules and procedures, to the extent deemed desirable by the Committee in order to comply with the Exchange Act, including, without limitation, application of the review and approval provisions of this Section 5.06(d) to Participants who are not subject to Section 16 of the Exchange Act.

Section 5.07. Prior Plan WPS Stock Unit Account.

(a) Limited Purpose Account. The Prior Plan WPS Stock Unit Account is limited to WPS Resources Stock Units credited to a Participant under the Plan (or a predecessor plan) through June 30, 2001, together with such additional WPS Resources Stock Units as are credited in accordance with subsection (b) below based on deemed dividends on such WPS Resources Stock Units.

(b) Dividend Credits. Any dividends that would have been payable on the WPS Resources Stock Units credited to a Participant's Prior Plan WPS Stock Unit Account had such Units been actual shares of WPS Resources Stock shall be converted, for record keeping purposes, into whole and fractional WPS Resources Stock Units, and shall be credited to the Prior Plan WPS Stock Unit Account, based on the closing price of a share of WPS Resources Stock on the dividend date.

ARTICLE VI. ACCOUNTING AND HYPOTHETICAL INVESTMENT ELECTIONS

Section 6.01. Hypothetical Investment of Participant Accounts.

(a) Available Investment Options.

(i) For purposes of directing the deemed investment of Base Compensation Deferrals and Director Deferrals under subsection (b) below and for purposes of reallocating the deemed investment of the Participant's Account under subsection (f) below, the Available Investment Options shall be all of the Investment Options other than Reserve Account A, the Prior Plan WPS Stock Unit Account, the Incentive Stock Unit Account and the Deferred Stock Unit Account.

(ii) For purposes of directing the deemed investment of Annual Bonus Deferrals under subsection (c) below, the Available Investment Options shall be all of the Investment Options other than Reserve Account A, the Prior Plan WPS Stock Unit Account and the Deferred Stock Unit Account.

(b) Deemed Investment of Base Compensation Deferrals and Director Deferrals. In accordance with uniform rules prescribed by the Committee, each Participant shall designate, in writing or in such other manner as the Committee may prescribe, how Base Compensation Deferrals or Director Deferrals made while the designation is in effect are credited among the Available Investment Options. When selecting more than one Available Investment Option, the Participant shall designate, in whole multiples of 1% or such other percentage determined by the Committee, the percentage of his or her Base Compensation Deferrals or Director Deferrals to be credited to each Available Investment Option. If the Participant fails to make a timely and complete investment designation, he or she shall be deemed to have elected that 100% of his or her Base Compensation Deferrals or Director Deferrals be credited to Reserve Account B or such other of the Available Investment Options specified by the Committee for this purpose. A

Participant's investment election or deemed investment election shall become effective beginning with the first payroll period commencing or payment date occurring on or after the date on which the election is received and accepted by the Committee, or such other date established by the Committee for this purpose, and shall remain in effect unless and until modified by a subsequent election that becomes effective in accordance with the rules of this subsection.

(c) Deemed Investment of Annual Bonus Deferrals. In accordance with uniform rules prescribed by the Committee, each Participant shall designate, in writing or in such other manner as the Committee may prescribe, how Annual Bonus Deferrals made while the designation is in effect are credited among the Available Investment Options. When selecting more than one Available Investment Option, the Participant shall designate, in whole multiples of 1% or such other percentage determined by the Committee, the percentage of his or her Annual Bonus Deferrals to be credited to each Available Investment Option; provided, that with respect to any portion of the Annual Bonus Deferral that the Participant allocates to the Incentive Stock Unit Account, the amount allocated to such account will be 105% of the amount designated by the Participant for deferral into the Incentive Stock Unit Account. If the Participant fails to make a timely and complete investment designation, he or she shall be deemed to have elected that 100% of his or her Annual Bonus Deferral be credited to Reserve Account B or such other Investment Option specified by the Committee for this purpose. A Participant's investment election or deemed investment election shall become effective with respect to annual bonus amounts awarded on or after the date on which the election is received and accepted by the Committee, and shall remain in effect unless and until modified by a subsequent election that becomes effective in accordance with the rules of this subsection.

(d) Deemed Investment of LTIP Deferrals. LTIP Deferrals under Section 3.04 and matching contribution credits under Section 3.05 are credited to the Incentive Stock Unit Account. The Participant is not permitted to make an investment election with respect to LTIP Deferrals and matching contribution credits.

(e) Allocation of Deemed Investment Gain or Loss. On each day that the New York Stock Exchange is open for business, or at such other times as the Committee may prescribe (the

"Valuation Date"), the Account of each Participant will be credited (or charged) based upon the investment gain (or loss) that the Participant would have realized with respect to his or her Account since the immediately preceding Valuation Date had the Account been invested in accordance with the terms of the Plan and where applicable, the Participant's election. Subject to the special rules set forth in Article V with respect to Reserve Account A, Reserve Account B, the Incentive Stock Unit Account, the Deferred Stock Unit Account, the Base Stock Unit Account and the Prior Plan WPS Stock Unit Account, the credit (or charge) shall be the sum, separately calculated for each of the Investment Options, of the product obtained by multiplying (i) the portion (if any) of the Participant's Account as of the immediately prior Valuation Date that is deemed to have been invested in each Investment Option, and (ii) the rate of return experienced by that Investment Option since the immediately preceding Valuation Date. The Committee, in its discretion, may prescribe alternate rules for the valuation of Participant Accounts, including, without limitation, the application of unit accounting principles.

(f) Reallocation of Account. Subject to Section 5.06(d), and in accordance with rules prescribed by the Committee (which may include limitations on the timing or frequency of reallocation transactions initiated by some or all Participants), each Participant may elect to reallocate his or her Account (other than the portion deemed to be invested in Reserve Account A, the Pre-July 1, 2001 Reserve Account B, the Prior Plan WPS Stock Unit Account, the Incentive Stock Unit Account and the Deferred Stock Unit Account) among the Available Investment Options. When selecting more than one Investment Option, the Participant shall designate, in whole multiples of 1% or such other percentage determined by the Committee, the percentage of his or her available Account that is deemed to be invested in each Available Investment Option after the investment reallocation is given effect. Once effective, a Participant's reallocation shall remain in effect unless and until modified by a subsequent election that becomes effective in accordance with the rules prescribed by the Committee. Other than a reallocation of a Participant's Account pursuant to a revised investment election submitted by the Participant, the deemed investment allocation of a Participant will not be adjusted to reflect differences in the relative investment return realized by the various hypothetical Investment Options that the Participant has designated.

Section 6.02. Accounts are For Record Keeping Purposes Only.

Plan Accounts and the record keeping procedures described herein serve solely as a device for determining the amount of benefits accumulated by a Participant under the Plan, and shall not constitute or imply an obligation on the part of a Participating Employer to fund such benefits. In any event, a Participating Employer may, in its discretion, set aside assets and/or contribute to the Trust assets equal to part or all of such account balances and invest such assets in Company stock, life insurance or any other investment deemed appropriate. Any such assets held by the Company or the Trust shall be and remain the sole property of the Company or the Trust, as applicable, and except to the extent that the Trust authorizes a Participant to direct the trustee with respect to the voting of WPS Resources Stock held in the Trust, a Participant shall have no proprietary rights of any nature whatsoever with respect to such assets.

ARTICLE VII. DISTRIBUTION OF PRE-2005 ACCOUNT

Section 7.01. Distribution Election.

(a) Election. A Participant, at the time he or she commenced participation in the Plan, made a distribution election with respect to his or her Pre-2005 Account. The election specified the distribution commencement date, the distribution period, and the distribution method applicable following the Participant's death. Any such election was required to be consistent with the following rules (or if the Participant failed to make a selection with respect to a particular item, in accordance with the default rules set forth below):

(i) Distribution Commencement Date. Unless the Participant has selected a later commencement date, which in no event shall be later than the first distribution period following the Participant's attainment of age 72, distribution of a Participant's Pre-2005 Account will commence either (A) within 60 days following the end of the calendar year in which the Participant terminates employment or service from the Company and all Affiliates, or (B) if determined by the Committee to be consistent with the "grand-father" rules of Code Section 409A and if directed by the Committee for purposes of creating administratively consistency between the distribution provisions of Articles VII and VIII, within 60 days following the end of the calendar year in which occurs the 6 month anniversary of the date on which the Participant terminates employment or service from the Company and all Affiliates. For purposes of this Plan, a Participant who is Disabled shall be deemed to have retired or terminated at the conclusion of benefits under all disability income plans sponsored by a Participating Employer or to which a Participating

Employer contributes, unless otherwise determined by the Committee.

(ii) Distribution Period. Distributions will be made in 1 to 15 annual installments, as elected by the Participant.

(iii) Distribution of Remaining Account Following Participant's Death. In the event of the Participant's death, the Participant's remaining undistributed interest will be distributed to the Participant's Beneficiary in accordance with the distribution election (single sum payment or installments) elected by the Participant. If the Participant had elected a single sum, the payment shall be made no later than March 1 following the calendar year in which occurs the Participant's death. If the Participant had elected an installment distribution, (A) any installments previously commenced to the Participant shall continue to the Beneficiary and (B) if installment distributions had not commenced as of the date of the Participant's death, payments over the installment period elected by the Participant shall commence to the Beneficiary no later than March 1 following the calendar year in which occurs the Participant's death.

(b) Effectiveness of Election. A distribution election shall be deemed made only when it is received and accepted as complete by the Committee, and shall remain in effect until modified by the Participant in accordance with Section 7.02 below or otherwise revoked in accordance with Plan rules.

Section 7.02. Modified Distribution Election.

A Participant may from time to time modify his or her distribution election by filing a revised distribution election, properly completed and signed, with the Committee. However, a revised distribution election will be given effect only if the Participant remains employed by a Participating Employer for twelve (12) consecutive months following the date that the revised election is received and accepted as complete by the Committee.

Section 7.03. Calculation of Annual Distribution Amount.

(a) Pre-2001 Retirees. For any Participant who retired or terminated employment or service prior to January 1, 2001, distribution of the Participant's Account will be calculated and made under the distribution provisions of the Plan applicable to the Participant on the date of the Participant's retirement or termination of employment or service.

(b) Post-2000 Retirees. For a Participant who retires or terminates employment or service after December 31, 2000, the annual distribution amount for the Pre-2005 Account, unless the Committee specifies a different or alternate method and such different or alternate method does not result in the imposition of tax under Code Section 409A, shall be calculated as follows:

(i) The annual distribution amount for the Participant's Pre-2005 Account, other than the portion of the Pre-2005 Account that is deemed to be invested in the Stock Unit Accounts (the "Distributable Account"), shall be determined by dividing (A) the aggregate balance in the Distributable Account as of January 1 of the year for which the distribution is being made, by (B) the number of installment payments remaining to be made under the distribution period selected by the Participant. Distributions shall be made in cash. The amount of any distribution under this Paragraph (i) will be charged pro-rata against the Participant's interest in each Investment Option comprising the Distributable Account. Notwithstanding the foregoing, the last installment payment of the Distributable Account shall be adjusted to take into account deemed investment gains or losses for the period between the January 1 valuation date and the date of actual payment according to such methods and procedures adopted by the Committee.

(ii) The annual distribution amount for the portion of the Participant's Pre-2005 Account that is credited to each of the Stock Unit Accounts shall be determined on a share basis by dividing (A) the number of WPS Resources Stock Units credited to the relevant Stock Unit Account as of January 1 of the year for which the distribution is being made (subject to subsequent adjustment under Section 9.02), by (B) the number of installment payments remaining to be made under the distribution period selected by the Participant. The Participant will receive shares of WPS Resources Stock equal to the annual distribution amount, subject only to the distribution of cash in lieu of any fractional WPS Resources Stock Unit. The cash payment for any fractional WPS Resources Stock Unit shall be determined based upon the closing price of a share of WPS Resources Stock on January 21 of the year in which the distribution is being made, as such share price is reported in the Wall Street Journal's New York Stock Exchange Composite Transactions listing. If January 21 falls on a Saturday, Sunday or holiday, the calculation of the cash portion of the distribution will be made based upon the closing price as reported for the immediately preceding business day.

Section 7.04. Time of Distribution.

Subject to the provisions of Sections 9.02 and 10.02, each distribution of WPS Resources Stock made to a Participant (or Beneficiary) shall be distributed on January 22 (or if January 22 falls on a Saturday, Sunday or holiday, the immediately following business day). For distribution and tax reporting purposes, the value of WPS Resources Stock distributed shall equal the number of shares distributed multiplied by the closing price of WPS Resources Stock on January 21 (or if January 21 falls on a Saturday, Sunday or holiday, the immediately preceding business day) of the year in which the distribution is being made as reported in the Wall Street Journal's New York Stock Exchange Composite Transaction listing. The cash portion of any distribution will be made no later than March 1 of the year for which the distribution is being made.

Section 7.05. Single Sum Distribution at the Committee's Option.

(a) In the case of a Participant whose employment with the Company and its Affiliates is involuntarily terminated by the Company or an Affiliate, or whose employment with the Company and its Affiliates is mutually terminated in accordance with a separation agreement and release between the Company or an Affiliate and such Participant, the Committee may (but need not) direct that the Participant's Pre-2005 Account be distributed in the form of a single sum payment in lieu of distribution over any installment distribution period that would otherwise apply. If so directed by the Committee, the single sum distribution shall be made in cash and/or shares of WPS Resources Stock (as determined in accordance with Section 7.03) and shall be made at the time specified in Section 7.04.

(b) In the case of any other Participant or Beneficiary whose Pre-2005 Account and Post-2005 Account, in the aggregate, has a value of $100,000 or less as of the valuation date that immediately precedes the date on which distribution would first be made to the Participant or Beneficiary, the Committee may (but need not) direct that the Participant's Pre-2005 Account be distributed in the form of a single sum payment in lieu of any installment distribution period that would otherwise apply. If so directed by the Committee, the single sum distribution shall be made in cash and/or shares of WPS Resources Stock (as determined in accordance with Section 7.03) and shall be made at the time specified in Section 7.04.

ARTICLE VIII. DISTRIBUTION OF POST-2004 ACCOUNT

Section 8.01. Distribution Election.

(a) Election. A Participant, on or before December 31, 2005 or if later, at the time he or she commences participation in the Plan, shall make a distribution election with respect to his or her Post-2004 Account. The election shall be in such form as the Committee shall prescribe, and shall specify the distribution commencement date, the distribution period, and the distribution method applicable following the Participant's death. Any such election shall be consistent with the following rules (or if the Participant fails to make a selection with respect to a particular item, in accordance with the default rules set forth below):

(i) Distribution Commencement Date. Unless the Participant has selected a later commencement date, distribution of a Participant's Post-2004 Account will commence within 60 days following the end of the calendar year in which occurs the 6 month anniversary of the date on which the Participant terminates employment or service from the Company and all Affiliates. For purposes of this Plan, a Participant who is Disabled shall be deemed to have retired or terminated at the conclusion of benefits under all disability income plans sponsored by the Company or an Affiliate or to which the Company or an Affiliate contributes.

(ii) Distribution Period. Distributions will be made in 1 to 15 annual installments, as elected by the Participant.

(iii) Distribution of Remaining Account Following Participant's Death. In the event of the Participant's death, the Participant's remaining undistributed interest in his or her Post-2004 Account will be distributed to the Participant's Beneficiary in accordance with the distribution election (single sum payment or installments) elected by the Participant. If the Participant had elected a single sum, the payment shall be made no later than March 1 following the calendar year in which occurs the Participant's death. If the Participant had elected an installment distribution, (A) any installments previously commenced to the Participant shall continue to the Beneficiary and (B) if installment distributions had not commenced as of the date of the Participant's death, payments over the installment period elected by the Participant shall commence to the Beneficiary no later than March 1 following the calendar year in which occurs the Participant's death.

(b) Effectiveness of Election. A distribution election shall be deemed made only when it is received and accepted as complete by the Committee, and shall remain in effect until modified by the Participant in accordance with Section 8.02 below or otherwise revoked in accordance such circumstances as the Plan is permitted to accept without resulting in the imposition of tax under Code Section 409A.

Section 8.02. Modified Distribution Election.

A Participant may from time to time modify his or her distribution election with respect to his or her Post-2004 Account by filing a revised distribution election, properly completed and signed, with the Committee. However, except to the extent permitted under regulations promulgated by the Secretary of the Treasury under Code Section 409A, a revised distribution election must comply with the following rules:

(a) The revised distribution election may not accelerate either the time or form of payment. For example, the revised distribution election may not change from an installment payment to a single sum payment, or from a longer installment period to a shorter installment period. Similarly, the revised distribution election may not elect a distribution commencement date earlier than the distribution commencement date applicable under the Participant's prior distribution election. A revised election that does not comply with these rules will be null and void, and will be disregarded by the Plan.

(b) The revised distribution election may (i) change the form of payment from a single sum payment to installment distributions, (ii) change the form of payment from a shorter installment period to a longer installment period, or (iii) defer the distribution commencement date, and such a revised election will be given effect 12 months after the date on which the election is made, but only if (i) in the case of an election related to payment at a specified time, the revised election is made at least 12 months prior to the date on which payment would be made or commence in the absence of the revised election, and (ii) in the case of any election other than one related to payment on account of Disability or death, the first payment that is made pursuant to the revised election is deferred for at least 5 years from the date payment would otherwise have been made. A revised election that does not comply with these rules will be null and void, and will be disregarded by the Plan.

Section 8.03. Calculation of Annual Distribution Amount.

The annual distribution amount for the Post-2004 Account shall be calculated as follows:

(a) The annual distribution amount for the Participant's Post-2004 Account, other than the portion of the Post-2004 Account that is deemed to be invested in the Stock Unit Accounts (the "Distributable Account"), shall be determined by dividing (A) the aggregate balance in the Distributable Account as of January 1 of the year for which the distribution is being made, by (B) the number of installment payments remaining to be made under the distribution period selected by the Participant. Distributions shall be made in cash. The amount of any distribution under this subsection (a) will be charged pro-rata against the Participant's interest in each Investment Option comprising the Distributable Account. Notwithstanding the foregoing, the last installment payment of the Distributable Account shall be adjusted to take into account deemed investment gains or losses for the period between the January 1 valuation date and the date of actual payment according to such methods and procedures adopted by the Committee.

(b) The annual distribution amount for the portion of the Participant's Post-2004 Account that is credited to each of the Post-2004 Stock Unit Accounts shall be determined on a share basis by dividing (A) the number of WPS Resources Stock Units credited to the relevant Stock Unit Account as of January 1 of the year for which the distribution is being made (subject to subsequent adjustment under Section 9.02), by (B) the number of installment payments remaining to be made under the distribution period selected by the Participant. The Participant will receive shares of WPS Resources Stock equal to the annual distribution amount, subject only to the distribution of cash in lieu of any fractional WPS Resources Stock Unit. The cash payment for any fractional WPS Resources Stock Unit shall be determined based upon the closing price of a share of WPS Resources Stock on January 21 of the year in which the distribution is being made, as such share price is reported in the Wall Street Journal's New York Stock Exchange Composite Transactions listing. If January 21 falls on a Saturday, Sunday or holiday, the calculation of the cash portion of the distribution will be made based upon the closing price as reported for the immediately preceding business day.

<u>Section 8.04.</u> <u>Time of Distribution</u>.

Subject to the provisions of Sections 9.02 and 10.02, each distribution of WPS Resources Stock made to a Participant (or Beneficiary) shall be distributed on January 22 (or if January 22 falls on a Saturday, Sunday or holiday, the immediately following business day). For distribution and tax reporting purposes, the value of WPS Resources Stock distributed shall equal the number of shares distributed multiplied by the closing price of WPS Resources Stock on January 21 (or if January 21 falls on a Saturday, Sunday or holiday, the immediately preceding business day) of the year in which the distribution is being made as reported in the Wall Street Journal's New York Stock Exchange Composite Transaction listing. The cash portion of any distribution will be made no later than March 1 of the year for which the distribution is being made.

<u>Section 8.05.</u> <u>Automatic Single Sum Distribution</u>. In the case of any Participant or Beneficiary whose Pre-2005 Account and Post-2004 Account, in the aggregate, has a value of $100,000 or less as of the valuation date that immediately precedes the date on which distribution would first be made to the Participant or Beneficiary, the Participant's Post-2004

Account will be distributed in the form of a single sum payment on the date on which distributions would otherwise commence, and such single sum payment shall be in lieu of any installment distribution period that would otherwise apply; provided that the Post-2004 Account will be so distributed only if the Participant's Pre-2005 Account is distributed in accordance with Section 7.05. Unless otherwise directed by the Committee, the single sum distribution shall be made in cash and/or shares of WPS Resources Stock (as determined in accordance with Section 8.03).

ARTICLE IX. RULES WITH RESPECT TO WPS RESOURCES STOCK AND WPS RESOURCES STOCK UNITS

Section 9.01. Shares Authorized.

(a) Subject to adjustment as provided in Section 9.02 below, the total number of shares of WPS Resources Stock which may be distributed to Participants or Beneficiaries pursuant to the Plan shall be seven hundred fifty thousand (750,000), which includes two hundred fifty thousand (250,000) shares that were previously approved by shareholders in connection with employee and director deferred compensation plans, and five hundred thousand (500,000) shares for which shareholder approval will be sought at the Company's 2005 annual meeting.

(i) The two hundred fifty thousand (250,000) shares, as adjusted as provided in Section 9.02 below ,that were previously approved by shareholders and to the extent not heretofore utilized, may be used to satisfy any obligation under the Plan.

(ii) Of the five hundred thousand (500,000) shares for which shareholder approval will be sought at the Company's 2005 annual meeting, no more than two hundred thousand (200,000) shares, subject to adjustment as provided in Section 9.02 below, will be issued to satisfy obligations with respect to (i) the five percent (5%) premium on Annual Bonus Deferrals that are allocated to the Incentive Stock Unit Account in accordance with Section 6.01(c), or (ii) employer contribution credits under Sections 3.05 and 3.06 of this Plan (or under the provisions of any predecessor plan) that are granted to a Participant without the requirement that the Participant execute a Deferral election to forego an equal amount of cash compensation as a condition of receiving such credits.

(b) The number of available shares shall not be reduced by or as a result of (i) any cash distributions pursuant to the Plan or (ii) by distributions of shares of WPS Resources Stock that are attributable to LTIP Deferrals that relate to an award that was made under the Omnibus Plan and either has been or will be charged against the pool of available shares under the Omnibus Plan, i.e., the plan under which the share award was originally granted and the plan from which the share award would have been paid except for the Participant's election to defer delivery of the shares.

Section 9.02. Transactions Affecting WPS Resources Stock.

In the event of any merger, share exchange, reorganization, consolidation, recapitalization, stock dividend, stock split or other change in corporate structure of the Company or a Participating Employer affecting WPS Resources Stock, the Committee may make appropriate equitable adjustments with respect to the WPS Resources Stock Units (if any) credited to the Stock Unit Accounts of each Participant, including without limitation, adjusting the date as of which such units are valued and/or distributed, as the Committee determines is necessary or desirable to prevent the dilution or enlargement of the benefits intended to be provided under the Plan.

Section 9.03. No Shareholder Rights With Respect to WPS Resources Stock Units.

Participants shall have no rights as a stockholder pertaining to WPS Resources Stock Units credited to their Accounts. No WPS Resources Stock Unit nor any right or interest of a Participant under the Plan in any WPS Resources Stock Unit may be assigned, encumbered, or transferred, except by will or the laws of descent and distribution. The rights of a Participant hereunder with respect to any WPS Resources Stock Unit are exercisable during the Participant's lifetime only by the Participant or his or her guardian or legal representative.

ARTICLE X. SPECIAL RULES APPLICABLE IN THE EVENT OF A CHANGE IN CONTROL OF THE COMPANY

Section 10.01. Definitions.

For purposes of this Article X, the following terms shall have the following respective meanings:

(a) An "Affiliate" of, or a person "affiliated" with, a specified person is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified and the term "Associate" used to indicate a relationship with any person, means (i) any corporation or organization (other than the registrant or a majority-owned subsidiary of the registrant) of which such person is an officer or partner or is, directly or indirectly, the beneficial owner of 10 percent or more of any class of equity securities, (ii) any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity, and (iii) any relative or spouse of such person, or any relative of such spouse, who has the same home as such person or who is a director or officer of the registrant or any of its parents or subsidiaries.

(b) A person shall be deemed to be the "Beneficial Owner" of any securities:

(i) which such Person or any of such Person's Affiliates or Associates has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement, or under-standing, or upon the exercise of conversion rights, exchange rights, or other rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, (A) securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or (B) securities issuable upon exercise of Rights pursuant to the terms of the Company's Rights Agreement with American Stock Transfer & Trust Company, originally dated as of December 12, 1996 between the Company and Firstar Trust Company, as the same may be amended from time to time (or any successor to such Rights Agreement) at any time before the issuance of such securities;

(ii) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Act), including pursuant to any agreement, arrangement or understanding; <u>provided</u>, <u>however</u>, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security under this subparagraph (ii) as a result of an agreement, arrangement or understanding to vote such security if the agreement, arrangement or understanding: (A) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations under the Act and (B) is not also then reportable on a Schedule 13D under the Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in Paragraph (ii) above) or disposing of any voting securities of the Company.

(c) A "Change in Control" shall be deemed to have occurred if:

(i) any Person (other than any employee benefit plan of WPS Resources Corporation or of any subsidiary of WPS Resources Corporation, any Person organized, appointed or established pursuant to the terms of any such benefit plan or any trustee, administrator or fiduciary of such a plan) is or becomes the Beneficial Owner of securities of WPS Resources Corporation representing at least 30% of the combined voting power of the WPS Resources Corporation's then outstanding securities;

(ii) one-half or more of the members of the Board are not Continuing Directors;

(iii) there shall be consummated any merger, consolidation, or reorganization of WPS Resources Corporation with any other corporation as a result of which less than 50% of the outstanding voting securities of the surviving or resulting entity are owned by the former shareholders of WPS Resources Corporation other than a shareholder who is an Affiliate or Associate of any party to such consolidation or merger;

(iv) there shall be consummated any merger of WPS Resources Corporation or share exchange involving WPS Resources Corporation in which WPS Resources Corporation is not the continuing or surviving corporation other than a merger of WPS Resources Corporation in which each of the holders of WPS Resources Corporation's Common Stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger;

(v) there shall be consummated any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of WPS Resources Corporation to a Person which is not a wholly owned subsidiary of WPS Resources Corporation; or

(vi) the shareholders of WPS Resources Corporation approve any plan or proposal for the liquidation or dissolution of WPS Resources Corporation.

(d) "Continuing Directors" means (i) any member of the Board of Directors of WPS Resources Corporation who was a member of such Board on May 1, 1997, (ii) any successor of a Continuing Director who is recommended to succeed a Continuing Director by a majority of the Continuing Directors then on such Board, and (iii) additional directors elected by a majority of the Continuing Directors then on such Board.

(e) "Person" means any individual, firm, partnership, corporation or other entity, including any successor (by merger or otherwise) of such entity, or a group of any of the foregoing acting in concert.

Section 10.02. Amendments in Connection with a Change in Control.

(a) Board Authority to Amend Plan. Prior to the occurrence of a Change in Control, the Board may exercise its authority under Section 11.06 to amend the Plan, including, to the extent deemed necessary or desirable by the Board in anticipation of a Change in Control, to amend the Plan to eliminate WPS Resources Stock Units and cause the value of such units as of the Amendment Date (such value to be determined under Section 5.06(c)) to be reallocated to Reserve Account B. The term "Amendment Date" means the date on which an amendment to the Plan is validly adopted or the date on which the amendment is or purports to be effective, whichever is later.

(b) <u>Automatic Amendments</u>. The Plan shall automatically be amended upon a Change in Control to provide that:

(i) the rate of interest equivalent to be credited with respect to Reserve Account A for each month following the Change in Control shall be the greater of (A) the rate of interest equivalent otherwise applicable with respect to Reserve Account A if such amount were calculated based upon the consolidated return on common shareholders equity of the Company (including for this purpose any successor corporation that is the survivor of a merger with the Company or any successor to that corporation) and all subsidiaries, or (B) a rate equal to two (2) percentage points above the prime lending rate at US Bank Milwaukee, Milwaukee, Wisconsin (or any successor thereto) as of the last business day of that month; and

(ii) the rate of interest equivalent to be credited with respect to Reserve Account B for each month following the Change in Control shall be the greater of (A) the rate of interest equivalent otherwise applicable with respect to Reserve Account B if such amount were calculated based upon the consolidated return on common shareholders equity of the Company (including for this purpose any successor corporation that is the survivor of a merger with the Company or any successor to that corporation) and all subsidiaries, or (B) a rate equal to two (2) percentage points above the prime lending rate at US Bank Milwaukee, Milwaukee, Wisconsin (or any successor thereto) as of the last business day of that month. The minimum rate of interest equivalent under clause (B) shall cease to apply on the third anniversary of the Change in Control in the event that the Participant is actively employed by the Company (including for this purpose any successor corporation or entity that is the survivor of a merger with the Company), or by any subsidiary or affiliate of the Company or such successor, on such date.

(c) Prohibition on Certain Amendments. Notwithstanding the foregoing, on or after a Change in Control, the Board or Company (including for this purpose any successor corporation or entity that is the survivor of a merger with the Company or to which sponsorship of the Plan is transferred following a Change in Control, or the board of directors or other managing body of any such entity)may not, without the written consent of the affected Participant (or in the case of a deceased Participant, the Participant's Beneficiary) amend the Plan or take an action to terminate the Plan that would:

(i) Result in a decrease in the number of, or a change in the type of, Available Investment Options that were made available under the Plan immediately prior to the Change of Control; or

(ii) Cause the Accounts to be valued under Section 6.01(e) less frequently than quarterly; or

(iii) Impair or otherwise limit a Participant's rights to reallocate his or her Accounts under Section 6.01(f) as in effect on the date immediately prior to the Change in Control; or

(iv) Decrease the interest rate credited under Reserve Account A or Reserve Account B as determined pursuant to subsection (b) above, except as specifically provided therein;

(v) Eliminate or reduce the distribution options made available under Articles VII and VIII or otherwise terminate any distribution elections then in effect; or

(vi) Modify the provisions of Sections 10.03 and 10.04 in a manner detrimental or potentially detrimental to a Participant (or Beneficiary), except and only to the extent that modification is necessary to comply with applicable law.

Section 10.03. Maximum Payment Limitation.

(a) Limit on Payments. Except as provided in subsection (b) below, if any portion of the payments or benefits described in this Plan or under any other agreement with or plan of the Company (in the aggregate, "Total Payments"), would constitute an "excess parachute payment", then the Total Payments to be made to the Participant shall be reduced such that the value of the aggregate Total Payments that the Participant is entitled to receive shall be one dollar ($1) less than the maximum amount which the Participant may receive without becoming subject to the tax imposed by Section 4999 of the Code or which the Company may pay without loss of deduction under Section 280G(a) of the Code; provided that this Section shall not apply in the case of a Participant who has in effect a valid employment contract providing that the Total Payments to the Participant shall be determined without regard to the maximum amount allowable under Section 280G of the Code. The terms "excess parachute payment" and "parachute payment" shall have the meanings assigned to them in Section 280G of the Code, and such "parachute payments" shall be valued as provided therein. Present value shall be calculated in accordance with Section 280G(d)(4) of the Code. Within forty (40) days following delivery of notice by the Company to the Participant of its belief that there is a payment or benefit due the Participant which will result in an excess parachute payment as defined in Section 280G of the Code, the Participant and the Company, at the Company's expense, shall obtain the opinion (which need not be unqualified) of nationally recognized tax counsel selected by the Company's independent auditors and acceptable to the Participant in his or her sole discretion (which may be regular outside counsel to the Company), which opinion sets forth (A) the amount of the Base

Period Income, (B) the amount and present value of Total Payments and (C) the amount and present value of any excess parachute payments determined without regard to the limitations of this Section. As used in this Section, the term "Base Period Income" means an amount equal to the Participant's "annualized includible compensation for the base period" as defined in Section 280G(d)(1) of the Code. For purposes of such opinion, the value of any noncash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code, which determination shall be evidenced in a certificate of such auditors addressed to the Company and the Participant. Such opinion shall be addressed to the Company and the Participant and shall be binding upon the Company and the Participant. If such opinion determines that there would be an excess parachute payment, the payments hereunder that are includible in Total Payments or any other payment or benefit determined by such counsel to be includible in Total Payments shall be reduced or eliminated as specified by the Participant in writing delivered to the Company within thirty days of his or her receipt of such opinion or, if the Participant fails to so notify the Company, then as the Company shall reasonably determine, so that under the bases of calculations set forth in such opinion there will be no excess parachute payment. If such legal counsel so requests in connection with the opinion required by this Section, the Participant and the Company shall obtain, at the Company's expense, and the legal counsel may rely on in providing the opinion, the advice of a firm of recognized executive compensation consultants as to the reasonableness of any item of compensation to be received by the Participant. If the provisions of Sections 280G and 4999 of the Code (or any successor provisions) are repealed without succession, then this Section shall be of no further force or effect.

(b) Employment Contract Governs. The provisions of subsection (a) above shall not apply to a Participant whose employment is governed by an employment contract that provides for Total Payments in excess of the limitation described in subsection (a) above.

Section 10.04. Resolution of Disputes.

If, after a Change in Control, (a) a dispute arises with respect to the enforcement of the Participant's rights under the Plan, or (b) any legal proceeding shall be brought to enforce or interpret any provision contained in the Plan or to recover damages for breach of the Plan, in either case so long as the Participant is not acting in bad faith or otherwise pursuing a course of action that a reasonable person would determine to be frivolous, the Participant shall recover from the Company any reasonable attorneys' fees and necessary costs and disbursements incurred as a result of such dispute or legal proceeding ("Expenses"), and prejudgment interest on any money judgment obtained by the Participant calculated at the rate of interest announced by US Bank Milwaukee, Milwaukee, Wisconsin (or any successor thereto), from time to time as its prime or base lending rate from the date that payments to the Participant should have been made under this Plan. Within ten (10) days after the Participant's written request therefor, the Company shall pay to the Participant, or such other person or entity as the Participant may designate in writing to the Company, the Participant's Expenses in advance of the final disposition or conclusion of any such dispute or legal proceeding. In the case of a deceased Participant, this Section shall apply with respect to the Participant's Beneficiary or estate.

ARTICLE XI. GENERAL PROVISIONS

Section 11.01. Administration.

The Committee shall administer and interpret the Plan and supervise preparation of Participant elections, forms, and any amendments thereto. To the extent necessary to comply with applicable conditions of Rule 16b-3, the Committee shall consist of not less than two members of the Board, each of whom is also a director of the Company and qualifies as a "non-employee director" for purposes of Rule 16b-3. If at any time the Committee shall not be in existence or not be composed of members of the Board who qualify as "non-employee directors", then all determinations affecting Participants who are subject to Section 16 of the Exchange Act shall be made by the full Board, and all determinations affecting other Participants shall be made by the Board or a duly designated officer of the Board. The Committee may, in its discretion, delegate any or all of its authority and responsibility; provided that the Committee shall not delegate authority and responsibility with respect to non-ministerial functions that relate to the participation by Participants who are subject to Section 16 of the Exchange Act at the time any such delegated authority or responsibility is exercised. To the extent of any such delegation, any references herein to the Committee shall be deemed references to such delegee. Interpretation of the Plan shall be within the sole discretion of the Committee and shall be final and binding upon each Participant and Beneficiary. The Committee may adopt and modify rules and regulations relating to the Plan as it deems necessary or advisable for the administration of the Plan. If any delegee of the Committee shall also be a Participant or Beneficiary, any determinations affecting the delegee's participation in the Plan shall be made by the Committee.

Section 11.02. Restrictions to Comply with Applicable Law.

(a) General Restrictions. Notwithstanding any other provision of the Plan, the Company shall have no liability to deliver any shares of WPS Resources Stock under the Plan or make any payment unless such delivery or payment would comply with all applicable laws and the applicable requirements of any securities exchange or similar entity. In addition, transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 under the Exchange Act. The Committee shall administer the Plan so that transactions under the Plan will be exempt from Section 16 of the Exchange Act, and shall have the right to restrict any transaction, or impose other rules and requirements, to the extent it deems necessary or desirable for such exemption to be met.

(b) Restriction on Transfer. Shares of WPS Resources Stock issued under the Plan may not be sold or otherwise disposed of except (i) pursuant to an effective registration statement under the Act, or in a transaction which, in the opinion of counsel for the Company, is exempt from registration under the Act; and (ii) in compliance with state securities laws. Further, as a condition to issuance of shares of WPS Resources Stock under the Plan, the Participant, his or her Beneficiary or his or her heirs, legatees or legal representatives, as the case may be, shall, if the Committee deems it necessary, execute and deliver to the Company a restrictive stock transfer agreement in such form, and subject to such terms and conditions, as shall be reasonably determined or approved by the Committee, which agreement, among other things, may impose certain restrictions on the sale or other disposition of any shares of stock acquired under the Plan. The Committee may waive the foregoing restrictions, in whole or in part, in any particular case or cases or may terminate such restrictions whenever the Committee determines that such restrictions afford no substantial benefit to the Company.

(c) Additional Restrictions; Legends. All shares of WPS Resources Stock delivered under the Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the Plan and any applicable federal or state securities laws, and the Committee may cause a legend or legends to be put on any certificates to make appropriate references to such restrictions.

Section 11.03. Claims Procedures.

(a) If a Participant, or Beneficiary (the "claimant") believes that he is entitled to a benefit under the Plan that is not provided, the claimant or his or her legal representative shall file a written claim for such benefit with the Committee. The Committee shall review the claim within 90 days following the date of receipt of the claim; provided that the Committee may determine that an additional 90-day extension is necessary due to circumstances beyond the Committee's control, in which event the Committee shall notify the claimant prior to the end of the initial period that an extension is needed, the reason therefor and the date by which the Committee expects to render a decision. If the claimant's claim is denied in whole or part, the

Committee shall provide written notice to the claimant of such denial. The written notice shall include the specific reason(s) for the denial; reference to specific Plan provisions upon which the denial is based; a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and a description of the Plan's review procedures (as set forth in subsection (b)) and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination upon review.

(b) The claimant has the right to appeal the Committee's decision by filing a written appeal to the Committee within 60 days after claimant's receipt of the decision or deemed denial. The claimant will have the opportunity, upon request and free of charge, to have reasonable access to and copies of all documents, records and other information relevant to the claimant's appeal. The claimant may submit written comments, documents, records and other information relating to his or her claim with the appeal. The Committee will review all comments, documents, records and other information submitted by the claimant relating to the claim, regardless of whether such information was submitted or considered in the initial claim determination. The Committee shall make a determination on the appeal within 60 days after receiving the claimant's written appeal; provided that the Committee may determine that an additional 60-day extension is necessary due to circumstances beyond the Committee's control, in which event the Committee shall notify the claimant prior to the end of the initial period that an extension is needed, the reason therefor and the date by which the Committee expects to render a decision. If the claimant's appeal is denied in whole or part, the Committee shall provide written notice to the claimant of such denial. The written notice shall include the specific reason(s) for the denial; reference to specific Plan provisions upon which the denial is based; a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the claimant's claim; and a statement of the claimant's right to bring a civil action under section 502(a) of ERISA.

Section 11.04. Participant Rights Unsecured.

(a) Unsecured Claim. The right of a Participant or the Participant's Beneficiary to receive a distribution hereunder shall be an unsecured claim, and neither the Participant nor any Beneficiary shall have any rights in or against any amount credited to his or her Account or any other specific assets of a Participating Employer. The right of a Participant or Beneficiary to the payment of benefits under this Plan shall not be assigned, encumbered, or transferred, except by will or the laws of descent and distribution. The rights of a Participant hereunder are exercisable during the Participant's lifetime only by the Participant or his or her guardian or legal representative.

(b) Contractual Obligation. The Company may authorize the creation of a trust or other arrangements to assist it in meeting the obligations created under the Plan. However, any liability to any person with respect to the Plan shall be based solely upon any contractual obligations that may be created pursuant to the Plan. No obligation of a Participating Employer shall be deemed to be secured by any pledge of, or other encumbrance on, any property of a Participating Employer. Nothing contained in this Plan and no action taken pursuant to its terms shall create or be construed to create a trust of any kind, or a fiduciary relationship between a Participating Employer and any Participant or Beneficiary, or any other person.

Section 11.05. Income Tax Withholding.

The amount actually distributed to the Participant will be reduced by applicable income tax withholding (if any). Unless the Participant has made a contrary election with the consent of the Committee, income tax on the entire annual distribution amount will be withheld from the cash portion of the distribution, and WPS Resources Stock will be used to satisfy withholding obligations only to the extent that the cash portion of the distribution is insufficient for this purpose. Further, no later than the date as of which an amount first becomes includible in the income of the Participant for employment tax purposes, the Participant shall pay or make arrangements satisfactory to the Committee regarding the payment of any such tax.

Section 11.06. Amendment or Termination of Plan.

(a) There shall be no time limit on the duration of the Plan.

(b) Except as otherwise limited pursuant to Section 10.02, the Board (or where specified herein, the Committee) may at any time amend the Plan, including but not limited to modifying the terms and conditions applicable to (or otherwise eliminating) Deferrals or contribution credits to be made on or after the amendment date; provided, however, that no amendment or termination may reduce or eliminate any Account balance accrued to the date of such amendment or termination (except as such Account balance may be reduced as a result of investment losses allocable to such Account).

(c) Subject to Section 10.02, the Board may terminate the Plan in accordance with and subject to the following rules:

(i) Prior to January 1, 2006, the Board at any time may terminate the Plan and require that all benefits accrued be currently distributed to Participants and Beneficiaries in a single sum without regard to a Participant's prior election as to the form and timing of benefit payments.

(ii) Effective January 1, 2006, and except as provided in Paragraph (iii) below or except as otherwise permitted in regulations promulgated by the Secretary of the Treasury under Code Section 409A, any action that purports to terminate the Plan shall instead be construed as an amendment to discontinue further Deferrals and contributions credits, but the Plan will continue to operate, in accordance with its terms as from time to time amended in accordance with Sections 10.02 and 11.06, and in accordance with applicable Participant elections, with respect to the Participant's Account as accumulated through the date of termination and as thereafter adjusted to reflect post-termination earnings or losses. Except as provided in Paragraph (iii) below or except as otherwise permitted in regulations promulgated by the Secretary of the Treasury under Code Section 409A, in no event shall any such action purporting to terminate the Plan form the basis for accelerating distributions to Participants and Beneficiaries.

(iii) The Committee may (but need not) terminate the Plan and require that all benefits accrued be currently distributed to Participants and Beneficiaries in a single sum without regard to a Participant's prior election as to the form and timing of benefit payments, if such termination and distribution occurs within 12 months of a "change in control event", or within such other period as permitted under regulations promulgated by the Secretary of the Treasury under Code Section 409A. For purposes of this Paragraph (iii), the term "change in control event" has the meaning specified by the Secretary of the Treasury for purposes of Code Section 409A, and a Change in Control (as defined in Section 10.01 does not necessarily constitute a "change in control event" as defined for purposes of Code Section 409A. A Change in Control (as defined in Section 10.01 shall be a permissible basis for terminating the Plan and distributing the value of Accounts only if such transaction or event also constitutes a "change in control event" as that term is defined for purposes of Code Section 409A.

Section 11.07. Administrative Expenses.

Costs of establishing and administering the Plan will be paid by the Participating Employers.

Section 11.08. Effect on Other Employee Benefit Plans.

Deferrals credited to a Participant's Account under this Plan shall not be considered "compensation" for the purpose of computing benefits under any qualified retirement plan maintained by a Participating Employer, but shall be considered compensation for welfare benefit plans, such as life and disability insurance programs sponsored by a Participating Employer, unless otherwise specifically provided by the terms of such plan.

Section 11.09. Successors and Assigns.

This Plan shall be binding upon and inure to the benefit of the Participating Employers, their successors and assigns and the Participants and their heirs, executors, administrators, and legal representatives.

Section 11.10. Right of Offset.

The Company shall have the right to offset from the benefits payable hereunder any amount that the Participant owes to the Company or Affiliate or other entity in which the Company or an Affiliate maintains an ownership interest. The Company may effectuate the offset without the consent of the Participant (or the Participant's spouse or Beneficiary, in the event of the Participant's death).

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED.
CONFIDENTIAL INFORMATION HAS BEEN DESIGNATED BY ***

JOINT PLANT AGREEMENT

between

Wisconsin Public Service Corporation

and

Dairyland Power Cooperative

THIS AGREEMENT is made and entered into this 23rd day of November, 2004, by and between Wisconsin Public Service Corporation, a Wisconsin corporation (hereinafter called "WPSC"), and Dairyland Power Cooperative, a Wisconsin cooperative association (hereinafter called "DPC"), the parties hereinafter sometimes being collectively called the "Companies", and individually called a "Company".

WHEREAS, each of the Companies owns electric facilities and is engaged in the generation, purchase and sale of electric power.

WHEREAS, the Companies, for the purposes of obtaining economies of scale, making the most effective use of power generation, and assuring and supplying economical and reliable electric power to their respective customers, desire to share in the ownership of Weston 4, which is to be constructed at the Weston Generating Station (as those terms are defined below).

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein set forth, the Companies agree as follows:

Section 1. Definitions.

"A&G Facilities" shall mean those buildings, improvements, equipment, facilities and other assets, liabilities and property not located at the Weston Generating Station that will be used in the overall conduct of the business and affairs of WPSC, as more specifically described in Section 06 of the Joint Operating Manual, and all renewals, repairs and replacements thereof; provided, however, that the A&G Facilities shall not include the Legner Facility.

"Affiliate" shall mean with respect to any entity, any other Person which directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with such entity.

"Applicable Laws" shall mean any and all laws, rules, regulations, ordinances, requirements, guidelines, permits, licenses, judgments, decrees and orders of any federal, state or local legislative body, agency, court or other governmental body having jurisdiction that apply to or affect the Weston Generating Station, Weston 4, the Common Facilities, the construction, operation or maintenance of Weston 4 or of the Common Facilities, or any other transaction contemplated hereby (including without limitation any of the foregoing which concern health, safety, environmental protection, non-discrimination or the payment of prevailing wages).

"ATC" shall mean the American Transmission Company LLC.

"Average Cost Basis" shall mean an allocation of all costs associated with all applicable activities that support overall operating Company operations to all users on an equitable basis. This contrasts with an incremental or marginal cost basis, which identifies as relevant only those additional costs incurred as a result of the addition of a facility (Weston 4 in this circumstance).

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Common Facilities" shall mean, collectively, the Weston New Common Facilities, the Weston Existing Common Facilities and the A&G Facilities.

"Confidentiality Agreement" shall mean that certain Confidentiality Agreement between WPSC and DPC described in Section 34.

"Control" shall mean the possession, whether directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person (whether through the ownership of securities, by agreement or otherwise).

"DNR" shall mean the Wisconsin Department of Natural Resources, or any successor agency thereto.

"DPC's Secured Lender(s)" shall mean the RUS and any other lender(s) providing interim or permanent financing to DPC, which financing is secured, in part, by DPC's interest in this Agreement, Weston 4 and the Weston New and Existing Common Facilities.

"Easement" shall mean the easement between WPSC as grantor and DPC as grantee in the form of Attachment 1 hereto, to be entered into by the Companies on the Ownership Date.

"Easement Property" shall mean the land owned by WPSC that will be subject to the Easement, as described in more detail in the Easement.

"EI Agreement" shall mean the Environmental Indemnity Agreement in the form of Attachment 2 hereto, to be entered into by the Companies on the Ownership Date.

"Escrow Agent" shall mean a bank with trust powers and a Standard & Poor's credit rating of at least A that does not hold accounts of either WPSC or DPC that has been appointed as escrow agent pursuant to the Escrow Agreement.

"Escrow Agreement" shall mean an escrow agreement to be entered into by the Companies with the Escrow Agent prior to the Ownership Date, or an escrow agreement entered into by the Companies with a successor escrow agent.

"Existing Common Ownership Date" shall mean the date on which DPC has paid to WPSC its share (based upon DPC's Existing Common Ownership Share) of the *** Weston Existing Common Facilities and of WPSC's unrecovered costs associated with the retirement of assets due to the construction of Weston 4. The Existing Common Ownership Date shall be the first day of the month following the month in which the "first fire on coal" milestone in the Weston 4 construction process is achieved; the Existing Common Ownership Date is presently estimated to be October 1, 2007.

*** Indicates that material has been omitted and confidential treatment has been requested therefore. All such omitted material has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2.

"Existing Common Ownership Shares" shall mean, beginning on the Existing Common Ownership Date, the shares to be owned by the Companies as undivided interests as tenants in common in the Weston Existing Common Facilities, excluding any fee interest in the land appurtenant thereto, with undivided interests as follows: The shares to be owned by the Companies will differ depending upon the usage category of the facility. As described in more detail in the Joint Operating Manual, there will be different usage categories, based upon which generating unit(s) will be using the facility in common with Weston 4 and an equitable determination of Weston 4's projected use of the facility. The Existing Common Ownership Shares and the New Common Ownership Shares for each usage category of facilities will be identical. The Companies' respective Existing Common Ownership Shares in the various categories of Weston Existing Common Facilities are set forth in Appendix C to the Joint Operating Manual. These Shares are based upon the 2003 MAIN summer capacity ratings for the generating units currently located at the Weston Generating Station and (to the extent applicable) at WPSC's Pulliam Station, and upon Weston 4's estimated summer capacity rating of 531 MW. The Existing Common Ownership Shares are subject to adjustment pursuant to Sections 8(i) and 12, below.

"Facility Lay-Up" shall mean the cessation of operations or the shutdown of a facility with the ability to return the facility to operations, but without there being a decision to return the facility to operations by a specific date or to permanently close or abandon the facility.

"FFB" shall mean the Federal Financing Bank.

"First Approval" shall have the meaning assigned to that term in Section 3(e) of the Agreement.

"Fixed Charges" shall mean, without limitation, charges for return, taxes other than income taxes, and depreciation on an investment or allocated portion thereof. The charges for return will be calculated at the WPSC Cost of Capital.

"Force Majeure" shall mean in respect of any Person ("Excused Party") an event beyond the reasonable control of such Excused Party which prevents or delays, in whole or in part, such Excused Party from performing any of its obligations under this Agreement, the Joint Operating Manual, the Ground Lease or the Easement (except for the obligation to pay money when due) including, without limitation, war, hostilities, terrorist acts, civil disturbances, any kind of local or national emergency, riot, fire, flood, hurricane, blizzard, storm, earthquake, concealed or subterranean conditions at the Weston Generating Station unknown to WPSC's Environmental Department as of the date of this Agreement, power failure or power surge, epidemic, explosion, sabotage, act of God, acts or failures to act or delays in action by governmental authorities (including but not limited to failure to issue, delays in issuing, or revocation of permits or licenses, except to the extent any such failure, delay or revocation is due to the negligence or intentional misconduct of the Person claiming Force Majeure), transmission constraints, delays in finalizing and implementing the Interconnection Agreement, acts or failures to act of a third party (including, in the case of WPSC, failure of its Subcontractor(s) to perform or deliver on a timely basis, to the extent such failure is due to a force majeure condition (as defined herein) affecting the Subcontractor or any other cause beyond WPSC's reasonable control), strike, slowdown or other labor unrest or dispute (including, in the case of WPSC, strikes, slowdowns or other labor unrest or disputes of or by employees of WPSC, any Subcontractor or their respective affiliates), delay of carriers, failure of the usual modes of transportation, embargo, unavailability of necessary equipment, changes in Applicable Laws from those in effect on the date of this Agreement, any condition at the Weston Generating Station that requires remediation under any Applicable Law related to the environment (except any such condition that constitutes a violation of Applicable Law of which WPSC's Environmental Department has knowledge on the date of this Agreement), or expropriation or confiscation of facilities. Force Majeure shall not, however, include events that would have been avoided by the claiming Person's following of Good Utility Practice, and if not completely so avoidable, the extent of Force Majeure relief shall be reduced to the extent that the consequences of the Force Majeure event would have been avoided or reduced by the following of Good Utility Practice. Force Majeure shall also include, in the case of WPSC, any event beyond the reasonable control of WPSC, such as a physical transmission constraint or limitation or the terms of a governmental permit, license or order, or an order of the Transmission Authority or market authority having jurisdiction, that has the effect of limiting the aggregate output or operation of Weston 4 and any one or more of the other units at the Weston Generating Station, in which case WPSC shall not be required to operate Weston 4 to the extent doing so would have a material adverse effect on WPSC's ability to operate its other unit(s) at the Weston Generating Station. In the event of such a constraint, limitation, permit, license or order that has the effect of limiting the aggregate output or operation of Weston 4 and any one or more of the other units at the Weston Generating Station, the Companies shall reduce the dispatch of their respective shares of the Weston Generating Station generation in accordance with Section 13 of the Joint Operating Manual, as it may be modified from time to time by the JPOC to reflect the then-current practices of the Transmission Authority or market authority having jurisdiction.

"Fully-Loaded Direct Costs" shall mean those costs that are directly identifiable with activities associated with the construction, operation, fueling and maintenance of Weston 4 or the

Weston New Common Facilities or Weston Existing Common Facilities. These costs shall include, but are not limited to, productive labor costs loaded with benefits, payroll taxes and non-productive time, contracted costs, and materials and supplies, including the associated warehousing costs.

"GDP-IPD" shall mean the Gross Domestic Product Implicit Price Deflator published by the Bureau of Economic Analysis, US Level, which is more specifically titled "NIPA: Implicit Price Deflator – GDP, Index 2000=100".

"Good Utility Practice" shall mean any of those designs, practices, methods, acts and equipment, as may change from time to time, that are commonly used, engaged in or approved by prudent electric generation utilities to design, construct, install, operate and maintain their electric generating, transmission and distribution equipment lawfully and with safety, dependability, efficiency and economy, including but not limited to compliance with those standards developed by the American Society of Mechanical Engineers, the Institute of Electrical and Electronic Engineers and the American National Standards Institute that are applicable to activities and procedures at Weston 4 and the Weston New and Existing Common Facilities, and those applicable standards developed by other similar organizations conducting affairs that are relevant to activities and procedures at Weston 4 and the Weston New and Existing Common Facilities; and that are in accordance with or required by any Applicable Laws in effect as of the date hereof, and as such may be changed from time to time. "Good Utility Practice" is not intended to be limited to the optimum design, practice, method, act or equipment to the exclusion of all others, but rather to be designs, practices, methods, acts and equipment generally accepted in the electric utility industry.

"Ground Lease" shall mean the agreement between WPSC as landlord and DPC as tenant in the form of Attachment 3 hereto, to be entered into by the Companies on the Ownership Date.

"Indirect Costs" shall mean those costs that represent normal, routine, recurring services, including without limitation administrative and general costs, which benefit multiple areas of the operating Company and may not be easily identified or directly charged to a facility, thus requiring an allocation methodology, as described in Section 06 of the Joint Operating Manual, including but not limited to SERVCO, GENCO, ES&C and A&G Facilities costs. This contrasts with direct costs, which can be specifically identified as being incurred for or in connection with the facility receiving the charge.

"In-Service Date" shall mean the first date on which Weston 4 (i) is capable of being operated for the purpose of generating electricity in a safe and proper manner in accordance with all Applicable Laws, all applicable federal, state and local permits and licenses, and Good Utility Practice, and (ii) has commenced generating electricity for sale, excluding electricity generated during trial operation/test generation. The In-Service Date shall be determined by the Joint Plant Operating Committee.

"Joint Operating Manual" shall mean the detailed procedures document developed by the Companies for use in administering this Agreement, as such document may be amended or modified from time to time by the JPOC (it being understood that the JPOC's amendments and modifications may include, without limitation, adding or deleting sections or provisions to or from the Joint Operating Manual). The initial version of the Joint Operating Manual is attached hereto as Attachment 4. The Joint Operating Manual, as it may be amended from time to time by the JPOC, shall be binding upon the Companies. The Joint Operating Manual shall, to the greatest extent possible, be construed to be complementary to the terms of this Agreement, but in the event of any conflict between the terms of this Agreement and the provisions of the Joint Operating Manual, this Agreement shall control. Capitalized terms that are defined in this Agreement shall have the same meanings when used in the Joint Operating Manual.

"Joint Plant Operating Committee" or "JPOC" shall mean a committee which shall include representatives of each of the Companies and which shall provide policy supervision and direction with respect to the design, engineering, procurement, construction, modification, operation, maintenance, repair, licensing, permitting, accounting matters, interconnection, fuel procurement and decommissioning of Weston 4 and the Weston New and Existing Common Facilities in accordance with the terms and conditions of this Agreement and the Joint Operating Manual.

"JPOC Threshold" shall mean individual projects exceeding $*** in capitalized expenditures or fuel contracts exceeding $*** in expenditures, or individual projects (excluding fuel contracts) exceeding $*** in expensed expenditures; these dollar amounts shall be subject to escalation on an annual basis beginning in 2005 in accordance with changes in the GDP-IPD during the preceding calendar year (for example, if the GDP-IPD increases by 1% during 2004, the JPOC Threshold amounts shall be $***, $*** and $***, respectively, during 2005, and if the GDP-IPD then increases by 2% during 2005, the JPOC Threshold amounts shall be $***, $*** and $***, respectively, during 2006, and so on).

"Lead Lender" shall mean that one of DPC's Secured Lender(s) that has been designated by DPC's Secured Lender(s) as being responsible for forwarding communications received from WPSC under this Agreement to the other DPC's Secured Lender(s). Promptly after being designated by DPC's Secured Lender(s), the Lead Lender shall confirm to WPSC in writing that it is willing to serve in this capacity. If DPC notifies WPSC that there are only two DPC Secured Lender(s), then each of such DPC's Secured Lender(s) shall be deemed to be the Lead Lender for purposes of this Agreement.

"Legner Facility" shall mean WPSC's Legner solid waste facility located in the Town of Knowlton, Marathon County, Wisconsin.

"MAIN" shall mean the Mid-America Interconnected Network, Inc. or its successor organization.

*** Indicates that material has been omitted and confidential treatment has been requested therefore. All such omitted material has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2.

"Major Construction Decisions" shall have the meaning assigned to that term in Section 5 of this Agreement.

"Major Operating Decisions" shall have the meaning assigned to that term in Section 12 of this Agreement.

"MAPP" shall mean the Mid-Continent Area Power Pool or its successor reliability organization.

"New Common Ownership Shares" shall mean, beginning on the Ownership Date, the shares to be owned by the Companies as undivided interests as tenants in common in the Weston New Common Facilities, excluding any fee interest in the land appurtenant thereto, with undivided interests as follows: The shares to be owned by the Companies will differ depending upon the usage category of the facility. As described in more detail in the Joint Operating Manual, there will be different usage categories, based upon which generating unit(s) will be using the facility in common with Weston 4 and an equitable determination of Weston 4's projected use of the facility. The Existing Common Ownership Shares and the New Common Ownership Shares for each usage category of facilities will be identical. The Companies' respective New Common Ownership Shares in the various categories of Weston New Common Facilities are set forth in Appendix C to the Joint Operating Manual. These Shares are based upon the 2003 MAIN summer capacity ratings for the generating units currently located at the Weston Generating Station and (to the extent applicable) at WPSC's Pulliam Station, and upon Weston 4's estimated summer capacity rating of 531 MW. The New Common Ownership Shares are subject to adjustment pursuant to Sections 8(i) and 12, below.

"Ownership Date" shall mean the first date on which all of the following have occurred: (a) the Financing Contingency and the Transmission Contingency have been waived; (b) WPSC and DPC have each received all Required Permits, and have executed the Ground Lease, Easement and EI Agreement, and all Required Permits are in full force and effect; (c) DPC has paid to WPSC (i) its share (based upon DPC's Ownership Share) of all costs incurred in connection with the design, engineering, procurement, licensing, permitting, pre-certification activities, administrative and general, interconnection, fueling, construction, operation and maintenance of Weston 4 on or prior to such date, plus a return on those costs at the WPSC Cost of Capital pursuant to Section 3(c), and (ii) its share (based upon DPC's New Common Ownership Share) of all costs incurred in connection with the design, engineering, procurement, licensing, permitting, pre-certification activities, administrative and general, interconnection, construction, operation and maintenance of the Weston New Common Facilities on or prior to such date, plus a return on those costs at the WPSC Cost of Capital pursuant to Section 3(c); and (iii) its share (based upon DPC's Existing Common Ownership Share) of all costs incurred on or prior to such date in connection with those modifications of the Weston Existing Common Facilities that are being made in conjunction with and as part of the Weston 4 project, plus a return on those costs at the WPSC Cost of Capital pursuant to Section 3(c); and (d) DPC has paid to WPSC an amount equal to the Fixed Charges associated with WPSC's investment in the Site and the Easement Property, calculated from the date construction begins on Weston 4 until the date the Companies execute the Ground Lease and the Easement.

"Ownership Shares" shall mean, beginning on the Ownership Date, the shares to be owned by the Companies as undivided interests as tenants in common in Weston 4, excluding any fee interest in the land appurtenant thereto, with undivided interests as follows:

Wisconsin Public Service Corporation	70%
Dairyland Power Cooperative	30%

The Companies may change their respective Ownership Shares, or their respective New or Existing Common Ownership Shares, from time to time, but only as provided herein or otherwise upon their mutual written agreement and their receipt of any and all governmental and regulatory permits, licenses and approvals necessary to allow such a change. In the event of any such change in Ownership Shares, New Common Ownership Shares or Existing Common Ownership Shares, as the case may be, any and all rights and responsibilities of the Companies under this Agreement, the Joint Operating Manual, the Ground Lease, the EI Agreement and the Easement that are based upon Ownership Shares, New Common Ownership Shares or Existing Common Ownership Shares, as appropriate, shall, beginning effective on the effective date of the change, be changed in proportion to the change in Ownership Shares, New Common Ownership Shares or Existing Common Ownership Shares, as appropriate (but the Companies' respective rights and responsibilities for periods prior to the effective date of the change in Ownership Shares, New Common Ownership Shares or Existing Common Ownership Shares, as appropriate, shall not be affected).

"Partial Taking" shall mean any Taking of the Site or the Easement Property, as the case may be, that is not either a Total Taking or a Substantial Taking.

"Permitted Liens" shall mean (a) liens for current taxes and assessments not yet due and payable or being contested in good faith by appropriate procedures; (b) liens, easements, licenses, restrictions, covenants, rights-of-way and other encumbrances as reflected in title records relating to the Site or the Easement Property that exist as of the date of this Agreement and other such liens, easements, licenses, restrictions, covenants, rights-of-way and other encumbrances that have been disclosed to and accepted by DPC, other than the lien of the trustee under WPSC's First Mortgage and Deed of Trust and Supplemental Indentures; (c) liens (except liens securing borrowed money), easements, leases, licenses, restrictions, covenants, rights-of-way and other encumbrances arising or granted by WPSC after the date of this Agreement that do not materially interfere with the operation of Weston 4 or the Weston New or Existing

Common Facilities or with DPC's rights under this Agreement, the Ground Lease, the EI Agreement or the Easement, provided that any such liens, restrictions, covenants or encumbrances under this subsection (c) do not attach to DPC's ownership interest in Weston 4 itself or DPC's ownership interest in the Weston New or Existing Common Facilities (it being understood that DPC does not and will not have an ownership interest in the Site or the Easement Property); (d) liens of Subcontractors, contractors, carriers, warehousemen, processors, mechanics and materialmen, and similar liens arising by operation of law or pursuant to the terms of contracts in the ordinary course of business associated with the construction, modification, operation, maintenance or development of Weston 4 or the Weston New or Existing Common Facilities for amounts not yet due or not overdue for a period of more than thirty (30) calendar days; and (e) the terms and conditions of this Agreement, the Ground Lease, the Easement, the EI Agreement and the written releases to be provided by WPSC to DPC pursuant to Section 4(b).

"Person" shall mean any individual, firm, company, association, general partnership, limited partnership, limited liability company, trust, business trust, corporation, cooperative, public body, or other legal entity.

"PSCW" shall mean the Public Service Commission of Wisconsin, or any successor agency thereto.

"Required Permits" shall mean those permits, licenses, orders and approvals that must be obtained from federal, state and local governmental or regulatory agencies or authorities in order to allow WPSC to lawfully transfer to DPC, and DPC to lawfully acquire from WPSC, DPC's Ownership Share in Weston 4, DPC's New Common Ownership Share in the Weston New Common Facilities and DPC's Existing Common Ownership Share in the Weston Existing Common Facilities, and to allow the Companies to enter into the Ground Lease, the EI

Agreement and the Easement, including but not limited to the Second Approval. The Required Permits as of the date of this Agreement are identified on Attachment 5 hereto.

"RUS" shall mean the United States Rural Utilities Service, or any successor agency thereto.

"Second Approval" shall have the meaning assigned to that term in Section 3(e) of this Agreement.

"Site" shall mean the land in which a leasehold interest will be granted by WPSC to DPC under the Ground Lease; Weston 4 will be built on said land.

"Subcontractor" shall mean every Person (other than employees of WPSC), of whatever tier, employed or engaged by WPSC to provide labor, materials, equipment, components or services of any kind in connection with the design, engineering, construction, modification, repair, licensing, permitting, interconnection, operation, maintenance or fuel procurement of Weston 4 or the Common Facilities. Upon mutual agreement of the Companies, DPC may serve as a Subcontractor in appropriate circumstances.

"Substantial Taking" shall mean, with respect to the Site, the Taking of so much of the Site that the portion thereof not taken cannot reasonably be used for the efficient operation of Weston 4, and shall mean with respect to the Easement Property, the Taking of so much of the Easement Property that the portion thereof not taken cannot reasonably be used for the efficient operation of the Weston New and Existing Common Facilities, considered in the aggregate.

"Taking" shall mean the taking or damaging of the Site or the Easement Property, as the case may be, or any part or parts thereof, including severance damage, by eminent domain, by inverse condemnation, or for any public or quasi-public use under any statute.

"Total Taking" shall mean, with respect to the Site, the taking of title to the entire Site, and shall mean, with respect to the Easement Property, the taking of title to the entire Easement Property.

"Transmission Authority" shall mean the entity having responsibility for maintaining the integrity of the transmission system in the region in which the Weston Generating Station is located.

"Treasury Regulations" shall mean the income tax regulations promulgated under the Code.

"Variable Dispatch Cost" shall mean the actual incremental cost, determined hourly, of fuel plus chemicals and/or emission credits, necessary to comply with the then-in-effect emission requirements, for the requested energy schedule.

"Weston Existing Common Facilities" shall mean those buildings, improvements, equipment, facilities and other property existing at the Weston Generating Station on the date of this Agreement that will be used in common by Weston 4 and one or more of the other generating units at the Weston Generating Station, as more specifically described in Exhibit I to the Joint Operating Manual, and all modifications, renewals, repairs and replacements thereof.

"Weston 4" shall mean the supercritical pulverized coal base load electric generating unit having a net nominal rating of approximately 500 MW, and all systems, equipment, structures and facilities ancillary thereto, including but not limited to all systems, equipment, structures and facilities necessary to deliver the output of the generator to the high side(s) of the point(s) of interconnection between said unit and the ATC transmission system, that are existing or are proposed to be constructed at the Weston Generating Station (but excluding the land appurtenant thereto), as described in WPSC's Application for a Certificate of Public Convenience and Necessity ("CPCN"), PSCW Docket No. 6690-CE-187. The Companies acknowledge that the substation and other network transmission facilities to be built as part of the interconnection agreement between WPSC and ATC relating to Weston 4 dated December 22, 2003 (the "Interconnection Agreement"), if owned by a Person other than WPSC, shall not be deemed to be part of Weston 4. The Companies further acknowledge that the Interconnection Agreement is between ATC and WPSC in its capacity as operator of Weston 4, and not on behalf of the co-owners of Weston 4, and that WPSC is solely responsible for such Interconnection Agreement.

"<u>Weston Generating Station</u>" shall mean all power plant and generator interconnection facilities located or to be located at the site owned by WPSC along Business Highway 51 in the villages of Rothschild and Kronenwetter in Marathon County, Wisconsin, presently including three coal units (Weston 1, Weston 2 and Weston 3) and two smaller natural gas-fired turbines (W31 and W32), and which will include Weston 4, and which may include other unit(s) in the future, and all related facilities (including but not limited to the Weston Existing and New Common Facilities). The Weston Generating Station is more particularly described in Attachment 6 to this Agreement.

"<u>Weston New Common Facilities</u>" shall mean those buildings, improvements, equipment, facilities and other property proposed to be constructed at the Weston Generating Station in conjunction with the construction of Weston 4 that will be used in common by Weston 4 and one or more of the other generating units at the Weston Generating Station, as more specifically described in <u>Exhibit I</u> to the Joint Operating Manual, and all modifications, renewals, repairs and replacements thereof. The term Weston New Common Facilities shall also include those buildings, improvements, equipment, facilities and other property constructed at the Weston Generating Station after the construction of Weston 4 that will be used in common by Weston 4 and one or more of the other generating units at the Weston Generating Station, and all modifications, renewals, repairs and replacements thereof.

"WPSC Cost of Capital" shall mean WPSC's pre-tax overall cost of capital that is in effect from time to time, as reflected in the then-most recent rate order issued by the PSCW (referred to in those orders as the "economic cost of capital").

Section 2. Scope. Weston 4 shall be unit train served and fossil-fueled, and shall have a net nominal rating of approximately 500 MW. Weston 4 shall be designed and constructed at the Weston Generating Station as described in this Agreement, and operated and maintained in accordance with this Agreement and the Joint Operating Manual.

Section 3. Contingencies. (a) DPC shall use its best efforts to obtain permanent financing for its share of Weston 4 costs through the RUS, and interim financing for its share of such costs through a lender that may require a DPC/RUS mortgage lien accommodation. If, despite DPC's best efforts, DPC has not obtained by January 16, 2006 RUS approval of DPC's participation in Weston 4 and an unconditional RUS commitment to guarantee long-term FFB financing of 100% of the DPC participation in Weston 4 for a term of at least 35 years at rate(s) of interest no greater than the then-current long-term FFB rates plus one-eighth of one percent, and with financial performance covenants not materially more onerous than those contained in DPC's RUS mortgages existing on the date of this Agreement (as supplemented), DPC may terminate this Agreement by providing written notice of termination to WPSC by no later than January 16, 2006 (the "Financing Contingency"). For purposes of this section, such an "unconditional RUS commitment" shall mean a commitment the execution of which is conditioned solely on execution of the usual and customary RUS-guaranteed FFB loan documentation and closing requirements. If DPC terminates this Agreement pursuant to the Financing Contingency, DPC's obligation to contribute to the costs of Weston 4 shall be cancelled, and DPC shall thereafter have the right (which right must be exercised on or before ***, 2006 or be conclusively deemed waived) to elect the Partial Requirements Service PPA alternative, as described in more detail in Attachment 7 hereto. If DPC wishes to elect the Partial Requirements Service PPA alternative, it must notify WPSC of its election in writing by no later than ***, 2006. If, on the other hand, DPC obtains the RUS approval and the unconditional commitment described above on or before January 16, 2006, DPC shall promptly notify WPSC thereof in writing and thereby waive the Financing Contingency. DPC in its discretion may also waive the Financing Contingency by written notice to WPSC on or before January 16, 2006, even if it has not received the RUS approval and unconditional commitment described above. Any waiver of the Financing Contingency shall, once made or given, be irrevocable. If DPC does not provide WPSC with notice of termination as described above on or prior to January 16, 2006, and if DPC has not waived the Financing Contingency in writing on or before January 16, 2006, this Agreement shall be deemed to have been terminated by DPC pursuant to the Financing Contingency, effective on January 16, 2006.

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(b) DPC shall use efforts consistent with Good Utility Practice to obtain transmission service and MAPP accreditation for firm delivery of DPC's share of the energy to be generated at Weston 4 to the DPC transmission network at commercially reasonable cost and risk. If despite such efforts, DPC determines in its sole discretion that it cannot obtain transmission service and/or accreditation at commercially reasonable cost and risk, DPC shall have the right to terminate this Agreement by providing written notice of termination to WPSC on or before January 16, 2006 (the "Transmission Contingency"). DPC's commercially reasonable cost and risk of transmission shall include consideration of, among other things, the likelihood and cost of additions or improvements to the ATC, DPC, or other transmission systems required to provide firm delivery to the DPC transmission network, and the cost and availability of firm transmission service, including reservation charges, anticipated transmission congestion relief costs and the associated cost to DPC, if any, to obtain financial transmission rights and/or redispatch services to offset such costs. If DPC exercises the Transmission Contingency and terminates this Agreement, it shall disclose to WPSC in writing the steps DPC has taken to obtain transmission service and accreditation and the factors in its decision. If DPC terminates this Agreement pursuant to the Transmission Contingency, DPC's obligation to contribute to the costs of Weston 4 shall be cancelled. The Transmission Contingency may be waived by DPC on or prior to January 16, 2006 by providing written notice of waiver to WPSC; if DPC obtains transmission service and MAPP accreditation at what DPC deems to be commercially reasonable cost and risk as described above, it shall promptly notify WPSC thereof in writing and thereby waive the Transmission Contingency. Any waiver of the Transmission Contingency shall, once made or given, be irrevocable. If DPC does not provide either a written notice of termination or a written notice of waiver of the Transmission Contingency to WPSC by January 16, 2006, this Agreement shall be deemed to have been terminated by DPC pursuant to the Transmission Contingency, effective on January 16, 2006. WPSC shall reasonably cooperate with DPC (at

DPC's expense) and provide DPC with such testing data and other information as DPC shall reasonably request in order for DPC to obtain the transmission service and MAPP accreditation for DPC's share of capacity and energy from Weston 4.

(c) Notwithstanding anything to the contrary herein, assuming the Financing and Transmission Contingencies have been waived and this Agreement has not been terminated pursuant to Section 3(e) below, DPC's payment of its share of Weston 4 and Weston New Common Facilities costs and Weston Existing Common Facilities modification costs may be delayed in whole or in part until the earlier of (i) the date DPC has closed on its interim or permanent financing, or (ii) ***. Assuming the Financing and Transmission Contingencies have been waived and this Agreement has not been terminated pursuant to Section 3(e) below, WPSC shall finance DPC's unpaid Weston 4 and Weston New Common Facilities costs, and DPC's share of the costs of those modifications of the Weston Existing Common Facilities that are being made in conjunction with and as part of the Weston 4 project, until DPC has closed on its interim or permanent financing and DPC has paid its share of Weston 4 and Weston New Common Facilities costs and Weston Existing Common Facilities modification costs; <u>provided</u>, <u>however</u>, that DPC must pay its share of the Weston 4 and Weston New Common Facilities costs and Weston Existing Common Facilities modification costs by no later than ***. WPSC shall earn the WPSC Cost of Capital in effect in each of the time periods covered by expenditures made by WPSC prior to the initial billing on the financing provided to DPC hereunder, and DPC shall pay the amount accrued at the WPSC Cost of Capital, together with its share of the Weston 4 and Weston New Common Facilities costs and Weston Existing Common Facilities

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modification costs that have accrued through the date on which the Companies close on the transfer by WPSC to DPC of DPC's interest in Weston 4 and in the Weston New Common Facilities. The Companies shall close on the transfer by WPSC to DPC of DPC's interest in Weston 4 and in the Weston New Common Facilities as soon as reasonably possible. Notwithstanding anything to the contrary herein, DPC shall not have any ownership interest in Weston 4 or in any of the Weston New Common Facilities until the Ownership Date.

(d) The Companies acknowledge and agree that time is of the essence with respect to the January 16, 2006 deadline in connection with the Financing and Transmission Contingencies, and in connection with the provisions of Section ***, and with respect to the *** 2006 deadlines in connection with the provisions of Sections 3(e)(iv) and (v). The Companies specifically agree that, if and when the Financing Contingency and the Transmission Contingency have both been waived, and if this Agreement has not been terminated pursuant to Section 3(e) on or before *** 2006, then DPC shall have an unconditional obligation to pay for its share of all Weston 4 and Weston New Common Facilities costs, and Weston Existing Common Facilities modification costs, then accrued by no later than ***, regardless of whether or not DPC has closed on its interim or permanent financing by said date, and regardless of any action or failure to act on the part of RUS, the FFB, DPC's Secured Lender(s), any other DPC lender, or any other Person having jurisdiction over or affiliated with DPC. In such case, if DPC has not paid for its share of Weston 4 and Weston New Common Facilities costs, and Weston Existing Common Facilities modification costs then accrued on or before *** (for any reason other than the failure of WPSC to comply with condition(s) to one or more of the Required Permits such that said Required Permit(s) are not in full force and effect on ***), then DPC shall be in material breach of this Agreement and beginning on ***, WPSC in its sole discretion shall be entitled to terminate this

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Agreement upon written notice to DPC and hold DPC liable for any and all damages incurred by WPSC as a result of DPC's breach (subject to the limitation of liability set forth in Section 13). If DPC has not paid for its share of Weston 4 and Weston New Common Facilities costs and Weston Existing Common Facilities modification costs then accrued on or before ***, due to the failure of WPSC to comply with condition(s) to one or more of the Required Permits such that said Required Permit(s) are not in full force and effect on ***, then WPSC in its sole discretion shall be entitled to terminate this Agreement upon written notice to DPC, but DPC shall not in this instance be liable for damages incurred by WPSC. A "failure of WPSC to comply with condition(s) to one or more of the Required Permits" for purposes of the immediately preceding two sentences, however, shall not be deemed to include any such failure that is caused by DPC's acts or omissions.

(e) On October 7, 2004, WPSC received a CPCN (PSCW Docket No. 6690-CE-187) from the PSCW to allow the construction of Weston 4 (the "First Approval"). As soon as reasonably practicable after the date of this Agreement, DPC and WPSC shall submit to the PSCW all materials necessary to obtain PSCW approval to allow WPSC to transfer a 30% interest in Weston 4 to DPC and to allow DPC to acquire said interest (this PSCW approval to be sought by WPSC and DPC is referred to herein as the "Second Approval"). The Companies shall use reasonable best efforts to obtain, and shall cooperate to facilitate and expedite receipt of, the Second Approval and all other Required Permits associated with the Weston 4 project, including without limitation by coordination with the RUS, the PSCW, the DNR and other federal, state and local agencies for compliance with all Applicable Laws, including but not

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limited to the National Environmental Policy Act and the Wisconsin Environmental Policy Act. The costs of obtaining the Second Approval shall be shared by the Companies in accordance with their respective Ownership Shares. WPSC shall consult with DPC before making any commitments, entering into any voluntary agreements, or agreeing to any permit or approval condition that would have the effect of materially increasing DPC's costs or regulatory obligations with regard to DPC's other generation units or utility system.

Notwithstanding anything to the contrary herein (but subject to the last sentence of this Section 3(e) dealing with expiration of termination rights): (i) if WPSC has not received on or before *** the necessary air permit for Weston 4 from the DNR or any other material governmental or regulatory permit, license, order or approval that is reasonably necessary for the construction, operation or maintenance of Weston 4 or the Weston New Common Facilities, or if the First Approval or any such air permit and/or other permit, license, order or approval has been received by such date but has been suspended, withdrawn or revoked, or is subject to restriction(s), condition(s) or qualification(s) that, in the sole discretion of either WPSC or DPC, have or may have a material adverse impact upon the Weston 4 project or its usefulness or value to WPSC or DPC, as the case may be, then either DPC or WPSC, in its sole discretion, shall be entitled to terminate this Agreement upon written notice to the other Company, so long as such notice is received by no later than ***; (ii) if the Companies have not received the Second Approval on or before ***, or if the Second Approval has been received by such date but has been suspended, withdrawn or revoked or is subject to restriction(s), condition(s) or qualification(s) that, in the sole discretion of either of the Companies, have or may have a material adverse impact upon the Weston 4 project or its usefulness or value to such Company, then either such Company, in its sole discretion, shall be entitled to terminate this Agreement

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upon written notice to the other Company, so long as such notice is received by no later than ***; (iii) if all Required Permits have not been received on or before *** 2006, or if one or more of the Required Permits has been received on or before *** 2006 but has been suspended, withdrawn or revoked, this Agreement shall automatically terminate effective on said date unless the Companies have mutually agreed in writing to waive this subsection (iii) prior to *** 2006; (iv) if all Required Permits have been received, but one or more of them has been suspended, withdrawn or revoked or is subject to restriction(s), condition(s) or qualification(s) that, in the sole discretion of either of the Companies, have or may have a material adverse impact upon the Weston 4 project or its usefulness or value to such Company, or if the Second Approval or any other Required Permit is being challenged before the PSCW or in a court of competent jurisdiction, and such challenge is determined by either Company in its sole discretion to have a material adverse impact upon the Weston 4 project or its usefulness or value to such Company, then either Company, in its sole discretion, shall be entitled to terminate this Agreement upon written notice to the other Company, so long as such notice is received by *** 2006; (v) if the First Approval, the necessary air permit for Weston 4 from the DNR, or any other material governmental or regulatory permit, license, order or approval that is reasonably necessary for the construction, operation or maintenance of Weston 4 or the Weston New Common Facilities is being challenged before the DNR or the PSCW or in a court of competent jurisdiction, and such challenge is determined by either Company in its sole discretion to have a material adverse impact upon the Weston 4 project or its usefulness or value to such Company, then either Company, in its sole discretion, shall be entitled to terminate this Agreement upon written notice to the other Company, so long as such notice is received by *** 2006 (it being understood that WPSC may terminate this Agreement under this subsection (v) only if it also abandons the

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Weston 4 project); and (vi) WPSC, in its sole discretion, shall be entitled to terminate this Agreement upon written notice to DPC at any time prior to the Ownership Date if WPSC decides not to proceed with the Weston 4 project. If WPSC intends to exercise its termination right under subsection (vi) of this Section 3(e), and WPSC's exercise of such termination right will occur more than 30 calendar days after the date the Second Approval is obtained, and WPSC has decided to pursue an alternative generation resource or resources instead of Weston 4, then before WPSC may exercise its termination right under subsection (vi) of this Section 3(e), WPSC will notify DPC of such intended termination and consult with DPC concerning the possibility of DPC participating in such alternative resource(s); provided, however, that any such DPC participation shall be subject to the Companies reaching mutual agreement with respect thereto. The termination rights identified in Sections 3(e)(i) through (vi) shall each expire automatically if and when the Ownership Date has occurred.

Section 4. Title to Property and Rights of Use; Risk of Loss; Condemnation.

(a) Effective on the Ownership Date, DPC and WPSC shall be tenants in common (as undivided interests) in Weston 4 and in the Weston New Common Facilities (excluding any interest in the land underlying the same other than the rights created by the Ground Lease and the Easement), with undivided interests in Weston 4 in proportion to their respective Ownership Shares, and undivided interests in the Weston New Common Facilities in proportion to their respective applicable New Common Ownership Shares. WPSC shall solely own and continue to own the A&G Facilities, and any and all buildings, improvements, equipment, facilities and other property at the Weston Generating Station that are not used in common by Weston 4 and one or more of the other generating units at the Weston Generating Station. The Site shall be owned solely by WPSC, subject to the Ground Lease, with DPC as tenant in proportion to DPC's Ownership Share in Weston 4. The Easement Property shall be owned solely by WPSC, subject to the Easement. Effective on the Existing Common Ownership Date, DPC and WPSC shall be tenants in common (as undivided interests) in the Weston Existing Common Facilities (excluding any interest in the land underlying the same other than the rights created by the Easement), with undivided interests in the Weston Existing Common Facilities in proportion to their respective applicable Existing Common Ownership Shares. All titles and interests of the Companies as tenants in common as described above shall be subject to the provisions of Section 17 of this Agreement. The Companies agree that the Common Facilities will be made reasonably available to carry out the purposes and intent of this Agreement.

(b) WPSC shall transfer to DPC its share of ownership in Weston 4, the Weston New Common Facilities and the Weston Existing Common Facilities by bill of sale or other documents of transfer reasonably satisfactory to DPC's counsel and the RUS, with warranties of title, free and clear of liens or encumbrances other than Permitted Liens. On or before the Ownership Date, WPSC shall also provide to DPC a written release from those indenture trustees holding liens on Weston 4, the Weston New Common Facilities, the Site and the Easement Property, substantially in the form of the Partial Release of Mortgage attached as Schedule II to the Ground Lease, or such other form as is reasonably acceptable to WPSC and DPC. On or before the Existing Common Ownership Date, WPSC shall also provide to DPC a written release or consent from the indenture trustees holding liens on the Weston Existing Common Facilities, analogous in form to the Partial Release of Mortgage attached as Schedule II to the Ground Lease, or such other form as is reasonably acceptable to WPSC and DPC.

(c) Risk of loss of Weston 4, the Weston New Common Facilities and the Weston Existing Common Facilities (including but not limited to any risk of loss or other liability or cost associated with any governmental or regulatory permit, license, approval or order necessary for the construction, creation, operation or maintenance of Weston 4 or the Weston New or Existing Common Facilities, or necessary in connection with the Ground Lease or the Easement, or otherwise related to compliance with Applicable Laws or obtaining approvals as contemplated by Section 25) shall be shared by WPSC and DPC in proportion to their respective Ownership Shares, New Common Ownership Shares or Existing Common Ownership Shares, as the case may be. Loss of or damage to A&G Facilities will, under normal circumstances, involve a retirement and a replacement of the equipment as a capital expenditure. In these circumstances, WPSC and DPC will share in the premature retirement of the damaged facilities through depreciation expense as certified by the PSCW. If for some reason WPSC is required to record a book loss on such facilities, or to the extent a loss results in an expenditure that is expensed, such loss will be shared by DPC and WPSC as provided in the Joint Operating Manual.

(d) In the event of a Total Taking or a Substantial Taking of the Site, the term of the Ground Lease shall terminate as of the date of said Total or Substantial Taking; DPC shall pay rent under the Ground Lease up to such date, with an appropriate refund by WPSC of such rent as may have been paid in advance for any period subsequent to such date; and that portion of the award or other compensation relating to the Site (the portion of the award or compensation relating to Weston 4 itself is addressed below), whether pursuant to judgment or by agreement or otherwise, with respect to such Total or Substantial Taking shall be paid directly to WPSC and be WPSC's sole property. In the event of a Total Taking or Substantial Taking of the Easement Property, the Easement shall terminate as of the date of said Total or Substantial Taking; and that portion of the award or other compensation relating to the Easement Property (the portion of the award or compensation relating to the Weston New or Existing Common Facilities themselves is addressed below), whether pursuant to judgment or by agreement or otherwise, with respect to such Total or Substantial Taking shall be paid directly to WPSC and be WPSC's sole property. In the event of a Partial Taking of the Site or the Easement Property, WPSC shall, unless the Companies agree otherwise in writing, within six (6) months restore the Site or the Easement Property, as the case may be, to a condition reasonably equivalent to that existing prior to such Partial Taking; the award or other compensation relating to the Site or the Easement Property, as the case may be, whether pursuant to judgment or by agreement or otherwise, with respect to such Partial Taking shall be paid to WPSC and be WPSC's sole property; provided, however, that such award or compensation shall first be applied, if necessary, toward any costs incurred for such restoration. The award or other compensation arising from any Taking relating to Weston 4 (exclusive of all land comprising the Site itself and value relating solely to such land), if any, shall belong to DPC and WPSC, in accordance with their then-respective Ownership Shares in Weston 4. The award or other compensation arising from any Taking relating to the Weston New or Existing Common Facilities (exclusive of all land comprising the Easement Property itself and value relating solely to such land), if any, shall belong to DPC and WPSC, in accordance with their then-respective applicable New Common Ownership Shares or Existing Common Ownership Shares, as the case may be. Nothing herein shall prevent WPSC or DPC from pursuing a claim against the condemning authority for relocation costs.

Section 5. Construction. WPSC shall, in accordance with Good Utility Practice and subject to the decisions of the JPOC, have sole responsibility for the design, licensing, procurement, installation, construction, interconnection, administration and commissioning of Weston 4 and the Weston New Common Facilities, including the other new and modified facilities associated with such construction, and any modification or replacements thereof or additions thereto, and for the modifications to the Weston Existing Common Facilities. These tasks may be performed directly by WPSC employees or by Subcontractors with which WPSC, directly or indirectly, has entered into contracts. WPSC shall use all commercially reasonable efforts to complete construction of Weston 4, such that the In-Service Date occurs by June 1, 2008, subject to the effects of Force Majeure. Throughout the construction phase, WPSC shall provide DPC with a copy of each monthly project status report for the Weston 4 project promptly after such report is completed.

Beginning on the Ownership Date, WPSC shall also provide DPC with reasonable access to the "Expedition" and "PowerTrak" software tools used by WPSC in connection with the management of the Weston 4 project. To the extent not accessible through such software, WPSC will also upon request arrange for DPC to obtain copies of any critical path schedules and other schedules provided by Weston 4 construction Subcontractors showing their planned construction schedule to meet the estimated In-Service Date, the WPSC internally-prepared schedules that monitor the progress of Weston 4 construction, and copies of materials provided to WPSC by its prime Weston 4 construction Subcontractors or other Subcontractors and suppliers to document invoices presented to WPSC for payment. Also beginning on the Ownership Date, WPSC will provide to DPC reasonably promptly copies of verification/approval reports issued by Black & Veatch and the Washington Group International with respect to invoices from equipment and construction Subcontractors. WPSC will also use commercially reasonable efforts to respond to questions reasonably posed by DPC with respect to information and materials provided pursuant to this section. WPSC shall also provide DPC with such information in WPSC's possession as DPC may reasonably request to permit DPC to determine the status of work on the Weston New and Existing Common Facilities, start-up and commissioning, training, permitting, interconnections, project budgets and construction budgets (including change orders). DPC shall be responsible for any increased costs incurred by WPSC in providing DPC access to software tools, reports, schedules and other information pursuant to this section.

WPSC shall notify DPC if and when WPSC has actual knowledge that suggests the In-Service Date of Weston 4 will be delayed beyond June 1, 2008. If WPSC notifies DPC that it expects such a delay to occur, then WPSC shall inform DPC in writing of the remedial steps to be taken to minimize the delay, and provide DPC with copies of any remedial action plans obtained from WPSC's Subcontractors, including reasonable forecasts of when all necessary work can be completed to allow the In-Service Date to occur.

Subject to the terms, conditions and restrictions of the Confidentiality Agreement, DPC may provide any of the above information (including without limitation reasonable access to the software tools described above) to its authorized representative, including the engineering consultant for DPC's Secured Lender(s). DPC shall be responsible for any increased costs incurred by WPSC in connection with the provision of such information and software access to DPC's authorized representative.

During the construction phase, WPSC shall maintain an owner-controlled insurance program that will provide workers' compensation and general liability coverage for incidents occurring at the Weston 4 site, or will make arrangements for comparable coverages. WPSC also shall maintain a builder's risk policy applicable to loss of property that occurs at the Weston 4 site during construction, or will make arrangements for comparable coverage. The cost of these insurance coverages shall be shared by the Companies as provided in this Agreement and the Joint Operating Manual.

Notwithstanding anything to the contrary contained in this Section 5 or elsewhere in this Agreement, none of the following actions (which shall be referred to herein as "Major Construction Decisions") may be taken on or after the Ownership Date without the unanimous approval of the Joint Plant Operating Committee: (i) abandonment of the Weston 4 project or the Facility Lay-Up of Weston 4 prior to the In-Service Date; (ii) any modification to the Weston 4 project occurring prior to the In-Service Date that would reduce the rated megawatt capability of Weston 4 by more than 30 MW (specifically excluding expected variations due to normal operating constraints, seasonal variations, and other temporary unit deratings); or (iii) a voluntary decision by WPSC to delay the In-Service Date by an aggregate period of more than 60 calendar days, due to circumstances within the control of WPSC, and specifically not including any delays arising from Force Majeure events.

Prior to and after the Ownership Date, DPC may elect, at its sole cost and responsibility, to have DPC staff member(s) or representative engineer(s) on-site during the design and construction phase for Weston 4 to observe and provide WPSC with input on project management and administration. WPSC shall consider any such input in good faith, but shall not be required to act upon such input unless it determines in its reasonable discretion and in accordance with Good Utility Practice that it is appropriate to do so. Also prior to and after the Ownership Date, DPC staff members or representative engineers may upon mutual agreement of the Companies perform work associated with the design and construction of Weston 4.

Section 6. Contracts and Authorizations. In general, WPSC as the operating co-owner shall have responsibility for the construction, operation and maintenance of Weston 4. Subject to the provisions in this Agreement dealing with Major Construction Decisions and Major Operating Decisions, WPSC was, is and on an ongoing basis shall be authorized to act for the co-owners of Weston 4 and the Weston New and Existing Common Facilities, in accordance with Good Utility Practice and subject to the general oversight of the JPOC, by negotiating and entering into (i) contracts related to the design, engineering, procurement, licensing, permitting, interconnection, administration or construction of Weston 4 or the Weston New or Existing Common Facilities, or to the replacement of, addition to, modification of, or repair or refurbishment of, any items of property of or associated with Weston 4 or with the Weston New or Existing Common Facilities, or to transportation or fuel procurement for Weston 4, and contracts for operation, maintenance and modification services for Weston 4 or for the Weston New or Existing Common Facilities, and amendments to all such contracts, and (ii) settlements of and judgments related to any asserted rights, claims, demands, actions or penalties of any third Person associated with the design, engineering, procurement, licensing, permitting, interconnection, administration, construction, operation, maintenance, modification, repair, transportation or fuel procurement of Weston 4 or of the Weston New or Existing Common Facilities, so long as the estimated cost of any such contract (as amended), judgment or settlement entered into on or after the date of this Agreement is less than the JPOC Threshold. Effective on and after the Ownership Date, DPC's cost responsibility under this Agreement shall reflect the terms and conditions of, and DPC shall be responsible under this Agreement for the costs and liabilities arising from, all such contracts (as amended), judgments and settlements (whether entered into before, on or after the Ownership Date (or, with respect to the Weston Existing Common Facilities, the Existing Common Ownership Date)) in proportion to DPC's Ownership Share, New Common Ownership Share or Existing Common Ownership Share, as the case may be. The Companies further acknowledge and confirm that, effective on the Ownership Date, DPC's cost responsibility under this Agreement shall reflect the terms and conditions of, and DPC shall be responsible under this Agreement for the costs and liabilities arising from, all such contracts (as amended), judgments and settlements entered into by WPSC prior to the date of this Agreement, in proportion to DPC's Ownership Share, New Common Ownership Share or Existing Common Ownership Share, as the case may be, whether the estimated cost of any such contract, amendment, judgment or settlement is below, at or above the JPOC Threshold. WPSC also is and on an ongoing basis shall be authorized to act for the co-owners of Weston 4 and the Weston New and Existing Common Facilities, in accordance with Good Utility Practice, by negotiating and entering into contracts, amendments, judgments and settlements associated with the design, engineering, procurement, licensing, permitting, interconnection, administration, construction, modification, repair, operation, maintenance, transportation or fuel procurement of Weston 4 or of the Weston New or Existing Common Facilities as provided in Sections 7 or 12 below. Consistent with the scope of WPSC's authority to act for the co-owners of Weston 4 and the Weston New and Existing Common Facilities under this Agreement, at WPSC's request DPC shall confirm in writing to WPSC and to Subcontractors engaged on work for Weston 4 or the Weston New or Existing Common Facilities, or other third Persons as appropriate, that as a co-owner of Weston 4 and the Weston New and Existing

Common Facilities, DPC will not assert any claims with regard to or in connection with contracts or settlements entered into by WPSC as authorized or confirmed by this Agreement that are inconsistent with or foreclosed by the terms and conditions of those contracts or settlements. In appropriate circumstances involving significant or longer-term contracts, WPSC may request that DPC contract directly with a third-party vendor or other third Person, or that DPC authorize WPSC to bind DPC directly to said vendor or Person, for DPC's proportionate share of responsibility under a contract, judgment or settlement, and DPC shall do as reasonably requested, subject, however, to receiving any required approval from RUS for such authorization or such contract. DPC shall otherwise not be authorized to enter into any contract, judgment or settlement associated with the design, engineering, procurement, licensing, permitting, interconnection, administration, construction, modification, repair, operation, maintenance, transportation or fuel procurement of Weston 4 or of the Weston New or Existing Common Facilities without the express, prior written approval of the JPOC. Contracts for the purchase of materials or services that will exceed the sum of $1,500,000 shall contain clauses that allow compliance with RUS mandates for "Buy American" requirements, debarment certification and equal opportunity requirements, so as to facilitate approval for DPC's RUS financing for its share of the costs of such contracts. Any charges for goods or services from Affiliates of WPSC that are not regulated by the PSCW shall not exceed the lesser of the actual cost to the Affiliate or the fair market value of such goods or services (based upon the PSCW's affiliated interest policies and practices in effect on the date of this Agreement).

The Companies agree that, subject to the provisions of this Agreement dealing with the Required Permits and the Financing Contingency, WPSC shall have the sole right and responsibility to apply for such governmental permits, licenses, orders and approvals, and to conduct such regulatory proceedings, and to make such filings, as may be required in connection with the design, engineering, procurement, licensing, permitting, interconnection, administration, construction, modification, repair, operation, maintenance, transportation or fuel procurement of

Weston 4 or of the Weston New or Existing Common Facilities. DPC shall cooperate fully with all such efforts by WPSC; provided that WPSC shall consult with DPC before making any commitments, entering into voluntary agreements, or agreeing to any permit or approval condition that would have the effect of materially increasing DPC's costs or regulatory obligations with regard to DPC's other generation units or utility system.

Within thirty (30) calendar days after entry into any contract, amendment, cancellation, judgment or settlement in its capacity as the operating co-owner of Weston 4 that meets or exceeds the JPOC Threshold, WPSC shall give notice thereof to DPC and shall provide such copies or summaries as may be necessary for the accounting and other records of the Companies. In addition, to facilitate DPC's applications for regulatory and financing approvals, WPSC shall provide to DPC a listing of all contracts, amendments, cancellations, judgments or settlements relating to Weston 4, and copies or summaries as may be reasonably necessary for such applications and approvals.

Section 7. Joint Plant Operating Committee. The JPOC will be formed upon the execution of this Agreement. Both Companies shall be represented on the Joint Plant Operating Committee. The names and contact information of the initial members of the JPOC, and the procedures by which the Companies may replace their respective JPOC members, are set forth in the Joint Operating Manual. Each Company shall have voting rights on the JPOC in proportion to its respective Ownership Share in Weston 4; provided, however, that while the DPC members may participate in the meetings and discussions of the JPOC prior to the Ownership Date, DPC shall not be entitled to vote on any matter being considered by the JPOC until the Ownership Date; and provided, further, that on and after the Ownership Date, Major Construction Decisions and Major Operating Decisions may be implemented only upon the unanimous vote of the WPSC and DPC members of the JPOC (except for certain Major Operating Decisions described in clauses (iii), (iv) and (v) of Section 12, which may be implemented in the absence of unanimity under the circumstances described in Section 12). The Companies will exercise their JPOC voting rights timely and in accordance with Good Utility Practice.

The JPOC shall meet on a quarterly basis, or more frequently if requested by one or both of the Companies, and it shall serve as a means of direct exchange and reporting of items of mutual interest between the Companies in the operating, accounting and budget areas. The JPOC shall have the authority to form subcommittees as and when the JPOC deems necessary or appropriate, it being understood that the JPOC may not confer upon any such subcommittee any right or authority that the JPOC itself does not possess. The JPOC shall establish and modify the membership, duties and responsibilities of any such subcommittee from time to time; the JPOC shall have the authority to dissolve any such subcommittee if and when it deems it appropriate to do so. The JPOC shall review operating, maintenance, environmental compliance, training and safety issues, among others, and it shall establish general policies for the operation and maintenance of Weston 4. The JPOC shall have the power to amend or modify the Joint Operating Manual from time to time in its discretion; provided, however, that those provisions of the Joint Operating Manual that are expressly stated to be subject to modification only upon the unanimous vote of the WPSC and DPC members of the JPOC may not be amended except by a unanimous vote of the JPOC. The Joint Plant Operating Committee shall establish the details of the cost accounting for Weston 4 utilizing general accounting, property accounting, and tax accounting support; such details shall be included in the Joint Operating Manual. The JPOC will accommodate the reasonable requests of the Companies for accounting information to enable each Company to comply with its respective required uniform systems of accounts. Other rights, tasks and duties of the JPOC are set forth in the Joint Operating Manual. JPOC members will have access to all information relevant to Weston 4 operations and performance (except for any attorney-client privileged information) at all reasonable times.

With respect to all contracts (and amendments thereto), judgments and settlements associated with the design, engineering, procurement, licensing, permitting, interconnection, construction, administration, modification, repair, operation, maintenance, transportation or fuel procurement of Weston 4 or of the Weston New or Existing Common Facilities the estimated cost of which is at or above the JPOC Threshold, and with respect to all other matters that are within the scope of the JPOC's authority pursuant to this Agreement or the Joint Operating Manual, the Joint Plant Operating Committee will consider and vote on such contracts, amendments, judgments, settlements and matters and, except as provided expressly herein with respect to Major Construction Decisions and Major Operating Decisions, in the event the vote is not unanimous, the vote of the Company that holds the majority of Ownership Shares shall prevail; provided, however, that prior to the Ownership Date, WPSC is and on an ongoing basis shall be authorized to act for the co-owners of Weston 4 and the Weston New and Existing Common Facilities, in accordance with Good Utility Practice, by negotiating and entering into any such contract, amendment, judgment or settlement the estimated cost of which is at or above the JPOC Threshold without a vote by the JPOC, so long as it notifies all JPOC members of its action within a reasonable time thereafter. Effective on and after the Ownership Date, DPC's cost responsibility under this Agreement shall reflect the terms and conditions of, and DPC shall be responsible under this Agreement for the costs and liabilities arising from, all contracts, amendments, judgments and settlements entered into by WPSC either in accordance with the prevailing vote of the JPOC, or without a JPOC vote (but only to the extent authorized in this paragraph), whether entered into before, on or after the Ownership Date (or in the case of the Weston Existing Common Facilities, the Existing Common Ownership Date), in proportion to DPC's Ownership Share, New Common Ownership Share or Existing Common Ownership Share, as the case may be, and the Companies shall similarly be bound by the decisions of the JPOC on all other matters, whether made before, on or after the Ownership Date. WPSC will provide reasonable advance notice of any planned, non-emergency construction, operation or maintenance contracts and commitments if WPSC reasonably expects the value of such contracts and commitments to exceed $25,000,000 in the aggregate in any particular calendar year, to enable DPC to obtain financing for its share of such costs. The dollar amount identified in the immediately preceding sentence shall be subject to escalation on an annual basis beginning in 2005 in accordance with changes in the GDP-IPD during the preceding calendar year (for example, if the GDP-IPD increases by 1% during 2004, said dollar amount shall be $25,250,000 in 2005).

If a multi-year contract, the estimated costs of which meet or exceed the JPOC Threshold, is approved by the JPOC, the annual renewals of such contract shall be subject to JPOC review or approval to the extent the costs of such renewals exceed the JPOC Threshold. Notwithstanding anything to the contrary herein, the JPOC Threshold concept shall not apply to labor contracts between WPSC and its employees who will be employed in the design, engineering, procurement, licensing, permitting, interconnection, construction, administration, modification, repair, operation, maintenance, transportation or fuel procurement of Weston 4 or the Weston New or Existing Common Facilities; WPSC shall have the sole right and discretion to negotiate and enter into all such labor contracts; and WPSC shall be solely responsible for supervising, directing and controlling the activities of all such employees and the details of their work.

Section 8. Payment of Costs. The intent of this Agreement is to create a cost-sharing mechanism that fairly allocates the costs of Weston 4 and related Common Facilities among the Companies. DPC will pay its proportionate share of the Fully-Loaded Direct Costs incurred by WPSC to construct, operate, fuel and maintain Weston 4 and related Common Facilities. DPC shall pay a fair allocation of WPSC's Indirect Costs, including but not limited to administrative and general costs, related to the construction, modification, repair, operation, fueling and maintenance of Weston 4 and related Common Facilities ***. Costs that are not specifically

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identifiable to the Weston 4 unit but are fairly chargeable to its ownership or operation shall be allocated on an Average Cost Basis, as opposed to a marginal or incremental cost basis. The Companies acknowledge that the Joint Operating Manual in effect on the date of this Agreement, a copy of which is attached hereto as Attachment 4, represents a full and fair allocation of costs, and incorporates Average Cost Basis allocation methodologies that, as of the date of this Agreement, are commercially reasonable within the electric utility industry and do not result in a disproportionate allocation of costs to DPC; these allocation methodologies are intended to establish a precedent for future evaluation of proposed new allocation methodologies or methodology changes.

(a) General. Costs will be paid in the manner described in this Section 8 depending upon the nature of the facilities. All costs shall be determined in accordance with the Uniform System of Accounts prescribed by the PSCW. "All costs" as used herein is meant to be broadly construed, and it shall include, without limitation, the Fully-Loaded Direct Costs and Indirect Costs of the design, engineering, procurement, licensing, permitting, interconnection, construction, fueling, modification, repair, administrative and general, operation and maintenance (including without limitation pre-In-Service Date operation and maintenance) of Weston 4, the new facilities to be used exclusively by Weston 4, and the Common Facilities, and it shall also include taxes and pre-certification expenses, and costs associated with or arising out of the negligence, errors or omissions of Subcontractors or the employees and agents of either of the Companies who are involved in the design, engineering, procurement, licensing, permitting, interconnection, construction, modification, repair, administrative and general, operation, fueling or maintenance of Weston 4 or the Common Facilities. Fully-Loaded Direct Costs and Indirect Costs include labor costs with loadings which shall include labor costs for such tasks as recording costs and invoicing DPC, the costs of materials and supplies, return of and on the cost of property employed, and payments to Subcontractors and contractors, plus all overheads directly associated with any and all of these costs. Any charges for goods or services from nonregulated Affiliates of WPSC, however, shall not exceed the lesser of the actual cost to the Affiliate or the fair market value of such goods or services (based upon the PSCW's affiliated interest policies and practices in effect on the date of this Agreement).

(b) Weston 4, New Facilities for the Exclusive Use of Weston 4, and Weston New and Existing Common Facilities. For Weston 4 itself, for all new facilities that will be used solely by Weston 4, as described in Exhibit I of the Joint Operating Manual, and for the Weston New and Existing Common Facilities, the following shall apply:

1. *Facilities Costs.* Each Company shall be liable for and pay for all costs, other than fuel and variable unit train costs and the costs of transmission and delivery of Weston 4 energy after the point of interconnection with the ATC transmission system, incurred in connection with such facilities in proportion to their Ownership Shares in Weston 4, or in the case of the Weston New or Existing Common Facilities, in proportion to their New Common Ownership Shares or Existing Common Ownership Shares, as applicable. Such costs shall include, but are not limited to, costs for site preparation, design, engineering, procurement, installation, construction, modification, repair, ownership, insurance, pre-certification expenses, licensing, permitting, recruiting, training, testing, administrative and general, fees and other governmental charges, taxes other than income taxes and assessments with respect to such facilities, accounting and records audits, shutdown, decommissioning, demolition and disposal.

2. *Fixed Operation and Maintenance Costs.* Operation and maintenance costs (including without limitation pre-In-Service Date operation and maintenance costs), other than fuel and related expenses (including without limitation ash and waste disposal expenses) which are defined per Section 02 of the Joint Operating Manual, will be considered fixed O&M and will be shared by the Companies in proportion to their Ownership Shares in Weston 4. The only exception to this arrangement will be the O&M costs associated with lime, ammonia and sorbent injection materials, other chemicals or materials consumed in a like

manner for future environmental compliance, and their associated waste streams, and then-applicable chemical or emission credits necessary or used to comply with then-applicable legal requirements. These chemicals, materials and other items will be treated similar to coal and transportation costs. Each of these chemicals, materials and other items will be maintained in a separate inventory account. When the product is received it will be allocated to the Companies based upon the Weston 4 Receipts Ratio described in Section 02 of the Joint Operating Manual and billed as part of the billing package. When the chemicals, materials or items are used, each Company's inventory will on a monthly basis be reduced based on the amount of product used and the costs thereof will then be allocated to the Companies based on their respective take of that month's energy. These costs will be identified separately through use of sub-accounts.

3. *Fuel and Transportation Costs.* Fuel and transportation costs and expenses, unit train operation and maintenance, lease costs, and taxes other than income taxes, will be paid initially in accordance with the expected coal receipt ratios as defined in Section 02 of the Joint Operating Manual. An adjustment will be made between the Companies after each year-end to reflect the actual coal receipt ratios. The fuel expense costs for each month are borne in accordance with each Company's take of the total net kilowatt hours generated by Weston 4 for that month; provided, however, that if Weston 4 generates no net kilowatt hours in any given month, any fuel expense costs for that month shall be allocated and paid in accordance with the Companies' respective Ownership Shares.

4. *Property Taxes.* If any of these facilities should become subject to a property tax, special assessment or other similar charge, other than the gross receipts tax, each Company shall be liable for and pay all such taxes, assessments and charges in proportion to their Ownership Shares in Weston 4, or in the case of the Weston New or Existing Common Facilities, in proportion to their New Common Ownership Shares or Existing Common Ownership Shares, as applicable. In addition, each Company shall be liable for and pay all costs related to any challenge or defense of an assessment of the facilities or of any such tax,

assessment or charge in proportion to their Ownership Shares in Weston 4, or in the case of the Weston New or Existing Common Facilities, in proportion to their New Common Ownership Shares or Existing Common Ownership Shares, as applicable.

(c) Weston Generating Station Facility Modifications Due to Construction or Existence of Weston 4. Each of the Companies shall share any and all of the following costs in accordance with its Ownership Share in Weston 4:

1. The costs of the destruction or removal of existing facilities at the Weston Generating Station that are made necessary by the construction of Weston 4, less salvage value;

2. The costs of construction or modification of facilities at the Weston Generating Station that are made necessary by the construction of Weston 4, although such facilities will not be used by Weston 4; and

3. If due to a change in Applicable Laws or the enactment or promulgation of new Applicable Law(s) after the date of this Agreement, the Weston Generating Station facilities become subject to increased or new restrictions on emissions, output, operation or maintenance that affect Weston 4 and/or other generating unit(s) on the Weston site, and that are due in whole or in part to the existence of Weston 4, the Companies shall investigate technically feasible and commercially reasonable measures that allow compliance with such restrictions in accordance with Good Utility Practice and the goal of achieving best value and efficiency. The JPOC shall adopt measures that allow compliance in accordance with Good Utility Practice and the goal of achieving best value and efficiency, and consistent with the operation of Weston 4 as a baseload generating unit. To the extent that such measures increase the costs of operating or maintaining Weston Generating Station facilities that are not used by

Weston 4, the portion of such increased costs as is due to the existence of Weston 4 shall be shared by the Companies in accordance with their Ownership Shares.

(d) A&G Facilities. The following shall apply to the A&G Facilities. WPSC is entitled to receive a rate of return at the WPSC Cost of Capital on and of its investment in general and common plant support facilities (exclusive of the Weston New and Existing Common Facilities), net of accumulated depreciation and associated deferred income taxes. The Companies will generally bear all costs of the A&G Facilities using the appropriate allocators to reflect Weston 4's use of such facilities as detailed in this Agreement and the Joint Operating Manual ***.

Each Company shall pay its share of all Fixed Charges on such facilities in proportion to its Ownership Share of Weston 4 and the proportion of the A&G Facilities allocable to the total Weston 4 usage responsibility. Such responsibility will be based on an appropriate allocation depending upon the specific A&G Facilities and their use. The original allocators shall be set forth in the Joint Operating Manual. The Joint Plant Operating Committee shall modify such allocators thereafter as appropriate. Operation and maintenance expenses (including without limitation pre-In-Service Date operation and maintenance expenses) will be shared on the same basis as the Fixed Charges.

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(e) Common Facilities. WPSC will keep all Common Facilities operating in accordance with Good Utility Practice and Applicable Laws in effect from time to time. In the event that the Applicable Laws to which the Common Facilities are subject are amended or supplemented, or new Applicable Laws are enacted or promulgated, after the date of this Agreement, and as a result of such changes or new Applicable Laws WPSC's costs of compliance increase, the Companies will bear the added costs of such compliance equitably on the basis of Weston 4's use of such facilities (or in proportion to the Companies' respective New or Existing Common Ownership Shares of such facilities as are co-owned, as appropriate), as detailed in this Agreement and the Joint Operating Manual.

(f) Land Costs. The Site and the Easement Property are and shall continue to be solely owned by WPSC, in fee simple. The Ground Lease, the EI Agreement and the Easement will be entered into between the Companies effective on the Ownership Date. The Ground Lease will provide for DPC's rights to usage of the land occupied by Weston 4 for DPC's Ownership Share. DPC will pay rent under the Ground Lease equal to the Fixed Charges (as calculated by WPSC from time to time) associated with WPSC's investment in the land leased pursuant to the Ground Lease. DPC will pay a charge associated with the Easement recognizing the non-exclusive rights for possession and access related to the Easement Property. If in the future WPSC acquires additional lands contiguous or near to the Weston Generating Station that are intended to be used as buffer property for the Weston Generating Station or for the siting of Weston New or Existing Common Facilities, the JPOC may from time to time determine that such lands should be subject to the terms of the Easement, and in that event, the Companies shall amend the Easement accordingly, and DPC shall pay the charge associated with the Easement with respect to such additional lands.

(g) Increased Operating Costs at the Weston Generating Station During Construction. WPSC will manage the construction of Weston 4 so as to reasonably minimize the impact of construction on the operation of the balance of facilities at the Weston Generating Station, consistent with maintenance of the Weston 4 construction budget and schedule. DPC shall reimburse WPSC in accordance with DPC's Ownership Share for any and all additional operating costs, including damage to property, third party claims, cost of replacement energy due to outages to accommodate the Weston 4 construction and/or startup, and the like incurred by WPSC at the Weston Generating Station during the construction of Weston 4 through the In-Service Date to the extent same are caused by the construction and/or start-up of Weston 4, are not reasonably recoverable from vendors or other Subcontractors working on Weston 4, and are not due to failure by WPSC to act in accordance with Good Utility Practice. Recovery under this Section 8(g) shall not include any WPSC loss of revenues or profits. In the event that WPSC will need such replacement energy and WPSC has a reasonable opportunity to provide DPC with advance written notice of such need, WPSC shall provide DPC with such notice, and DPC shall have the option to supply to WPSC DPC's Ownership Share of such replacement energy provided that DPC's supply of such replacement energy does not require WPSC to incur additional costs and does not adversely affect system reliability or security.

(h) Impact of Other Generating Unit(s) at Weston Generating Station. If WPSC, by itself or together with other Person(s), intends to add an additional generating unit to the Weston Generating Station ("New Unit"), WPSC, on behalf of the owner(s) of the New Unit, will consult with DPC on the potential impact of the New Unit on Weston 4 and the Common Facilities, including the potential impact on facility costs, operations and maintenance costs, permit provisions, operating and dispatch procedures and transmission. DPC will not be charged for any expenditures resulting from the construction of the New Unit from which it will not benefit. Facility costs resulting from the addition of the New Unit will be addressed in a manner that corresponds to the treatment of impacts to the Weston Generating Station caused by the addition of Weston 4 under Section 8(g). On behalf of the owner(s) of the New Unit, WPSC shall reimburse DPC for DPC's share of any and all additional Weston 4 operating costs, including damage to property, third party claims, and for DPC's cost of replacement energy due to outages of Weston 4 to accommodate the New Unit construction and/or startup, and the like, to the extent that same are caused by the construction and/or startup of the New Unit, are not reasonably recoverable from third Persons, and are not due to failure by DPC to act in accordance with Good Utility Practice. Recovery under this Section 8(h) shall not include any DPC loss of revenues or profits. In the event that DPC will need such replacement energy and DPC has a reasonable opportunity to provide WPSC with advance written notice of such need, DPC shall provide WPSC with such notice, and WPSC shall have the option to supply to DPC such replacement energy provided that the cost to DPC of having WPSC supply the replacement energy is less than or equal to DPC's cost to supply the replacement energy, and provided that WPSC's supply of such replacement energy does not adversely affect system reliability or security.

(i) Changes to Existing and New Common Ownership Shares. Weston 4's initial MAIN summer capacity rating is expected to be established in the year in which the In-Service Date occurs. If this capacity rating is either less than 501 MW, or more than 561 MW, the JPOC shall re-calculate the Existing and New Common Ownership Shares based upon the allocation principles set forth in this Agreement and the Joint Operating Manual, and based upon Weston 4's established summer capacity rating and the then-most recent summer capacity ratings of the other generating units at the Weston Generating Station and (to the extent applicable) at WPSC's Pulliam Station. One Company shall thereafter sell to the other Company an appropriate share of its interest in the affected Weston Existing and New Common Facilities, and the other Company shall buy said share, in accordance with the JPOC's re-calculation. In addition, if a New Unit is added to the Weston Generating Station (or to WPSC's Pulliam Station), or if a generating unit at the Weston Generating Station (or at WPSC's Pulliam Station) is retired, Weston 4's proportionate usage of the various Common Facilities will likely change. In any such event, based upon the cost allocation principles set forth herein and in the Joint Operating Manual and based upon the then-most recent summer capacity ratings of the generating units at the Weston Generating Station and (to the extent applicable) at WPSC's Pulliam Station, the JPOC shall adjust affected cost allocations on an equitable basis and shall, if and as appropriate, identify what changes should be made to the Companies' respective Existing Common and New Common Ownership Shares to reflect that usage. One Company shall thereafter sell to the other Company an appropriate share of its interest in the affected Weston Existing and New Common Facilities, and the other Company shall buy said share, in accordance with the JPOC's determination. The sales price of any share of a Company's interest in the Weston Existing and New Common Facilities sold pursuant to this section or pursuant to Section 12 below shall be determined as follows: the *** of the Weston Existing or New Common Facilities in question immediately prior to the sale shall be divided by the New or Existing Common Ownership Share of WPSC applicable to those facilities immediately prior to the sale. The result shall then be multiplied by the following quantity: [(the New or Existing Common Ownership Share of DPC in such facilities after the sale takes place, as determined by the JPOC) minus (the New or Existing Common Ownership Share of DPC in such facilities immediately prior to the sale)]. If the resulting product is a positive number, DPC shall pay that amount of dollars to WPSC (in this situation, DPC is acquiring a larger percentage interest in those Weston New or Existing Common Facilities). If the resulting product is negative, WPSC shall pay the absolute value of that amount, in dollars, to DPC (in this situation, WPSC is acquiring a larger percentage interest in those Weston New or Existing Common Facilities).

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(j) Cost Estimates. WPSC will provide DPC with reports of estimated costs as required by the Joint Operating Manual, together with estimated time schedules for material events with regard to Weston 4 completion and operation. Such reports shall, to the extent possible, reflect revised estimates as they are established.

(k) Insurance. The Joint Operating Manual sets forth provisions governing the allocation of insurance policy premiums and self-insured retentions between the Companies, and Section 06 thereof describes the types of policies that will be applicable to Weston 4.

(l) Changes to Cost Allocation Methodologies. If WPSC from time to time proposes to change an existing cost allocation methodology, or to impose a new cost allocation methodology, or to change the allocated percentage of ownership of the Weston New Common Facilities or the Weston Existing Common Facilities under Section 8(i) above or Section 12 below, it shall first provide the JPOC with a written explanation of the need and purpose for the allocation methodology change or addition or ownership change, which shall include as applicable an estimate of the effect such change or addition will have on the annual costs to the Companies and a description of how the proposed new or changed methodology fairly allocates costs. If the proposed ownership change or methodology change or addition (the "Subject Change") is adopted by the JPOC over DPC's objection, the Subject Change shall be applied and implemented upon its adoption by the JPOC, but the Subject Change may be challenged by DPC under the circumstances described in the next two sentences. If such Subject Change, either individually or in conjunction with any other proposed ownership change(s) or methodology change(s) or addition(s) that have been adopted by the JPOC over DPC's objection during the 365-day period immediately preceding the date the Subject Change is adopted ("Other Changes"), may reasonably be expected to result in an imposition on DPC of additional costs exceeding $750,000 per year (when compared to the costs that would have been imposed upon

DPC in the absence of the Subject Change and the Other Change(s), if any), such Subject Change and the Other Change(s), if any, may be challenged by DPC through the dispute resolution mechanism set forth in Section 21 if the Subject Change or Other Change(s): (i) are inconsistent with the cost allocations expressly stated in this Agreement, (ii) are commercially unreasonable within the electric utility industry, (iii) would result in an inequitably disproportionate allocation of costs to DPC, or (iv) if adopted, would result in the cost allocation methodologies under this Agreement and the Joint Operating Manual, considered in the aggregate, being inconsistent with the cost allocations expressly stated in this Agreement, or being commercially unreasonable within the electric utility industry, or causing an inequitably disproportionate allocation of costs to DPC. Any such challenge must be raised by DPC, if at all, within thirty (30) calendar days after the Subject Change is adopted by the JPOC and reflected in a billing to DPC; provided, however, that if one or more other proposed ownership change(s) or methodology change(s) or addition(s) are adopted by the JPOC over DPC's objection during the 365-day period immediately following the date the Subject Change is adopted (each, a "Subsequent Change"), the Subject Change (if it was not challenged previously) may be challenged through the dispute resolution mechanism set forth in Section 21 if the Subject Change and the Subsequent Change(s) may reasonably be expected to result in an imposition on DPC of additional costs exceeding $750,000 per year (when compared to the costs that would have been imposed upon DPC in the absence of such Subject Change and Subsequent Change(s)) and if the Subject Change or the Subsequent Change(s) would meet the requirements of clause (i), (ii), (iii) or (iv) of this Section 8(l). Notwithstanding anything to the contrary herein, once a proposed ownership change or methodology change or addition has been challenged pursuant to this Section 8(l), it may not be challenged again, nor may the expected cost impact of any change or addition that has previously been combined with the expected cost impact of any other change(s) or addition(s) in order to reach the $750,000 threshold and allow a challenge to occur be subsequently combined with the expected cost impact of other change(s) or addition(s) to reach the $750,000 threshold in order to allow a subsequent challenge of any change(s) or addition(s). If any such cost allocation methodology change or addition or ownership percentage change is rejected or modified through the dispute resolution process, the change or addition shall be deemed to have been rejected or modified (as the case may be) retroactively, as of the date of its original implementation, and any amounts paid by the Companies in excess of the amounts that would have been due under the prior methodology or ownership percentage (if the change or addition was rejected through dispute resolution) or under the modified methodology or ownership percentage (if the change or addition was modified through dispute resolution) shall be repaid with interest at the rates applicable to billings and refunds under Section 03 of the Joint Operating Manual. The failure to challenge a cost allocation methodology addition or change or ownership percentage change pursuant to this Section 8(l) shall not preclude any later assertion under the audit rights under this Agreement that the cost allocation methodology addition or change or ownership percentage change was improperly applied; any such assertion, however, may challenge only whether the change or addition has been improperly applied, and may not challenge the change or addition itself. The dollar thresholds set forth in this Section 8(l) shall be subject to escalation on an annual basis beginning in 2005 in accordance with changes in the GDP-IPD during the preceding calendar year (for example, if the GDP-IPD increases by 1% during 2004, the dollar thresholds in this Section 8(l) shall be $757,500 during 2005, and if the GDP-IPD then increases by 2% during 2005, the dollar thresholds in this Section 8(l) shall be $772,650 during 2006, and so on).

(m) As of the date of this Agreement, WPSC intends to dispose of the ash and other wastes generated by the operation of Weston 4 at one or more third-party commercial disposal facilities; to the extent this occurs, the Companies will share disposal-related costs as provided in this Agreement and the Joint Operating Manual. If, however, at some time in the future the JPOC determines that it is necessary or appropriate for Weston 4 ash or other wastes to be disposed of at the Legner Facility, WPSC shall have the option to require DPC to purchase a share of the Legner Facility as a tenant in common, and if WPSC exercises this option, DPC shall purchase such share; provided, however, that DPC shall be given a reasonable opportunity to conduct reasonable environmental due diligence with respect to the Legner Facility, and to address with WPSC any material concerns that are identified during such due diligence effort, prior to purchasing such share. The share to be purchased shall be determined by the JPOC, taking into account what other generating unit(s), if any, are or will be utilizing the Legner Facility in common with Weston 4. The sales price of the share shall be based upon the *** of the Legner Facility. Following any such sale and purchase, the Legner Facility shall be a Weston New Common Facility for purposes of this Agreement and the other contracts between the Companies associated herewith, including but not limited to the EI Agreement, and the EI Agreement shall be amended accordingly. If WPSC exercises the option set forth in this section, the Companies shall cooperate in good faith to obtain all access rights, permits, licenses, and modifications to permits and licenses necessary to allow WPSC to sell, and DPC to purchase, own and utilize for purposes of disposal of Weston 4 wastes, a share of the Legner Facility.

Section 9. Books and Records. As a co-owner of Weston 4, DPC is entitled to collect information, and to receive information collected, maintained or generated by WPSC, as is necessary to monitor DPC's investment, satisfy DPC's reporting requirements to governmental and other entities, and verify the services provided by WPSC and their costs and quantity, on both an historical and forecasted basis, all as provided in this Agreement. Books of account and records containing details of the items of cost applicable to the design, engineering, procurement, licensing, permitting, interconnection, construction, administration, taxes, fueling, transportation, modification, repair, operation and maintenance of Weston 4 or of the Common Facilities shall

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be kept by WPSC and shall, except for any attorney-client privileged materials, be open to examination by DPC during normal business hours after reasonable notice to WPSC. To the extent that any such books of account or records are kept by DPC, they shall, except for any attorney-client privileged materials, be open to examination by WPSC during normal business hours after reasonable notice to DPC. WPSC shall furnish DPC, to the extent of its interest affected, with non-privileged summaries or counterparts of such books of account and records as may be necessary to satisfy all applicable regulatory requirements. As promptly as practicable after the end of each month, WPSC shall send to DPC a statement in reasonable detail of all expenditures for such month and the amount of each Company's share thereof.

Section 10. Accounting and Audit Responsibilities.

(a) Accounting. All expenditures in respect of Weston 4 and the Common Facilities shall be accounted for in accordance with the Uniform System of Accounts prescribed by the PSCW for Public Utilities and Licensees (Class A and B Electric Utilities). WPSC will undertake commercially reasonable efforts to supply DPC with such records as may be required to satisfy the accounting requirements of the RUS or other applicable regulatory requirements.

(b) Contract Administration Review. WPSC shall arrange for a contract administration review consistent with the scope of work attached to this Agreement as Attachment 8 by a firm unanimously selected by the JPOC, with the cost of such review, which shall not exceed $50,000 in the aggregate, to be shared equally between WPSC and DPC. This review will be performed once, and the review period will cover either the first complete calendar year after the In-Service Date, or the second complete calendar year after the In-Service Date, at DPC's option; provided, however, that the JPOC may by a vote of the majority of Ownership Shares decide whether or not to conduct similar, subsequent review(s).

(c) Financial Audit. Each Company shall have the right from time-to-time to conduct an audit, at its own cost, of the financial monthly billings under this Agreement, including audits of all books, records and other documents regarding operating costs and the cost of construction sufficient to allow it to determine that such costs attributed to Weston 4 or the Common Facilities by WPSC are consistent with this Agreement. For purposes of this Agreement, the financial audit will be defined as a review and examination performed by the Company's own accounting and internal audit staff or by an agent or representative of the Company.

No payment made by DPC shall constitute a waiver of the right of DPC to question or contest in good faith the correctness of any charge or credit under this Agreement, and no acceptance of partial payment by WPSC shall constitute a waiver of WPSC's right to demand payment in full of all amounts that WPSC in good faith believes are owed to it. WPSC shall cooperate with DPC in the conduct of any such audit and, subject to the applicable regulations of any regulatory agency having jurisdiction, provide DPC reasonable access to all contracts, records and other documents relating to Weston 4 or related Common Facilities with due regard for any confidentiality agreements between WPSC and third parties, or between WPSC and DPC.

Audit activity shall be coordinated through the respective Companies' accounting departments in order to promote efficiency and reduce costs. Audits shall be conducted only after reasonable notice to the respective Company and during normal business hours.

(d) Audit and Review Adjustments. If, as a result of such review(s) or audits, errors are discovered in the amount or allocation of any costs which have been billed under the Agreement, those costs shall be adjusted to correct the error and reimbursements, or additional payments, as the case may be, including a payment for interest as calculated per procedures specified in Section 03 of the Joint Operating Manual, shall be made during the next normal billing cycle following discovery of the error(s). Retroactive adjustments of costs or allocations based upon such review(s) or audits shall be limited to the period of two (2) years after the cost or allocation was originally billed to DPC by WPSC, after which time the correctness of such costs or allocations shall be conclusively presumed correct.

WPSC will, within 30 calendar days after completion, make available to the other Company copies of any audits, related only to Weston 4 or the Weston New or Existing Common Facilities, by its own internal audit department, independent external auditors, or auditors for any regulatory body or jurisdiction. DPC will make available to WPSC copies of any audits, related only to Weston 4 or the Weston New or Existing Common Facilities, conducted by its staff or external auditors or consultants or regulatory bodies and will provide such copies to WPSC within 30 calendar days after the final audit report is issued.

WPSC will provide to the other Company as soon as such documents become available, variance analyses comparing monthly and year-to-date actual billings with the respective budget items for Weston 4 and the Weston New and Existing Common Facilities in accordance with the provisions of the Joint Operating Manual.

WPSC shall inform DPC of any significant or material deficiency in any WPSC internal control which relates to any process or account that may affect the billing process under this Agreement that WPSC discovers as a consequence of WPSC's compliance with section 404 of the Sarbanes-Oxley Act of 2002 (Management Report on Controls).

Section 11. Construction Period Invoices; Funds. (a) DPC shall promptly notify WPSC as soon as DPC has waived the Financing Contingency and the Transmission Contingency, and provide WPSC at least 90 calendar days' prior written notice of the date planned for DPC's closing on its interim or permanent financing. WPSC and DPC shall also promptly notify each other when they have each received all Required Permits. Assuming DPC gives WPSC notice of the impending closing as required above, then at least 60 calendar days prior to the date planned for the closing on DPC's interim or permanent financing, WPSC shall provide or make available to DPC all such information described in Section 18 of the Joint

Operating Manual under the heading "Information for DPC's Financing", as provided in that section. On the earlier of (i) the date DPC closes on its interim or permanent financing; or (ii) the date that is ten (10) business days prior to ***, WPSC shall invoice DPC for its share of all costs determined in accordance with Section 8 incurred in connection with the design, engineering, procurement, pre-certification expenses, licensing, permitting, interconnection, administrative and general, fueling, transportation, construction, operation and maintenance of Weston 4 and the Weston New Common Facilities, or incurred in connection with those modifications of the Weston Existing Common Facilities that are being made in conjunction with and as part of the Weston 4 project, prior to the date of WPSC's invoice, plus a return on those costs at the WPSC Cost of Capital pursuant to Section 3(c), and for the Fixed Charges associated with WPSC's investment in the Site and the Easement Property calculated from the date construction begins on Weston 4 until the date the Companies execute the Ground Lease and the Easement. DPC shall pay said invoice in full via ACH or electronic funds transfer to an account specified by WPSC within ten (10) business days after the receipt of WPSC's invoice. It is understood and agreed that carrying costs shall continue to accrue on the costs at the then-applicable WPSC Cost of Capital until the invoice is paid by DPC in full.

(b) After issuing the initial invoice described in Section 11(a), WPSC shall bill DPC on a weekly basis through the In-Service Date, and thereafter until all construction-related costs have been invoiced, for DPC's share of all cash expenditures actually incurred in connection with the design, engineering, procurement, licensing, permitting, interconnection, administrative and general, fueling, transportation, construction, operation and maintenance of Weston 4 and the Weston New Common Facilities, or incurred in connection with those modifications of the

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Weston Existing Common Facilities that are being made in conjunction with and as part of the Weston 4 project, since the immediately preceding invoice. WPSC will make arrangements to give DPC prompt access to all Subcontractor invoices that individually exceed $10,000. Information materials supporting the invoices will be provided or made available to DPC in accordance with the second paragraph of Section 5 of this Agreement. For any individual Subcontractor invoice which exceeds $2,000,000 in amount, WPSC will issue a separate invoice showing DPC's share and a due date that coincides with WPSC's required payment date to the Subcontractor; DPC shall pay to WPSC via ACH or electronic funds transfer to an account specified by WPSC an amount equal to DPC's share of each such Subcontractor invoice on or prior to the date WPSC is required to pay the Subcontractor's invoice. WPSC will invoice DPC weekly for all other Subcontractor invoices that have been paid by WPSC, and WPSC will invoice DPC monthly for all other WPSC direct and indirect costs incurred by WPSC, and DPC shall pay WPSC in full via ACH or electronic funds transfer to an account specified by WPSC within ten (10) business days after each such WPSC invoice is received, but payments made after the date that is five (5) business days after the date of receipt, but on or before the date that is ten (10) business days after the date of receipt, shall be subject to interest at the 90-day non-financial commercial paper rate as of the last business day of the immediately preceding calendar year, as published in the Federal Reserve Statistical Release on the website identified in Section 03 of the Joint Operating Manual. Past due payments shall bear interest at the rate specified in Section 14 of this Agreement.

As described in Section 8, on an ongoing basis WPSC shall bill DPC for, and DPC shall pay its share of, non-construction related costs incurred by WPSC under the post-In-Service Date procedures specified in the Joint Operating Manual.

(c) Ten (10) business days prior to the Existing Common Ownership Date, WPSC shall invoice DPC for its share (based upon DPC's Existing Common Ownership Share) of the *** Weston Existing Common Facilities (not including the costs of those modifications to the Weston Existing Common Facilities for which DPC has previously paid its share pursuant to Section 11(a) or (b)) and of WPSC's unrecovered costs associated with the retirement of assets due to the construction of Weston 4. DPC shall pay said invoice in full via ACH or electronic funds transfer to an account specified by WPSC within ten (10) business days after the receipt of WPSC's invoice.

(d) As part of its right and responsibility to operate and maintain Weston 4 and the Weston New and Existing Common Facilities, WPSC is required to expend considerable capital each month on a current and continuing basis. In order to reimburse WPSC for such expenditures in accordance with the terms of this Agreement, DPC shall make an initial cash deposit at the time, in the amount and in the manner specified in Section 14 of the Joint Operating Manual. WPSC shall determine the amount of this initial operating deposit based on the forecasted monthly expenditures for Weston 4 and the Weston New and Existing Common Facilities, excluding insurance and purchased natural gas costs. Subsequent to the initial calculation of this operating deposit, DPC will be billed adjustments to this deposit as described in Section 14 of the Joint Operating Manual. WPSC shall determine these adjustments in accordance with the procedures outlined in Section 14 of the Joint Operating Manual.

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Section 12. Operation and Maintenance. WPSC shall be the operating owner of Weston 4. Subject to Sections 6 and 7 hereof and the provisions in this Agreement dealing with Major Operating Decisions, WPSC shall have the sole right and responsibility to operate, maintain and procure fuel for Weston 4. WPSC shall also have the sole right and responsibility to operate and maintain the Common Facilities.

Weston 4 will be directly operated and maintained by WPSC, and WPSC shall procure fuel for Weston 4, in accordance with Good Utility Practice, the provisions of this Agreement and the Joint Operating Manual, and the decisions of the Joint Plant Operating Committee. Except to the extent the express terms of this Agreement or the Joint Operating Manual, or the decisions of the JPOC, require otherwise, WPSC shall operate and maintain Weston 4 with the same care, procedures and standards that it uses in the operation of its own wholly-owned generating facilities, utilizing its own employees and supervisory personnel, any independent technical advisors or other Subcontractors which it may select, in the manner determined by WPSC to be best under the circumstances. During operating conditions which WPSC deems abnormal, WPSC shall take such action as it deems appropriate to safeguard equipment, employees and third Persons and to maintain service of Weston 4. Except to the extent WPSC determines otherwise, the workers employed in the operation and maintenance of Weston 4 and the Common Facilities shall be employees of WPSC. Notwithstanding anything to the contrary in this Agreement, WPSC shall be solely responsible for supervising, directing and controlling the activities of all such workers and the details of their work.

DPC may elect, at its sole cost and responsibility, to have DPC staff member(s) or representative engineer(s) on-site to observe and provide WPSC with input on the operation and maintenance of Weston 4 and on safety, training and fuel procurement practices/procedures. WPSC shall consider any such input in good faith, but shall not be required to act upon such input unless it determines in its reasonable discretion and in accordance with Good Utility Practice that it is appropriate to do so.

During operation and maintenance of Weston 4, WPSC shall maintain property insurance coverage for Weston 4 through the WPS Resources corporate property insurance program (or will make arrangements for comparable coverage), shall maintain workers' compensation insurance with respect to its employees working at Weston 4 to the extent required by Applicable Laws, and shall maintain such liability insurance coverage as is in accordance with Good Utility Practice. The cost of these insurance coverages shall be shared by the Companies as provided in this Agreement and the Joint Operating Manual.

Notwithstanding anything to the contrary contained in this Section 12 or elsewhere in this Agreement, none of the following actions (which shall be referred to herein as "Major Operating Decisions") may be taken without the unanimous approval of the Joint Plant Operating Committee: (i) abandonment, Facility Lay-Up, permanent shutdown, or total or substantial demolition or disposal of Weston 4 after the In-Service Date; (ii) any specific project occurring after the In-Service Date that would reduce the rated megawatt capability of Weston 4 by more than 30 MW (specifically excluding expected variations due to normal operating constraints, seasonal variations, and other temporary unit deratings); (iii) approval of a capital expenditure budget for Weston 4 for any calendar year after the In-Service Date if capital cash outlays during said calendar year are budgeted to exceed $***; (iv) a material physical change in, or change in the method of operation of, Weston 4 after the In-Service Date, if WPSC has sought and the appropriate local, state or federal regulatory agency has advised WPSC in writing that such a change would, under Applicable Law, constitute a modification of Weston 4, and WPSC determines under Applicable Law that such a modification would require installation of Best Available Control Technology, Lowest Achievable Emission Rate controls, or other emission-related controls costing in excess of $***; provided, however, that WPSC shall not be required to request or obtain any such advice from any local, state or federal regulatory agency; or (v) entry into any contract or project for a substantial repair, refurbishment, modification or improvement to Weston 4 after the In-Service Date, but only if the aggregate estimated cost of such contract or project would exceed $***; provided, however, that if the JPOC does not unanimously approve of a capital expenditure budget of the type described in clause (iii) above that has been advocated by WPSC, or a change of the type described in clause (iv) above that has been advocated by WPSC, or a contract or project of the type described in clause (v) above that has been advocated by WPSC, or, in any such case, if the JPOC has unanimously approved such budget, change, contract or project but DPC is unable to pay its full Ownership Share therefor, then WPSC shall nonetheless have the right in its discretion to proceed with such budgeted capital expenditures, change, contract or project at the sole cost of WPSC (or, if DPC is willing to contribute a portion of such cost, at WPSC's cost less DPC's contribution), and if WPSC does proceed with such budgeted capital expenditures, change, contract or project, WPSC's Ownership Share shall be increased and DPC's Ownership Share shall be decreased in an amount appropriate to reflect that WPSC has paid an amount for such budgeted capital expenditures, change, contract or project that exceeds WPSC's Ownership Share of the reasonable costs of

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such capital expenditures, change, contract or project. The changes in the Companies' respective Ownership Shares shall be determined in accordance with the methodology set forth in Attachment 9 to this Agreement, and DPC shall thereafter transfer to WPSC, and WPSC shall accept from DPC, title to an appropriate share of DPC's interest in Weston 4 in accordance with said determination. If WPSC's Ownership Share is increased, and DPC's Ownership Share is decreased, pursuant to this paragraph, then the JPOC shall also re-calculate the Existing and New Common Ownership Shares based upon the allocation principles set forth in this Agreement and the Joint Operating Manual, and based upon the then-most recent summer capacity ratings of the generating units at the Weston Generating Station and (to the extent applicable) at WPSC's Pulliam Station, and utilizing in the calculations the Companies' respective Post-Project Ownership Shares (as that term is used in Attachment 9 hereto) in Weston 4. DPC shall thereafter sell to WPSC an appropriate share of its interest in the Weston Existing and New Common Facilities, and WPSC shall buy said share, in accordance with the JPOC's re-calculation. Notwithstanding the foregoing, WPSC as the operating co-owner of Weston 4 may in emergency or exigent circumstances take such actions as it deems necessary to protect lives and property from injury or damage, without DPC's approval (but in such circumstances WPSC shall notify DPC of the actions taken as soon as is practical, and within no longer than two (2) business days). The dollar amounts identified in clauses (iii), (iv) and (v) above shall be subject to escalation on an annual basis beginning in 2005 in accordance with changes in the GDP-IPD during the preceding calendar year (for example, if the GDP-IPD increases by 1% during 2004, the dollar amounts shall be $***, $*** and $***, respectively, in 2005).

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Section 13. Limitation of Liability. **NEITHER COMPANY SHALL BE LIABLE FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT OR CONTINGENT DAMAGES WHATSOEVER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, THE JOINT OPERATING MANUAL, THE GROUND LEASE OR THE EASEMENT, OR THE PERFORMANCE OR BREACH OF ANY SUCH CONTRACT, REGARDLESS OF WHETHER IT HAS BEEN INFORMED OF THE POSSIBILITY OF SUCH DAMAGES;** provided that the foregoing limitation shall not limit, restrict or affect either Company's obligation to pay for its share of the costs, liabilities to third Persons, and damages incurred in the design, engineering, procurement, licensing, permitting, pre-certification activities, interconnection, construction, administrative and general, modification, repair, transportation, fueling, operation, maintenance, shutdown, decommissioning, demolition and disposal of Weston 4 and the Common Facilities pursuant to the cost-sharing, allocation and payment provisions set forth in this Agreement and the Joint Operating Manual; it is understood and agreed, however, that the foregoing limitation shall apply to the portion of any such costs, liabilities to third Persons and damages that is determined to have been caused by the intentional misconduct of WPSC, or by the reckless misconduct of WPSC's Weston 4 personnel at the superintendent (or equivalent) level or higher, or by the reckless misconduct of WPSC corporate officers or corporate management personnel at the superintendent level or higher who are responsible for setting policy at Weston 4. Without limiting the generality of the foregoing, and without limiting the terms of the EI Agreement, except as provided in the cost-sharing, allocation and payment provisions of this Agreement and the Joint Operating Manual as provided immediately above, neither Company shall be liable to the other Company for errors or delays in the design, engineering, procurement, licensing, permitting, pre-certification activities, interconnection, construction, administrative and general, modification, repair, transportation, fueling, operation or maintenance of Weston 4 or the facilities utilized by Weston 4 (either exclusively or in common with other generating unit(s) at the Weston Generating Station), loss of generation capacity, reduced generation capacity, reduced output, cost of replacement energy or capacity, or down-time, shut-down or slow-down costs. Notwithstanding anything to the contrary herein, neither Company shall be liable for claims by the other Company for lost profits or lost revenues, or for claims of the other Company's customers for cost of replacement energy or capacity, down-time, shut-down or slow-down costs, or lost profits or lost revenues.

Section 14. <u>Disputed Payments; Default</u>.

(a) <u>Disputed Payments</u>. If either Company (the "Disputing Company") in good faith disputes the amount owing by it under any invoice, bill or other demand for payment issued by the other Company (the "Non-Disputing Company") under this Agreement or any contract entered into pursuant to this Agreement (including but not limited to the Ground Lease, the Easement and the EI Agreement), then the Disputing Company must take the following steps if it intends to withhold the amount disputed pending resolution of the dispute: (i) the Disputing Company shall pay to the Non-Disputing Company the undisputed portion of the invoice, bill or demand on or before the due date therefor, and contemporaneously shall provide the Non-Disputing Company with a statement that the Disputing Company disputes the remainder of the invoice, bill or demand and intends to escrow the disputed portion; (ii) the Disputing Company shall deposit a dollar amount equal to the disputed portion of the invoice, bill or demand with the Escrow Agent pursuant to the Escrow Agreement on or before the day that is five (5) calendar days after the due date for the disputed payment; and (iii) the Disputing Company shall also within ten (10) calendar days after said due date provide the Non-Disputing Company with a written notice of dispute that includes reasonable substantiation of the Disputing Company's position and a calculation identifying the amount that the Disputing Company in good faith believes it owes. If the Disputing Company (or DPC's Secured Lender(s) as provided in Section 14(c)(ii)) timely takes these steps, the dispute shall be submitted to dispute resolution pursuant to Section 21, and the Disputing Company shall not be deemed to be in default under the applicable contract for failure to make payment in full, pending resolution of the dispute. If the disputed amount is deposited with the Escrow Agent, that amount shall remain in escrow until the Escrow Agent receives a written notice executed by both Companies, or a ruling of the arbitrators pursuant to Section 21, at which time the Escrow Agent shall disburse the escrowed funds in accordance with said notice or ruling.

The Companies shall implement the determination reached through the dispute resolution process. Without limiting the foregoing, if and to the extent the dispute resolution process determines that the disputed amount was owed to the Non-Disputing Company, then the relevant portion of the disputed amount shall be promptly disbursed by the Escrow Agent to the Non-Disputing Company, together with interest on said portion at a per annum rate equal to the lesser of the prime rate of interest as published from time to time in The Wall Street Journal plus one percent, or the highest rate then permitted under Applicable Law, from the original due date until the date payment is actually received by the Non-Disputing Company (and if the portion of the interest to be disbursed by the Escrow Agent to the Non-Disputing Company in accordance with the last sentence of this paragraph is insufficient for this purpose, the Disputing Company shall pay the deficiency to the Non-Disputing Company within ten (10) calendar days after receipt of a demand therefor). If and to the extent the dispute resolution process determines that the disputed amount was not owed to the Non-Disputing Company, then the relevant portion of the disputed amount shall be promptly disbursed by the Escrow Agent to the Disputing Company, together with interest on said portion at a per annum rate equal to the lesser of the prime rate of interest as published from time to time in The Wall Street Journal plus one percent, or the highest rate then permitted under Applicable Law, from the date the amount was deposited with the Escrow Agent until the date the disbursement is received by the Disputing Company (and if the portion of the interest to be disbursed by the Escrow Agent to the Disputing Company in accordance with the last sentence of this paragraph is insufficient for this purpose, the Non-Disputing Company shall pay the deficiency to the Disputing Company within ten (10) calendar days after receipt of a demand therefor). Interest earned on amounts deposited in escrow shall be disbursed by the Escrow Agent to the Companies in the same proportion as the amount deposited in escrow is disbursed to the Companies in accordance with the determination of the dispute resolution process; provided, however, that interest on escrowed funds paid to a Company shall be credited against the interest otherwise owed to it by the other Company under this subsection.

Consistent with Section 10 above, either Company may also in good faith dispute pursuant to Section 21 any amount paid by it under any invoice, bill or other demand for payment issued by the other Company, notwithstanding the timely payment of such invoice, bill or other demand, provided that the dispute is asserted in writing to the other Company within the period of two years after the date of the invoice, bill or demand in question. If as a result of any such dispute it is determined that error(s) have been made in the amount or allocation of costs that have been billed and paid, those costs shall be adjusted to correct the error(s), and reimbursements or additional payments, as the case may be, including a payment for interest as calculated per procedures specified in Section 03 of the Joint Operating Manual, shall be made during the next normal billing cycle following the determination that error(s) were made.

If either Company makes a demand for payment on the other Company for alleged default of a non-payment provision of this Agreement or any contract entered into pursuant to this Agreement, and a final judgment or arbitral award has not been entered ordering payment of monetary damages for such alleged default, then the Company upon which the demand had been made, if it wishes to dispute the demand or alleged default, shall not be required to deposit an amount equal to the amount demanded with the Escrow Agent in order to dispute such demand or alleged default. The dispute shall be submitted to dispute resolution pursuant to Section 21, and the Company disputing the demand or alleged default shall not be deemed to be in default under the applicable contract for failure to make payment in full, pending resolution of the dispute.

(b) Failure To Pay or Perform by DPC. (i) If DPC fails to make when due any payment required by, or defaults on any other obligation under, this Agreement or any other contract entered into pursuant to this Agreement (including but not limited to the Ground Lease, the Confidentiality Agreement or the Easement), DPC shall have fifty (50) calendar days after written notice of such failure or default is received from WPSC in which to cure such failure or default (except that this 50-calendar day period may be reduced as provided in Section 14(b)(ii)).

(ii) Subject to Section 14(a), in the event that DPC fails to make when due any payment required by this Agreement or by any contract entered into pursuant to this Agreement (including but not limited to the Ground Lease or the Easement) to be made to WPSC, the past due payment shall bear interest from the due date until paid at a per annum rate equal to the lesser of the WPSC Cost of Capital or the highest rate then permitted under Applicable Law. If any such failure to make payment when due has continued for more than fifty (50) calendar days after written notice of such failure is received by DPC from WPSC and for more than the additional fifteen (15)-day period set forth in Section 14(c)(ii), then DPC shall cease to have any rights in the capacity or energy of Weston 4 until such time as the failure has been completely cured, and WPSC shall have the right to dispatch and sell DPC's share of the capacity and energy of Weston 4; provided, however, that any profits earned on sales by WPSC of DPC's share of capacity and energy shall be retained by WPSC and credited to the outstanding liability owed by DPC to WPSC; and provided, further, that this right to dispatch and sell DPC's share of the capacity and energy of Weston 4 shall cease immediately when DPC's liability to WPSC resulting from DPC's failure to make payment has been fully satisfied. If more than two failures by DPC to make payment when due under this Agreement or under any contract entered into pursuant to this Agreement occur in any twelve (12)-month period (not counting any situation in which DPC does not make a payment in full because it is disputing that payment in good faith pursuant to Section 14(a)), then beginning with the third such failure the fifty (50)-day cure period set forth in this paragraph and in Section 14(b)(i) shall be reduced to ten (10) calendar days, and DPC's cure period shall remain at ten (10) calendar days unless and until DPC timely makes all payments under this Agreement and each contract entered into pursuant to this Agreement for a period of two (2) consecutive years. For purposes of this paragraph, a failure by DPC to make payment when due under this Agreement or under any contract entered into pursuant to this Agreement shall include, without limitation, a failure by DPC to make when due a payment under any invoice, bill or demand for payment issued by WPSC, or a failure by DPC to pay any judgment or arbitral award for monetary damages for default of any provision, term or condition of this Agreement or any contract entered into pursuant to this Agreement within the time period specified in such judgment or arbitral award.

(iii) No such failure referred to in Section 14(b)(i) or (ii) shall relieve DPC from any of its obligations hereunder or under any contract entered into pursuant to this Agreement. The remedies of WPSC identified in this Section 14(b) are not intended to be exclusive or to limit any other rights or remedies that WPSC may have under the circumstances (except that (A) the circumstances in which DPC will cease to have any rights in the capacity and energy from Weston 4 shall be limited to those specified in this Section 14(b), unless such cessation is caused by a termination of this Agreement under Section 22 imposed by an arbitration panel in a dispute resolution proceeding pursuant to Section 21, and (B) WPSC will not exercise any rights or remedies that are inconsistent with the rights granted to DPC's Secured Lender(s) in Section 14(c)), or to limit the right of either Company to pursue dispute resolution in good faith as provided in Section 21, below. DPC shall pay to WPSC all reasonable attorneys' fees and legal expenses arising from the enforcement of WPSC's rights hereunder in the event of a failure to make payment or other material default by DPC that is not cured within the applicable time periods provided in this Section 14 or that is not subjected to dispute resolution pursuant to Section 14(a) in accordance with the terms thereof; this provision shall not, however, supersede the provisions in Sections 21(b) and 21(c) governing responsibility for costs incurred in dispute resolution.

(c) Lender Notice and Step-In Rights. DPC's Secured Lender(s) shall have the following rights with respect to a DPC default or other failure to perform under this Agreement (it being understood that WPSC shall owe no duties or obligations to DPC's Secured Lender(s) except as expressly provided in this Section 14(c) and with respect to the provisions for liens and foreclosure in Sections 17(c)(2) and (3)):

(i) At the same time that WPSC provides any written notice of default or failure to DPC pursuant to Section 14(b), above, it shall provide a copy of said notice to the Lead Lender. No notice of failure or default by DPC under this Agreement shall be effective unless and until a copy of that notice is also given to the Lead Lender.

(ii) DPC's Secured Lender(s) shall have the right to cure any defaults by DPC on DPC's behalf, and WPSC agrees to accept any such cure by DPC's Secured Lender(s), provided that such cure is timely effected as set forth in this paragraph: if DPC fails to cure a failure or default within the period and in the manner provided in Section 14(b)(i) or (ii), DPC's Secured Lender(s) shall have fifteen (15) calendar days immediately following the end of DPC's cure period (which DPC cure period shall be (a) fifty (50) calendar days, unless reduced to ten (10) calendar days pursuant to Section 14(b)(ii), or (b) with respect to payment of a deficiency with respect to the amount to be disbursed to WPSC from escrow pursuant to Section 14(a) based upon the determination of the dispute resolution process, ten (10) calendar days after receipt of demand for such payment) in which to make such payment in full or cure such other failure or default on DPC's behalf. Without limiting the foregoing, if DPC states that it disputes all or a portion of an invoice, bill or demand for payment in accordance with Section 14(a)(i) but fails to deposit the disputed amount with the Escrow Agent within the time period specified in Section 14(a)(ii), DPC's Secured Lender(s) may make such deposit and submit the written notice of dispute required under Section 14(a)(iii) within the time period specified in Section 14(a)(iii) for provision of such notice of dispute, in which case the provisions of Section 14(a) shall be applicable to the dispute. If DPC's Secured Lender(s) make such escrow deposit or if DPC's Secured Lender(s) cure a payment default by DPC in accordance with this Section 14(c)(ii), WPSC agrees to recognize the right of DPC's Secured Lender(s) to dispute on behalf of DPC, pursuant to Section 14(a) or otherwise as permitted under this Agreement, such payment and subsequent invoices, bills and demands for payment submitted to DPC, upon receipt of written notice from the Designated Secured Lender (as that term is defined below), stating that the DPC Secured Lender(s) is/are authorized to exercise that right. However, if (A) DPC is then a debtor in bankruptcy, or if DPC becomes a debtor in bankruptcy after DPC's Secured Lender(s) shall have begun to exercise such right, or (B) apart from DPC's bankruptcy status, DPC disputes whether such authorization to exercise DPC's rights is then valid or enforceable, then WPSC shall not be required to observe any said notice from the Designated Secured Lender unless, in the case of the circumstances described in clause (A), the notice and authority have been approved by a specific order (*i.e.*, one referencing this subsection of this Agreement) of the bankruptcy court having jurisdiction over DPC's bankruptcy proceeding, the effectiveness of which order has not been stayed or vacated, or such bankruptcy court determines, by an order the effectiveness of which has not been stayed or vacated, that such approval is not necessary; or in the case of the circumstances described in clause (B), the DPC Secured Lender(s) exercising such right either (I) agrees in writing to reimburse WPSC, and does reimburse WPSC within five (5) business days after receipt of a written demand and substantiation of amounts incurred by WPSC for which reimbursement is sought, for any and all costs, expenses, damages, claims, losses and liabilities whatsoever incurred by WPSC arising from its allowing DPC's Secured Lender(s) to exercise that right in reliance upon such notice, or (II) furnishes WPSC with an order from a court of competent jurisdiction, the effectiveness of which has not been stayed or vacated, that specifically (by reference to this subsection of this Agreement) authorizes DPC's Secured Lender(s) to exercise that right. Such right to exercise those rights of DPC with regard to disputes concerning payment and subsequent invoices, bills and demands for payment shall continue until WPSC receives a written notice from the Designated Secured Lender terminating that substitution, or if the right was authorized or approved by court order pursuant to this subsection, the court order in question expires or is vacated, overruled, countermanded or otherwise overturned by the issuing court or an appellate court. DPC acknowledges and agrees that WPSC shall not be liable for any damages, claims, losses, liabilities, costs or expenses whatsoever arising from its allowing DPC's Secured Lender(s) to exercise those rights pursuant to the terms of this subsection 14(c)(ii).

(iii) If a DPC default is by its nature incurable by DPC's Secured Lender(s) (*e.g.*, an attempted assignment in violation of Section 17 of this Agreement may not be curable by DPC's Secured Lender(s)), and (A) the default does not materially adversely affect WPSC's operation of Weston 4 or the Weston New or Existing Common Facilities, or WPSC's rights to capacity and energy from Weston 4, and (B) DPC's Secured Lender(s) otherwise timely cure any and all payment defaults and other curable defaults by DPC, then WPSC agrees that such "incurable default" shall not terminate DPC's Secured Lender(s)' rights with respect to this Agreement, and that such "incurable default" (unless it is a material breach of Section 17 by DPC that is not considered curable in accordance with the last sentence of this Section 14(c)(iii)) may not serve as the basis for a termination of this Agreement by WPSC, for so long as (and only for so long as) all of DPC's payment obligations under this Agreement continue to be timely satisfied, either by DPC or DPC's Secured Lender(s), it being understood that, for purposes of this paragraph only, a payment obligation shall be deemed to be "timely satisfied" only if it is paid in full by no later than the date that is five (5) business days after the due date of such payment. For purposes of this paragraph, a default of a non-payment provision, term or condition that leads to a judgment or arbitral decision specifying that an award of monetary damages is the sole remedy for said default shall be considered to be a default that is curable by DPC's Secured Lender(s), and not an incurable default, provided that DPC's Secured Lender(s)' obligation to pay a judgment or arbitral award for monetary damages shall be deemed timely satisfied only if it is paid in full by no later than five (5) business days after the date provided in such judgment or award.

(iv) In the event that in any bankruptcy proceeding in which DPC is the debtor, the bankruptcy court approves DPC's rejection of this Agreement by final order, the effectiveness of which is not stayed or vacated, WPSC will, at the option of DPC's Secured Lender(s) (which option must be exercised (if at all) by no later than the date that is sixty (60) calendar days after the court approves of DPC's rejection), and upon the curing by DPC's Secured Lender(s) of any and all payment defaults, and any and all other defaults which have resulted in a final judgment or arbitral award ordering payment of monetary damages, that were outstanding under this Agreement at the time of said rejection and the payment by DPC's Secured Lender(s) to WPSC of all amounts owing by DPC to WPSC under the terms of this Agreement at the time the option is exercised, enter into a new agreement with DPC's Secured Lender(s) or its/their transferee or nominee having terms substantially the same as the terms of this Agreement. Notwithstanding the foregoing, WPSC shall have no obligation to enter into any such new agreement if the bankruptcy court having jurisdiction over DPC's bankruptcy proceeding has issued an order, the effectiveness of which has not been stayed or vacated, approving a transfer by DPC of its interest in all or part of this Agreement, or all or part of DPC's interest in Weston 4 or the Weston New or Existing Common Facilities, to a Person other than DPC's Secured Lender(s).

(v) WPSC agrees to recognize the right of the Designated Secured Lender to exercise DPC's rights on the JPOC, including but not limited to DPC's rights to obtain information and to vote DPC's Ownership Share, upon receipt of written notice from the Designated Secured Lender (as that term is defined below), stating that the Designated Secured Lender is authorized to exercise those rights. However, if (A) DPC is then a debtor in bankruptcy, or if DPC becomes a debtor in bankruptcy after the Designated Secured Lender shall have begun to exercise such rights, or (B) apart from DPC's bankruptcy status, DPC disputes whether such authorization to exercise DPC's rights is then valid or enforceable, then WPSC shall not be required to observe any said notice from the Designated Secured Lender unless, in the case of the circumstances described in clause (A), the notice and authority have been approved by a specific order (*i.e.*, one referencing this subsection of this Agreement) of the bankruptcy court having jurisdiction over DPC's bankruptcy proceeding, the effectiveness of which order has not been stayed or vacated, or such bankruptcy court determines, by an order the effectiveness of which has not been stayed or vacated, that such approval is not necessary; or in the case of the circumstances described in clause (B), the Designated Secured Lender either (I) agrees in writing to reimburse WPSC, and does reimburse WPSC within five (5) business days after receipt of a written demand and substantiation of amounts incurred by WPSC for which reimbursement is sought, for any and all costs, expenses, damages, claims, losses and liabilities whatsoever incurred by WPSC arising from its allowing the Designated Secured Lender to exercise those rights in reliance upon such notice, or (II) furnishes WPSC with an order from a court of competent jurisdiction, the effectiveness of which has not been stayed or vacated, that specifically (by reference to this subsection of this Agreement) authorizes the Designated Secured

Lender to exercise those rights. Such right to exercise DPC's rights on the JPOC shall continue until WPSC receives a written notice from the Designated Secured Lender terminating that substitution, or if the right was authorized or approved by court order pursuant to this subsection, the court order in question expires or is vacated, overruled, countermanded or otherwise overturned by the issuing court or an appellate court. DPC acknowledges and agrees that WPSC shall not be liable for any damages, claims, losses, liabilities, costs or expenses whatsoever arising from its allowing the Designated Secured Lender to exercise DPC's rights on the JPOC pursuant to the terms of this subsection 14(c)(v).

Upon the closing on the Ownership Date, DPC and DPC's Secured Lender(s) shall supply to WPSC a written designation, irrevocable by DPC, in which DPC designates one of DPC's Secured Lender(s) as authorized to give the notice(s) referred to in subsection 14(c)(ii) with respect to exercise of DPC's right to dispute payments and subsequent invoices, bills and demands for payment submitted to DPC, and in the first paragraph of this subsection 14(c)(v), above, with respect to exercise of DPC's rights on the JPOC (the "Designated Secured Lender"). Such designation shall remain in effect until the Designated Secured Lender provides written notice to WPSC that it is no longer effective (which notice such Designated Secured Lender shall in any event give when it ceases to be one of DPC's Secured Lender(s)). DPC and DPC's Secured Lender(s) shall then supply to WPSC a new written designation, irrevocable by DPC, designating one of DPC's Secured Lender(s) as the Designated Secured Lender authorized to give such notice(s).

DPC shall provide WPSC with a list of the names of all of DPC's Secured Lender(s) on or before the Ownership Date, and will update such list from time to time as appropriate. DPC's Secured Lender(s) shall furnish WPSC with the address of the Lead Lender. The Lead Lender may change its address for notices by providing written notice to the representatives of WPSC and DPC designated pursuant to Section 26 and/or Section 27 hereof. Any communication that WPSC is required to send to the Lead Lender pursuant to the terms of this Agreement shall be effective if it is sent to the address for said Lead Lender that has been furnished to WPSC by DPC's Secured Lender(s), unless said address has been changed by the Lead Lender in accordance with the terms of this paragraph, in which latter case WPSC's communication shall be effective if sent to the address most-recently furnished to WPSC's designated representative by the Lead Lender.

(d) Failure To Pay or Perform by WPSC. (i) If WPSC fails to make when due any payment required by, or defaults on any other obligation under, this Agreement or any other contract entered into pursuant to this Agreement (including but not limited to the Ground Lease, the Confidentiality Agreement or the Easement), WPSC shall have sixty-five (65) calendar days after written notice of such failure or default is received from DPC in which to cure such failure or default (except that this 65-calendar day period may be reduced as provided in Section 14(d)(ii)).

(ii) Subject to Section 14(a), in the event that WPSC fails to make when due any payment required by this Agreement or by any contract entered into pursuant to this Agreement (including but not limited to the EI Agreement) to be made to DPC, the past due payment shall bear interest from the due date until paid at a per annum rate equal to the lesser of the WPSC Cost of Capital or the highest rate then permitted under Applicable Law. If any such failure to make payment when due has continued for more than sixty-five (65) calendar days after written notice of such failure has been received by WPSC from DPC, then WPSC shall cease to have any rights in the capacity or energy of Weston 4 until such time as the failure has been completely cured; provided, however, that if more than two failures by WPSC to make payment when due under this Agreement or under any contract entered into pursuant to this Agreement occur in any twelve (12)-month period (not counting any situation in which WPSC does not make a payment in full because it is disputing that payment in good faith pursuant to Section 14(a)), then beginning with the third such failure the sixty-five (65)-day cure period set forth in this paragraph and Section 14(d)(i) shall be reduced to ten (10) calendar days, and WPSC's cure period shall remain at ten (10) calendar days unless and until WPSC timely makes all payments under this Agreement and each contract entered into pursuant to this Agreement for a period of two (2) consecutive years. For purposes of this paragraph, a failure by WPSC to make payment when due under this Agreement or under any contract entered into pursuant to this Agreement shall include, without limitation, a failure by WPSC to make when due a payment under any invoice, bill or demand for payment issued by DPC, or a failure by WPSC to pay any judgment or arbitral award for monetary damages for default of any provision, term or condition of this Agreement or any contract entered into pursuant to this Agreement within the time period specified in such judgment or arbitral award.

(iii) If WPSC fails to cure any failure to make payment by it within the applicable cure period identified in Section 14(d)(ii), then DPC shall have the right to petition a court for appointment of a temporary replacement operator to operate Weston 4 and facilitate the implementation of remedies on behalf of DPC. Such remedies may include the right to dispatch and sell WPSC's share of the capacity and energy of Weston 4; provided, however, that any profits earned on sales by DPC of WPSC's share of capacity and energy shall be retained by DPC and credited to the outstanding liability owed by WPSC to DPC; and provided, further, that this right to dispatch and sell WPSC's share of the capacity and energy of Weston 4, and the replacement operator's right to operate Weston 4, shall cease immediately when WPSC's liability to DPC resulting from WPSC's failure to make payment has been fully satisfied. Any replacement operator appointed pursuant to this paragraph must be qualified by experience to operate Weston 4 in accordance with Good Utility Practice.

(iv) No such failure or default referred to in Section 14(d)(i) or (ii) shall relieve WPSC from any of its obligations hereunder or under any contract entered into pursuant to this Agreement. The remedies of DPC identified in this Section 14(d) are not intended to be exclusive or to limit any other rights or remedies that DPC may have under the circumstances (except that the circumstances in which WPSC will cease to have any rights in the capacity and energy from Weston 4 shall be limited to those specified in this Section 14(d), unless such cessation is caused by a termination of this Agreement under Section 22 imposed by an arbitration panel in a dispute resolution proceeding pursuant to Section 21, and except that the circumstances in which a replacement operator for Weston 4 may be appointed shall be limited to those specified in this Section 14(d)), or to limit the right of either Company to pursue dispute resolution in good faith as provided in Section 21, below. WPSC shall pay to DPC all reasonable attorneys' fees and legal expenses arising from the enforcement of DPC's rights hereunder in the event of a failure to make payment or other material default by WPSC that is not cured within the applicable time periods provided in this Section 14 or that is not subjected to dispute resolution pursuant to Section 14(a) in accordance with the terms thereof; this provision shall not, however, supersede the provisions in Sections 21(b) and 21(c) governing responsibility for costs incurred in dispute resolution.

(e) Right to Cure Other Company's Default. If either Company fails to make when due any payment required by this Agreement or any contract entered into pursuant to this Agreement to be made to any third Person, then the other Company may, in addition to any other rights or remedies that it may have, and if it so elects, make such payment and it shall, upon making such payment, be entitled to recover the amount of such payment upon demand from the defaulting Company, together with interest from the date of payment by the non-defaulting Company to the date of reimbursement by the defaulting Company calculated at a per annum rate equal to the lesser of the WPSC Cost of Capital or the highest rate then permitted under Applicable Law.

Section 15. Renewals, Replacements, Additions and Retirements.

(a) Renewals and Replacements. Renewals and replacements necessary for the operation of Weston 4 or the Weston New or Existing Common Facilities shall be made as required by Good Utility Practice, and shall be subject to WPSC's receipt of all necessary licenses, permits and approvals as contemplated by Section 25. Renewals, replacements, additions and retirements (and related dispositions and sales) shall be effected by WPSC subject to the terms of this Agreement and the Joint Operating Manual, and the general policies established by the Joint Plant Operating Committee. Retirements, sales and other dispositions of Weston 4 property shall be effected only in a manner consistent with the Companies' respective mortgage instruments or indentures, if any.

(b) Permanent Decommissioning; Repowering. At such time as it deems appropriate, the JPOC, or a delegated subcommittee thereof, shall undertake a study to evaluate and determine a plan, schedule and estimated cost for the decommissioning of Weston 4, in accordance with Good Utility Practice and the requirements of Applicable Law. The scope and expense of such study, and the identity of the Person(s) who will undertake such study (whether employees of one or both of the Companies or otherwise), shall be determined by the JPOC in its discretion. The decommissioning study may, if the JPOC so determines, consider the potential repowering of Weston 4, and/or other feasible alternatives to decommissioning. The study may be updated from time to time when and as deemed appropriate by the JPOC. Based upon the study as it may be updated and other information that the JPOC deems relevant, the JPOC shall determine and implement a plan of decommissioning, when and as the JPOC deems appropriate. The Companies shall be responsible for the decommissioning, demolition and disposal of Weston 4, in accordance with the requirements of Applicable Law.

Section 16. Mutual Confirmation of Title. Each of the Companies shall have the right to obtain title insurance verifying ownership of its respective interests in Weston 4. The cost of such title insurance shall be paid by the Company requesting the same. Within sixty (60) calendar days after the date of this Agreement, WPSC shall provide DPC with evidence of WPSC's current title to Weston 4, the Site and the Easement Property, as well as WPSC's title to the Weston Existing and New Common Facilities and the real estate on which they are (or will be) located.

Section 17. Transferability of Interests.

(a) Policy. The relationship of the Companies as tenants in common in Weston 4, the Weston New Common Facilities and the Weston Existing Common Facilities, and as landlord (in the case of WPSC) and tenant (in the case of DPC) under the Ground Lease, and as grantor (in the case of WPSC) and grantee (in the case of DPC) under the Easement, as provided by this Agreement, and the agreements herein for the construction, operation and maintenance of Weston 4 and associated Weston New and Existing Common Facilities by WPSC, are each undertaken in mutual trust and confidence in the financial responsibility, engineering and operating competence, efficiency and common objectives of the Companies. As used herein, the term "Subject Properties" shall mean the Companies' respective interests as tenants in common in Weston 4, the Weston New Common Facilities and the Weston Existing Common Facilities, DPC's interests in the Ground Lease and the Easement, and WPSC's ownership interest in the Site and the Easement Property, and the Companies' respective rights under this Agreement and under the EI Agreement. Because the effects of transfers of the interests of either of the Companies upon the rights and interests of the other Company over the long term of this Agreement cannot be determined at this time, it must be presumed that such effects might be adverse. Therefore, each of the Companies, for the protection of itself and the other Company, agrees that its interests in this Agreement and its rights, title and interests in and to all Subject Properties shall at all times during the term of this Agreement be subject to the provisions of this Section 17.

(b) Restrictions on Transfer—General. Each Company agrees that during the term of this Agreement: (i) except as specifically permitted under Section 17(c) below, neither its interest in this Agreement nor its interest in any of the Subject Properties shall be assigned, transferred or otherwise disposed of or permitted or required to be partitioned, or shall be permitted to be subject to any lien or encumbrance of any character, whether voluntarily or by operation of law, without the express, prior written consent of the other Company; and (ii) no such assignment, transfer or disposal shall take place unless and until all governmental or regulatory permits, licenses or approvals necessary to effectuate such assignment, transfer or disposal have first been obtained.

(c) Restrictions on Transfer—Exceptions. The provisions of Section 17(b)(i) above shall not restrict any of the following, which may occur without the consent of the non-transferring Company: (1) dispositions and sales incident to renewals or replacements of equipment or components of Weston 4, the Weston New Common Facilities or the Weston Existing Common Facilities in the normal course of business; or (2) the right of any Company to subject its own interest in the Subject Properties to the lien of any mortgage upon all or substantially all of its physical electric utility property; or (3) the right of any purchaser on foreclosure of any such mortgage to acquire any interest subject to any such mortgage; or (4) the right of any Company to transfer voluntarily its interest in this Agreement or in the Subject Properties as an incident of any sale, merger or other transfer of all or substantially all of its electric facilities as an operating entirety, if the transferee expressly assumes in writing all of the obligations of the transferor under this Agreement and is qualified by experience to perform the transferor's obligations under this Agreement in accordance with Good Utility Practice; or (5) a change in Control of either Company, whereby a Company becomes Controlled by Person(s) not in Control of said Company immediately prior to the change, but the Company continues to maintain its interest in this Agreement and the Subject Properties; or (6) the right of any Company to transfer its interest in this Agreement or in the Subject Properties to any Affiliate of said Company, if the Affiliate expressly assumes in writing all of the obligations of the transferor Company under this Agreement and is qualified by experience to perform the transferor's obligations under this Agreement in accordance with Good Utility Practice, and provided that the Affiliate (or any guarantor of all of said Affiliate's obligations under this Agreement) has a credit rating from Standard & Poor's Rating Group (a division of McGraw Hill, Inc.) or its successor that is no less than BBB+, or from Moody's Investor Services, Inc., or its successor that is no less than Baa1, with stable outlook; or (7) the granting of liens (except liens securing borrowed money), easements, leases, licenses, restrictions, covenants, rights-of-way and other encumbrances by WPSC after the date of this Agreement that do not materially interfere with the operation of Weston 4 or the Weston New or Existing Common Facilities or with DPC's rights under this Agreement, the Ground Lease, the EI Agreement or the Easement, provided that any such liens, restrictions, covenants or encumbrances under this subsection (7) do not attach to DPC's ownership interest in Weston 4 itself or DPC's ownership interest in the Weston New or Existing Common Facilities (it being understood that DPC does not and will not have an ownership interest in the Site or the Easement Property); or (8) sales or other transfers by WPSC to the co-owner(s) of any New Unit that may be built at the Weston Generating Station of a portion of WPSC's interests in the Weston New or Existing Common Facilities, or in the land on which said New Unit may be built, so long as such sale or transfer does not materially interfere with the operation of Weston 4 or the Weston New or Existing Common Facilities or with DPC's rights under this Agreement, the Ground Lease, the EI Agreement or the Easement; the impact of any such New Unit upon Weston 4 and the Weston New and Existing Common Facilities is governed by Sections 8(h) and 8(i) of this Agreement. The exceptions in the foregoing Sections 17(c)(2), (3), (4), (5), (6), (7) or (8) shall not be deemed to allow either of the Companies to grant, extend, transfer or permit to any mortgagee, purchaser on foreclosure or other transferee of its interest in any of the Subject Properties, any right to partition or to require partitioning of any of the Subject Properties.

In the event of a transfer by WPSC of the type described in Section 17(c)(4), or a change in Control of WPSC of the type described in Section 17(c)(5), in either case occurring after the In-Service Date, then the aggregate cost allocations to DPC with respect to Indirect Costs shall not, during the first full calendar year following the effective date of said transfer or change of Control or in either of the next two succeeding calendar years, exceed the Indirect Cost Cap (as that term is defined below) for that calendar year. In the event of a transfer by WPSC of the type described in Section 17(c)(6) occurring after the In-Service Date, then the aggregate cost allocations to DPC with respect to Indirect Costs shall not, during any calendar year (beginning with the first full calendar year following the effective date of said transfer), exceed the Indirect Cost Cap for that calendar year. For the period between the effective date of any such transfer or change of Control and January 1 of the first calendar year following such effective date (the "Period"), the aggregate cost allocations to DPC with respect to Indirect Costs shall not exceed an adjusted Indirect Cost Cap, determined by multiplying the Indirect Cost Cap for the first full calendar year following such effective date by a fraction, the numerator of which is the number of calendar days in the Period and the denominator of which is 365.

For any transfer by WPSC, or any change in Control of WPSC, of the types described in the immediately preceding paragraph, the "Indirect Cost Cap" for the first full calendar year following the effective date of such transfer or change shall be an amount equal to 120% of the aggregate cost allocations to DPC with respect to Indirect Costs under Section 06 of the Joint Operating Manual during the twelve-month period ending on the effective date of said transfer or change (the "Initial Indirect Cost Cap"). The Indirect Cost Cap for each succeeding calendar year shall be equal to the Initial Indirect Cost Cap escalated by the aggregate percentage change in the Employment Cost Index for Private Industry, All Workers, Wages and Salaries, Index Number, Seasonally Adjusted – ECS20002I, issued by the Bureau of Labor Statistics of the United States Department of Labor, from January 1 of the first calendar year following the effective date of said transfer or change through the December 31 immediately preceding the calendar year for which the Indirect Cost Cap is being calculated. If this Employment Cost Index is no longer published, the JPOC shall identify an appropriate replacement index.

(d) Consent as Necessary for Bonding. Each of the Companies hereby consents that the restrictions of this Section 17 on transfer and on any right of partition, and any other restriction, term or condition of this Agreement, shall be and hereby are waived and shall be inapplicable to the extent (but only to the extent) that it shall be finally determined, by a court of competent jurisdiction or an arbitrator(s) in an action or proceeding to which the Companies and their respective mortgagees are parties, that such restriction, term or condition would disqualify the interest of one of the Companies in the Subject Properties from eligibility as the basis for the issuance of additional bonds under their respective mortgage indentures as in effect as of the date of this Agreement.

(e) Other Properties; Common Facilities. Subject to the last sentence of this Section 17(e), nothing in this Section 17 or elsewhere in this Agreement shall restrict in any way WPSC's ability to sell, assign or otherwise transfer any of its right, title or interest in any real property, equipment, facilities or assets of or at the Weston Generating Station other than the Subject Properties. Any transfer of right, title or interest to any Weston New or Existing Common Facilities shall be expressly made subject to the rights of use of such Weston New or Existing Common Facilities by the co-owners of Weston 4 as set forth herein, and the Companies shall record an appropriate memorandum or other notice of this restriction in the appropriate land records.

Section 18. Power and Energy. Except to the extent provided otherwise in this Agreement or in the Joint Operating Manual, each Company, from and after the In-Service Date of Weston 4, shall at all times have full ownership of and entitlement to its Ownership Share of Weston 4 capacity and the associated amount of net Weston 4 energy that is transmitted and delivered from Weston 4 to the ATC transmission system. Weston 4 shall be dispatched in accordance with Good Utility Practice, the operating characteristics of the unit and the limits and practices imposed by the owner or operator of the transmission system or market authority having jurisdiction. Specific dispatch principles are set forth in Section 13 of the Joint Operating Manual. These principles may be modified by the JPOC from time to time as needed to reflect industry changes. If the dispatch principles are modified by the JPOC over DPC's objection, the modification will become effective upon adoption, but it may be challenged by DPC on a prospective basis through the dispute resolution mechanism set forth in Section 21 if such modification would conflict with the dispatch principles set forth in this section, or would result in a disproportionate limitation on DPC's Ownership Share of the capacity and energy from Weston 4. Notwithstanding anything to the contrary in this Agreement or the Joint Operating Manual, however, there is no guarantee that either of the Companies will be able to obtain transmission for its share of the net Weston 4 energy once it has been delivered to the ATC transmission system.

DPC shall keep WPSC informed as to the amount of power it requests to be generated for it from Weston 4. Subject to its capability, operating conditions, and necessary or unavoidable outages, Weston 4 shall be operated so as to produce a minimum output equal to the sum of the power requirements of the Companies therefrom. WPSC shall keep DPC informed as to the maximum amount of power available from Weston 4 from time to time. WPSC shall also provide DPC with such generation output testing data and other information as DPC shall reasonably require in order to obtain and maintain accreditation of DPC's share of capacity from Weston 4 by MAPP.

Weston 4 will be dispatched by each Company in accordance with the dispatch principles set forth herein or in the Joint Operating Manual (except as may be otherwise permitted by the JPOC), subject in any event to the minimum dispatch limits of the unit, and dispatch limits imposed by the owner or operator of the transmission system or market authority having jurisdiction. Minimum dispatch limits will be set with the general intent of maintaining supercritical operation, but will provide the right for either Company to dispatch Weston 4 at a lower power level provided that such Company compensates the other Company for any increased costs due to the reduced efficiency of the unit, except when the lower power levels are the result of limits imposed by the transmission system owner or operator. Such dispatch principles will allow for the Companies' ability to set hourly schedules on a day-ahead basis and will include provisions for reasonably changing those hourly schedules to accommodate changing needs. The Companies shall have a proportional interest in Weston 4's ramp rate. If a Company will not be dispatching all or a portion of its share of Weston 4 and transmission is available, the other Company shall have the right to dispatch the portion that is not being dispatched. The compensation for a Company's dispatch of all or a portion of the other Company's share of Weston 4 shall be based upon the Variable Dispatch Cost of operating Weston 4, plus an adder of 15% of Variable Dispatch Cost for energy dispatched by one Company that exceeds an agreed-upon threshold from the other Company's share of Weston 4; this compensation amount or methodology may be changed from time to time as unanimously agreed by the JPOC, or as required to be compliant with compensation practices of any market authority having jurisdiction; moreover, nothing in this Section restricts the Companies from agreeing to sell excess energy to each other at mutually-agreeable prices. The Companies acknowledge that each Company shall be entitled to its respective Ownership Share of any compensation paid by the Midwest ISO for ancillary services furnished to the Midwest ISO by Weston 4. The Companies specifically agree to cooperate reasonably through the JPOC in creating and modifying as necessary dispatch principles that are appropriate in a developing market.

Section 19. Additional System Transmission Requirements; Certain Transmission Issues. Expenditures will be necessary for generator interconnection facilities and substation(s) to assure the required availability of Weston 4 capability, as described in Section 04 of the Joint Operating Manual.

The Companies shall jointly bear all costs, liabilities and risks associated with the transmission and delivery of Weston 4 energy to the high side(s) of the point(s) of interconnection between Weston 4 and the ATC transmission system, in proportion to their Ownership Shares in Weston 4. The Companies shall dispatch their respective shares of Weston 4 in accordance with the dispatch principles set forth in Section 13 of the Joint Operating

Manual, as it may be modified from time to time by the JPOC. WPSC shall bear all costs, liabilities and risks associated with the transmission and delivery of Weston 4 energy from the ATC transmission system to its own distribution system. DPC shall bear all costs, liabilities and risks associated with the transmission and delivery of Weston 4 energy from the ATC transmission system to its own distribution system.

Section 20. Waivers. In order to be effective, any waiver at any time by either Company of any of its rights or remedies with respect to a default under this Agreement, the Joint Operating Manual, the Ground Lease, the EI Agreement, the Confidentiality Agreement or the Easement, or with respect to any other matter arising in connection with this Agreement, the Joint Operating Manual, the Ground Lease, the EI Agreement, the Confidentiality Agreement or the Easement, must be made in a writing signed by such Company, and any such waiver shall not be deemed to be a waiver with respect to any subsequent default or matter. Any delay, short of the statutory period of limitation, in asserting or enforcing any right or remedy under this Agreement, the Joint Operating Manual, the Ground Lease, the EI Agreement, the Confidentiality Agreement or the Easement shall not be deemed a waiver of such right or remedy.

Section 21. Dispute Resolution.

(a) Consensual Resolution. The Companies undertake to work together in good faith to resolve by negotiation and agreement any claim or dispute that may arise out of this Agreement, the Joint Operating Manual, the Ground Lease, the EI Agreement, the Confidentiality Agreement or the Easement. The initial discussions shall be conducted by the Companies' respective representatives on the JPOC or their designees with knowledge of the subject matter of the claim or dispute. If, notwithstanding the good faith efforts of these representatives, these discussions do not resolve the dispute within fifteen (15) calendar days after one Company first notifies the other Company of the existence of the claim or dispute, the matter shall be referred to a senior management representative of each Company to try to reach consensual resolution of the dispute.

(b) Mediation. Any claim or dispute between the Companies arising out of or relating to this Agreement, the Joint Operating Manual, the Ground Lease, the EI Agreement, the Confidentiality Agreement or the Easement that is not settled through the good faith negotiations of the senior management representatives of the Companies within fifteen (15) calendar days after the claim or dispute is referred to them pursuant to subsection (a) above shall be submitted to mediation upon the written request of either of them. Any such request by a Company shall be delivered to the other Company, and shall specify the issue or issues in dispute and summarize the claim with respect thereto. Within five (5) business days after receipt of such a request, authorized representatives of both Companies shall meet and attempt to agree upon appointment of a mediator. If such agreement is not reached promptly, either Company may request assistance from the CPR Institute for Dispute Resolution in the selection of a mediator in accordance with the CPR Mediation Procedure then in effect, which procedure shall govern the conduct of the mediation in the absence of contrary agreement by both Companies. The costs of the mediation shall be shared equally by the Companies, and each Company shall bear its own attorneys' fees and costs incurred in connection with the mediation proceedings.

(c) Arbitration. If any claim or dispute is not resolved through mediation pursuant to subsection (b) above within sixty (60) calendar days after the mediator is appointed, the claim or dispute shall be resolved through binding arbitration by a panel of three (3) independent and impartial arbitrators; each Company shall choose one of the arbitrators, and the two arbitrators so chosen shall choose the third. The arbitration shall be conducted under the CPR Institute for Dispute Resolution Rules for Non-Administered Arbitration. The arbitrators shall have full power and authority to enforce this Agreement, the Joint Operating Manual, the Ground Lease, the EI Agreement, the Confidentiality Agreement and the Easement according to their respective express terms, but not to alter or add to or disregard those terms. Subject to the express limitations on liability and disclaimers set forth in this Agreement, the Joint Operating Manual, the Ground Lease, the EI Agreement, the Confidentiality Agreement and the Easement, the arbitrators may award any remedy or relief that a court with jurisdiction over the matter might award. The arbitrators shall promptly conduct a hearing in Wisconsin, and, within thirty (30) calendar days thereafter, unless such time is extended by agreement of all parties involved, shall notify the Companies in writing of their decision. The costs of the arbitration shall be shared equally by the Companies, and each Company shall bear its own attorneys' fees and costs incurred in connection with the arbitration proceedings. Judgment on the award rendered by the arbitrators may be entered by any court having jurisdiction thereof. This Section 21 shall not, however, impair the right of either Company to seek interlocutory relief from any court of competent jurisdiction, pending and/or in aid of mediation or arbitration, in the event that Company is confronted with a genuine risk that it will suffer irreparable injury before relief can reasonably be anticipated in the mediation or arbitral forum.

Section 22. Term of Agreement. This Agreement shall continue in full force and effect until the earliest to occur of: (a) the date, if any, that either DPC or WPSC exercises any of its respective termination rights set forth in Section 3; (b) the date, if any, the Companies mutually agree to terminate this Agreement (in which case the Companies must also at that time address post-termination issues and liabilities and the disposition of their respective interests in Weston 4 and the Weston New and Existing Common Facilities); (c) subject to the limitation on the ability of WPSC to terminate set forth in Section 14(c)(iii), the date, if any, following a material breach of this Agreement by a Company that is not timely cured pursuant to Section 14 that a final decision of the arbitrators under Section 21 concludes that termination of this Agreement is an appropriate remedy (in this event, however, the decision of the arbitrators must also address post-termination issues and liabilities and the appropriate disposition of the Companies' respective interests in Weston 4 and the Weston New and Existing Common Facilities, and under the Ground Lease and the Easement); or (d) the date on which the total or substantial demolition or disposal of Weston 4 is completed and paid for. Termination of this Agreement shall not affect those rights and obligations of the Companies that accrued prior to termination; without limiting the foregoing, termination (except for a termination pursuant to Section 3) shall not affect the Companies' responsibility for the decommissioning, demolition and disposal of Weston 4. Any generating unit at the Weston Generating Station other than Weston 4 may be retired by WPSC in its sole discretion, but in that event suitable post-retirement arrangements will be made with the owner(s) of Weston 4 regarding any Common Facilities affected by such retirement.

Section 23. Amendments. This Agreement may be amended from time to time only by an instrument or instruments in writing signed by the Companies (or by their respective permitted successors or permitted assigns).

Section 24. Successors and Assigns. This Agreement shall inure to the benefit of and bind the Companies and their respective permitted successors and permitted assigns, but it may be assigned in whole or in part only in accordance with Section 17 above.

Section 25. Regulatory Authority. This Agreement, and all of its provisions, shall be subject to the approval of the RUS, and to the authority of the PSCW and of any other governmental authority(ies) having jurisdiction over the Companies, Weston 4, or the subject matter of this Agreement. The exercise of each Company's respective rights, duties and obligations under this Agreement, the Joint Operating Manual, the Ground Lease, the Easement and the EI Agreement shall at all times be subject to the receipt of all licenses, permits and approvals that are necessary from time to time from all governmental and regulatory bodies having jurisdiction.

Section 26. Representatives. Each Company, by written notice signed by an executive officer and delivered to the other Company, shall designate one representative and one alternate to receive notices and communications from the other Company with respect to the subject matter of this Agreement, the Ground Lease, the Easement and the EI Agreement and to deliver to the other Company, on behalf of the representative's Company, notices, communications, decisions and approvals concerning the subject matter of this Agreement, the Ground Lease, the Easement and the EI Agreement. The manner of making any decision by any Company or giving any approval by a Company shall be determined by such Company for itself; but any communication received by a Company from a Person designated as a representative of the other Company pursuant to the preceding sentence (unless such designation shall have been previously revoked as provided in Section 27) may be conclusively relied upon by the recipient as having been authorized by said other Company.

Section 27. Change of Representatives. Any designation by a Company pursuant to Section 26 may be revoked by such Company by designating a substitute representative or alternate by a written notice signed by an executive officer and delivered to the other Company.

Section 28. Relationship of Companies. The Companies do not intend to create by this Agreement or by any grant, lease or license related hereto any association, joint venture, trust, fiduciary relationship or partnership, or to impose or confer on any Person other than the Companies any rights or obligations hereunder. Following the Ownership Date, the Companies shall, in accordance with Section 1.761-2(b)(2)(i) of the Treasury Regulations, make an election under Section 761(a) of the Code not to be treated as a partnership for federal and Wisconsin income taxation. DPC shall not have by virtue of this Agreement, the Joint Operating Manual or any such grant, lease or license any right or power to bind WPSC in any respect without WPSC's express, prior written consent. Except as expressly provided in this Agreement, WPSC shall not have by virtue of this Agreement, the Joint Operating Manual, or any such grant, lease or license the right or power to bind DPC without DPC's express, prior written consent.

Section 29. Force Majeure. Neither Company shall be liable to the other for any failure of or delay in performance under this Agreement, the Joint Operating Manual, the Ground Lease or the Easement (other than any failure to make any payment at the time it is due and owing) to the extent said Company is an Excused Party and the failure or delay is due to the occurrence of Force Majeure. The Excused Party shall notify the other Company of the occurrence and estimated duration of the Force Majeure event with reasonable promptness after the Excused Party becomes aware of said event. The Excused Party shall use commercially reasonable efforts to overcome the effects of the Force Majeure event and resume full performance as soon as reasonably practicable.

Section 30. Agent for Scheduling and Dispatch. The Companies agree that either Company may appoint a third-party agent for purposes of scheduling and dispatch of its respective share of the output of Weston 4; provided, however, that such agent must be disclosed to the other Company and must sign and agree to be bound by a confidentiality, non-use and non-disclosure agreement as provided under the Confidentiality Agreement. WPSC recognizes that DPC intends to appoint GEN-SYS Energy as its agent for that purpose.

Section 31. WPSC Representations. WPSC represents and warrants to DPC that as of the date of this Agreement:

(a) Organization and Qualification. WPSC is a corporation duly organized and in existence under the laws of the State of Wisconsin. WPSC has all necessary power and authority to carry on its business as presently conducted, to own or hold its properties and to enter into and perform its obligations under this Agreement.

(b) Authorizations, Approvals, No Defaults. The execution, delivery and performance of this Agreement by WPSC (i) have been duly authorized by all requisite corporate action, (ii) do not require any approval, except as has been heretofore obtained, from the board of directors or shareholders of WPSC, (iii) to the best of WPSC's knowledge will not conflict with any provisions of any Applicable Laws and (iv) will not conflict with, result in the material breach of, constitute a material default under, or accelerate performance required by any material covenant, agreement, understanding, decree or order to which it is a party or by which it or any of its properties or assets is bound or affected. This Agreement has been duly executed and delivered by WPSC, and it constitutes the valid and binding obligation of WPSC, enforceable against WPSC in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization and other similar laws affecting the rights of creditors generally.

(c) Governmental Approvals. Except as otherwise expressly provide herein, the execution and delivery by WPSC of this Agreement do not require the consent or approval of, the giving of notice to, the registration with, the recording or filing of any document with, or the taking of any other action in respect of any governmental or regulatory authority which has not previously been obtained or accomplished.

(d) Legal Proceedings. Other than any proceedings challenging the First Approval or the air permit for Weston 4 that are pending on the date of this Agreement, there is no action, suit or proceeding, at law or in equity, or official investigation by or before any governmental or regulatory authority, arbitral tribunal or other body pending or, to the actual knowledge of WPSC threatened, against or affecting WPSC or any of its properties, rights or assets, which could reasonably be expected to result in a material adverse effect on

WPSC's ability to perform its obligations under this Agreement or on the validity or enforceability of this Agreement.

(e) Environmental Warranties. Except for the conditions described in Attachment 10 hereto, and bearing in mind that WPSC's Environmental Department has not conducted a formal environmental assessment of the Site or of the Easement Property (collectively, the "Property"), WPSC's Environmental Department has no knowledge of (i) the release or disposal of any hazardous wastes or toxic substances on the Property in a quantity, concentration or amount that would present a threat to human health or the environment, (ii) the existence of any underground or aboveground storage tanks on the Property, or (iii) the presence of asbestos or polychlorinated biphenyls ("PCBs") on the Property (but WPSC emphasizes that asbestos and/or PCBs may be or may have been incorporated into certain products or materials in such a way that WPSC's Environmental Department would have no knowledge of their presence). Except in connection with certain of the conditions described in Attachment 10 hereto, with respect to the Property, neither WPSC's Environmental Department nor WPSC's managers of the Weston Generating Station have made, filed or caused to be made or filed any report of a release or spill pursuant to Section 292.11(2), Wis. Stats., and/or NR 706, Wis. Admin. Code or 42 U.S.C. Section 9603(a). The Property is not listed or proposed for listing, and WPSC's Environmental Department has received no notice or information that the Property is threatened to be listed, on the National Priorities List by the United States Environmental Protection Agency or on any similar listing maintained by the State of Wisconsin, and WPSC's Environmental Department has had no discussions with state or federal officials concerning the possibility of such listings.

Section 32. DPC Representations. DPC represents and warrants to WPSC that as of the date of this Agreement:

(a) Organization and Qualification. DPC is a cooperative association duly organized and in existence under the laws of the State of Wisconsin. DPC has all necessary power and authority to carry on its business as presently conducted, to own or hold its properties and to enter into and perform its obligations under this Agreement.

(b) Authorizations, Approvals, No Defaults. The execution, delivery and performance of this Agreement by DPC (i) have been duly authorized by all requisite corporate action, (ii) do not require any approval, except as has been heretofore obtained, from the board of directors or members of DPC, (iii) to the best of DPC's knowledge will not conflict with any provisions of any Applicable Laws and (iv) will not conflict with, result in the material breach of, constitute a material default under, or accelerate performance required by any material covenant, agreement, understanding, decree or order to which it is a party or by which it or any of its properties or assets is bound or affected. This Agreement has been duly executed and delivered by DPC, and it constitutes the valid and binding obligation of DPC, enforceable against DPC in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization and other similar laws affecting the rights of creditors generally.

(c) Governmental Approvals. Except as otherwise expressly provided herein, and except for the express approval of the RUS, the execution and delivery by DPC of this Agreement do not require the consent or approval of, the giving of notice to, the registration with, the recording or filing of any document with, or the taking of any other action in respect of any governmental or regulatory authority which has not previously been obtained or accomplished.

(d) Legal Proceedings. Other than any proceedings challenging the First Approval or the air permit for Weston 4 that are pending on the date of this Agreement, there is no action, suit or proceeding, at law or in equity, or official investigation by or before any governmental or regulatory authority, arbitral tribunal or other body pending or, to the actual knowledge of DPC threatened, against or affecting DPC or any of its properties, rights or assets, which could reasonably be expected to result in a material adverse effect on DPC's ability to perform its obligations under this Agreement or on the validity or enforceability of this Agreement.

Section 33. Survival of Warranties and Representations. The warranties and representations of the Companies shall survive the closing of the transfer by WPSC to DPC of DPC's Ownership Share in Weston 4.

Section 34. Confidentiality Agreement. The Companies are entering into a Confidentiality Agreement of even date herewith. This Confidentiality Agreement shall apply to, without limitation, all information, data and materials exchanged between the Companies under or in connection with this Agreement, the Joint Operating Manual, the Ground Lease, the EI Agreement or the Easement.

Section 35. Taxes. Whether or not any Section of this Agreement specifically refers to taxes, with respect to all transactions arising under or contemplated by this Agreement or any contract entered into pursuant to this Agreement, each of WPSC and DPC shall be liable for its Ownership Share (or Existing or New Common Ownership Share, as applicable), at the time the taxable event occurred, for any and all applicable sales and use taxes or transfer fees under Chapter 77, Wis. Stats., and any and all federal or state excise, car-line or similar taxes; provided, however, that in any transfer of property between the Companies that is subject to said Chapter 77, the tax or fee shall be the obligation of the transferee in its entirety. The Companies shall cooperate in good faith to provide such certificates, design such systems and seek such administrative guidance as may be required or helpful to properly charge and report the minimum taxes legally due under this Agreement or any contract entered into pursuant to this Agreement. Income taxes and license fee taxes under section 76.28 and section 76.48 Wis. Stats. shall be the obligation of the Company subject to such taxes. The Companies further agree to cooperate in the audit and assessment of taxes shared under this Section 35 and to share the costs thereof based upon their respective Ownership Shares (or Existing or New Common Ownership Shares, as applicable), at the time the event giving rise to the tax occurred.

Section 36. Governing Law; Entire Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin (without regard to principles of conflicts of laws). This Agreement, together with the Joint Operating Manual and the Confidentiality Agreement referenced in Section 34, constitutes the entire agreement between WPSC and DPC, superseding all prior oral and written agreements, policies, understandings, representations and negotiations between the Companies on the subject matter hereof, including but not limited to that certain Letter of Intent between the Companies dated February 9, 2004, as amended; and there are no conditions affecting this Agreement that are not expressed herein or in the Joint Operating Manual.

IN WITNESS WHEREOF, each of the Companies has caused this Agreement to be executed by its duly authorized officer as of the day and year first above written.

WISCONSIN PUBLIC SERVICE CORPORATION

By: ______________________________

Name: Charles A. Schrock

Title: President and COO - Generation

Attest:

____

Secretary

DAIRYLAND POWER COOPERATIVE

By: ______________________________

Name: William L. Berg

Title: President and CEO

Attest:

____

Assistant Secretary

Exhibit 12.1

WPS Resources Corporation
Ratio of Earnings to Fixed Charges

(Millions)	2004	2003	2002	2001	2000
EARNINGS					
Income available to common shareholders	$139.7	$94.7	$109.4	$77.6	$67.0
Discontinued operations	13.4	16.0	6.0	6.9	5.5
Cumulative effect of change in accounting principles	-	(3.2)	-	-	-
Federal and state income taxes	30.0	33.7	28.7	9.2	9.7
Pretax earnings from continuing operations	183.1	141.2	144.1	93.7	82.2
Loss (income) from less than 50% equity investees	(3.6)	4.2	4.1	(6.5)	-
Distributed earnings of less than 50% equity investees	11.7	7.5	7.0	3.5	-
Fixed charges	61.5	63.2	63.5	62.1	58.9
Subtract:					
Preferred dividend requirement	4.7	4.9	4.8	4.6	4.6
Minority interest	3.4	5.6	-	-	-
Total earnings as defined	$244.6	$205.6	$213.9	$148.2	$136.5
FIXED CHARGES					
Interest on long-term debt, including related amortization	$48.9	$47.6	$43.3	$39.5	$37.0
Other interest	6.0	5.5	10.2	12.2	11.9
Distributions - preferred securities of subsidiary trust	-	3.5	3.5	3.5	3.5
Interest factor applicable to rentals	1.9	1.7	1.7	2.3	1.9
Preferred dividends (grossed up) (see below)	4.7	4.9	4.8	4.6	4.6
Total fixed charges	$61.5	$63.2	$63.5	$62.1	$58.9
Ratio of earnings to fixed charges	4.0	3.3	3.4	2.4	2.3

PREFERRED DIVIDEND CALCULATION:

	2004	2003	2002	2001	2000
Preferred dividends	$3.1	$3.1	$3.1	$3.1	$3.1
Tax rate *	33.7%	36.5%	35.8%	32.5%	32.0%
Preferred dividends (grossed up)	$4.7	$4.9	$4.8	$4.6	$4.6

* 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)	2004	2003	2002	2001	2000	1999
EARNINGS						
Earnings on common stock	$104.8	$78.9	$83.1	$80.6	$70.4	$67.1
Federal and state income taxes	51.3	45.7	46.8	43.9	40.1	38.0
Net pretax income	156.1	124.6	129.9	124.5	110.5	105.1
Income from less than 50% equity investees	8.4	6.0	6.6	6.3	-	-
Distributed earnings of less than 50% equity investees	5.9	4.3	5.4	3.3	-	-
Fixed charges	40.4	38.8	41.2	39.3	37.7	33.6
Subtract preference dividend requirement	4.6	4.8	4.8	4.7	4.8	4.8
Total earnings as defined	$189.4	$156.9	$165.1	$156.1	$143.4	$133.9
FIXED CHARGES						
Interest on long-term debt, including related amortization	$29.9	$27.8	$27.2	$24.1	$21.6	$21.9
Other interest	4.5	4.9	7.9	9.2	10.1	5.6
Interest factor applicable to rentals	1.4	1.3	1.3	1.3	1.2	1.3
Fixed charges before preferred dividend requirement	$35.8	$34.0	$36.4	$34.6	$32.9	$28.8
Ratio of earnings to fixed charges	5.3	4.6	4.5	4.5	4.4	4.6
Preferred dividends (grossed up) (see below)	$4.6	$4.8	$4.8	$4.7	$4.8	$4.8
Total fixed charges including preferred dividend	$40.4	$38.8	$41.2	$39.3	$37.7	$33.6
Ratio of earnings to fixed charges and preferred dividends	4.7	4.0	4.0	4.0	3.8	4.0
PREFERRED DIVIDEND CALCULATION:						
Preferred dividends	$3.1	$3.1	$3.1	$3.1	$3.1	$3.1
Tax rate	32.4%	35.6%	35.0%	34.4%	35.3%	35.2%
Preferred dividends (grossed up)	$4.6	$4.8	$4.8	$4.7	$4.8	$4.8

EXHIBIT 21

SUBSIDIARIES OF REGISTRANT
WPS RESOURCES CORPORATION

WPS RESOURCES CORPORATION + *

Wisconsin Public Service Corporation +
- WPS Leasing, Inc. +
- Wisconsin Valley Improvement Company (27.1% ownership) +
- Wisconsin River Power Company (50% ownership) +
- WPS Investments, LLC (approximately 36.36% ownership) +
  - American Transmission Company LLC (approximately 22.64% ownership) +
  - Guardian Pipeline LLC (33 1/3% ownership) ++
- ATC Management Inc. (19.75% ownership) +

WPS Investments, LLC (approximately 53.64% ownership) +
- American Transmission Company LLC (approximately 22.64% ownership) +
- Guardian Pipeline, LLC (33 1/3% ownership) ++

WPS Nuclear Corporation +
- Nuclear Management Company, LLC (20% ownership) +

WPS Visions, Inc. +

Badger Energy Services, LLC (12.50% ownership) +

WPS Resources Capital Corporation +
- WPS Energy Services, Inc. +
  - Quest Energy, LLC +++
  - WPS-ESI Gas Storage, LLC (81.50% ownership) +
  - WPS Energy Services of Canada Corp. (formed under Canadian law)
  - Advantage Energy, Inc. (formed under New York law)
  - 3096210 Nova Scotia Company (formed under Canadian law)
    - Boralex WPS Power Limited Partnership (49.9% ownership) (formed under Canadian law)
- WPS Power Development, Inc. +
  - PDI Stoneman, Inc. +
    - Mid-American Power, LLC +
  - WPS Canada Generation, Inc. +
    - Boralex WPS Energy, Inc. (50% ownership) (formed under Canadian law)
      - Boralex WPS Power Limited Partnership (0.2% ownership) (formed under Canadian law)
  - WPS New England Generation, Inc. +
  - PDI Operations, Inc. +
  - Neulite Industries of Wisconsin, LLC (50% ownership) +
  - Renewable Fibers International, LLC (33-1/3% ownership) +
  - Wisconsin Woodgas LLC +
  - Wisconsin Energy Operations LLC (49% ownership) +
  - ECO Coal Pelletization #12 LLC (70% ownership) ++
    - Synfuel Solutions, LLC (33.33% ownership) ++
      - Synfuel Solutions Operating, LLC ++
  - Sunbury Holdings, LLC ++
    - Mid-American Power Ventures, LLC ++
    - Sunbury Generation, LLC ++
    - WPS Westwood Generation, LLC ++
  - WPS Empire State, Inc. (formed under New York law)
    - WPS Beaver Falls Generation, LLC ++
    - WPS Niagara Generation, LLC ++
    - WPS Syracuse Generation, LLC ++
  - Combined Locks Energy Center, LLC**

EXHIBIT 21

SUBSIDIARIES OF REGISTRANT
WPS RESOURCES CORPORATION

WPS RESOURCES CORPORATION *

Upper Peninsula Power Company +++
- WPS Investments, LLC (approximately 10% ownership) +
  - American Transmission Company LLC (approximately 22.64% ownership) +
  - Guardian Pipeline LLC (33 1/3% ownership) ++
- ATC Management Inc. (2.9% ownership) +

Upper Peninsula Building Development Company +++

Penvest, Inc. +++
- Superior Technologies, Inc. (33.33% ownership) +++
- Super Com Limited Partnership of Northern Michigan (22.5% ownership) +++

Brown County C-LEC, LLC (40% ownership) +

* WPS Resources Corporation is the parent holding company. All affiliated companies listed are 100% owned except as noted otherwise. All affiliates are currently active, with the exception of Neulite Industries of Wisconsin, LLC, Renewable Fibers International, LLC, 3096210 Nova Scotia Company, Boralex WPS Power Limited Partnership, and Boralex WPS Energy, Inc.

\+ Formed under Wisconsin Law

++ Formed under Delaware Law

+++ Formed under Michigan Law

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-56918 and 333-104787 on Form S-3, and 333-63101, 333-71990, 333-71992, 333-81134 and 333-93193 on Form S-8 of our report relating to the consolidated financial statements and financial statement schedules of WPS Resources Corporation and subsidiaries dated March 9, 2005 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the adoption of new accounting principles) and of our report dated March 9, 2005 relating to management's report of the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of WPS Resources Corporation for the year ended December 31, 2004.

/s/ Deloitte & Touche LLP

Milwaukee, Wisconsin
March 9, 2005

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-97053 and 333-115405 on Form S-3 of our report relating to the consolidated financial statements and financial statement schedules of Wisconsin Public Service Corporation and subsidiaries dated March 9, 2005 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the adoption of a new accounting principle) and of our report dated March 9, 2005 relating to management's report of the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of Wisconsin Public Service Corporation for the year ended December 31, 2004.

/s/ Deloitte & Touche LLP

Milwaukee, Wisconsin
March 9, 2005

EXHIBIT 24

POWER OF ATTORNEY

WHEREAS, WPS RESOURCES CORPORATION, a Wisconsin corporation (hereinafter referred to as "WPSR") and WISCONSIN PUBLIC SERVICE CORPORATION, a Wisconsin corporation (hereinafter referred to as "WPSC"), will file on or before the due date of March 16, 2005 with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, a combined annual report on Form 10-K, and

WHEREAS, the undersigned is a Director of the WPSR and WPSC;

NOW, THEREFORE, the undersigned hereby constitutes and appoints Larry L. Weyers, Joseph P. O'Leary and Barth J. Wolf or any one of them, as attorney, with full power to act for the undersigned and in the name, place and stead of the undersigned, to sign the name of the undersigned as Director to said annual report on Form 10-K and any and all amendments to said annual report, hereby ratifying and confirming all that said attorney may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this document this 10th day of February, 2005.

/s/ R. A. Bemis
Richard A. Bemis
Director

EXHIBIT 24

POWER OF ATTORNEY

WHEREAS, WPS RESOURCES CORPORATION, a Wisconsin corporation (hereinafter referred to as "WPSR") and WISCONSIN PUBLIC SERVICE CORPORATION, a Wisconsin corporation (hereinafter referred to as "WPSC"), will file on or before the due date of March 16, 2005 with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, a combined annual report on Form 10-K, and

WHEREAS, the undersigned is a Director of the WPSR and WPSC;

NOW, THEREFORE, the undersigned hereby constitutes and appoints Larry L. Weyers, Joseph P. O'Leary and Barth J. Wolf or any one of them, as attorney, with full power to act for the undersigned and in the name, place and stead of the undersigned, to sign the name of the undersigned as Director to said annual report on Form 10-K and any and all amendments to said annual report, hereby ratifying and confirming all that said attorney may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this document this 10th day of February, 2005.

/s/ Albert J. Budney, Jr.
Albert J. Budney, Jr.
Director

EXHIBIT 24

POWER OF ATTORNEY

WHEREAS, WPS RESOURCES CORPORATION, a Wisconsin corporation (hereinafter referred to as "WPSR") and WISCONSIN PUBLIC SERVICE CORPORATION, a Wisconsin corporation (hereinafter referred to as "WPSC"), will file on or before the due date of March 16, 2005 with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, a combined annual report on Form 10-K, and

WHEREAS, the undersigned is a Director of the WPSR and WPSC;

NOW, THEREFORE, the undersigned hereby constitutes and appoints Larry L. Weyers, Joseph P. O'Leary and Barth J. Wolf or any one of them, as attorney, with full power to act for the undersigned and in the name, place and stead of the undersigned, to sign the name of the undersigned as Director to said annual report on Form 10-K and any and all amendments to said annual report, hereby ratifying and confirming all that said attorney may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this document this 10th day of February, 2005.

/s/ Ellen Carnahan
Ellen Carnahan
Director

EXHIBIT 24

POWER OF ATTORNEY

WHEREAS, WPS RESOURCES CORPORATION, a Wisconsin corporation (hereinafter referred to as "WPSR") and WISCONSIN PUBLIC SERVICE CORPORATION, a Wisconsin corporation (hereinafter referred to as "WPSC"), will file on or before the due date of March 16, 2005 with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, a combined annual report on Form 10-K, and

WHEREAS, the undersigned is a Director of the WPSR and WPSC;

NOW, THEREFORE, the undersigned hereby constitutes and appoints Larry L. Weyers, Joseph P. O'Leary and Barth J. Wolf or any one of them, as attorney, with full power to act for the undersigned and in the name, place and stead of the undersigned, to sign the name of the undersigned as Director to said annual report on Form 10-K and any and all amendments to said annual report, hereby ratifying and confirming all that said attorney may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this document this 10th day of February, 2005.

/s/ Robert C. Gallagher
Robert C. Gallagher
Director

EXHIBIT 24

POWER OF ATTORNEY

WHEREAS, WPS RESOURCES CORPORATION, a Wisconsin corporation (hereinafter referred to as "WPSR") and WISCONSIN PUBLIC SERVICE CORPORATION, a Wisconsin corporation (hereinafter referred to as "WPSC"), will file on or before the due date of March 16, 2005 with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, a combined annual report on Form 10-K, and

WHEREAS, the undersigned is a Director of the WPSR and WPSC;

NOW, THEREFORE, the undersigned hereby constitutes and appoints Larry L. Weyers, Joseph P. O'Leary and Barth J. Wolf or any one of them, as attorney, with full power to act for the undersigned and in the name, place and stead of the undersigned, to sign the name of the undersigned as Director to said annual report on Form 10-K and any and all amendments to said annual report, hereby ratifying and confirming all that said attorney may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this document this 10th day of February, 2005.

/s/ Kathryn M. Hasselblad-Pascale
Kathryn M. Hasselblad-Pascale
Director

EXHIBIT 24

POWER OF ATTORNEY

WHEREAS, WPS RESOURCES CORPORATION, a Wisconsin corporation (hereinafter referred to as "WPSR") and WISCONSIN PUBLIC SERVICE CORPORATION, a Wisconsin corporation (hereinafter referred to as "WPSC"), will file on or before the due date of March 16, 2005 with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, a combined annual report on Form 10-K, and

WHEREAS, the undersigned is a Director of the WPSR and WPSC;

NOW, THEREFORE, the undersigned hereby constitutes and appoints Larry L. Weyers, Joseph P. O'Leary and Barth J. Wolf or any one of them, as attorney, with full power to act for the undersigned and in the name, place and stead of the undersigned, to sign the name of the undersigned as Director to said annual report on Form 10-K and any and all amendments to said annual report, hereby ratifying and confirming all that said attorney may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this document this 10th day of February, 2005.

/s/ James L. Kemerling
James L. Kemerling
Director

EXHIBIT 24

POWER OF ATTORNEY

WHEREAS, WPS RESOURCES CORPORATION, a Wisconsin corporation (hereinafter referred to as "WPSR") and WISCONSIN PUBLIC SERVICE CORPORATION, a Wisconsin corporation (hereinafter referred to as "WPSC"), will file on or before the due date of March 16, 2005 with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, a combined annual report on Form 10-K, and

WHEREAS, the undersigned is a Director of the WPSR and WPSC;

NOW, THEREFORE, the undersigned hereby constitutes and appoints Larry L. Weyers, Joseph P. O'Leary and Barth J. Wolf or any one of them, as attorney, with full power to act for the undersigned and in the name, place and stead of the undersigned, to sign the name of the undersigned as Director to said annual report on Form 10-K and any and all amendments to said annual report, hereby ratifying and confirming all that said attorney may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this document this 10th day of February, 2005.

/s/ J. C. Meng
John C. Meng
Director

EXHIBIT 24

POWER OF ATTORNEY

WHEREAS, WPS RESOURCES CORPORATION, a Wisconsin corporation (hereinafter referred to as "WPSR") and WISCONSIN PUBLIC SERVICE CORPORATION, a Wisconsin corporation (hereinafter referred to as "WPSC"), will file on or before the due date of March 16, 2005 with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, a combined annual report on Form 10-K, and

WHEREAS, the undersigned is a Director of the WPSR and WPSC;

NOW, THEREFORE, the undersigned hereby constitutes and appoints Larry L. Weyers, Joseph P. O'Leary and Barth J. Wolf or any one of them, as attorney, with full power to act for the undersigned and in the name, place and stead of the undersigned, to sign the name of the undersigned as Director to said annual report on Form 10-K and any and all amendments to said annual report, hereby ratifying and confirming all that said attorney may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this document this 10th day of February, 2005.

/s/ Wm F. Protz, Jr.
William F. Protz, Jr.
Director

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 Annual Report on Form 10-K of WPS Resources Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 annual report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

   d) Disclosed in this annual 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: March 9, 2005

/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 Annual Report on Form 10-K of WPS Resources Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 annual report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

    d) Disclosed in this annual 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: March 9, 2005

/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 Annual Report on Form 10-K of Wisconsin Public Service Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 annual report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

    d) Disclosed in this annual 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: March 9, 2005

/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 Annual Report on Form 10-K of Wisconsin Public Service Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 annual report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

   d) Disclosed in this annual 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: March 9, 2005

/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 Annual Report on Form 10-K of the Company for the year ended December 31, 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: March 9, 2005

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 Annual Report on Form 10-K of the Company for the year ended December 31, 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: March 9, 2005

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.