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

FORM 10-Q

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

For the quarterly period ended June 30, 2005

OR

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

For the transition period from __________ to __________

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

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

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

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

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

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

WPS RESOURCES CORPORATION	Common stock, $1 par value, 37,963,287 shares outstanding at July 31, 2005
WISCONSIN PUBLIC SERVICE CORPORATION	Common stock, $4 par value, 23,896,962 shares outstanding at July 31, 2005

WPS RESOURCES CORPORATION
AND
WISCONSIN PUBLIC SERVICE CORPORATION
FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2005

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10.1	Five Year Credit Agreement among WPS Resources Corporation and the lenders identified herein, Citibank, N.A., Wells Fargo Bank National Association, J P Morgan Chase Bank, N.A., UBS Securities LLC, U.S. Bank National Association, and U.S. Bank National Association and Citigroup Global Markets Inc., dated as of June 2, 2005
10.2	WPS Resources Corporation 2005 Omnibus Incentive Compensation Plan
10.3	WPS Resources Corporation Deferred Compensation Plan as Amended and Restated Effective January 1, 2005 (incorporated by reference to Exhibit 10.10 to WPS Resources' Form 10-K for the year ended December 31, 2004)
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32.1	Written Statement of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 for WPS Resources Corporation
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Commonly Used Acronyms

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
MISO	Midwest Independent System Operator
MPSC	Michigan Public Service Commission
PDI	WPS Power Development, LLC
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 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 1. FINANCIAL INFORMATION

Item 1. Financial Statements

WPS RESOURCES CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)	Three Months Ended June 30		Six Months Ended June 30	
(Millions, except per share amounts)	**2005**	2004	**2005**	2004
Nonregulated revenue	**$1,006.1**	$783.7	**$2,082.1**	$1,784.0
Utility revenue	**321.4**	275.8	**732.3**	662.5
Total revenues	**1,327.5**	1,059.5	**2,814.4**	2,446.5
Nonregulated cost of fuel, gas, and purchased power	**970.2**	762.0	**1,989.0**	1,715.4
Utility cost of fuel, gas, and purchased power	**134.7**	110.6	**336.3**	307.6
Operating and maintenance expense	**142.1**	138.7	**275.4**	270.2
Depreciation and decommissioning expense	**66.6**	26.6	**95.8**	52.3
Gain on sale of emission allowances	**(85.9)**	-	**(86.8)**	-
Impairment loss	**80.6**	-	**80.6**	-
Taxes other than income	**11.9**	11.5	**23.9**	23.3
Operating income	**7.3**	10.1	**100.2**	77.7
Miscellaneous income	**45.5**	6.1	**53.2**	10.9
Interest expense	**(24.4)**	(14.4)	**(40.6)**	(29.3)
Minority interest	**1.2**	1.1	**2.2**	1.1
Other income (expense)	**22.3**	(7.2)	**14.8**	(17.3)
Income before taxes	**29.6**	2.9	**115.0**	60.4
Provision (benefit) for income taxes	**4.9**	(2.5)	**23.6**	11.6
Net income before preferred stock dividends of subsidiary	**24.7**	5.4	**91.4**	48.8
Preferred stock dividends of subsidiary	**0.8**	0.8	**1.6**	1.6
Income available for common shareholders	**$23.9**	$4.6	**$89.8**	$47.2
Average shares of common stock				
Basic	**38.0**	37.3	**37.9**	37.2
Diluted	**38.4**	37.5	**38.2**	37.4
Earnings per common share				
Basic	**$0.63**	$0.12	**$2.37**	$1.27
Diluted	**$0.62**	$0.12	**$2.35**	$1.26
Dividends per common share declared	**$0.555**	$0.545	**$1.110**	$1.090

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

WPS RESOURCES CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) (Millions)	**June 30** **2005**	December 31 2004
Assets		
Cash and cash equivalents	**$23.2**	$40.0
Accounts receivable - net of reserves of $8.6 and $8.0, respectively	**512.7**	531.3
Accrued unbilled revenues	**66.5**	113.2
Inventories	**183.8**	196.1
Current assets from risk management activities	**404.7**	376.5
Assets held for sale	**0.8**	24.1
Other current assets	**80.8**	91.5
Current assets	**1,272.5**	1,372.7
Property, plant, and equipment, net of reserves of $1,622.1 and $1,588.5, respectively	**2,143.0**	2,076.5
Nuclear decommissioning trusts	**345.5**	344.5
Regulatory assets	**218.1**	160.9
Long-term assets from risk management activities	**135.0**	74.6
Other	**338.4**	347.6
Total assets	**$4,452.5**	$4,376.8
Liabilities and Shareholders' Equity		
Short-term debt	**$259.9**	$292.4
Current portion of long-term debt	**3.7**	6.7
Accounts payable	**540.4**	589.4
Current liabilities from risk management activities	**390.2**	338.6
Deferred income taxes	**7.0**	9.1
Other current liabilities	**118.3**	73.2
Current liabilities	**1,319.5**	1,309.4
Long-term debt	**869.6**	865.7
Deferred income taxes	**25.0**	71.0
Deferred investment tax credits	**15.4**	16.2
Regulatory liabilities	**272.4**	288.3
Environmental remediation liabilities	**67.1**	68.4
Pension and postretirement benefit obligations	**93.7**	94.6
Long-term liabilities from risk management activities	**112.9**	62.5
Asset retirement obligations	**377.3**	366.6
Other	**97.5**	91.2
Long-term liabilities	**1,930.9**	1,924.5
Commitments and contingencies		
Preferred stock of subsidiary with no mandatory redemption	**51.1**	51.1
Common stock equity	**1,151.0**	1,091.8
Total liabilities and shareholders' equity	**$4,452.5**	$4,376.8

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

WPS RESOURCES CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	Six Months Ended June 30	
(Millions)	**2005**	2004
Operating Activities		
Net income before preferred stock dividends of subsidiary	**$91.4**	$48.8
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and decommissioning	**95.8**	52.3
Amortization of nuclear fuel and other	**23.4**	21.0
Realized gain on investments held in trust, net of regulatory deferral	**(15.7)**	(2.3)
Pension and postretirement expense	**25.3**	20.8
Pension and postretirement funding	**(3.0)**	-
Deferred income taxes and investment tax credit	**(44.7)**	1.4
Unrealized gains on nonregulated energy contracts	**(2.4)**	(1.1)
Gain on sale of partial interest in synthetic fuel operation	**(3.7)**	(3.7)
Gain on sale of emission allowances	**(86.8)**	-
Impairment loss	**80.6**	-
Deferral of Kewaunee outage costs	**(55.3)**	-
Other	**(9.6)**	(14.2)
Changes in working capital		
Receivables, net	**69.0**	162.8
Inventories	**15.1**	53.0
Other current assets	**9.9**	(1.1)
Accounts payable	**(58.4)**	(87.8)
Other current liabilities	**27.5**	(13.4)
Net cash provided by operating activities	**158.4**	236.5
Investing Activities		
Capital expenditures	**(188.7)**	(115.1)
Sale of property, plant, and equipment	**2.6**	3.2
Sale of emission allowances	**110.9**	-
Purchase of equity investments and other acquisitions	**(30.3)**	(19.1)
Decommissioning funding	**-**	(0.3)
Other	**(0.4)**	12.6
Net cash used for investing activities	**(105.9)**	(118.7)
Financing Activities		
Short-term debt, net	**(29.9)**	30.0
Repayment of long-term debt and note to preferred stock trust	**(2.0)**	(104.8)
Payment of dividends		
Preferred stock	**(1.6)**	(1.6)
Common stock	**(41.6)**	(40.3)
Issuance of common stock	**16.9**	16.3
Other	**(11.1)**	(1.8)
Net cash used for financing activities	**(69.3)**	(102.2)
Change in cash and cash equivalents	**(16.8)**	15.6
Cash and cash equivalents at beginning of period	**40.0**	50.7
Cash and cash equivalents at end of period	**$23.2**	$66.3

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

WISCONSIN PUBLIC SERVICE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)	Three Months Ended June 30		Six Months Ended June 30	
(Millions)	**2005**	2004	**2005**	2004
Operating revenues				
Electric	**$219.3**	$190.2	**$439.1**	$388.6
Gas	**89.8**	69.6	**264.4**	243.2
Total operating revenues	**309.1**	259.8	**703.5**	631.8
Operating expenses				
Electric production fuels	**49.6**	33.3	**86.4**	67.1
Purchased power	**20.0**	27.2	**52.1**	54.2
Gas purchased for resale	**66.2**	46.3	**194.5**	174.6
Other operating expenses	**81.5**	77.5	**161.8**	154.7
Maintenance	**19.3**	22.0	**37.2**	40.1
Depreciation and decommissioning	**62.2**	22.9	**87.3**	44.8
Federal income taxes	**(1.9)**	4.4	**15.1**	19.0
Investment tax credit restored	**(0.4)**	(0.4)	**(0.7)**	(0.7)
State income taxes	**(1.1)**	1.2	**3.0**	5.1
Gross receipts tax and other	**9.9**	9.6	**20.0**	19.4
Total operating expense	**305.3**	244.0	**656.7**	578.3
Operating income	**3.8**	15.8	**46.8**	53.5
Other income and (deductions)				
Allowance for equity funds used during construction	**0.5**	0.5	**0.9**	1.0
Other, net	**42.6**	5.2	**47.6**	9.0
Income taxes	**(15.9)**	(0.7)	**(16.9)**	(1.0)
Total other income	**27.2**	5.0	**31.6**	9.0
Interest expense				
Interest on long-term debt	**7.6**	7.6	**15.0**	15.0
Other interest	**1.5**	0.6	**3.2**	1.8
Allowance for borrowed funds used during construction	**(0.2)**	(0.1)	**(0.3)**	(0.3)
Total interest expense	**8.9**	8.1	**17.9**	16.5
Net income	**22.1**	12.7	**60.5**	46.0
Preferred stock dividend requirements	**0.8**	0.8	**1.6**	1.6
Earnings on common stock	**$21.3**	$11.9	**$58.9**	$44.4

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

WISCONSIN PUBLIC SERVICE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) (Millions)	June 30 2005	December 31 2004
ASSETS		
Utility plant		
Electric	**$2,260.2**	$2,223.9
Gas	**520.7**	510.0
Total	**2,780.9**	2,733.9
Less - Accumulated depreciation	**1,225.9**	1,189.3
Total	**1,555.0**	1,544.6
Nuclear decommissioning trusts	**345.5**	344.5
Construction in progress	**286.5**	153.1
Nuclear fuel, less accumulated amortization	**23.4**	24.6
Net utility plant	**2,210.4**	2,066.8
Current assets		
Cash and cash equivalents	**2.3**	3.5
Customer and other receivables, net of reserves of $5.7 at June 30, 2005 and $5.5 at December 31, 2004	**121.8**	106.2
Receivables from related parties	**7.0**	9.1
Accrued unbilled revenues	**32.7**	68.4
Fossil fuel, at average cost	**15.1**	15.2
Gas in storage, at average cost	**32.3**	60.2
Materials and supplies, at average cost	**29.4**	28.3
Assets from risk management activities	**6.6**	5.7
Prepayments and other	**31.2**	39.3
Total current assets	**278.4**	335.9
Regulatory assets	**213.7**	156.5
Goodwill	**36.4**	36.4
Investments and other assets	**146.9**	173.0
Total assets	**$2,885.8**	$2,768.6
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common stock equity	**$996.0**	$899.7
Preferred stock with no mandatory redemption	**51.2**	51.2
Long-term debt to parent	**11.7**	12.0
Long-term debt	**496.1**	496.0
Total capitalization	**1,555.0**	1,458.9
Current liabilities		
Short-term debt	**95.0**	101.0
Accounts payable	**141.4**	145.1
Payables to related parties	**11.8**	8.9
Accrued interest and taxes	**15.5**	8.1
Other	**50.9**	20.5
Total current liabilities	**314.6**	283.6
Long-term liabilities and deferred credits		
Accumulated deferred income taxes	**117.1**	130.1
Accumulated deferred investment tax credits	**14.5**	15.2
Regulatory liabilities	**254.7**	271.1
Environmental remediation liability	**65.4**	66.7
Pension and postretirement benefit obligations	**92.1**	92.9
Asset retirement obligations	**375.0**	364.4
Payables to related parties	**17.5**	18.6
Other long-term liabilities	**79.9**	67.1
Total long-term liabilities and deferred credits	**1,016.2**	1,026.1
Commitments and contingencies	**-**	-
Total capitalization and liabilities	**$2,885.8**	$2,768.6

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

WISCONSIN PUBLIC SERVICE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CAPITALIZATION (Unaudited) (Millions, except share amounts)		**June 30 2005**	December 31 2004
Common stock equity			
Common stock		**$95.6**	$95.6
Premium on capital stock		**594.0**	516.0
Accumulated other comprehensive loss		**(20.7)**	(20.7)
Retained earnings		**327.1**	308.8
Total common stock equity		**996.0**	899.7
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	**4.8**	5.0
7.35%	2016	**6.9**	7.0
Total long-term debt to parent		**11.7**	12.0
Long-term debt			
First mortgage bonds			
Series	Year Due		
6.90%	2013	**22.0**	22.0
7.125%	2023	**0.1**	0.1
Senior notes			
Series	Year Due		
6.125%	2011	**150.0**	150.0
4.875%	2012	**150.0**	150.0
4.8%	2013	**125.0**	125.0
6.08%	2028	**50.0**	50.0
Total		**497.1**	497.1
Unamortized discount and premium on bonds, net		**(1.0)**	(1.1)
Total long-term debt		**496.1**	496.0
Total capitalization		**$1,555.0**	$1,458.9

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

WISCONSIN PUBLIC SERVICE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	**Six Months Ended June 30**	
(Millions)	**2005**	2004
Operating Activities		
Net income	**$60.5**	$46.0
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and decommissioning	**87.3**	44.8
Amortization	**21.0**	17.9
Deferred income taxes	**(15.9)**	6.9
Investment tax credit restored	**(0.7)**	(0.7)
Allowance for funds used during construction	**(1.2)**	(1.0)
Realized gain on investments held in trust, net of regulatory deferral	**(15.7)**	(2.3)
Equity income	**(5.0)**	(5.6)
Pension and postretirement expense	**19.4**	15.3
Pension and postretirement funding	**(3.0)**	-
Deferral of Kewaunee outage costs	**(55.3)**	-
Other	**(1.0)**	(3.6)
Changes in -		
Customer and other receivables	**(8.6)**	15.1
Accrued utility revenues	**35.7**	19.4
Fossil fuel inventory	**0.6**	0.6
Gas in storage	**27.9**	16.0
Miscellaneous assets	**7.1**	(7.2)
Accounts payable	**(14.3)**	(2.0)
Accrued taxes and interest	**8.1**	(2.0)
Miscellaneous current and accrued liabilities	**7.9**	4.5
Net cash provided by operating activities	**154.8**	162.1
Investing Activities		
Capital expenditures	**(182.7)**	(105.9)
Decommissioning funding	**-**	(0.3)
Other	**(1.5)**	8.0
Net cash used for investing activities	**(184.2)**	(98.2)
Financing Activities		
Short-term debt - net	**(6.0)**	33.0
Payments of long-term debt	**(0.3)**	(49.9)
Equity contributions from parent	**75.0**	-
Dividends to parent	**(40.5)**	(37.5)
Preferred stock dividends	**(1.6)**	(1.6)
Other	**1.6**	1.6
Net cash provided by (used for) financing activities	**28.2**	(54.4)
Change in cash and cash equivalents	**(1.2)**	9.5
Cash and cash equivalents at beginning of period	**3.5**	4.7
Cash and cash equivalents at end of period	**$2.3**	$14.2

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

NOTE 1--FINANCIAL INFORMATION

We have prepared the condensed consolidated financial statements of WPS Resources and WPSC under the rules and regulations of the SEC. These financial statements have not been audited. Management believes that these financial statements include all adjustments (which unless otherwise noted include only normal recurring adjustments) necessary for a fair presentation of the financial results for each period shown. Certain items from the prior period have been reclassified to conform to the current year presentation. We have condensed or omitted certain financial information and footnote disclosures normally included in our annual audited financial statements. These financial statements should be read along with the audited financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2004.

For all periods presented, certain assets and liabilities of Sunbury have been reclassified as held and used and Sunbury's results of operations and cash flows have been reclassified into continuing operations. See Note 4, *Assets Held for Sale*, for more information.

NOTE 2--CASH AND CASH EQUIVALENTS

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

The following is supplemental disclosure to the WPS Resources and WPSC Condensed Consolidated Statements of Cash Flows:

(Millions)	Six Months Ended June 30	
WPS Resources	**2005**	2004
Cash paid for interest	**$31.3**	$26.5
Cash paid for income taxes	**35.2**	20.1
WPSC		
Cash paid for interest	**$15.3**	$14.1
Cash paid for income taxes	**18.1**	14.4

During the six months ended June 30, 2005, accounts payable related to Weston 4 construction costs increased approximately $22.7 million, and accordingly, are treated as non-cash investing activities. Weston 4 construction costs funded through accounts payable were not significant during the six months ended June 30, 2004.

NOTE 3--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 accounts for 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.

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

	Assets		Liabilities	
(Millions)	**June 30, 2005**	December 31, 2004	**June 30, 2005**	December 31, 2004
Utility Segment				
Gas and electric purchase contracts	**$ 6.8**	$ 11.0	**$ -**	$ -
Other	**2.9**	-	**0.5**	0.6
Nonregulated Segments				
Commodity and foreign currency contracts	**513.3**	396.5	**464.8**	366.6
Fair value hedges	**0.4**	3.8	**4.7**	2.3
Cash flow hedges				
Commodity contracts	**16.3**	39.8	**25.8**	22.9
Interest rate swaps	**-**	-	**7.3**	8.7
Total	**$539.7**	$451.1	**$503.1**	$401.1
Balance Sheet Presentation				
Current	**$404.7**	$376.5	**$390.2**	$338.6
Long-Term	**135.0**	74.6	**112.9**	62.5
Total	**$539.7**	$451.1	**$503.1**	$401.1

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. In the above table, "Other" includes financial instruments used to manage transmission congestion costs. The PSCW approved the recognition of a regulatory asset or liability for the fair value of derivative amounts. Thus, management believes any gains or losses resulting from the eventual expiration or settlement of these derivative instruments will be collected from or refunded to customers.

Nonregulated Segments

The derivatives in the nonregulated segments not designated as hedges under generally accepted accounting principles are primarily commodity contracts used to manage price risk associated with 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. In addition, PDI entered into a series of derivative contracts (options) covering a specified number of barrels of oil in order to manage exposure to the risk of an increase in oil prices that could reduce the amount of Section 29 federal tax credits that can be recognized from PDI's investment in a synthetic fuel production facility. See Note 11, *Commitments and Contingencies*, for more information. Changes in the fair value of non-hedge derivatives are recognized currently in earnings.

Certain reclassifications have been made between risk management assets and risk management liabilities in the accompanying Condensed Consolidated Balance Sheet as of December 31, 2004 to conform the presentation to the June 30, 2005 presentation. These reclassifications relate to the balance sheet presentation of non-hedge derivative instruments, which have offsetting positions within ESI. Compared to amounts previously reported, these reclassifications decreased current assets and current liabilities by $63.0 million, and decreased noncurrent assets and noncurrent liabilities by $5.8 million. The reclassifications had no impact on previously reported shareholders' equity, results of operations or cash flows.

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 Condensed Consolidated Statements of Income was not significant for the six months ended June 30, 2005, and 2004. At June 30, 2005, a pre-tax mark-to-market loss of $5.7 million related to 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.

Commodity contracts that are designated as cash flow hedges 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 Condensed Consolidated Statements of Income related to commodity contracts was not significant for the six months ended June 30, 2005, and 2004. 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, if the hedge becomes ineffective, or if it is probable that the hedged transaction will not occur. During the six months ended June 30, 2005, we reclassified a $1.0 million net-of-tax gain from other comprehensive income into earnings as a result of the discontinuance of cash flow hedge accounting for certain hedge transactions where it was probable that the original forecasted transaction would no longer occur. The amount reclassified during the six months ended June 30, 2004, was not significant. In the next 12 months, subject to changes in market prices of natural gas and electricity, we expect that a net-of-tax loss of $5.2 million will be recognized in earnings as contracts are settled.

In the second quarter of 2005, a variable rate non-recourse debt instrument used to finance the purchase of Sunbury was restructured to a WPS Resources obligation. An interest rate swap used to fix the interest rate on the Sunbury non-recourse debt had been previously designated as a cash flow hedge. As a result of the debt restructuring, the hedged transaction will no longer occur. This resulted in the recognition of a $9.1 million pre-tax loss (equivalent to the mark-to-market value of the swap at the date of restructuring), which was recorded as a component of interest expense in the second quarter of 2005. This loss was previously deferred as a component of other comprehensive income pursuant to hedge accounting rules. Subsequent to the restructuring, the interest rate swap was re-designated as a cash flow hedge, along with an additional interest rate swap, to fix the interest rate on the WPS Resources obligation. The changes in the fair value of the effective portion of these swaps are included in other comprehensive income, net of deferred taxes, while the changes related to the ineffective portion are recorded in earnings. During the six months ended June 30, 2005, cash flow hedge ineffectiveness recorded in earnings related to these swaps was not significant. Amounts recorded in other comprehensive income related to these swaps will be recognized as a component of interest expense as the interest becomes due. In the next 12 months, we expect to recognize $0.5 million in interest expense, assuming interest rates comparable to those at June 30, 2005. We did not exclude any components of the derivative instruments' change in fair value from the assessment of hedge effectiveness.

NOTE 4--ASSETS HELD FOR SALE

In the second quarter of 2005, PDI sold all of Sunbury's allocated emission allowances. Prior to this decision, PDI had marketed for sale the Sunbury plant and certain other related assets (primarily inventory and unallocated emission allowances) in combination with the allocated emission allowances. The Sunbury facility 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. Following Duquesne Power, L.P.'s termination of the previously announced agreement to sell Sunbury to Duquesne for approximately $120 million, PDI continued to pursue the sale of Sunbury with the assistance of an investment banking firm, but a suitable buyer was not found.

Total sales proceeds from the sale of Sunbury's emission allowances were $109.9 million, resulting in a pre-tax gain of $85.9 million. The sale of the emission allowances provides PDI with more time to consider various alternatives for the Sunbury plant. It is anticipated that all units at the Sunbury plant will be operated through the end of August 2005, at which time PDI intends to place the plant in a stand-by mode of operation, which will minimize future operating expenses while maintaining several options (including closing the plant, retaining the plant and operating it during favorable economic periods, or a potential future sale of the plant).

Prior to the decision to sell the allocated emission allowances separately, the Sunbury plant, allocated emission allowances, and other related assets had been classified as held for sale as a combined asset disposal group, and Sunbury's results of operations and related cash flows had been reported as discontinued operations. However, because PDI is no longer committed to the sale of Sunbury as its only option, generally accepted accounting principles require those assets and liabilities previously classified as held for sale that no longer meet the held for sale criteria outlined in SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," to be reclassified to the appropriate held and used categories for all periods presented. As a result, the allocated emission allowances that were sold in May 2005 remain classified as held for sale for all applicable periods presented, but the Sunbury plant, unallocated emission allowances, and other related assets and liabilities were reclassified as held and used. Furthermore, Sunbury's results of operations have been reclassified as components of continuing operations for all periods presented.

All long-lived assets reclassified as held and used are required to be recorded individually at the lower of their carrying value before they were classified as assets held for sale (adjusted for any depreciation expense that would have been recognized had they been continuously classified as held and used) or fair value at the date the held for sale criteria were no longer met. Upon reclassification of the Sunbury plant and related assets as held and used in the second quarter of 2005, PDI recorded a non-cash, pre-tax impairment charge of $80.6 million. The impairment charge substantially offsets the gain on the sale of the emission allowances.

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

(Millions)	**June 30, 2005**	December 31, 2004
Property, plant, and equipment, net	**$0.8**	$ 0.8
Other assets:		
Emission allowances	**-**	23.3
Assets held for sale	**$0.8**	$24.1

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 was designated as a cash flow hedge. WPS Resources is required to recognize the amount accumulated within other comprehensive income currently in earnings if management determines that the hedged transactions (i.e., future interest payments on the debt) will not continue. Sunbury's non-recourse debt was restructured to a WPS Resources' obligation in the second quarter of 2005 in conjunction with the sale of Sunbury's allocated emission allowances. The restructuring of the Sunbury debt to a WPS Resources obligation triggered a $9.1 million pre-tax loss (the mark-to-market value of the swap at the date of the restructuring), which was recorded as a component of interest expense in the second quarter of 2005. This loss was previously deferred as a component of other comprehensive income pursuant to hedge accounting rules.

NOTE 5--ACQUISITIONS AND SALES OF ASSETS

Kewaunee Nuclear Power Plant

In 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 Kewaunee, Wisconsin Power and Light Company, also agreed to sell its 41% ownership interest in Kewaunee to Dominion. Kewaunee returned to service in July 2005 following an unplanned outage that began in February 2005 (see discussion below), and the sale was completed on July 5, 2005. The major benefits of the sale for WPSC include shifting financial risk from utility customers and shareowners to Dominion, greater certainty of future costs, and the return of decommissioning funds to customers.

WPSC's share of the cash proceeds from the sale was approximately $113 million. This amount is subject to various closing adjustments, and an indemnity to cover certain costs Dominion may incur related to the recent unplanned outage. Dominion received the assets in WPSC's qualified decommissioning trust and will assume responsibility for the eventual decommissioning of Kewaunee. These trust assets had a pre-tax fair value of $243.6 million at June 30, 2005. In addition to the cash proceeds from the sale, WPSC retained ownership of the assets contained in its nonqualified decommissioning trust. The sale of Kewaunee will result in a loss, but WPSC has received approval from the PSCW for deferral of the gain or loss resulting from this transaction and related costs. We have proposed that proceeds received from the liquidation of the nonqualified decommissioning trust assets of $127.2 million be refunded to customers, net of the loss on the sale of the plant assets and costs related to the 2004 and 2005 Kewaunee outages.

As of June 30, 2005, WPSC's share of the carrying value of the assets and liabilities that are included within the sale agreement, or that will be otherwise eliminated pursuant to the sale, are as follows:

(Millions)	**June 30, 2005**
Qualified decommissioning trust fund	**$243.6**
Other utility plant, net	**165.6**
Other current assets	**5.5**
Total assets	**$414.7**
Regulatory liabilities	**$ (70.9)**
Asset retirement obligations	**374.6**
Total liabilities	**$303.7**

As of June 30, 2005, the assets and liabilities disclosed above did not meet the criteria to be classified as held for sale on the Condensed Consolidated Balance Sheets under the provisions of SFAS No. 144 because Kewaunee was not available for immediate sale, as the sale was contingent upon the successful completion of the unplanned outage, which did not occur until July.

Upon the closing of the sale, WPSC entered 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 WPSC's ownership in Kewaunee continued. The power purchase agreement extends 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 provides more price certainty for WPSC's customers and reduces WPSC's 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 can negotiate only with WPSC for 59% of the plant output under a new power purchase agreement that would extend beyond Kewaunee's current operating license termination date. The exclusivity period starts on the closing date of the sale, July 5, 2005, and extends through December 21, 2011, after which Dominion can negotiate with other parties.

NOTE 6--GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill recorded by WPS Resources was $36.8 million at June 30, 2005, and December 31, 2004. Of this amount, $36.4 million is recorded in WPSC's natural gas segment relating to its merger with Wisconsin Fuel and Light. The remaining $0.4 million of goodwill relates to PDI.

Goodwill and purchased intangible assets are included in other assets on the Condensed 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.

(Millions)		**June 30, 2005**		
Asset Class	**Average Life (Years)**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net**
Emission allowances	**1 to 30**	**$7.8**	**$(2.2)**	**$5.6**
Customer related	**1 to 8**	**11.2**	**(5.5)**	**5.7**
Other	**1 to 30**	**4.2**	**(1.6)**	**2.6**
Total		**$23.2**	**$(9.3)**	**$13.9**

(Millions)		December 31, 2004		
Asset Class	Average Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net
Emission allowances	1 to 30	$15.8	$(0.9)	$14.9
Customer related	1 to 8	11.2	(4.6)	6.6
Other	1 to 30	4.2	(1.6)	2.6
Total		$31.2	$(7.1)	$24.1

The impairment charge related to Sunbury, which was recorded in the second quarter of 2005, included the write-down of $6.6 million of unallocated emission allowances. These emission allowances were reflected in the above table at December 31, 2004. See Note 4, *Assets Held for Sale*, for more information.

Intangible asset amortization expense, in the aggregate, for the six months ended June 30, 2005, and June 30, 2004, was $3.0 million and $0.7 million, respectively. Intangible asset amortization expense, in the aggregate, for the three months ended June 30, 2005, and June 30, 2004, was $2.4 million and $0.4 million, respectively. Amortization expense for the next five fiscal years is estimated as follows:

Estimated Future Amortization Expense:	
For year ending December 31, 2005	$4.7 million
For year ending December 31, 2006	2.6 million
For year ending December 31, 2007	2.3 million
For year ending December 31, 2008	2.5 million
For year ending December 31, 2009	2.2 million

NOTE 7--SHORT-TERM DEBT AND LINES OF CREDIT

WPS Resources has a syndicated $500 million five-year revolving credit facility which expires in June, 2010. WPSC has syndicated a $115 million five-year revolving credit facility containing annual trigger date provisions to provide short-term borrowing flexibility and security for commercial paper outstanding.

The information in the table below relates to WPS Resources' short-term debt and lines of credit as of the time periods indicated.

(Millions)	**June 30, 2005**	December 31, 2004
Commercial paper outstanding	**$249.9**	$279.7
Average discount rate on outstanding commercial paper	**3.39%**	2.46%
Short-term notes payable outstanding	**$10.0**	$12.7
Average interest rate on short-term notes payable	**3.09%**	2.52%
Available under lines of credit	**$292.5**	$161.9

The commercial paper had varying maturity dates ranging from July 5 through 12, 2005.

The information in the table below relates to WPSC's short-term debt and lines of credit as of the time periods indicated.

(Millions)	**June 30, 2005**	December 31, 2004
Commercial paper outstanding	**$85.0**	$91.0
Average discount rate on outstanding commercial paper	**3.39%**	2.44%
Short-term notes payable outstanding	**$10.0**	$10.0
Average interest rate on short-term notes payable	**3.09%**	2.26%
Available under lines of credit	**$26.2**	$20.2

The commercial paper had a maturity date of July 6, 2005.

NOTE 8--LONG-TERM DEBT

(Millions)			**June 30, 2005**	December 31, 2004
First mortgage bonds - WPSC				
	Series	Year Due		
	6.90%	2013	**$ 22.0**	$ 22.0
	7.125%	2023	**0.1**	0.1
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		
	9.32%	2021	**15.3**	15.3
Unsecured senior notes - WPS Resources				
	Series	Year Due		
	7.00%	2009	**150.0**	150.0
	5.375%	2012	**100.0**	100.0
Unsecured term loan due 2010 – WPS Resources			**65.6**	-
Term loans – non-recourse, collateralized by nonregulated assets			**17.7**	82.3
Tax exempt bonds			**27.0**	27.0
Senior secured note			**2.5**	2.7
Total			**875.2**	874.4
Unamortized discount and premium on bonds and debt			**(1.9)**	(2.0)
Total long-term debt			**873.3**	872.4
Less current portion			**(3.7)**	(6.7)
Total long-term debt			**$869.6**	$865.7

On June 17, 2005, $62.9 million of non-recourse debt at PDI collateralized by nonregulated assets was converted to a five-year WPS Resources obligation as a result of the sale of Sunbury's allocated emission allowances. In addition, $2.7 million drawn on a line of credit at PDI was rolled into the five-year WPS Resources obligation. The floating interest rate on the total five-year WPS Resources obligation of $65.6 million has been fixed at 4.595% through two interest rate swaps.

NOTE 9--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 recognition under SFAS No. 143 and the ratemaking practices for retirement costs authorized by the PSCW. As of June 30, 2005, the net-of-tax market value of external nuclear decommissioning trusts established for future retirement costs, authorized by the PSCW, was approximately $345.0 million. As discussed in Note 5, *Acquisitions and Sales of Assets*, the sale of Kewaunee to Dominion was completed on July 5, 2005. As a result of the sale, Dominion assumed the asset retirement obligation related to Kewaunee.

PDI has identified a legal retirement obligation related to the closure of an ash basin located at Sunbury. The asset retirement obligation associated with Sunbury is recorded as a liability on the Condensed Consolidated Balance Sheets.

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

(Millions)	WPSC	PDI	Total
Asset retirement obligation at December 31, 2004	$364.4	$2.2	$366.6
Accretion expense	10.6	0.1	10.7
Asset retirement obligation at June 30, 2005	$375.0	$2.3	$377.3

NOTE 10--INCOME TAXES

For the three and six months ended June 30, 2005, and 2004, WPS Resources' and WPSC's provision for income taxes was calculated in accordance with APB Opinion No. 28, "Interim Financial Reporting." Accordingly, our interim effective tax rate reflects our projected annual effective tax rate. The effective tax rate differs from the federal tax rate of 35%, primarily due to the effects of tax credits and state income taxes.

NOTE 11--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 June 30, 2005.

ESI has unconditional purchase obligations related to energy supply contracts that total $2.7 billion. Substantially all of these obligations end by 2009, with obligations totaling $13.5 million extending from 2010 through 2015. The majority of the energy supply contracts are to meet ESI's obligations to deliver energy to its customers.

WPSC has obligations related to coal, purchased power, and natural gas. All pertinent nuclear fuel contracts were assigned to Dominion with the July 5, 2005, sale of Kewaunee to Dominion. Obligations related to coal supply and transportation extend through 2016 and total $369.1 million. Through 2016, WPSC has obligations totaling $588.3 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 $130.5 million through 2016. 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 $11.0 million. The majority of these contracts relate to coal purchases for the various PDI plants.

UPPCO has made commitments for the purchase of commodities, mainly capacity or energy related to purchased power, which total $35.4 million and extend through 2010.

WPS Resources also has commitments in the form of purchase orders issued to various vendors. At June 30, 2005, these purchase orders totaled $531.0 million and $519.1 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.

Price Anderson Act Obligation

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 that occurred prior to the sale of Kewaunee to Dominion on July 5, 2005. The payments will not exceed $5.9 million per incident in a given calendar year. These amounts relate to WPSC's prior 59% ownership in Kewaunee.

Clean Air Regulations

Most of 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. Throughout 2005 and in future years, PDI estimates purchasing nitrogen dioxide emission allowances at market rates, as needed, to meet its requirements for the Sunbury generation facility.

PDI began 2005 with 17,000 sulfur dioxide emission allowances for its generation facilities that are required to participate in the sulfur dioxide emission program. However, a majority of these allowances were sold in the second quarter of 2005, requiring a higher level of purchases for the remainder of the year. During the remainder of 2005 and in future years, PDI estimates purchasing sulfur dioxide allowances at market rates, as needed, to meet its requirements for the Sunbury generation facility.

EPA 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 generation 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 generation 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 generation 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.

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 $44 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 were subsequently challenged in the District of Columbia Circuit Court of Appeals. On June 24, 2005, the District of Columbia Circuit Court of Appeals issued its opinion on EPA's 2002 new source review reform rule. The ruling upheld most of the 2002 rule, but did strike down some provisions. 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.

Clean Air Act Violation Claim

On July 12, 2005, the Sierra Club and Clean Wisconsin notified WPS Resources of their intent to file a citizen enforcement action with the United States District Court, Eastern District of Wisconsin, pursuant to the citizen suit provisions of the Clean Air Act. Sierra Club and Clean Wisconsin indicated that the lawsuit will seek penalties, injunctive relief, and costs of litigation. The notice references opacity exceedances reported by the Pulliam facility located in Green Bay, Wisconsin, from 1999 through the first quarter of 2005, and monitoring violations from 1999 through 2004. The notice also alleges exceedances of the Clean Air Act operating permit in 2002, exceedances of the permit issued for eight diesel generators in 2001, and exceedances of the permit for the combustion turbine. Sierra Club and Clean Wisconsin have stated a willingness to discuss the alleged violations prior to commencing suit.

Weston Site Operation Permit

On April 18, 2005, and on April 26, 2005, WPS Resources notified the WDNR that the Weston facility was not in compliance with certain provisions of the "Title V" air operating permit that was issued to the facility in October 2004. On July 27, 2005, WPSC received a notice of violation (NOV) from the WDNR asserting that the Weston Facility is not in compliance with certain provisions of the permit. The alleged noncompliance is based on information previously provided by WPSC to the WDNR in April 2005. The NOV classifies certain alleged violations as "high priority" under the EPA's high priority violation (HPV) policy. WPS Resources is seeking to amend the applicable permit limits and is taking corrective action. At this time we believe that our exposure to fines or penalties related to this noncompliance would not have a material impact on our financial results.

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. Because federal regulations were promulgated in March 2005, we believe the state of Wisconsin will revise the Wisconsin rule to be consistent with the federal rule. However, the state of Wisconsin has filed suit against the federal government along with other states in opposition to the rule. WPSC estimates capital costs of approximately $119 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. In March 2005, the EPA finalized both the mercury rule and the Clean Air Interstate Rule.

The final mercury rule establishes New Source Performance Standards for new units based upon the type of coal burned. Weston 4 will install and operate mercury control technology with the aim of achieving a mercury emission rate less than that in the final EPA mercury rule.

The final mercury rule also establishes a mercury cap and trade program. The mercury cap and trade program requires a 21% reduction in national mercury emissions in 2010 and a 70% reduction in national mercury emissions beginning in 2018. Based on the final rule and current projections, WPSC anticipates meeting the mercury rule cap and trade requirements at a cost similar to the cost to comply with the Wisconsin rule.

PDI's current analysis indicates that additional emission control equipment on its 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. Including Sunbury, the total PDI mercury control costs could approximate $33 million, depending upon how this facility is operated.

The final Clean Air Interstate Rule requires reduction of sulfur dioxide and nitrogen oxide emissions in two phases. The first phase requires about a 50% reduction beginning in 2009 for nitrogen oxide and beginning in 2010 for sulfur dioxide. The second phase begins in 2015 for both pollutants and requires about a 65% reduction in emissions. The rule allows the affected states (including Wisconsin, Michigan, Pennsylvania, and New York) to either require utilities located in the state to participate in the EPA's 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, but the states are investigating the cap and trade program, as well as alternatives or additional requirements. Consequently, the effect of the rule on WPSC's and PDI's facilities is uncertain, since it depends upon how the states choose to implement the final Clean Air Interstate Rule.

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 2015. 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 2015. On a preliminary basis and assuming controls or conversion are required, WPSC estimates capital costs of $353 million in order to meet an assumed 2015 compliance date. This estimate is based on costs of current control technology and current information regarding the final EPA rule. The costs may change based on the requirements of the final state rules.

PDI is evaluating the compliance options for the Clean Air Interstate Rule. Additional nitrogen oxide controls on some of PDI's facilities may be necessary, and would cost approximately $41 million. The cost estimate is largely dependent upon how Sunbury will be operated going forward. See Note 4, *Assets Held for Sale*, for additional information on Sunbury. Additional sulfur dioxide reductions are unlikely. Also, PDI will evaluate a number of options including using the cap and trade program, fuel switching, and/or installing controls.

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. UPPCO received an order from the MPSC permitting deferral and future recovery of these costs. 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 has an informal agreement, with the owner of another landfill, under which UPPCO 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 June 30, 2005.

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, and priorities will be determined in consultation with the EPA. In late 2004, WPSC purchased the Menominee site property. Clean up of this site is expected to begin in the near future. Work at the other sites remains to be scheduled.

WPSC is currently in the process of transferring sites with sediment contamination formally under WDNR jurisdiction to the EPA Superfund Alternatives Program. Under the EPA's program, the remedy decision will be based on risk-based criteria typically used at Superfund sites. WPSC estimated future undiscounted investigation and cleanup costs as of June 30, 2005, to be $65.4 million. WPSC may adjust these estimates in the future contingent upon remedial technology, regulatory requirements, remedy determinations, and the assessment of natural resource damages. 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. There is one case, Allen v. WPSC, that will soon be remanded from the court of appeals to the trial court for a determination of whether a post-verdict injunction is warranted. A second case, Pollack v. WPSC, was tried and ended in a defense verdict on May 5, 2005, and that case is concluded. A third case, Seidl v. WPSC, was tried to a jury in October 2004, but ended in a mistrial. On June 21, 2005, the trial judge granted WPSC's motion for a directed verdict. The Seidl plaintiffs are planning an appeal of that dismissal.

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 the plaintiff did not have 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.

On February 15, 2005, the Court of Appeals affirmed the jury verdict in Allen v. WPSC, which awarded the plaintiff approximately $0.8 million for economic damages and $1 million for nuisance. The Court of Appeals also remanded to the trial court the issue of whether an injunction should be issued for additional proceedings. The Supreme Court of Wisconsin denied WPSC's petition to review the Court of Appeals decision. The trial judge must now decide whether an injunction should be issued. The expert witnesses retained by WPSC do not believe that there is any scientific basis for concluding that electricity from the utility system is creating any problems on the plaintiff's land. Accordingly, while the jury verdict must now be paid, WPSC does not believe there is any basis for issuing an injunction, and intends to vigorously contest the portion of the case that will be remanded for future proceedings.

WPSC has insurance coverage for the pending 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 two remaining actions will not be material.

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 of the fuse plug 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.

UPPCO has worked with federal and state agencies in their investigations. UPPCO is still in the process of investigating the incident. 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.

As of May 13, 2005, several lawsuits were filed by the claimants and punitive defendants relating to this incident. The suits that have been filed against UPPCO, WPS Resources, and WPSC include the following claimants: Board of Light and Power of the City of Marquette, the City of Marquette, the County of Marquette, Dead River Campers, Inc., Marquette County Road Commission, SBC, and various land and homeowners along the Silver Lake reservoir and Dead River system. WPS Resources is defending these lawsuits and is seeking resolution of all claims and litigation where possible. UPPCO filed a suit against the engineering company that designed the fuse plug (MWH Americas, Inc.) and the contractor who built it (Moyle Construction, Inc.).

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.

In January 2005, UPPCO announced its decision to restore Silver Lake as a reservoir for power generation, pending approval of a design by FERC. FERC has required that a board of consultants evaluate and oversee the new construction. The board of consultants is expected to review the design options in the fall of 2005, prior to construction, with construction expected to 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 with the Minnesota portion completed in early 2005. Construction in Wisconsin is scheduled to begin in August 2005.

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.

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, and no appeal has been filed during the allowed time allotted for appeals. 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. However, state legislation has been enacted that allows utilities to condemn county land for approved transmission line projects. In addition, various WDNR permit-related decisions were the subject of a contested case hearing in Wisconsin. A decision on the contested case was issued on July 25, 2005, reaffirming the WDNR’s initial permit decision.

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 the project funding. For the six months ended June 30, 2005, WPS Resources invested $21.5 million in ATC, under 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 from the PSCW to continue the project at a revised 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, and ATC overhead costs. The line is expected to be placed in service in 2008. WPS Resources has the right, but not the obligation, to provide additional funding in excess of $198 million up to 50% of the revised cost estimate. For the period July 2005 through July 2009, WPS Resources expects to fund up to approximately $155 million for its portion of the Wausau to Duluth transmission line. WPS Resources' commitment to fund this transmission line could decrease up to 50% if another entity exercises its option to fund a portion of the project.

Beaver Falls

PDI's Beaver Falls generation facility in New York has been out of service since late June 2005. An unplanned outage was caused by the failure of the first stage turbine blades. Upon investigation of the turbine, corrosion damage was also found. At this time, PDI estimates that it will cost between $3 and $5 million to repair the turbine and replace the damaged blades. PDI will likely repair the turbine if these cost estimates are accurate; however, investigation as to the extent of the damage is still ongoing. If the estimated repair costs are subsequently revised upward or are disallowed for recovery through insurance, then a possibility exists that the repairs either will not be made or will cause the undiscounted cash flows related to future operations to be insufficient to recover the carrying value of the plant, resulting in an impairment. The carrying value of the Beaver Falls generation facility at June 30, 2005 is $18.7 million.

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 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.

The Internal Revenue Code provides Section 29 tax credits as an incentive for taxpayers to produce fuels from alternate sources and reduce domestic dependence on imported oil. This incentive is not deemed necessary if the price of oil increases sufficiently to provide a natural market for these fuels. Therefore, the Section 29 tax credits are subject to phase out if domestic crude oil prices reach specified levels. Although we do not expect the amount of our 2005 Section 29 tax credits to be adversely affected by oil prices given the current forward price curve for crude oil, we cannot predict with any certainty the future price of a barrel of oil. Therefore, in order to manage exposure to the risk that an increase in oil prices could reduce the recognizable amount of 2005, 2006, and 2007 Section 29 tax credits, PDI entered into a series of derivative contracts (options) covering a specified number of barrels of oil. These derivatives mitigate approximately 95%, 60%, and 40% of the Section 29 tax credit exposure related to rising oil prices in 2005, 2006, and 2007, respectively.

We have recorded the tax benefit of approximately $132.2 million of Section 29 tax credits as reductions to income tax expense from the project's inception in June 1998 through June 30, 2005. As a result of alternative minimum tax rules, approximately $71.7 million of this tax benefit has been carried forward as a deferred tax asset as of June 30, 2005. 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 is 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 a 30% 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 12--EMPLOYEE BENEFIT PLANS

The following table provides the components of net periodic benefit cost for WPS Resources' benefit plans for the three months ended June 30:

WPS Resources	**Pension Benefits**		**Other Benefits**	
(Millions)	**2005**	2004	**2005**	2004
Net periodic benefit cost				
Service cost	**$ 5.8**	$ 5.2	**$2.0**	$2.0
Interest cost	**10.1**	10.2	**4.1**	4.3
Expected return on plan assets	**(10.9)**	(12.3)	**(3.2)**	(3.1)
Amortization of transition obligation	**-**	-	**0.1**	0.1
Amortization of prior-service cost (credit)	**1.3**	1.4	**(0.6)**	(0.5)
Amortization of net loss	**2.3**	1.2	**1.7**	1.2
Net periodic benefit cost	**$ 8.6**	$ 5.7	**$4.1**	$4.0

WPSC's share of net periodic benefit cost for the three months ended June 30 is included in the table below:

WPSC	**Pension Benefits**		**Other Benefits**	
(Millions)	**2005**	2004	**2005**	2004
Net periodic benefit cost				
Service cost	**$4.7**	$ 4.3	**$2.0**	$1.8
Interest cost	**8.4**	8.5	**3.7**	3.9
Expected return on plan assets	**(9.5)**	(11.0)	**(3.1)**	(3.0)
Amortization of transition obligation	**-**	-	**0.1**	0.1
Amortization of prior-service cost (credit)	**1.2**	1.3	**(0.5)**	(0.5)
Amortization of net loss	**1.5**	0.6	**1.5**	0.9
Net periodic benefit cost	**$6.3**	$ 3.7	**$3.7**	$3.2

The following table provides the components of net periodic benefit cost for WPS Resources' benefit plans for the six months ended June 30:

WPS Resources	**Pension Benefits**		**Other Benefits**	
(Millions)	**2005**	2004	**2005**	2004
Net periodic benefit cost				
Service cost	**$11.9**	$10.3	**$4.0**	$3.9
Interest cost	**20.2**	19.8	**8.3**	8.7
Expected return on plan assets	**(21.8)**	(22.9)	**(6.3)**	(5.8)
Amortization of transition obligation	**0.1**	0.1	**0.2**	0.2
Amortization of prior-service cost (credit)	**2.7**	2.8	**(1.1)**	(1.1)
Amortization of net loss	**4.3**	2.2	**2.8**	2.6
Net periodic benefit cost	**$17.4**	$12.3	**$7.9**	$8.5

WPSC's share of net periodic benefit cost for the six months ended June 30 is included in the table below:

WPSC	Pension Benefits		Other Benefits	
(Millions)	**2005**	2004	**2005**	2004
Net periodic benefit cost				
Service cost	**$ 9.7**	$ 8.3	**$3.8**	$3.6
Interest cost	**16.7**	16.6	**7.5**	7.8
Expected return on plan assets	**(19.2)**	(20.4)	**(6.1)**	(5.7)
Amortization of transition obligation	**0.1**	0.1	**0.2**	0.2
Amortization of prior-service cost (credit)	**2.4**	2.5	**(1.0)**	(0.9)
Amortization of net loss	**2.9**	1.1	**2.4**	2.1
Net periodic benefit cost	**$12.6**	$ 8.2	**$6.8**	$7.1

Contributions to the plans are made in accordance with legal and tax requirements and do not necessarily occur evenly throughout the year. For the six months ended June 30, 2005, $3.0 million of contributions were made to the pension benefit plan, and no contributions were made to the other postretirement benefit plans. WPS Resources expects to contribute an additional $5.2 million to its pension plan and $14.6 million to its other postretirement benefit plans in 2005.

NOTE 13--STOCK-BASED COMPENSATION

WPS Resources has four stock-based compensation plans: the 2005 Omnibus Incentive Compensation Plan ("2005 Omnibus Plan"), the 2001 Omnibus Incentive Compensation Plan ("2001 Omnibus Plan"), the 1999 Stock Option Plan ("Employee Plan"), and the 1999 Non-Employee Directors Stock Option Plan ("Director Plan"). No additional stock-based compensation will be issued under the 2001 Omnibus Plan or the Employee Plan, although the plans will continue to exist for purposes of the existing outstanding stock-based compensation.

WPS Resources accounts for these plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. 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)	Three Months Ended June 30, 2005	2004	Six Months Ended June 30, 2005	2004
Income available for common shareholders				
As reported	**$23.9**	$4.6	**$89.8**	$47.2
Add: Stock-based compensation expense using the intrinsic value method - net of tax	**0.8**	0.1	**1.3**	0.5
Deduct: Stock-based compensation expense using the fair value method - net of tax	**(0.4)**	(0.3)	**(0.7)**	(0.6)
Pro forma	**$24.3**	$4.4	**$90.4**	$47.1
Basic earnings per common share				
As reported	**$0.63**	$0.12	**$2.37**	$1.27
Pro forma	**0.64**	0.12	**2.39**	1.27
Diluted earnings per common share				
As reported	**$0.62**	$0.12	**$2.35**	$1.26
Pro forma	**0.63**	0.12	**2.37**	1.26

NOTE 14--COMPREHENSIVE INCOME

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

(Millions)	Three Months Ended June 30, 2005	2004
Income available for common shareholders	**$23.9**	$4.6
Cash flow hedges, net of tax of $1.7 and $3.4	**2.9**	5.1
Foreign currency translation	**0.4**	-
Unrealized loss on available-for-sale securities, net of tax	**(0.1)**	-
Total comprehensive income	**$27.1**	$9.7

(Millions)	Six Months Ended June 30, 2005	2004
Income available for common shareholders	**$89.8**	$47.2
Cash flow hedges, net of tax of $(7.0) and $6.2	**(10.7)**	9.3
Foreign currency translation	**(0.3)**	-
Unrealized gain on available-for-sale securities, net of tax	**0.1**	-
Total comprehensive income	**$78.9**	$56.5

The following table shows the changes to Accumulated Other Comprehensive Income from December 31, 2004, to June 30, 2005.

(Millions)	
December 31, 2004 balance	$(16.1)
Cash flow hedges	(10.7)
Foreign currency translation adjustment	(0.3)
Unrealized gain on available-for-sale securities	0.1
June 30, 2005 balance	(27.0)

NOTE 15--EARNINGS PER SHARE

WPS Resources' common stock shares, $1 par value	**June 30, 2005**	December 31, 2004
Common stock outstanding, $1 par value, 200,000,000 shares authorized	**37,961,142**	37,500,791
Treasury shares	**12,000**	12,000
Average cost of treasury shares	**$25.19**	$25.19
Shares in deferred compensation rabbi trust	**265,255**	229,238
Average cost of deferred compensation rabbi trust shares	**$39.95**	$36.84

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

Reconciliation of Earnings Per Share	Three Months Ended June 30,		Six Months Ended June 30,	
(Millions, except per share amounts)	**2005**	2004	**2005**	2004
Income available to common shareholders	**$23.9**	$4.6	**$89.8**	$47.2
Basic weighted average shares	**38.0**	37.3	**37.9**	37.2
Incremental issuable shares	**0.4**	0.2	**0.3**	0.2
Diluted weighted average shares	**38.4**	37.5	**38.2**	37.4
Basic earnings per common share	**$0.63**	$0.12	**$2.37**	$1.27
Diluted earnings per common share	**$0.62**	$0.12	**$2.35**	$1.26

NOTE 16--REGULATORY ENVIRONMENT

Wisconsin

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 2004 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 ($5.6 million) and operating and maintenance expenses ($1.6 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 the PSCW determined that costs associated with this outage will be addressed in the 2006 rate case. The PSCW Staff has included these costs in the Staff audit of the 2006 rate case without adjustment.

On February 20, 2005, Kewaunee was temporarily removed from service after a potential design weakness was identified in its auxiliary feedwater system. Plant engineering staff identified the concern and the unit was shut down in accordance with the plant license. A modification was made to resolve the issue and the unit went back into service at 100% power on July 4, 2005. WPSC filed a request with the PSCW on March 11, 2005, for deferral of replacement power and operating and maintenance expenses incurred to address the design weakness and engineering issues identified. On April 8, 2005, the PSCW approved deferral of these costs, including carrying costs at the most recently authorized pre-tax weighted average cost of capital. WPSC also filed with FERC for approval to defer these costs. FERC has not yet ruled on the filing. For our Michigan retail customers, fuel costs are recovered through a pass through fuel adjustment clause and no deferral request is needed. Through June 30, 2005, WPSC had deferred $45.4 million of replacement power costs and $9.9 million of operating and maintenance expenses related to this outage. WPSC believes recovery of these costs in future rates is probable and anticipates the PSCW will address recovery of the deferred costs in the 2006 rate case. On July 5, 2005, WPSC sold its 59% share of Kewaunee to Dominion. See Note 5, *Acquisitions and Sales of Assets*, for further information on the sale of Kewaunee.

As part of the Kewaunee sale, the PSCW approved the refund of the value of the nonqualified decommissioning trust fund to customers. The details of the distribution of the refund will be addressed in the 2006 rate case. A proposal to refund the nonqualified decommissioning trust fund to customers was also approved by the FERC with no specification of the details for distribution. Subsequently, on June 7, 2005, WPSC filed with the PSCW and FERC a request for establishment of a cooperative joint proceeding for approval of the Kewaunee wind-up plan. The wind-up plan provides that the refunds to customers of the value of the nonqualified decommissioning trust fund be offset by the net loss on the sale of the plant and the Kewaunee related deferred costs applicable to each customer class. The wind-up plan also seeks to begin the amortization of the net regulatory liability as a credit to customer rates as of the effective date of the PSCW's order (expected to be January 1, 2006). The PSCW and FERC have not yet ruled on the wind-up plan.

On April 1, 2005, WPSC filed an application with the PSCW for an 11.4% increase in retail electric rates ($89.7 million in revenues) and a 2.09% increase in natural gas rates ($10.0 million in revenues), both to be effective January 1, 2006. Factors driving the requested 2006 retail electric rate increase include costs of transmission, costs for the construction of Weston 4, and increased purchased power costs. The natural gas rate increase is primarily related to increases in environmental monitoring costs and the cost of distribution system improvements. These amounts do not include adjustments for the nonqualified decommissioning trust fund, the loss on the sale of Kewaunee, or the Kewaunee outages, all of which are discussed above.

The amount of fuel and purchased power costs WPSC is authorized to recover in rates is established in its PSCW general rate filings. If the actual fuel and purchased power costs vary from the authorized level by more than 2% on an annualized basis, WPSC is allowed, or may be required, to file an application adjusting rates for the remainder of the year to reflect revised annualized cost estimates. At March 31, 2005, excluding the impact of the Kewaunee outage (which was deferred), WPSC was experiencing actual fuel and purchased power costs that were more than 2% lower than the currently approved level. As a result, on April 14, 2005, the PSCW reopened WPSC's 2005 rate case for potential refund of fuel and purchased power costs. Therefore, revenues collected after that date are subject to refund pending a review of projected fuel costs for 2005. Rates will be adjusted downward for the balance of the year if projected costs are deemed to be more than 2% less than the amount allowed in the 2005 rate case. WPSC recorded a refund liability of $2.1 million to reflect the potential fuel refund due to customers as of June 30, 2005.

Michigan

On December 8, 2004, UPPCO submitted a request to the MPSC to approve UPPCO's proposed treatment of the pre-tax gains from certain sales of undeveloped and partially developed land located in the Upper Peninsula of Michigan as appropriate for ratemaking purposes. On April 28, 2005, the MPSC issued an order authorizing UPPCO to retain 100% of the pre-tax gains on certain lands owned up to $18.5 million and 73% of any pre-tax gains over that amount. In addition, UPPCO will voluntarily forego filing for retail electric service base rate increases until January 1, 2006, except UPPCO may file for MPSC consideration of deferred accounting of any governmental mandates during the moratorium and for any unusual and extraordinary events that would cause serious financial harm to UPPCO. Further, UPPCO's Power Supply Cost Recovery Clause is not subject to the filing moratorium.

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 was required due to costs associated with improving service quality and reliability, technology upgrades, and managing rising employee and retiree benefit costs. After the appeal period expired for the April 28, 2005, order described above, UPPCO filed a request to withdraw this rate increase request on June 2, 2005. The MPSC subsequently dismissed the rate increase request on June 30, 2005.

Federal

Through a series of orders issued by FERC, Regional Through and Out Rates for transmission service between the MISO and the PJM Interconnection were eliminated effective December 1, 2004. To compensate transmission owners for the revenue they will no longer receive due to this elimination, FERC ordered a transitional pricing mechanism called the Seams Elimination Charge Adjustment (SECA) to be put into place, which will be paid by load serving entities. On February 10, 2005, FERC issued an order requesting compliance filings from transmission providers implementing the SECA effective December 1, 2004, subject to refund and surcharge, as appropriate. Public hearings will be held regarding the compliance filings. The application and legality of the SECA is being challenged by many load-serving entities, including ESI. On February 28, 2005, ESI filed a motion for a Partial Stay of the February 10, 2005 FERC order, proposing that SECA charges on its Michigan load be postponed until a FERC order approves a decision or settlement in the formal hearing proceeding. FERC denied this motion on May 4, 2005. On June 3, 2005, ESI filed with FERC a request for rehearing of the order denying stay. 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. Resolution of issues to be raised in the SECA hearing offer the possibility of further reductions in ESI's exposure, but the extent is unknown at present. Through existing contracts, ESI has the ability to pass a portion of the SECA charges on to customers and has begun to do so. The impact of the SECA charge on ESI's competitiveness in the marketplace is currently unknown.

The SECA is also an issue for WPSC and UPPCO, who have intervened and protested a number of proposals in this docket because those proposals could result in unjust, unreasonable, and discriminatory charges for customers. It is anticipated that most of the SECA charges incurred by WPSC and UPPCO and any refunds will be passed on to customers through rates.

NOTE 17--SEGMENTS OF BUSINESS

We manage our reportable segments separately due to their different operating and regulatory environments. Our utility business segments are the regulated electric utility operations of WPSC and UPPCO and the regulated gas utility operations of WPSC. Our other reportable segments include two nonregulated companies, ESI and PDI. ESI is a diversified energy supply and services company. PDI is an electric generation company. The Other segment includes the operations of WPS Resources and WPS Resources Capital Corporation as holding companies, along with the nonutility activities at WPSC and UPPCO.

Segments of Business *(Millions)*	Regulated Utilities Electric Utility(1)	Gas Utility(1)	Total Utility(1)	Nonutility and Nonregulated Operations ESI	PDI	Other(1)	Reconciling Eliminations	WPS Resources Consolidated
Three Months Ended June 30, 2005								
External revenues	**$231.8**	**$ 89.6**	**$321.4**	**$ 977.1**	**$29.0**	**$ -**	**$ -**	**$1,327.5**
Intersegment revenues	**8.4**	**0.2**	**8.6**	**4.8**	**8.0**	**0.3**	**(21.7)**	**-**
Income available for common shareholders	**20.9**	**(1.9)**	**19.0**	**4.6**	**(1.0)**	**1.3**	**-**	**23.9**
Three Months Ended June 30, 2004								
External revenues	$206.3	$ 69.5	$275.8	$ 761.7	$22.0	$ -	$ -	$1,059.5
Intersegment revenues	4.5	0.1	4.6	4.8	5.4	0.3	(15.1)	-
Income available for common shareholders	9.9	(0.4)	9.5	2.1	(8.2)	1.2	-	4.6
Six Months Ended June 30, 2005								
External revenues	**$468.2**	**$264.1**	**$732.3**	**$2,010.0**	**$72.1**	**$ -**	**$ -**	**$2,814.4**
Intersegment revenues	**16.0**	**0.3**	**16.3**	**6.3**	**17.3**	**0.6**	**(40.5)**	**-**
Income available for common shareholders	**44.4**	**12.1**	**56.5**	**16.3**	**15.5**	**1.5**	**-**	**89.8**
Six Months Ended June 30, 2004								
External revenues	$423.5	$239.0	$662.5	$1,735.4	$48.6	$ -	$ -	$2,446.5
Intersegment revenues	10.2	4.2	14.4	7.2	11.2	0.6	(33.4)	-
Income available for common shareholders	28.1	13.2	41.3	14.2	(9.2)	0.9	-	47.2

(1) Includes only utility operations. Nonutility operations are included in the Other column.

WPSC's principal business segments are the regulated electric utility operations and the regulated gas utility operations.

Segments of Business *(Millions)*	Regulated Utilities Electric Utility(1)	Gas Utility(1)	Total Utility	Other	Reconciling Eliminations	WPSC Consolidated
Three Months Ended June 30, 2005						
External revenues	**$219.3**	**$ 89.8**	**$309.1**	**$0.3**	**$(0.3)**	**$309.1**
Earnings on common stock	**20.6**	**(1.9)**	**18.7**	**2.6**	**-**	**21.3**
Three Months Ended June 30, 2004						
External revenues	$190.2	$ 69.6	$259.8	$0.3	$(0.3)	$259.8
Earnings on common stock	10.0	(0.4)	9.6	2.3	-	11.9
Six Months Ended June 30, 2005						
External revenues	**$439.1**	**$264.4**	**$703.5**	**$0.7**	**$(0.7)**	**$703.5**
Earnings on common stock	**43.0**	**12.1**	**55.1**	**3.8**	**-**	**58.9**
Six Months Ended June 30, 2004						
External revenues	$388.6	$243.2	$631.8	$0.7	$(0.7)	$631.8
Earnings on common stock	26.6	13.2	39.8	4.6	-	44.4

(1) Includes only utility operations. Nonutility operations are included in the Other column.

NOTE 18--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 January 1, 2006.

SFAS No. 123R offers companies alternative methods of adopting this standard. The impact on WPS Resources' financial position and results of operations will be dependent upon a number of factors, including share-based payments made in 2006. Because we do not know the amount of share-based payments to be made in 2006, we cannot yet estimate the effect of this standard on our financial position and results of operations.

In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations." Interpretation No. 47 clarifies that the term Conditional Asset Retirement Obligation as used in FASB Statement No. 143, “Accounting for Asset Retirement Obligation,” refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Accordingly, an entity is required to recognize a liability for the fair value of a Conditional Asset Retirement Obligation if the fair value of the liability can be reasonably estimated. WPS Resources is required to adopt the provisions of Interpretation No. 47 as of December 31, 2005. WPS Resources has not yet determined the impact that the adoption of Interpretation No. 47 will have on its financial position or results of operations. If expenses under Interpretation No. 47 for WPSC and UPPCO differ from expenses recovered currently in rates, management will assess the probability of recovering this difference in future rates. To the extent future recovery is probable, a regulatory asset would be recognized in accordance with the provisions of SFAS No. 71.

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

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.

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 power sales contracts with Consolidated Water Power through December 31, 2017, and Wisconsin Public Power Inc. through April 30, 2021, in order to bolster growth beyond the normal utility growth rate. WPSC is also expanding its generation fleet in order to meet growing electric demand and ensure the continued reliability of energy services. Construction is in-process on the 500-megawatt coal-fired Weston 4 base-load power plant near Wausau, Wisconsin, and WPSC continues to pursue plans to construct a jointly owned 500-megawatt base-load electric plant with Wisconsin Power and Light Company.

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. This strategy is most evident at our nonregulated subsidiaries, where we have restructured the management of our two primary nonregulated subsidiaries (ESI and PDI). Currently, we have one executive management team overseeing the operations of all of our nonregulated businesses. ESI also continues to optimize the value of PDI's merchant generation fleet and reduce the market price risk while extracting additional value from these plants, through the use of various financial and physical instruments (such as forwards, futures, options, and swaps), which has provided more predictable revenues 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. 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 strategically fit with ESI's customer base and market expertise. The acquisition of Advantage Energy in July 2004 provided ESI with enhanced opportunities to compete in the New York market and had a positive impact on ESI's margin in the first half of 2005.

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 businesses and strategy, such as Advantage Energy.

Another portion of the strategy calls for the disposition of assets, including plants and entire business units, which are no longer required for operations. The sale of Sunbury's allocated emission allowances was completed in May 2005 for $109.9 million. The proceeds received from the sale enabled Sunbury to eliminate its non-recourse debt obligation, which provided greater flexibility as PDI evaluates its options related to Sunbury. These options range from closing the plant, operating the plant only during favorable economic periods, to a future sale. We also sold Kewaunee in July 2005. The major benefits of the Kewaunee sale include transferring financial risk from WPSC's electric customers and WPS Resources' shareholders to Dominion, greater certainty of future energy costs through a purchase power agreement, and being able to return the non-qualified decommissioning funds to our customers.

We also continue to evaluate alternatives for the sale of the balance of our identified excess real estate holdings. A significant portion of our expected land sales are at UPPCO and will benefit our customers as well as our shareholders. UPPCO withdrew a rate increase request that it filed in February 2005 after the MPSC approved its requested regulatory treatment of these land sales by sharing gains between customers and shareholders.

Business Operations

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 *Management's Discussion and Analysis of Financial Condition and Results of Operations - Introduction - WPS Resources* appearing in the 2004 Form 10-K included a discussion of these topics. There have not been significant changes to the content of the matters discussed in the above referenced section of the 2004 Form 10-K; however, certain tables have been updated and included below to reflect current information. These tables should be read in conjunction with the discussion appearing in the *Management's Discussion and Analysis of Financial Condition and Results of Operations - Introduction - WPS Resources* appearing in the 2004 Form 10-K.

The table below discloses future natural gas and electric sales volumes under contract at ESI as of June 30, 2005. 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 June 30, 2005 [1]	**July 1, 2005 through June 30, 2006**	**July 1, 2006 through June 30, 2008**
Wholesale sales volumes - billion cubic feet	**105.6**	**15.4**
Retail sales volumes - billion cubic feet	**138.5**	**49.5**
Total natural gas sales volumes	**244.1**	**64.9**
Wholesale sales volumes - million kilowatt-hours	**7,599**	**6,291**
Retail sales volumes - million kilowatt-hours	**2,507**	**2,456**
Total electric sales volumes	**10,106**	**8,747**

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

For comparative purposes, future natural gas and electric sales volumes under contract at June 30, 2004, are shown below. Actual electric and natural gas sales volumes for the six months ended June 30, 2005, and 2004 are disclosed within *Results of Operations - WPS Resources, ESI Segment Operations* below.

Forward Contracted Volumes at June 30, 2004 [1]	July 1, 2004 through June 30, 2005	July 1, 2005 through June 30, 2007
Wholesale sales volumes - billion cubic feet	76.2	14.1
Retail sales volumes - billion cubic feet	149.9	45.8
Total natural gas sales volumes	226.1	59.9
Wholesale sales volumes - million kilowatt-hours	4,921	1,826
Retail sales volumes - million kilowatt-hours	4,561	2,768
Total electric sales volumes	9,482	4,594

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

The table below summarizes ESI's wholesale counterparty credit exposure, categorized by maturity date, as of June 30, 2005. At June 30, 2005, ESI did not have net exposure with any single counterparty that was more than 10% of total exposure.

Counterparty Rating *(Millions)* [1]	Exposure [2]	Exposure Less Than 1 Year	Exposure 1 to 3 Years	Exposure 4 to 5 years
Investment grade - regulated utility	$ 32.1	$ 9.1	$23.0	$ -
Investment grade - other	107.1	79.9	23.2	4.0
Non-investment grade - regulated utility	9.3	9.3	-	-
Non-investment grade - other	0.3	0.3	-	-
Non-rated - regulated utility [3]	9.7	6.5	3.2	-
Non-rated - other [3]	48.5	38.7	9.2	0.6
Total Exposure	$207.0	$143.8	$58.6	$4.6

[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 $16.6 million at June 30, 2005; $12.0 million from investment grade counterparties and $4.6 million from non-rated counterparties.

[3] Non-rated counterparties include stand-alone companies, as well as unrated subsidiaries of rated companies without parental credit support. These counterparties are subject to an internal credit review process.

RESULTS OF OPERATIONS - WPS RESOURCES

Second Quarter 2005 Compared with Second Quarter 2004

WPS Resources Overview

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

WPS Resources' Results *(Millions, except share amounts)*	**2005**	2004	Change
Consolidated operating revenues	**$1,327.5**	$1,059.5	25.3%
Income available for common shareholders	**$23.9**	$4.6	419.6%
Basic earnings per share	**$0.63**	$0.12	425.0%
Diluted earnings per share	**$0.62**	$0.12	416.7%

The $268.0 million increase in consolidated operating revenue for the quarter ended June 30, 2005, compared to the same quarter in 2004, was largely driven by a $215.4 million (28.1%) increase in revenue at ESI and a $49.6 million (17.7%) increase in utility revenue. Higher revenue at ESI was driven by an increase in natural gas prices and continued expansion of the Canadian natural gas business. Electric utility revenue increased $29.4 million, primarily due to higher electric sales volumes (related to warmer weather conditions and new power sales agreements with several wholesale customers), and an approved retail electric rate increase. Gas utility revenue increased $20.2 million due to an increase in the per unit cost of natural gas, higher natural gas throughput volumes, and an approved rate increase. Revenue changes by reportable segment are discussed in more detail below.

Income available for common shareholders was $23.9 million ($0.63 basic earnings per share) for the quarter ended June 30, 2005, compared to $4.6 million ($0.12 basic earnings per share) for the same quarter in 2004. Significant factors impacting the change in earnings and earnings per share are as follows (and are discussed in more detail below).

- Favorable weather conditions and an approved retail electric rate increase favorably impacted WPSC's electric margin, contributing to an $11.0 million increase in electric utility earnings.
- The net loss realized by PDI decreased from $8.2 million in the second quarter of 2004, to $1.0 million in the second quarter of 2005. PDI's margin increased $9.3 million, due largely to an improvement in Sunbury's margin. PDI also benefited from an increase in Section 29 federal tax credits recognized in the second quarter of 2005, compared to the same quarter in 2004. PDI's operating results were negatively impacted by an $80.6 million pre-tax impairment loss that was required to write down Sunbury's long-lived assets to fair market value and the recognition of $9.1 million in interest expense related to terminating Sunbury's interest rate swap; however, these losses were substantially offset by an $85.9 million pre-tax gain recognized on the May 2005 sale of Sunbury's allocated emission allowances.
- ESI's natural gas margin increased $5.7 million, driven primarily by a $4.8 million increase in its wholesale natural gas margin. The higher wholesale natural gas margin was primarily related to a favorable settlement with a counterparty and more structured transaction opportunities in the second quarter of 2005, compared to the same quarter in 2004. The higher natural gas margin contributed to a $2.5 million increase in ESI's earnings.

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, consisting of the natural gas operations of WPSC. Income available for common shareholders attributable to the electric utility segment was $20.9 million for the quarter ended June 30, 2005, compared to $9.9 million for the quarter ended June 30, 2004. The net loss attributable to the gas utility segment was $1.9 million for the quarter ended June 30, 2005, compared to a net loss of $0.4 million for the quarter ended June 30, 2004.

Electric Utility Segment Operations

WPS Resources' Electric Utility Segment Results *(Millions)*	Three Months Ended June 30, **2005**	2004	Change
Revenue	**$240.2**	$210.8	13.9%
Fuel and purchased power costs	**79.2**	69.7	13.6%
Margin	**$161.0**	$141.1	14.1%
Sales in kilowatt-hours	**3,803.2**	3,425.9	11.0%

Electric utility revenue increased $29.4 million (13.9%) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004. Electric utility revenue increased largely due to an increase in electric sales volumes and an approved electric rate increase for WPSC's Wisconsin retail customers. Electric sales volumes increased 11.0%, primarily due to significantly warmer weather in the second quarter of 2005, compared to the second quarter of 2004, and new power sales agreements that were entered into with several wholesale customers. On December 21, 2004, the PSCW approved a retail electric rate increase of $60.7 million (8.6%), effective January 1, 2005. The rate increase was required primarily to recover increased costs related to fuel and purchased power, costs related to the construction of the Weston 4 base-load generation facility, and benefit costs.

The electric utility margin increased $19.9 million (14.1%) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004. The increase can be attributed to a $19.9 million (15.4%) increase in WPSC's electric margin, which was primarily driven by the increase in electric sales volumes and the retail electric rate increase discussed above.

The quantity of power purchased by WPSC during the quarter ended June 30, 2005, increased 74% compared to the same quarter in 2004, and fuel and purchased power costs were approximately 49% higher on a per-unit basis. The increase in the quantity of power purchased was largely due to an unscheduled outage at Kewaunee, which began in February 2005. Kewaunee did not return to service until July 2005, just prior to it being sold to a subsidiary of Dominion Resources, Inc. The unscheduled outage did not have a significant impact on the electric utility margin as the PSCW approved deferral of unanticipated fuel and purchased power costs directly related to the outage. During the quarter ended June 30, 2005, $30.7 million of fuel and purchased power costs were deferred in conjunction with the Kewaunee outage. Excluding the Kewaunee deferral, fuel and purchased power costs at WPSC increased $9.2 million for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004, primarily related to the higher per-unit cost of fuel and purchased power. The higher costs were anticipated in the 2005 rate case and included in the approved 2005 rates and, therefore, did not have a significant impact on margin.

The PSCW allows WPSC to adjust prospectively the amount billed to Wisconsin retail customers for fuel and purchased power if costs exceed plus or minus 2% from approved levels on an annualized basis. At June 30, 2005, WPSC continued to experience actual fuel and purchased power costs that were more than 2% lower than the currently approved level (excluding the impact of the Kewaunee outage). The PSCW reopened WPSC's 2005 rate case on April 14, 2005. Revenue collected after that date is subject to refund pending a review of projected fuel costs for 2005. Rates will be adjusted downward for the balance of the year if projected costs are deemed to be less than the amount allowed in the 2005 rate case. WPSC recorded a refund liability of $2.1 million to reflect the potential fuel refund due to customers as of June 30, 2005.

Electric utility earnings increased $11.0 million (111.1%) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004, largely driven by the higher margin realized by WPSC.

Gas Utility Segment Operations

WPS Resources' Gas Utility Segment Results *(Millions)*	Three Months Ended June 30, **2005**	2004	Change
Revenue	**$89.8**	$69.6	29.0%
Purchased natural gas costs	**66.2**	46.3	43.0%
Margin	**$23.6**	$23.3	1.3%
Throughput in therms	**162.5**	150.0	8.3%

Gas utility revenue increased $20.2 million (29.0%) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004. Gas utility revenue increased primarily as a result of an increase in the per unit cost of natural gas, higher natural gas throughput volumes, and a rate increase. Natural gas prices increased 15.6% (on a per unit basis) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004. Following regulatory practice, WPSC passes changes in the total cost of natural gas on to customers through a purchased gas adjustment clause, as allowed by the PSCW and the MPSC. Natural gas throughput volumes increased 8.3%, primarily related to an increase in interdepartmental sales from the natural gas utility to the electric utility as a result of increased generation from combustion turbines. These combustion turbines were dispatched more often in the second quarter of 2005, compared to the same period in 2004, due to the Kewaunee outage and the warm weather conditions. Higher natural gas throughput volumes from interdepartmental sales to the electric utility were partially offset by lower natural gas throughput volumes to residential customers, related primarily to the milder weather conditions experienced during the earlier part of the quarter ended June 30, 2005, compared to the same period in 2004. The PSCW issued a final order authorizing a natural gas rate increase of $5.6 million (1.1%), effective January 1, 2005. The rate increase was primarily driven by higher benefit costs and the cost of distribution system improvements.

The natural gas utility margin increased $0.3 million (1.3%) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004. The higher natural gas utility margin was largely due to the rate increase mentioned above. While the increase in interdepartmental sales volumes to WPSC's electric utility had a positive impact on the natural gas margin, this was more than offset by the decrease in sales volumes to WPSC's higher margin customers.

The gas utility realized a net loss of $1.9 million for the quarter ended June 30, 2005, compared to a net loss of $0.4 million for the quarter ended June 30, 2004. The higher net loss was attributed to an increase in operating expenses incurred by the gas utility.

Overview of Nonregulated Operations

Nonregulated operations consist of natural gas, electric, and other sales at ESI, a diversified energy supply and services, and gas storage 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 $4.6 million for the quarter ended June 30, 2005, compared to $2.1 million for the same quarter in 2004. The $2.5 million increase in earnings at ESI was primarily the result of higher natural gas margins.

The net loss realized by PDI decreased from $8.2 million in the second quarter of 2004, to $1.0 million in the second quarter of 2005. The lower net loss was largely due to an improvement in PDI's margin (discussed below). PDI also benefited from an increase in Section 29 federal tax credits recognized in the second quarter of 2005, compared to the same quarter in 2004. PDI's operating results were negatively impacted by an $80.6 million pre-tax impairment loss that was required to write down Sunbury's long-lived assets to fair market value and the recognition of $9.1 million in interest expense related to the termination of Sunbury's interest rate swap, however, these losses were substantially offset by an $85.9 million pre-tax gain recognized on the sale of Sunbury's allocated emission allowances.

ESI's Segment Operations

Total segment revenues at ESI were $981.9 million for the quarter ended June 30, 2005, compared to $766.5 million for the same quarter in 2004. The total margin at ESI was $24.0 million for the quarter ended June 30, 2005, compared to $17.6 million for the quarter ended June 30, 2004. 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	Three Months Ended June 30,		
(Millions, except sales volumes)	**2005**	2004	Change
Nonregulated natural gas revenue	**$870.1**	$645.8	34.7%
Nonregulated natural gas cost of sales	**856.6**	638.0	34.3%
Margin	**$ 13.5**	$ 7.8	73.1%
Wholesale sales in billion cubic feet [1]	**58.3**	54.5	7.0%
Retail sales in billion cubic feet [1]	**78.2**	63.6	23.0%

[1] Represents gross physical volumes.

Natural gas revenue increased $224.3 million (34.7%), driven by higher natural gas prices and continued expansion of ESI's Canadian natural gas business.

The natural gas margin at ESI increased $5.7 million (73.1%) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004. The margin related to wholesale natural gas operations increased $4.8 million, driven primarily by a $3.3 million favorable settlement with a counterparty, a $2.6 million increase in margin from structured wholesale natural gas transactions (the profitability and volume of these products was higher due to the increased variability in the price of natural gas in the second quarter of 2005, compared to the same quarter in 2004), and a $1.2 million increase in margin related to the expansion of the Canadian natural gas business. The natural gas storage cycle had a $2.2 million negative impact on ESI's natural gas margin (for the quarter ended June 30, 2005, the natural gas storage cycle had a $2.9 million negative impact on margin, compared with a $0.7 million negative impact on margin for the same period in 2004). At June 30, 2005, there was a $5.7 million difference between the market value of natural gas in storage and the market value of future sales contracts (net unrealized loss), related to the 2005/2006 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 2005/2006 storage cycle is expected to vary with market conditions, but will reverse entirely when all of the natural gas is withdrawn from storage. The margin related to retail natural gas operations increased $0.9 million, largely due to improved management of supply for Ohio residential and commercial customers, and higher sales volumes related to the addition of new customers in Ohio.

ESI's Electric Results	Three Months Ended June 30,		
(Millions)	**2005**	2004	Change
Nonregulated electric revenue	**$111.1**	$120.1	(7.5%)
Nonregulated electric cost of sales	**101.3**	111.0	(8.7%)
Margin	**$ 9.8**	$ 9.1	7.7%
Wholesale sales volumes in kilowatt-hours [1]	**46.2**	1,040.8	(95.6%)
Retail sales volumes in kilowatt-hours [1]	**1,502.4**	1,597.6	(6.0%)

[1] Represents gross physical volumes.

Electric revenue decreased $9.0 million (7.5%), driven by a decrease in wholesale electric volumes related to ESI's prior participation in the New Jersey Basic Generation Services Program, which ended on May 31, 2004. Retail electric revenue increased slightly due to the acquisition of Advantage Energy on July 1, 2004, but this increase was largely offset by lower revenue from retail electric operations in Michigan in the second quarter of 2005.

ESI's electric margin increased $0.7 million (7.7%) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004. The margin attributed to wholesale electric operations increased $4.6 million, driven primarily by an increase in the margin contributed by portfolio optimization strategies. Period-by-period variability in the margin contributed by these activities is expected due to constantly changing market conditions. The retail electric margin decreased $3.9 million for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004, primarily related to a $5.1 million decrease in margin from retail electric operations in Michigan. Higher transmission-related charges resulting from the Seams Elimination Charge Adjustment, which was implemented on December 1, 2004, as ordered by the FERC as part of the implementation of MISO, have negatively impacted the margin from retail electric operations in Michigan. In addition, tariff changes granted to the regulated utilities in Michigan in 2004, coupled with high wholesale energy prices, have significantly lowered the savings customers can obtain from contracting with non-utility suppliers. The tariff changes enable Michigan utilities to charge a fee to electric customers choosing non-utility suppliers in order to recover certain stranded costs. ESI has experienced some customer attrition as a result of the tariff changes and higher wholesale prices, which has negatively impacted its margin. The lower retail electric margin was partially offset by positive operating results from Advantage Energy.

PDI's Segment Operations

PDI's Operating Results	Three Months Ended June 30,		
(Millions)	**2005**	2004	Change
Nonregulated other revenues	**$37.0**	$27.4	35.0%
Nonregulated other cost of sales	**23.1**	22.8	1.3%
Margins	**$13.9**	$ 4.6	202.2%

PDI's revenue increased $9.6 million (35.0%) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004. A combined $8.6 million increase in revenue was experienced at PDI's Combined Lock Energy Center in Wisconsin, its steam boiler in Oregon, its Niagara generation facility in New York, and its Westwood generation facility in Pennsylvania. A $1.1 million mark-to-market gain on derivative instruments utilized to protect the value of a portion of PDI's Section 29 tax credits, net of related premium amortization, also contributed to the higher revenue. The increase in revenue at PDI's Combined Locks Energy Center was largely due to an increase in generation at this facility, due to an unplanned outage experienced in the second quarter of 2004 and new opportunities to sell power into the MISO market in the second quarter of 2005. The increase in revenue from the steam boiler in Oregon was driven by higher demand for energy from the steam customer at this facility and an increase in the price of energy sold. Also, this facility experienced a 30-day planned outage to perform repairs on the boiler in the second quarter of 2004. The increase in revenue at the Niagara generation facility was due primarily to higher contracted selling prices. An increase in sales volumes contributed to higher revenue from the Westwood facility. Sales volumes were higher primarily due to an outage in the second quarter of 2004. The Westwood generating facility has also been running more efficiently after returning from this outage.

PDI's margin for the quarter ended June 30, 2005, increased $9.3 million (202.2%), compared to the quarter ended June 30, 2004. Sunbury's margin improved $5.8 million, primarily due to more opportunities to sell power into the market as a result of the expiration of a fixed price outtake contract on December 31, 2004. Although Sunbury's sales volumes decreased compared to the same period in 2004 due to planned maintenance outages and temporary shutdowns due to economics, market energy prices during the period were significantly higher than the fixed price previously received under the expired contract. Operations at the Niagara generation facility in New York and the Westwood generation facility in Pennsylvania resulted in a combined margin improvement of $1.5 million. Higher contracted selling prices benefited both the Niagara and Westwood facilities. The Westwood facility also experienced an unplanned outage in the second quarter of 2004, resulting in low sales volumes during this period. Mark-to-market gains on derivative instruments utilized to protect a portion of PDI's Section 29 federal tax credits, net of related premium amortization, contributed $1.1 million to the increase in margin for the second quarter of 2005.

PDI, through a subsidiary, is part owner of a synthetic fuel producing facility that generates Section 29 tax credits. The Section 29 tax credits are subject to phase out if domestic crude oil prices reach specified levels. To manage exposure to the risk that an increase in oil prices could reduce the recognizable amount of 2005, 2006, and 2007 Section 29 tax credits, PDI entered into a series of derivative contracts covering a specified number of barrels of oil. These derivatives were entered into in March and April 2005 and mitigate approximately 95%, 60%, and 40% of the Section 29 tax credit exposure related to rising oil prices in 2005, 2006, and 2007, respectively. The derivative contracts involve purchased and written call options that provide for net cash settlement at expiration based on the average New York Mercantile Exchange (NYMEX) trading price of oil in relation to the strike price of each option. The derivative contracts have not been designated as hedging instruments and, as a result, changes in the fair value of the options are recorded currently in earnings. The timing of recognizing changes in the fair value of these options likely will not correspond with the timing of when Section 29 tax credits are, or would have been, recognized. As of June 30, 2005, average annual oil prices were below the level where tax credit phase out is anticipated to occur.

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 of WPSC and UPPCO. Holding Company and Other operations had earnings of $1.3 million during the quarter ended June 30, 2005, compared to $1.2 million during the same period in 2004. A $2.2 million increase in equity earnings from ATC was substantially offset by higher interest expense from commercial paper borrowings. Pre-tax equity earnings from ATC were $5.9 million for the quarter ended June 30, 2005, compared to $3.7 million for the quarter ended June 30, 2004.

Operating Expenses

	Three Months Ended June 30,		
WPS Resources' Operating Expenses *(Millions)*	**2005**	2004	Change
Operating and maintenance expense	**$142.1**	$138.7	2.5%
Depreciation and decommissioning expense	**66.6**	26.6	150.4%
Gain on sale of emission allowances	**(85.9)**	-	-
Impairment loss	**80.6**	-	-
Taxes other than income	**11.9**	11.5	3.5%

Operating and Maintenance Expense

Operating and maintenance expenses increased $3.4 million (2.5%) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004. WPSC's operating and maintenance expenses increased $1.3 million, driven by higher electric transmission costs and higher pension and postretirement expenses. The unplanned outage at Kewaunee did not significantly impact the quarter-over-quarter change in operating and maintenance expenses as the PSCW approved the deferral of incremental operating and maintenance expenses that were incurred as a direct result of the unplanned outage. Operating and maintenance costs of $8.8 million were deferred in the second quarter of 2005 related to this outage. Operating expenses at ESI increased $1.2 million, primarily due to higher payroll, benefits, and other costs related to continued business expansion. PDI's operating and maintenance expenses increased $1.3 million, primarily related to a write-down of the spare parts inventory at Sunbury and costs incurred to repair damaged compressor blades at PDI's Syracuse generation facility in New York.

Depreciation and Decommissioning Expense

Depreciation and decommissioning expense increased $40.0 million (150.4%) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004, largely due to an increase of $39.3 million at WPSC as a result of realized gains on decommissioning trust assets and continued capital investment. Realized gains on decommissioning trust assets are partially offset by decommissioning expense pursuant to regulatory practice (see the detailed discussion in *Miscellaneous Income* below).

Gain on Sale of Emission Allowances

PDI completed the sale of Sunbury's allocated emission allowances in May 2005. The sales proceeds were $109.9 million, resulting in a pre-tax gain of $85.9 million. For more information on Sunbury, see Note 4, *Assets Held for Sale*, to Condensed Notes to Financial Statements.

Impairment Loss

The sale of Sunbury's allocated emission allowances in May 2005, provides PDI with more time to evaluate various options related to Sunbury. These options range from closing the plant, retaining the plant and operating it during favorable economic periods, to a future sale. Because WPS Resources is no longer committed to the sale of Sunbury as its only option, generally accepted accounting principles required all long-lived assets that were previously classified as held for sale to be reclassified as held and used at the lower of their carrying value before they were classified as held for sale adjusted for depreciation that would have been recognized had the assets been continuously classified as held and used, or fair value at the date the held for sale criteria were no longer met. Upon reclassification of the Sunbury plant and related assets as held and used in the second quarter of 2005, PDI recorded a non-cash, pre-tax impairment charge of $80.6 million. The impairment charge reflects the reduction in the fair value of the Sunbury plant without the related emission allowances. For more information on Sunbury, see Note 4, *Assets Held for Sale*, to Condensed Notes to Financial Statements.

Other Income (Expense)

	Three Months Ended June 30,		
WPS Resources' Other Income (Expense) *(Millions)*	**2005**	2004	Change
Miscellaneous income	**$45.5**	$ 6.1	645.9%
Interest expense	**(24.4)**	(14.4)	69.4%
Minority interest	**1.2**	1.1	9.1%
Other income (expense)	**$22.3**	$ (7.2)	-

Miscellaneous Income

Miscellaneous income increased $39.4 million for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004. Approximately $38 million of the increase in miscellaneous income related to realized gains on the nonqualified nuclear decommissioning trust assets, driven by a change in the investment strategy for the these assets. The nonqualified decommissioning trust assets were placed in more conservative investments in anticipation of the sale of Kewaunee. Pursuant to regulatory practice, the increase in miscellaneous income related to the realized gains was offset by an increase in decommissioning expense. Overall, the change in the investment strategy for the nonqualified decommissioning trust assets had no impact on income available for common shareholders. An increase of $2.2 million in equity earnings from our investments in ATC also contributed to the increase in miscellaneous income.

Interest Expense

Interest expense increased $10.0 million (69.4%) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004. The increase in interest expense was primarily related to terminating the interest rate swap pertaining to Sunbury's non-recourse debt obligation. The interest rate swap was previously designated as a cash flow hedge and, as a result, the mark-to-market losses were recorded as a component of other comprehensive income. WPS Resources is required to recognize the amount accumulated within other comprehensive income as a component of interest expense when the hedged transactions (future interest payments on debt) are no longer probable of occurring. As a result, the restructuring of the Sunbury debt to a WPS Resources' obligation in June 2005 triggered the recognition of $9.1 million of interest expense related to the mark-to-market value of the swap at the date of restructuring. The remaining increase in interest expense is primarily related to an increase in the level of debt outstanding. Debt levels have increased primarily due to recent capital expenditures (including the Weston 4 base-load plant) and funding of costs related to the Wausau, Wisconsin, to Duluth, Minnesota, transmission line.

Provision for Income Taxes

The effective tax rate was 16.6% for the quarter ended June 30, 2005, compared to an 86.2% effective tax benefit rate for the quarter ended June 30, 2004. In the second quarter of 2004, the benefit of Section 29 tax credits exceeded income tax expense. Generally accepted accounting principles require our year-to-date interim effective tax rate to reflect our projected annual effective tax rate. As a result, we estimate the effective tax rate for the year and, based upon year-to-date pre-tax earnings, record tax expense for the period to reflect the projected annual effective tax rate. Therefore, although Section 29 federal tax credits are produced approximately ratably throughout the year, the amount of credits reflected in the tax provision for the quarter ended June 30, 2005, was based upon the projected annual effective tax rate and year-to-date pre-tax earnings.

Our ownership interest in the synthetic fuel operation resulted in recognizing the tax benefit of Section 29 federal tax credits totaling $5.8 million for the quarter ended June 30, 2005, and $2.0 million for the quarter ended June 30, 2004. As noted above, the amount of Section 29 federal tax credits recognized is based upon the estimated annual effective tax rate and is not necessarily reflective of tax credits produced during the period. For the year ending December 31, 2005, we expect to recognize the benefit of Section 29 federal tax credits totaling approximately $24 million.

Six Months 2005 Compared with Six Months 2004

WPS Resources Overview

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

WPS Resources' Results *(Millions, except share amounts)*	**2005**	2004	Change
Consolidated operating revenues	**$2,814.4**	$2,446.5	15.0%
Income available for common shareholders	**$89.8**	$47.2	90.3%
Basic earnings per share	**$2.37**	$1.27	86.6%
Diluted earnings per share	**$2.35**	$1.26	86.5%

The $367.9 million increase in consolidated operating revenues for the six months ended June 30, 2005, compared to the same period in 2004, was largely driven by a $273.7 million (15.7%) increase in revenue at ESI and a $71.7 million (10.6%) increase in utility revenue. Higher revenue at ESI was driven by an increase in natural gas prices and continued expansion of the Canadian natural gas business. Electric utility revenue increased $50.5 million, primarily due to an approved retail electric rate increase, higher electric sales volumes related to warmer weather conditions, and new power sales agreements with several wholesale customers. Gas utility revenue increased $21.2 million due primarily to an increase in the per unit cost of natural gas and an approved rate increase. Revenue changes by reportable segment are discussed in more detail below.

Income available for common shareholders was $89.8 million ($2.37 basic earnings per share) for the six months ended June 30, 2005, compared to $47.2 million ($1.27 basic earnings per share) for the six months ended June 30, 2004. Significant factors impacting the change in earnings and earnings per share are as follows (and are discussed in more detail below).

- PDI realized earnings of $15.5 million for the six months ended June 30, 2005, compared to a net loss of $9.2 million for the same period in 2004. PDI' s margin increased $25.6 million, largely due to an improvement in Sunbury's margin. PDI also benefited from an increase in Section 29 federal tax credits recognized during the six months ended June 30, 2005, compared to the same period in the prior year. PDI's operating results were negatively impacted by an $80.6 million pre-tax impairment loss that was required to write down Sunbury's assets to fair market value and the recognition of $9.1 million of interest expense related to the termination of Sunbury's interest rate swap; however, these losses were substantially offset by an $85.9 million pre-tax gain recognized on the May 2005 sale of Sunbury's allocated emission allowances.
- Warmer temperatures during the cooling season in 2005, compared to 2004, and a retail electric rate increase favorably impacted WPSC's electric margin, contributing to a $16.3 million increase in electric utility earnings.
- ESI's natural gas margin increased $8.0 million, driven by improved results from retail natural gas operations in Ohio. ESI's electric margin decreased $2.1 million, driven by lower margins from retail electric operations in Michigan. ESI's overall margin increase contributed to a $2.1 million increase in earnings.

Overview of Utility Operations

Income available for common shareholders attributable to the electric utility segment was $44.4 million for the six months ended June 30, 2005, compared to $28.1 million for the six months ended June 30, 2004. Income available for common shareholders attributable to the gas utility segment was $12.1 million for the six months ended June 30, 2005, compared to $13.2 million for the six months ended June 30, 2004.

Electric Utility Segment Operations

WPS Resources' Electric Utility Segment Results *(Millions)*	Six Months Ended June 30, 2005	2004	Change
Revenue	**$484.2**	$433.7	11.6%
Fuel and purchased power costs	**159.9**	142.2	12.4%
Margin	**$324.3**	$291.5	11.3%
Sales in kilowatt-hours	**7,483.7**	7,062.3	6.0%

Electric utility revenue increased $50.5 million (11.6%) for the six months ended June 30, 2005, compared to the six months ended June 30, 2004. Electric utility revenue increased largely due to an approved electric rate increase for WPSC's Wisconsin retail customers and an increase in electric sales volumes. On December 21, 2004, the PSCW approved a retail electric rate increase of $60.7 million (8.6%), effective January 1, 2005. Electric sales volumes increased 6.0%, primarily due to significantly warmer weather during the second quarter of 2005, compared to the second quarter of 2004, and new power sales agreements that were entered into with several wholesale customers.

The electric utility margin increased $32.8 million (11.3%) for the six months ended June 30, 2005, compared to the six months ended June 30, 2004. Most of this increase can be attributed to an increase in WPSC's electric margin, which was primarily driven by the retail electric rate increase and the increase in electric sales volumes discussed above.

The quantity of power purchased by WPSC during the six months ended June 30, 2005, increased 60% compared to the six months ended June 30, 2004, and fuel and purchased power costs were approximately 37% higher on a per-unit basis. The increase in the quantity of power purchased was largely due to an unscheduled outage at Kewaunee, which began in February 2005. Kewaunee did not return to service until July 2005, just prior to it being sold to a subsidiary of Dominion Resources, Inc. The unscheduled outage did not have a significant impact on the electric utility margin as the PSCW approved deferral of unanticipated fuel and purchased power costs directly related to the outage. For the six months ended June 30, 2005, $45.4 million of fuel and purchased power costs were deferred in conjunction with the Kewaunee outage. Excluding the Kewaunee deferral, fuel and purchased power costs at WPSC increased $17.3 million for the six months ended June 30, 2005, compared to the same period in 2004, primarily related to the higher per-unit cost of fuel and purchased power. The higher costs were anticipated in the 2005 rate case and included in the approved 2005 rates and, therefore, did not have a significant impact on margin.

Electric utility earnings increased $16.3 million (58.0%) for the six months ended June 30, 2005, compared to the same period in 2004, largely driven by the higher margin realized by WPSC.

Gas Utility Segment Operations

WPS Resources' Gas Utility Segment Results *(Millions)*	Six Months Ended June 30, 2005	2004	Change
Revenue	**$264.4**	$243.2	8.7%
Purchased natural gas costs	**194.5**	174.6	11.4%
Margin	**$ 69.9**	$ 68.6	1.9%
Throughput in therms	**471.3**	466.9	0.9%

Gas utility revenue increased $21.2 million (8.7%) for the six months ended June 30, 2005, compared to the six months ended June 30, 2004. Gas utility revenue increased primarily as a result of an increase in the per unit cost of natural gas, a natural gas rate increase, and higher natural gas throughput volumes.

Natural gas prices increased 10.7% (on a per unit basis) for the six months ended June 30, 2005, compared to the same period in 2004. The PSCW issued a final order authorizing a natural gas rate increase of $5.6 million (1.1%), effective January 1, 2005. Natural gas throughput volumes increased 0.9%, primarily related to an increase in interdepartmental sales from the natural gas utility to the electric utility as a result of increased generation from combustion turbines. The combustion turbines were dispatched more often due to the Kewaunee outage and the warm weather conditions. Higher natural gas throughput volumes from interdepartmental sales to the electric utility were substantially offset by lower natural gas throughput volumes to residential customers, related primarily to milder weather during the six months ended June 30, 2005, compared to the same period in 2004. In addition, we believe natural gas customers may be taking additional steps to conserve natural gas usage as a result of higher natural gas costs.

The natural gas utility margin increased $1.3 million (1.9%) for the six months ended June 30, 2005, compared to the six months ended June 30, 2004. The higher natural gas utility margin was largely due to the rate increase mentioned above.

Income available for common shareholders attributed to the gas utility decreased $1.1 million (8.3%). The higher margin was more than offset by an increase in operating and maintenance expenses at the gas utility.

Overview of Nonregulated Operations

Income available for common shareholders attributable to ESI was $16.3 million for the six months ended June 30, 2005, compared to $14.2 million for the same period in 2004. The $2.1 million increase in earnings at ESI was primarily the result of higher natural gas margins.

Income available for common shareholders attributable to PDI was $15.5 million for the six months ended June 30, 2005, compared to a net loss of $9.2 million for the same period in 2004. The earnings improvement was largely due to margin improvements (discussed below). PDI also benefited from an increase in Section 29 federal tax credits recognized for the six months ended June 30, 2005, compared to the same period in 2004. PDI's operating results were negatively impacted by an $80.6 million pre-tax impairment loss that was required to write down Sunbury's long-lived assets to fair market value and the recognition of $9.1 million in interest expense related to the termination of Sunbury's interest rate swap; however, these losses were substantially offset by an $85.9 million pre-tax gain recognized on the sale of Sunbury's allocated emission allowances.

ESI's Segment Operations

Total segment revenues at ESI were $2,016.3 million for the six months ended June 30, 2005, compared to $1,742.6 million for the same period in 2004. The total margin at ESI was $57.8 million for the six months ended June 30, 2005, compared to $51.8 million for the six months ended June 30, 2004. 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	Six Months Ended June 30,		
(Millions, except sales volumes)	**2005**	2004	Change
Nonregulated natural gas revenue	**$1,793.8**	$1,481.4	21.1%
Nonregulated natural gas cost of sales	**1,760.2**	1,455.8	20.9%
Margin	**$ 33.6**	$ 25.6	31.3%
Wholesale sales in billion cubic feet [1]	**116.6**	123.8	(5.8%)
Retail sales in billion cubic feet [1]	**168.6**	144.4	16.8%

[1] Represents gross physical volumes.

Natural gas revenue increased $312.4 million (21.1%), driven by higher natural gas prices and continued expansion of ESI's Canadian natural gas business.

The natural gas margin at ESI increased $8.0 million (31.3%) for the six months ended June 30, 2005, compared to the same period in 2004. The margin related to retail natural gas operations increased $7.3 million, largely due to improved management of supply for Ohio residential and commercial customers, and higher sales volumes related to the addition of new customers in Ohio. The margin related to wholesale natural gas operations increased $0.7 million, driven primarily by a $3.3 million favorable settlement with a counterparty, and a $2.5 million increase in margin from structured wholesale natural gas transactions (the profitability and volume of these products was higher due to the increased variability in the price of natural gas in the second quarter of 2005, compared to the same quarter in 2004). The natural gas storage cycle had a $5.4 million negative impact on ESI's natural gas margin (for the six months ended June 30, 2005, the natural gas storage cycle had a $5.1 million negative impact on margin, compared with a $0.3 million favorable impact on margin for the same period in 2004).

ESI's Electric Results	Six Months Ended June 30,		
(Millions)	**2005**	2004	Change
Nonregulated electric revenue	**$221.1**	$260.0	(15.0%)
Nonregulated electric cost of sales	**198.3**	235.1	(15.7%)
Margin	**$ 22.8**	$ 24.9	(8.4%)
Wholesale sales volumes in kilowatt-hours [1]	**480.3**	2,209.4	(78.3%)
Retail sales volumes in kilowatt-hours [1]	**3,255.5**	3,206.2	1.5%

[1] Represents gross physical volumes.

Electric revenue decreased $38.9 million (15.0%), driven by a decrease in wholesale electric volumes related to ESI's prior participation in the New Jersey Basic Generation Services Program, which ended on May 31, 2004. Retail electric revenue increased slightly due to the acquisition of Advantage Energy on July 1, 2004, but this increase was largely offset by lower revenue from retail electric operations in Michigan during 2005.

ESI's electric margin decreased $2.1 million (8.4%) for the six months ended June 30, 2005, compared to the same period in 2004. The margin attributed to wholesale electric operations increased $3.2 million, driven primarily by an increase in the margin contributed by portfolio optimization strategies. Period-by-period variability in the margin contributed by these activities is expected due to constantly changing market conditions. The retail electric margin decreased $5.3 million for the six months ended June 30, 2005, compared to the six months ended June 30, 2004, primarily related to an $8.2 million decrease in margin from retail electric operations in Michigan. Higher transmission-related charges resulting from the Seams Elimination Charge Adjustment, which was implemented on December 1, 2004, as ordered by the FERC as part of the implementation of the MISO, have negatively impacted the margin from retail electric operations in Michigan. In addition, tariff changes granted to the regulated utilities in Michigan in 2004, coupled with high wholesale energy prices, have significantly lowered the savings customers can obtain from contracting with non-utility suppliers. The tariff changes enable Michigan utilities to charge a fee to electric customers choosing non-utility suppliers in order to recover certain stranded costs. ESI has experienced some customer attrition as a result of the tariff changes and higher wholesale prices, which has negatively impacted its margin. The lower retail electric margin was partially offset by positive operating results from Advantage Energy.

PDI's Segment Operations

PDI's Operating Results *(Millions)*	Six Months Ended June 30, **2005**	2004	Change
Nonregulated other revenues	**$89.4**	$59.8	49.5%
Nonregulated other cost of sales	**52.5**	48.5	8.2%
Margins	**$36.9**	$11.3	226.5%

PDI's revenue increased $29.6 million (49.5%) for the six months ended June 30, 2005, compared to the six months ended June 30, 2004. A $10.6 million increase in revenue at Sunbury was primarily related to more opportunities to sell power into the market (made possible by the expiration of a fixed price outtake contract on December 31, 2004). Market prices are significantly higher than the fixed price received under that contract. A combined $15.1 million increase in revenue was experienced at PDI's steam boiler in Oregon, its Combined Lock Energy Center in Wisconsin, its Stoneman generating facility in Wisconsin, its Niagara generation facility in New York, and its Westwood generation facility in Pennsylvania. A $3.9 million mark-to-market gain on derivative instruments utilized to protect the value of a portion of PDI's Section 29 tax credits, net of related premium amortization, also contributed to the higher revenue. The increase in revenue from the steam boiler in Oregon was driven by higher demand for energy from the steam customer at this facility and an increase in the price of energy sold. Also, this facility experienced a 30-day planned outage to perform repairs on the boiler in the second quarter of 2004. The increase in revenue at PDI's Combined Locks Energy Center was largely due to an increase in generation at this facility, due to an unplanned outage experienced at this facility in the second quarter of 2004 and new opportunities to sell power into the MISO market in 2005. Revenue from the Stoneman generation facility increased as a result of a two-year power sales agreement that was entered into in the second quarter of 2004. The increase in revenue at the Niagara generation facility was due primarily to higher contracted selling prices. An increase in sales volumes contributed to higher revenue from the Westwood facility. Sales volumes were higher primarily due to an outage in the second quarter of 2004. The Westwood generating facility has also been running more efficiently after returning from this outage.

PDI's margin for the six months ended June 30, 2005, increased $25.6 million (226.5%), compared to the same period in 2004. Sunbury's margin improved $16.5 million, primarily due to more opportunities to sell power into the market as a result of the expiration of a fixed price outtake contract on December 31, 2004. Although Sunbury's sales volumes decreased compared to the same period in 2004 due to planned outages and temporary shutdowns due to economics, market energy prices during the period were significantly higher than the fixed price previously received under the expired contract. Mark-to-market gains on derivative instruments utilized to protect a portion of PDI's Section 29 federal tax credits, net of related premium amortization, contributed $3.9 million to the increase in margin for the six months ended June 30, 2005. Operations at the Niagara generation facility in New York and the Westwood generation facility in Pennsylvania resulted in a combined margin improvement of $3.0 million. Higher contracted selling prices benefited both the Niagara and Westwood facilities. The Westwood facility also experienced an unplanned outage in the second quarter of 2004, resulting in low sales volumes during this period.

Overview of Holding Company and Other Segment Operations

Holding Company and Other operations had earnings of $1.5 million during the six months ended June 30, 2005, compared to $0.9 million during the six months ended June 30, 2004. The increase in earnings can be attributed to an increase in equity earnings from ATC and $1.5 million of deferred financing costs that were written off in the first quarter of 2004. Pre-tax equity earnings from ATC were $11.1 million for the six months ended June 30, 2005, compared to $7.5 million for the six months ended June 30, 2004. These increases were partially offset by increased interest expense on short-term debt and lower equity earnings from Wisconsin River Power Company, resulting from fewer land sales in the first six months of 2005.

Operating Expenses

WPS Resources' Operating Expenses *(Millions)*	Six Months Ended June 30, **2005**	2004	Change
Operating and maintenance expense	**$275.4**	$270.2	1.9%
Depreciation and decommissioning expense	**95.8**	52.3	83.2%
Gain on sales of emission allowances	**(86.8)**	-	-
Impairment loss	**80.6**	-	-
Taxes other than income	**23.9**	23.3	2.6%

Operating and Maintenance Expense

Operating and maintenance expenses increased $5.2 million (1.9%) for the six months ended June 30, 2005, compared to the same period in 2004. WPSC's operating and maintenance expenses increased $4.2 million, driven by an increase in electric transmission costs and pension and postretirement expenses. The unplanned outage at Kewaunee did not significantly impact the period-over-period change in operating and maintenance expenses as the PSCW approved the deferral of incremental operating and maintenance expenses that were incurred as a direct result of the unplanned outage. Operating and maintenance costs of $9.9 million were deferred during the six months ended June 30, 2005 related to this outage. Operating expenses at ESI increased $1.5 million, primarily due to higher payroll, benefits, and other costs related to continued business expansion.

Depreciation and Decommissioning Expense

Depreciation and decommissioning expense increased $43.5 million (83.2%) for the six months ended June 30, 2005, compared to the same period in 2004, largely due to an increase of $42.5 million at WPSC as a result of increased gains on decommissioning trust assets and continued capital investment. Realized gains on decommissioning trust assets are partially offset by decommissioning expense pursuant to regulatory practice (see the detailed discussion in *Miscellaneous Income* below).

Gain on Sale of Emission Allowances

PDI completed the sale of Sunbury's allocated emission allowances in May 2005. The sales proceeds were $109.9 million, resulting in a pre-tax gain of $85.9 million. PDI also sold a small amount of Sunbury's emission allowances in the first quarter of 2005, recognizing a pre-tax gain of $0.9 million. For more information on Sunbury, see Note 4, *Assets Held for Sale*, to Condensed Notes to Financial Statements.

Impairment Loss

The sale of Sunbury's allocated emission allowances in May 2005, provided PDI with more time to evaluate various options related to Sunbury. These options range from closing the plant, retaining the plant and operating it during favorable economic periods, to a future sale. Because WPS Resources is no longer committed to the sale of Sunbury as its only option, generally accepted accounting principles required all long-lived assets that were previously classified as held for sale to be reclassified as held and used at the lower of their carrying value before they were classified as held for sale adjusted for depreciation that would have been recognized had the assets been continuously classified as held and used, or fair value at the date the held for sale criteria were no longer met. Upon reclassification of the Sunbury plant and related assets as held and used in the second quarter of 2005, PDI recorded a non-cash, pre-tax impairment charge of $80.6 million. The impairment charge reflects the reduction in the fair value of the Sunbury plant without the related emission allowances. For more information on Sunbury, see Note 4, *Assets Held for Sale*, to Condensed Notes to Financial Statements.

Other Income (Expense)

WPS Resources' Other Income (Expense) *(Millions)*	Six Months Ended June 30, **2005**	2004	Change
Miscellaneous income	**$53.2**	$ 10.9	388.1%
Interest expense	**(40.6)**	(29.3)	38.6%
Minority interest	**2.2**	1.1	100.0%
Other income (expense)	**$14.8**	$(17.3)	-

Miscellaneous Income

Miscellaneous income increased $42.3 million for the six months ended June 30, 2005, compared to the same period in 2004. Approximately $38 million of the increase in miscellaneous income related to realized gains on the nonqualified nuclear decommissioning trust assets. The nonqualified decommissioning trust assets were placed in more conservative investments in anticipation of the sale of Kewaunee. Pursuant to regulatory practice, the increase in miscellaneous income related to the realized gains was offset by an increase in decommissioning expense. Overall, the change in the investment strategy for the nonqualified decommissioning trust assets had no impact on income available for common shareholders. An increase of $3.6 million in equity earnings from our investments in ATC and a $1.5 million write-off in the first quarter of 2004 of previously deferred financing costs associated with the redemption of our trust preferred securities also contributed to the increase in miscellaneous income.

Interest Expense

Interest expense increased $11.3 million (38.6%) for the six months ended June 30, 2005, compared to the six months ended June 30, 2004. The increase in interest expense was primarily related to terminating the interest rate swap pertaining to Sunbury's non-recourse debt obligation. The interest rate swap was previously designated as a cash flow hedge and, as a result, the mark-to-market losses were recorded as a component of other comprehensive income. WPS Resources is required to recognize the amount accumulated within other comprehensive income as a component of interest expense when the hedged transactions (future interest payments on debt) are no longer probable of occurring. As a result, the restructuring of the Sunbury debt to a WPS Resources' obligation in June 2005 triggered the recognition of $9.1 of interest expense related to the mark-to-market value of the swap at the date of restructuring. The remaining increase in interest expense is primarily related to an increase in the level of debt outstanding.

Minority Interest

The increase in minority interest occurred because the minority owner of PDI's subsidiary, ECO Coal Pelletization #12 LLC, was not allocated any production from the synthetic fuel facility for the quarter ended March 31, 2004.

Provision for Income Taxes

The effective tax rate was 20.5% for the six months ended June 30, 2005, compared to 19.2% for the six months ended June 30, 2004. Although more tax credits were recognized during the six months ended June 30, 2005, compared to the same period in 2004, the effective tax rate increased as a result of an 90.4% increase in income before taxes.

Generally accepted accounting principles require our year-to-date interim effective tax rate to reflect our projected annual effective tax rate. As a result, we estimate the effective tax rate for the year and, based upon year-to-date pre-tax earnings, record tax expense for the period to reflect the projected annual effective tax rate. Therefore, although Section 29 federal tax credits are produced approximately ratably throughout the year, the amount of credits reflected in the tax provision for the six months ended June 30, 2005, was based upon the projected annual effective tax rate and year-to-date pre-tax earnings.

Our ownership interest in the synthetic fuel operation resulted in recognizing the tax benefit of Section 29 federal tax credits totaling $18.6 million for the six months ended June 30, 2005, and $8.8 million for the six months ended June 30, 2004. As noted above, the amount of Section 29 federal tax credits recognized is based upon the estimated annual effective tax rate and is not necessarily reflective of tax credits produced during the period. For the year ending December 31, 2005, we expect to recognize the benefit of Section 29 federal tax credits totaling approximately $24 million.

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 our credit ratings are among the best in the energy industry (see the *Financing Cash Flows, Credit Ratings* section below).

Operating Cash Flows

During the six months ended June 30, 2005, net cash provided by operating activities was $158.4 million, compared with $236.5 million during the six months ended June 30, 2004. The decrease was driven by changes in working capital, mostly at ESI. Lower wholesale sales volumes at ESI in the fourth quarter of 2004, compared to the fourth quarter of 2003, resulted in lower receivable balances to be collected in the first half of 2005, compared to the first half of 2004. In addition, more favorable natural gas storage opportunities in 2005 resulted in higher inventory levels for ESI at June 30, 2005, compared to June 30, 2004.

Investing Cash Flows

Net cash used for investing activities was $105.9 million during the six months ended June 30, 2005, compared to $118.7 million during the six months ended June 30, 2004. The decrease in cash used for investing activities is mainly due to $110.9 million of proceeds from the sale of Sunbury's emission allowances, partially offset by an increase in capital expenditures of $73.6 million (mostly related to WPSC), as well as increased contributions to ATC.

During the first six months of 2005, WPS Resources invested $21.5 million in ATC, compared to $10.5 million in the first six months of 2004. This increased WPS Resources' consolidated ownership interest in ATC to 26.2%. WPS Resources contributed $8.8 million of capital to ECO Coal Pelletization #12 in the first six months of 2005 compared to $8.6 million in the first six months of 2004.

Capital Expenditures

Capital expenditures by business segment for the six months ended June 30 are as follows:

(Millions)	**2005**	2004
Electric utility	**$171.1**	$ 84.1
Gas utility	**14.2**	26.1
ESI	**0.4**	1.0
PDI	**2.5**	2.4
Other	**0.5**	1.5
WPS Resources consolidated	**$188.7**	$115.1

The increase in capital expenditures at the electric utility for the six months ended June 30, 2005, as compared to the same period in 2004, is mainly due to higher capital expenditures associated with the construction of Weston 4. Gas utility capital expenditures decreased primarily due to the decrease in activity related to the automated meter reading project.

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

Financing Cash Flows

Net cash used for financing activities was $69.3 million during the six months ended June 30, 2005, compared to $102.2 million during the six months ended June 30, 2004. The decrease is attributed to the repayment of long-term debt in 2004, using the proceeds from a 2003 issuance of common stock at WPS Resources. The decrease is partially offset by increased repayments of commercial paper in 2005.

Significant Financing Activities

WPS Resources had $249.9 million in outstanding commercial paper borrowings at June 30, 2005, compared to $58.0 million in outstanding commercial paper borrowings at June 30, 2004.
WPS Resources had other outstanding short-term debt of $10.0 million and $68.0 million as of June 30, 2005, and 2004, respectively.

In 2004 and 2005, 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 $19.2 million and $16.3 million in the six months ended June 30, 2005, and 2004, respectively. WPS Resources did not repurchase any existing common stock during the six months ended June 30, 2005, or 2004.

On June 17, 2005, $62.9 million of non-recourse debt at a subsidiary of PDI that was used to finance the purchase of Sunbury was converted to a five-year WPS Resources obligation in connection with the sale of Sunbury's allocated emission allowances. An additional $2.7 million drawn on a line of credit at PDI was rolled into the five-year WPS Resources obligation. The floating interest rate on the total five-year WPS Resources obligation of $65.6 million has been fixed at 4.595% through two interest rate swaps.

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.

Credit Ratings

WPS Resources and WPSC use internally generated funds and commercial paper borrowings 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 facility	-	A1
WPSC		
Bonds	A+	Aa2
Preferred stock	A-	A2
Commercial paper	A-1	P-1
Credit facility	-	Aa3

In January 2005, Standard & Poor's downgraded its ratings for WPSC one ratings level to the rating identified above 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 WPS Resources' nonregulated businesses.

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, but are not limited to, 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 measures 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' commercial paper and A-1/P-1 for WPSC's commercial paper. 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 their access to funds through the commercial paper market. A restriction in the companies' ability to use commercial paper borrowing to meet 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 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 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 June 30, 2005 (*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	$1,276.2	$ 28.1	$ 111.0	$262.0	$ 875.1
Operating leases	19.8	2.6	6.1	4.3	6.8
Commodity purchase obligations	3,876.4	1,677.3	1,418.3	295.7	485.1
Purchase orders	531.0	314.9	186.3	29.8	-
Capital contributions to equity method investment	182.9	40.3	134.7	7.9	-
Other	397.7	28.4	75.8	44.2	249.3
Total contractual cash obligations	$6,284.0	$2,091.6	$1,932.2	$643.9	$1,616.3

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 postretirement funding obligations.

Capital Requirements

WPSC makes large investments in capital assets. Net construction expenditures are expected to be approximately $1.1 billion in the aggregate for the 2005 through 2007 period. The largest of these expenditures is for the construction of Weston 4, for which WPSC is expected to incur costs of $518 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). Through June 30, 2005, WPSC has incurred a total cost of $231 million related to this project. In addition, WPSC expects to incur additional construction costs through the date the plant goes into service of about $75 million to fund construction of the transmission facilities required to support Weston 4. ATC will reimburse WPSC for the construction costs of the transmission facilities 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. 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 a contested case hearing in the matter is expected to be held in September 2005.

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

- mercury and pollution control projects - $99 million
- jointly owned 500-megawatt base-load plant - $65 million
- corporate services infrastructures - $29 million

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 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. The line is expected to be placed into service 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 2009, we expect to make capital contributions of approximately $177 million for our portion of the Wausau to Duluth transmission line. The $177 million of capital contributions includes approximately $22 million of contributions made to the ATC in the first six months of 2005. Our commitment to fund this transmission line could decrease up to 50% if another entity exercises its option to fund a portion of the project.

WPS Resources expects to provide additional capital contributions to ATC of approximately $51 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 $3 million.

Capital expenditures identified at ESI for 2005 through 2007 are expected to be approximately $7 million, largely due to expenditures related to Advantage Energy, 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 June 30, 2005, 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 current 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 $450.0 million of debt and 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.

On June 2, 2005, WPS Resources entered into an unsecured $500 million 5-year credit agreement. This revolving credit line replaces the former 364-day credit line facilities, which had a borrowing capacity of $400 million. WPSC also entered into a new 5-year credit facility, for $115 million, to replace its former 364-day credit line facility for the same amount. The credit lines are used to back 100% of WPS Resources' and WPSC's commercial paper borrowing programs and the majority of letters of credit for WPS Resources and WPSC. As of June 30, 2005, there was a total of $292.5 million and $26.2 million available under WPS Resources' and WPSC's credit lines, respectively.

In May 2005, PDI entered into transactions with multiple counterparties to sell the allocated emission allowances associated with Sunbury. In July 2005, WPSC sold its portion of Kewaunee. A portion of the proceeds from the Kewaunee sale was used to retire short-term debt at WPSC. The remainder of the proceeds from the sale of both the Sunbury emissions allowances and Kewaunee 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 these sales, see the discussion below.

Other Future Considerations

Sunbury

WPS Resources made capital contributions of $1.0 million to Sunbury during the first six months of 2005. In 2004, WPS Resources made capital contributions of $24.5 million to Sunbury (including $23.0 million during the first six months of 2004). Contributions made in the first six months of 2005 were necessary to meet certain working capital requirements. In 2004, WPS Resources' Board of Directors granted authorization to contribute up to $32.8 million of capital to Sunbury. At June 30, 2005, $7.3 million of the originally authorized amount remains available for contribution. Financial results for Sunbury have improved in 2005, compared to 2004, primarily due to more opportunities to sell power into the market as the result of the expiration of a fixed price outtake contract on December 31, 2004. Current market energy prices are significantly higher than the fixed price received under the contract.

The sale of Sunbury's allocated emission allowances was completed in May 2005. Total sales proceeds of $109.9 million were utilized by Sunbury to eliminate its nonrecourse debt obligation, which provided PDI with flexibility to consider various alternatives for the plant. It is anticipated that Sunbury will be operated in its current capacity through the end of August 2005, at which time PDI intends to place the plant in a stand-by mode of operation, which will maintain several options for the plant (including closing the plant, retaining the plant and operating it during favorable economic periods, or a potential future sale of the plant). Dispatching Sunbury in a stand-by mode of operation will focus production on higher-priced periods, generally in the winter and mid-summer months. The success of a stand-by mode of operation will depend on Sunbury's ability to minimize costs during non-operating periods. Current projections show Sunbury achieving positive cash flows for the remainder of the year; therefore, it appears that the authorized level of capital available to meet the cash flow needs of Sunbury is sufficient through 2005.

Kewaunee

In 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 Kewaunee, Wisconsin Power and Light Company, also agreed to sell its 41% ownership interest in Kewaunee to Dominion. Kewaunee returned to service in early July 2005 following an unplanned outage that began in February 2005 (see discussion below), and the sale was completed on July 5, 2005. The major benefits of the sale for WPSC include shifting financial risk from utility customers and shareowners to Dominion, greater certainty of future costs, and the return of decommissioning funds to customers.

WPSC's share of the cash proceeds from the sale was approximately $113 million. This amount is subject to various closing adjustments, and an indemnity to cover certain costs Dominion may incur related to the recent unplanned outage. Dominion received the assets in WPSC's qualified decommissioning trust and will assume responsibility for the eventual decommissioning of Kewaunee. These trust assets had a pre-tax fair value of $243.6 million at June 30, 2005. In addition to the cash proceeds from the sale, WPSC retained ownership of the assets contained in its nonqualified decommissioning trust. The sale of Kewaunee will result in a loss, but WPSC has received approval from the PSCW for deferral of the gain or loss resulting from this transaction and related costs. We have proposed that proceeds received from the liquidation of the nonqualified decommissioning trust assets of $127.2 million be refunded to customers, net of the loss on the sale of the plant assets and costs related to the 2004 and 2005 Kewaunee outages.

On February 20, 2005, Kewaunee was temporarily removed from service after a potential design weakness was identified in its auxiliary feedwater system. Plant engineering staff identified the concern in conjunction with an inspection by the Nuclear Regulatory Commission and the unit was shut down in accordance with the plant license. Modifications were made to resolve the issue and other issues that arose during the inspection, and the unit returned to service at 100% power in July 2005. As approved by the PSCW, WPSC deferred outage costs associated with incremental fuel, purchased power, and operating and maintenance costs. WPSC also filed with FERC for approval to defer these costs. FERC has not yet ruled on the filing.

Beaver Falls

PDI's Beaver Falls generation facility in New York has been out of service since late June 2005. An unplanned outage was caused by the failure of the first stage turbine blades. Upon investigation of the turbine, corrosion damage was also found. At this time, PDI estimates that it will cost between $3 and $5 million to repair the turbine and replace the damaged blades. PDI will likely repair the turbine if these cost estimates are accurate; however, investigation as to the extent of the damage is still ongoing. If the estimated repair costs are subsequently revised upward or are disallowed for recovery through insurance, then a possibility exists that the repairs either will not be made or will cause the undiscounted cash flows related to future operations to be insufficient to recover the carrying value of the plant, resulting in an impairment. The carrying value of the Beaver Falls generation facility at June 30, 2005 is $18.7 million.

Asset Management Strategy

WPS Resources is finalizing its sales strategy for the balance of its identified excess real estate holdings.

Regulatory

For a discussion of regulatory considerations, see Note 16, *Regulatory Environment*.

Industry Restructuring

-Ohio-

In May 1999, the Ohio Legislature passed Senate Bill 3, which introduced market-based rates and instituted competitive retail electric services. The bill also established a market development period beginning January 1, 2001, and extending no later than December 31, 2005, after which rates would be set at market-based prices. During this market development period, ESI has contracted to be the supplier for 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.

The Public Utilities Commission of Ohio requested the Ohio electric distribution utilities to file rate stabilization plans covering the 2006-2008 time period to avoid rate shock at the end of the market development period. A plan submitted by FirstEnergy establishes electric rates for consumers beginning in 2006 if a competitive bid auction ordered by the Public Utilities Commission of Ohio does not produce better benefits. The price resulting from an auction conducted on December 8, 2004, was inadequate. On June 25, 2005, FirstEnergy asked the Ohio regulators for permission to hold another competitive auction in the fall of 2005 for years 2007 and 2008. The Ohio commission has not yet ruled on this request. The FirstEnergy plan is priced lower than current market power prices. Because of this, continued service by ESI beyond 2005 to customers of the existing aggregation programs will be dependent on a decrease in market power prices, which appears to be unlikely to happen based on current wholesale prices.

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 in certain circumstances. 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.

The Ohio Senate held meetings during March 2005 to hear from all parties involved as they develop a state-wide energy policy (natural gas and electric). The Senate heard and considered such issues as rolling back Senate Bill 3, pushing ahead with electric deregulation, and the need for rate-based utility construction of new power plants in the state. In addition to the electric issues, the Senate also heard about natural gas issues. ESI participated and testified, urging the Senate to move forward to implement a competitive environment.

-Michigan-

Under the current Electric Choice program in Michigan, ESI, through its Michigan subsidiary, has established itself as a significant supplier to the industrial and commercial markets. Recently, high wholesale energy prices coupled with certain tariff changes granted to the regulated utilities in 2004 have significantly lowered the savings customers can obtain from contracting with non-utility suppliers. Because utility offerings are not priced at the current market, rising wholesale prices can make a competitive supply alternative less attractive to customers. Also, the tariff changes enable Michigan utilities to charge a fee to electric customers choosing non-utility suppliers in order to recover certain stranded costs. The high wholesale energy prices and tariff changes have caused a reduction in new business and renewals, decreasing contracted demand levels from a high of approximately 900 megawatts to a current level of 515 megawatts.

The status of Michigan's electric markets has been the subject of hearings in both the Senate and House Energy Committees. However, no new legislation has been proposed to date. The Senate bills that were introduced in 2004 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 is 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.

-Midwest Independent Transmission System Operator-

WPSC, UPPCO, and ESI are members of the Midwest Independent Transmission System Operator (MISO), which introduced its "Day 2" energy markets on April 1, 2005, when it began centrally dispatching wholesale electricity along with providing transmission service throughout much of the Midwest. The new market is based on a locational marginal pricing system, which is similar to that used by the successful PJM regional transmission organization. The pricing mechanism expands the existing market from a physical market to also include financial implications and is intended to send price signals to stakeholders where generation or transmission system expansion is needed. This methodology is consistent with and responsive to the FERC direction over the past four years to develop a standard competitive generation market. Based upon the early results of the transition, it does not appear that the new market will have a material ongoing impact on the financial results of WPS Resources. WPS Resources will continue to work closely with the MISO and the FERC to ensure that any issues are dealt with such that the financial impact continues to be minimal. WPSC has been granted approval by the PSCW to defer costs and benefits related to the new market for inclusion in future rates for its Wisconsin retail electric customers. Costs and benefits related to WPSC's and UPPCO's Michigan and wholesale electric customers will also flow through fuel adjustment mechanisms.

Although the market is running well so far, there are still market issues that must be resolved. MISO "Day 2" has the potential to significantly impact the cost of transmission for eastern Wisconsin and the Upper Peninsula of Michigan system, including WPSC and UPPCO, as well as our marketing affiliates in the MISO footprint, such as ESI. Under this market-based approach, where there is abundant transmission capacity, overall costs should be less due to the ability to access cheaper generation from across the MISO footprint. For areas with a narrowly constrained transmission capacity, such as Wisconsin and the Upper Peninsula of Michigan, costs could be higher due to the congestion and marginal loss pricing components. Mechanisms have been deployed to offset these potential increased costs in the first five years of the "Day 2" market. If this system works appropriately, even in the short term with the current transmission congestion, the costs to ESI, excluding the Seams Elimination Charge Adjustment (discussed below), should be similar to the pre-"Day 2" market costs. If there are incremental costs or savings to WPSC and UPPCO, they would be passed through to our customers under existing tariffs.

WPSC has established an energy market risk policy and a risk management plan to facilitate utilization of financial instruments for managing market risks associated with the "Day 2" energy market. WPSC has asked the PSCW to approve its risk management plan. The PSCW's approval of this plan will allow WPSC to pass the costs and benefits of several specific risk management strategies through the PSCW's fuel rules and deferral and escrow processes.

Seams Elimination Charge Adjustment

Through a series of orders issued by FERC, Regional Through and Out Rates for transmission service between the MISO and the PJM Interconnection were eliminated effective December 1, 2004. To compensate transmission owners for the revenue they will no longer receive due to this elimination, the FERC ordered a transitional pricing mechanism called the Seams Elimination Charge Adjustment (SECA) to be put into place. Load-serving entities will pay these SECA charges during a 16-month transition period from December 1, 2004, through March 31, 2006. ESI is a load-serving entity and will be billed based on its power imports into MISO from PJM during 2002 and 2003. Total exposure for the 16-month transitional period, taken from proposed compliance filings by the transmission owners, is approximately $19.2 million total for ESI, of which $17.4 million is for Michigan and $1.8 million is for Ohio. Through June 30, 2005, ESI has accrued $4.1 million for these charges.

On February 10, 2005, the FERC issued an order requesting compliance filings from transmission providers implementing the SECA effective December 1, 2004, subject to refund and surcharge, as appropriate. Public hearings will be held regarding the compliance filings. The application and legality of the SECA is being challenged by many load-serving entities, including ESI. On February 28, 2005, ESI filed a motion for a Partial Stay of the February 10, 2005, FERC order, proposing that SECA charges on its Michigan load be postponed until a FERC order approves a decision or settlement in the formal hearing proceeding. The FERC denied this motion on May 4, 2005. On June 3, 2005, ESI filed with FERC a request for rehearing of the order denying stay. 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. It is probable that ESI's total exposure will be reduced by up to $4.8 million because of inconsistencies between the FERC's SECA order and the transmission owners' compliance filings (upon which current obligations are based). Resolution of issues to be raised in the SECA hearing offer the possibility of further reductions in ESI's exposure, but the extent is unknown at present. Through existing contracts, ESI has the ability to pass a portion of the SECA charges on to customers and has begun to do so. The impact on the SECA charge on ESI's competitiveness in the marketplace is currently unknown.

The SECA is also an issue for WPSC and UPPCO, who have intervened and protested a number of proposals in this docket because those proposals could result in unjust, unreasonable, and discriminatory charges for electric customers. It is anticipated that most of the SECA charges incurred by WPSC and UPPCO and any refunds will be passed through customer rates.

Coal Supply

In May 2005, WPSC received notification from its coal transportation suppliers that extensive maintenance is required on the railroad tracks that lead into and out of the Powder River Basin. These maintenance efforts are expected to result in a 15-20% reduction in the amount of contracted deliveries of Powder River Basin coal to certain of WPSC's coal generating facilities through November 2005. As a result of this notification, WPSC is taking steps to conserve coal usage and has secured some alternative coal supplies at its affected generation facilities. Although WPSC believes that it will be able to minimize the adverse impact to its fuel and purchase power costs, these conservation efforts will likely reduce the available generating capacity at its coal units, requiring WPSC to generate power from higher cost units, or purchase power through other higher cost generating resources in the MISO. At this time, WPSC does not expect the coal shortages to have a significant impact on earnings.

Income Taxes

-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 tax 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, six percent of income through 2009, and nine percent of income after 2009. On December 21, 2004, the FASB issued staff position ("FSP") 109-1, effective the same day, on accounting for the effects of the domestic production deduction provisions. FSP 109-1 said the deduction should be accounted for as a special deduction rather than a tax rate reduction. 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 whether a valuation allowance is necessary. On December 8, 2004, the PSCW issued an order authorizing WPSC to defer 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. WPSC has recorded the estimated tax impact of this deduction in its financial statements for the six months ended June 30, 2005. However, pursuant to regulatory treatment, the majority of the tax benefits derived were deferred and will be passed on to customers in future rates.

-Section 29 Federal Tax Credits-

The Internal Revenue Code provides Section 29 tax credits as an incentive for taxpayers to produce fuels from alternate sources and reduce domestic dependence on imported oil. This incentive is not deemed necessary if the price of oil increases sufficiently to provide a natural market for these fuels. Therefore, the tax credit in a given year begins phasing out if the reference price of oil within that year exceeds a threshold price and is eliminated entirely if the reference price increases beyond a phase-out price. The reference price of a barrel of oil is an estimate of the annual average wellhead price per barrel for domestic crude oil. The threshold price at which the credit begins to phase out was set in 1980 and is adjusted annually for inflation. For 2004, the reference price was $36.75, the threshold price was $51.35, and the credits would have been eliminated had the reference price exceeded $64.47. For 2005, the estimated threshold price is $52.57, and the credits will be eliminated if the reference price exceeds $65.99.

Numerous events have recently increased domestic crude oil prices, including concerns about terrorism, storm-related supply disruptions, and worldwide demand. Although we do not expect the amount of our 2005 Section 29 tax credits to be adversely affected by oil prices given the current forward price curve for crude oil, we cannot predict with any certainty the future price of a barrel of oil. Therefore, in order to manage exposure to the risk of an increase in oil prices that could reduce the amount of 2005, 2006, and 2007 Section 29 tax credits that could be recognized, PDI entered into a series of derivative contracts covering a specified number of barrels of oil. These derivatives mitigate approximately 95%, 60%, and 40% of the Section 29 tax credit exposure in 2005, 2006, and 2007, respectively. The derivative contracts involve purchased and written call options that provide for net cash settlement at expiration based on the average NYMEX trading price of oil in relation to the strike price of each option. Net premiums paid for the options totaled $16.2 million, of which $14.7 million are still deferred. Subsequent to the initial execution date, the 2005 hedged position was optimized by adjusting the monthly option strike prices upward, as phase-out becomes less likely. The derivative contracts have not been designated as hedging instruments and, as a result, changes in the fair value of the options are recorded currently in earnings.

-Peshtigo River Land Donation-

In 2004, WPS Resources submitted a request to have the Internal Revenue Service conduct a pre-filing review of a tax position related to the 2004 tax return. The tax position related to the value of the Peshtigo River land donated to the WDNR in 2004. A pre-filing review of the land donation deduction was initiated by the Internal Revenue Service in the first quarter of 2005; however, in the second quarter, WPS Resources and the Internal Revenue Service mutually agreed to withdraw this issue from the pre-filing review process, citing an inability to reach a consensus on the tax treatment and value of the land donated. In 2004, WPS Resources recorded a $4.1 million income tax benefit related to the Peshtigo River land donation. We believe the value we placed on the land donated was reasonable and will continue to pursue this matter if challenged by the Internal Revenue Service upon examination of the tax return.

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 June 30, 2005, and December 31, 2004, outstanding guarantees totaled $967.4 million and $977.9 million, respectively, as follows:

WPS Resources' Outstanding Guarantees *(Millions)*	**June 30, 2005**	December 31, 2004
Guarantees of subsidiary debt	**$ 27.2**	$ 27.2
Guarantees supporting commodity transactions of subsidiaries	**858.5**	863.9
Standby letters of credit	**75.9**	80.9
Surety bonds	**0.7**	0.6
Other guarantee	**5.1**	5.3
Total guarantees	**$967.4**	$977.9

WPS Resources' Outstanding Guarantees *(Millions)* Commitments Expiring	**Total Amounts Committed At June 30, 2005**	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	**858.5**	702.3	104.9	15.0	36.3
Standby letters of credit	**75.9**	56.0	19.9	-	-
Surety bonds	**0.7**	0.2	0.5	-	-
Other guarantee	**5.1**	-	-	5.1	-
Total guarantees	**$967.4**	$758.5	$125.3	$20.1	$63.5

At June 30, 2005, 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 Condensed 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 and PDI. WPS Resources primarily issues guarantees for indemnification obligations related to business purchase agreements and to counterparties in the wholesale electric and natural gas marketplace to provide counterparties the assurance that ESI and PDI will perform on their obligations and permit ESI and PDI to operate within these markets. At June 30, 2005, WPS Resources provided parental guarantees in the amount of $855.5 million, reflected in the above table, for ESI's and PDI's indemnification obligations for business operations, including $8.1 million of guarantees that received specific authorization from WPS Resources' Board of Directors and is not included in the $1.2 billion general authorized amount. Of the parental guarantees provided by WPS Resources, the outstanding balance at June 30, 2005 for which WPS Resources would be obligated to support is $121.0 million.

Another $3.0 million of corporate guarantees support energy and transmission supply at UPPCO. In February 2005, 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' Condensed Consolidated Balance Sheet, depending on the nature of the guarantee.

At WPS Resources' request, financial institutions have issued $75.9 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 Condensed Consolidated Balance Sheet.

At June 30, 2005, WPS Resources furnished $0.7 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 Condensed Consolidated Balance Sheet.

The other guarantee of $5.1 million listed in 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 Condensed Consolidated Balance Sheet.

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

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 Condensed 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 six months ended June 30, 2005.

ESI Mark-to-Market Roll Forward *(Millions)*	Natural Gas	Electric	Total
Fair value of contracts at December 31, 2004	$31.6	$13.7	$45.3
Less - contracts realized or settled during period	7.7	(0.6)	7.1
Plus - changes in fair value of contracts in existence at June 30, 2005	(19.9)	(3.5)	(23.4)
Fair value of contracts at June 30, 2005	**$ 4.0**	**$10.8**	**$14.8**

The fair value of contracts at December 31, 2004, and June 30, 2005, 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 December 31, 2004, that were no longer included in the net mark-to-market assets as of June 30, 2005, 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 December 31, 2004, and contracts that were entered into subsequent to December 31, 2004, which are included in ESI's portfolio at June 30, 2005. 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 June 30, 2005 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	**$(4.8)**	**$4.8**	**$ -**	**$ -**	**$ -**
Prices provided by external sources	**8.8**	**4.7**	**-**	**-**	**13.5**
Prices based on models and other valuation methods	**1.2**	**0.1**	**-**	**-**	**1.3**
Total fair value	**$ 5.2**	**$9.6**	**$ -**	**$ -**	**$14.8**

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 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 SFAS No. 133 and its related 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 and natural gas sales are economically hedged, certain transactions do not meet the definition of a derivative or do not qualify for hedge accounting under generally accepted accounting principles. Consequently, gains and losses from these contracts may not 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. The accounting treatment does not impact the underlying cash flows or economics of these transactions. In addition, the natural gas storage cycle can cause earnings volatility. See *Results of Operations - Overview of Nonregulated Operations - ESI's Segment Operations* for information regarding the natural gas storage cycle.

CRITICAL ACCOUNTING POLICIES - WPS RESOURCES

In accordance with the rules proposed by the SEC in May 2002, we reviewed our critical accounting policies for new critical accounting estimates and other significant changes. We found that the disclosures made in our Annual Report on Form 10-K for the year ended December 31, 2004, are still current and that there have been no significant changes.

RESULTS OF OPERATIONS - WPSC

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 62% of revenues for the six months ended June 30, 2005, while natural gas operations accounted for 38% of revenues for the six months ended June 30, 2005.

Second Quarter 2005 Compared with Second Quarter 2004

WPSC Overview

WPSC's results of operations for the quarters ended June 30 are shown in the following table:

WPSC's Results *(Millions)*	**2005**	2004	Change
Operating revenues	**$309.1**	$259.8	19.0%
Earnings on common stock	**$21.3**	$11.9	79.0%

Electric utility revenue increased $29.1 million, primarily due to higher electric sales volumes (related to warmer weather conditions and new power sales agreements with several wholesale customers), and an approved retail electric rate increase. Gas utility revenue increased $20.2 million due to an increase in the per unit cost of natural gas, higher natural gas throughput volumes, and an approved rate increase. Revenue changes by reportable segment are discussed in more detail below.

Earnings from electric utility operations were $20.6 million for the second quarter of 2005, compared to $10.0 million for the second quarter of 2004. The increase in electric utility earnings was driven by a $19.9 million increase in electric utility margin. A 10.0% increase in electric sales volumes and an approved rate increase contributed to the higher margin.

The net loss from gas utility operations was $1.9 million during the second quarter of 2005, compared to a loss of $0.4 million for the second quarter of 2004. Although the gas utility margin increased $0.3 million due primarily to a small rate increase, higher operating expenses drove the increased net loss.

Electric Utility Operations

	Three Months Ended June 30,		
Electric Utility Results *(Millions)*	**2005**	2004	Change
Revenue	**$219.3**	$190.2	15.3%
Fuel and purchased power	**69.9**	60.7	15.2%
Margin	**$149.4**	$129.5	15.4%
Sales in kilowatt-hours	**3,517.5**	3,197.9	10.0%

Electric utility revenue increased $29.1 million (15.3%) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004. Electric utility revenue increased largely due to an increase in electric sales volumes and an approved electric rate increase for WPSC's Wisconsin retail customers. Electric sales volumes increased 10.0%, primarily due to significantly warmer weather in the second quarter of 2005, compared to the second quarter of 2004, and new power sales agreements that were entered into with several wholesale customers. On December 21, 2004, the PSCW approved a retail electric rate increase of $60.7 million (8.6%), effective January 1, 2005. The rate increase was required primarily to recover increased costs related to fuel and purchased power, costs related to the construction of the Weston 4 base-load generation facility, and benefit costs.

The electric utility margin increased $19.9 million (15.4%) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004. The higher margin was driven by the increase in electric sales volumes and the retail electric rate increase discussed above.

The quantity of power purchased by WPSC during the quarter ended June 30, 2005, increased 74% compared to the same quarter in 2004, and fuel and purchased power costs were approximately 49% higher on a per-unit basis. The increase in the quantity of power purchased was largely due to an unscheduled outage at Kewaunee, which began in February 2005. Kewaunee did not return to service until July 2005, just prior to it being sold to a subsidiary of Dominion Resources, Inc. The unscheduled outage did not have a significant impact on the electric utility margin as the PSCW approved deferral of unanticipated fuel and purchased power costs directly related to the outage. For the quarter ended June 30, 2005, $30.7 million of fuel and purchased power costs were deferred in conjunction with the Kewaunee outage. Excluding the Kewaunee deferral, fuel and purchased power costs at WPSC increased $9.2 million for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004, primarily related to the higher per-unit cost of fuel and purchased power. The higher costs were anticipated in the 2005 rate case and included in the approved 2005 rates and, therefore, did not have a significant impact on margin.

The PSCW allows WPSC to adjust prospectively the amount billed to Wisconsin retail customers for fuel and purchased power if costs exceed plus or minus 2% from approved levels on an annualized basis. At June 30, 2005, WPSC continued to experience actual fuel and purchased power costs that were more than 2% lower than the currently approved level (excluding the impact of the Kewaunee outage). The PSCW reopened WPSC's 2005 rate case on April 14, 2005. Revenue collected after that date is subject to refund pending a review of projected fuel costs for 2005. Rates will be adjusted downward for the balance of the year if projected costs are deemed to be less than the amount allowed in the 2005 rate case. WPSC recorded a refund liability of $2.1 million to reflect the potential fuel refund due to customers as of June 30, 2005.

Electric utility earnings increased $10.6 million (106.0%) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004, largely driven by the higher margin realized by WPSC.

Gas Utility Operations

Gas Utility Results *(Millions)*	Three Months Ended June 30, **2005**	2004	Change
Revenues	**$89.8**	$69.6	29.0%
Purchase costs	**66.2**	46.3	43.0%
Margins	**$23.6**	$23.3	1.3%
Throughput in therms	**162.5**	150.0	8.3%

Gas utility revenue increased $20.2 million (29.0%) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004. Gas utility revenue increased primarily as a result of an increase in the per unit cost of natural gas, higher natural gas throughput volumes, and a rate increase. Natural gas prices increased 15.6% (on a per unit basis) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004. Following regulatory practice, WPSC passes changes in the total cost of natural gas on to customers through a purchased gas adjustment clause, as allowed by the PSCW and the MPSC. Natural gas throughput volumes increased 8.3%, primarily related to an increase in interdepartmental sales from the natural gas utility to the electric utility as a result of increased generation from combustion turbines. These combustion turbines were dispatched more often in the second quarter of 2005, compared to the same period in 2004, due to the Kewaunee outage and the warm weather conditions. Higher natural gas throughput volumes from interdepartmental sales to the electric utility were partially offset by lower natural gas throughput volumes to residential customers, related primarily to the milder weather conditions experienced during the earlier part of the quarter ended June 30, 2005, compared to the same period in 2004. The PSCW issued a final order authorizing a natural gas rate increase of $5.6 million (1.1%), effective January 1, 2005. The rate increase was primarily driven by higher benefit costs and the cost of distribution system improvements.

The natural gas utility margin increased $0.3 million (1.3%) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004. The higher natural gas utility margin was largely due to the rate increase mentioned above. While the increase in interdepartmental sales volumes to WPSC's electric utility had a positive impact on the natural gas margin, this was more than offset by the decrease in sales volumes to WPSC's higher margin customers.

The gas utility realized a net loss of $1.9 million for the quarter ended June 30, 2005, compared to a net loss of $0.4 million for the quarter ended June 30, 2004. The higher net loss was attributed to an increase in operating expenses incurred by the gas utility.

Operating Expenses

	Three Months Ended June 30,		
Operating Expenses (*Millions*)	**2005**	2004	Change
Operating and maintenance expense	**$100.8**	$99.5	1.3%
Depreciation and decommissioning expense	**62.2**	22.9	171.6%
Federal income taxes	**(1.9)**	4.4	-
State income taxes	**(1.1)**	1.2	-

Other Income

	Three Months Ended June 30,		
Other income and (deductions) (*Millions*)	**2005**	2004	Change
Allowance for equity funds used during construction	**$0.5**	$0.5	-
Other, net	**42.6**	5.2	719.2%
Income taxes	**(15.9)**	(0.7)	2,171.4%

Operating and Maintenance Expense

WPSC's operating and maintenance expenses increased $1.3 million, driven by higher electric transmission costs and higher pension and postretirement expenses. The unplanned outage at Kewaunee did not significantly impact the quarter-over-quarter change in operating and maintenance expenses as the PSCW approved the deferral of incremental operating and maintenance expenses that were incurred as a direct result of the unplanned outage. Operating and maintenance costs of $8.8 million were deferred in the second quarter of 2005 related to this outage.

Depreciation and Decommissioning Expense

Depreciation and decommissioning expense increased $39.3 million (171.6%) for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004, largely due to realized gains on decommissioning trust assets and continued capital investment. Realized gains on decommissioning trust assets are partially offset by decommissioning expense pursuant to regulatory practice as discussed in more detail in *Federal Income Taxes/State Income Taxes/Other Income*, below.

Federal Income Taxes/State Income Taxes/Other Income

The quarter over quarter change in these account balances was primarily related to the realized gains recognized on the nonqualified decommissioning trusts assets in the second quarter of 2005. Approximately $38 million of the increase in other income related to the realized gains on the nonqualified decommissioning trust assets. The nonqualified decommissioning trust assets were placed in more conservative investments in anticipation of the sale of Kewaunee. Pursuant to regulatory practice, the increase in other income related to the realized gains was offset by an increase in decommissioning expense. Income tax expense related to the realized gains was offset by a deferred tax benefit related to the decommissioning expense. Overall, the change in the investment strategy for the nonqualified decommissioning trust assets had no impact on earnings, as summarized in the table below.

(Millions)	Income/(Expense)
Depreciation and decommissioning expense	**$(38)**
Federal income taxes	**13**
State income taxes	**2**
Other, net	**38**
Income taxes	**(15)**
Total earnings impact	**$ -**

Six Months 2005 Compared With Six Months 2004

WPSC Overview

WPSC's results of operations for the six months ended June 30 are shown in the following table:

WPSC's Results *(Millions)*	**2005**	2004	Change
Operating revenues	**$703.5**	$631.8	11.3%
Earnings on common stock	**$58.9**	$44.4	32.7%

Electric utility revenue increased $50.5 million, primarily due to an approved retail electric rate increase, and higher electric sales volumes related to warmer weather conditions and new power sales agreements with several wholesale customers. Gas utility revenue increased $21.2 million due primarily to an increase in the per unit cost of natural gas and an approved rate increase. Revenue changes by reportable segment are discussed in more detail below.

Earnings from electric utility operations were $43.0 million for the six months ended June 30, 2005, compared to $26.6 million for the same period in 2004. The increase in electric utility earnings was driven by a $33.2 million increase in electric utility margin. An approved rate increase and a 5.8% increase in electric sales volumes contributed to the higher margin.

Earnings from gas utility operations were $12.1 million during the six months ended June 30, 2005, compared to $13.2 million for the same period in 2004. Although the gas utility margin increased $1.3 million due primarily to a small rate increase, higher operating expenses drove the decrease in earnings from gas utility operations.

Electric Utility Operations

	Six Months Ended June 30,		
Electric Utility Results *(Millions)*	**2005**	2004	Change
Revenues	**$439.1**	$388.6	13.0%
Fuel and purchased power	**139.0**	121.7	14.2%
Margins	**$300.1**	$266.9	12.4%
Sales in kilowatt-hours	**6,962.5**	6,580.4	5.8%

Electric utility revenue increased $50.5 million (13.0%) for the six months ended June 30, 2005, compared to the six months ended June 30, 2004. Electric utility revenue increased largely due to an approved electric rate increase for WPSC's Wisconsin retail customers and an increase in electric sales volumes. On December 21, 2004, the PSCW approved a retail electric rate increase of $60.7 million (8.6%), effective January 1, 2005. Electric sales volumes increased 5.8%, primarily due to significantly warmer weather during the second quarter of 2005, compared to the second quarter of 2004, and new power sales agreements that were entered into with several wholesale customers.

The electric utility margin increased $33.2 million (12.4%) for the six months ended June 30, 2005, compared to the six months ended June 30, 2004, primarily driven by the retail electric rate increase and the increase in electric sales volumes discussed above.

The quantity of power purchased by WPSC during the six months ended June 30, 2005, increased 60% compared to the six months ended June 30, 2004, and fuel and purchased power costs were approximately 37% higher on a per-unit basis. The increase in the quantity of power purchased was largely due to an unscheduled outage at Kewaunee, which began in February 2005. Kewaunee did not return to service until July 2005, just prior to it being sold to a subsidiary of Dominion Resources, Inc. The unscheduled outage did not have a significant impact on the electric utility margin as the PSCW approved deferral of unanticipated fuel and purchased power costs directly related to the outage. For the six months ended June 30, 2005, $45.4 million of fuel and purchased power costs were deferred in conjunction with the Kewaunee outage. Excluding the Kewaunee deferral, fuel and purchased power costs at WPSC increased $17.3 million for the six months ended June 30, 2005, compared to the same period in 2004, primarily related to the higher per-unit cost of fuel and purchased power. The higher costs were anticipated in the 2005 rate case and included in the approved 2005 rates and, therefore, did not have a significant impact on margin.

Electric utility earnings increased $16.4 million (61.7%) for the six months ended June 30, 2005, compared to the same period in 2004, largely driven by the higher margin realized by WPSC.

Gas Utility Operations

	Six Months Ended June 30,		
Gas Utility Results *(Millions)*	**2005**	2004	Change
Revenues	**$264.4**	$243.2	8.7%
Purchase costs	**194.5**	174.6	11.4%
Margins	**$ 69.9**	$ 68.6	1.9%
Throughput in therms	**471.3**	466.9	0.9%

Gas utility revenue increased $21.2 million (8.7%) for the six months ended June 30, 2005, compared to the six months ended June 30, 2004. Gas utility revenue increased primarily as a result of an increase in the per unit cost of natural gas, a natural gas rate increase, and higher natural gas throughput volumes. Natural gas prices increased 10.7% (on a per unit basis) for the six months ended June 30, 2005, compared to the same period in 2004. The PSCW issued a final order authorizing a natural gas rate increase of $5.6 million (1.1%), effective January 1, 2005. Natural gas throughput volumes increased 0.9%, primarily related to an increase in interdepartmental sales from the natural gas utility to the electric utility as a result of increased generation from combustion turbines. The combustion turbines were dispatched more often due to the Kewaunee outage and the warm weather conditions. Higher natural gas throughput volumes from interdepartmental sales to the electric utility were substantially offset by lower natural gas throughput volumes to residential customers, related primarily to milder weather during the six months ended June 30, 2005, compared to the same period in 2004. In addition, we believe natural gas customers may be taking additional steps to conserve natural gas usage as a result of higher natural gas costs.

The natural gas utility margin increased $1.3 million (1.9%) for the six months ended June 30, 2005, compared to the six months ended June 30, 2004. The higher natural gas utility margin was largely due to the rate increase mentioned above.

Income available for common shareholders attributed to the gas utility decreased $1.1 million (8.3%). The higher margin was more than offset by an increase in operating and maintenance expenses at the gas utility.

Operating Expenses

	Six Months Ended June 30,		
WPSC (*Millions*)	**2005**	2004	Change
Operating and maintenance expense	**$199.0**	$194.8	2.2%
Depreciation and decommissioning expense	**87.3**	44.8	94.9%
Federal income taxes	**15.1**	19.0	(20.5%)
State income taxes	**3.0**	5.1	(41.2%)

Other Income

	Six Months Ended June 30,		
Other Income and (Deductions) (*Millions*)	**2005**	2004	Change
Allowance for equity funds used during construction	**$0.9**	$1.0	(10.0%)
Other, net	**47.6**	9.0	428.9%
Income taxes	**(16.9)**	(1.0)	1,590.0%

Operating and Maintenance Expense

WPSC's operating and maintenance expenses increased $4.2 million, driven by higher electric transmission costs and higher pension and postretirement expenses. The unplanned outage at Kewaunee did not significantly impact the period-over-period change in operating and maintenance expenses as the PSCW approved the deferral of incremental operating and maintenance expenses that were incurred as a direct result of the unplanned outage. Operating and maintenance costs of $9.9 million were deferred during the six months ended June 30, 2005 related to this outage.

Depreciation and Decommissioning Expense

Depreciation and decommissioning expense increased $42.5 million (94.9%) for the six months ended June 30, 2005, compared to the six months ended June 30, 2004, largely as a result of increased gains on decommissioning trust assets and continued capital investment. Realized gains on decommissioning trust assets are partially offset by decommissioning expense pursuant to regulatory practice as discussed in more detail in *Federal Income Taxes/State Income Taxes/Other Income*, below.

Federal Income Taxes/State Income Taxes/Other Income

The period-over-period change in these account balances was primarily related to the realized gains recognized on the nonqualified decommissioning trust assets in the second quarter of 2005. Approximately $38 million of the increase in other income related to the realized gains on the nonqualified decommissioning trust assets. The nonqualified nuclear decommissioning trust assets were placed in more conservative investments in anticipation of the sale of Kewaunee. Pursuant to regulatory practice, the increase in miscellaneous income related to the realized gains was offset by an increase in decommissioning expense. Income tax expense related to the realized gains was offset by a deferred tax benefit related to the decommissioning expense. Overall, the change in the investment strategy for the nonqualified decommissioning trust assets had no impact on earnings, as summarized in the table below.

(Millions)	Income/(Expense)
Depreciation and decommissioning expense	**$(38)**
Federal income taxes	**13**
State income taxes	**2**
Other, net	**38**
Income taxes	**(15)**
Total earnings impact	**$ -**

LIQUIDITY AND CAPITAL RESOURCES - WPSC

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*, *Credit Ratings* section below).

Operating Cash Flows

During the six months ended June 30, 2005, net cash provided by operating activities was $154.8 million, compared with $162.1 million during the six months ended June 30, 2004. The decrease in cash provided by operating activities is primarily due to increased expenditures associated with the spring 2005 Kewaunee outage. These expenditures were accounted for as deferred expenses in accordance with regulatory approval and will be recovered from customers under future rate orders.

Investing Cash Flows

Net cash used for investing activities was $184.2 million during the six months ended June 30, 2005, compared to $98.2 million during the six months ended June 30, 2004. The increase is primarily attributed to a $76.8 million increase in capital expenditures, mostly due to the construction of Weston 4.

Capital Expenditures

Capital expenditures by business segment for the six months ended June 30 are as follows:

(Millions)	**2005**	2004
Electric utility	**$168.2**	$78.4
Gas utility	**14.2**	26.1
Other	**0.3**	1.4
WPSC consolidated	**$182.7**	$105.9

The increase in capital expenditures at the electric utility for the six months ended June 30, 2005, as compared to the same period in 2004 is mainly due to higher capital expenditures associated with the construction of Weston 4. Gas utility capital expenditures decreased primarily due to the decrease in activity in the automated meter reading project.

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

Financing Cash Flows

Net cash provided by financing activities was $28.2 million during the six months ended June 30, 2005, compared to $54.4 million used for financing activities during the six months ended June 30, 2004. This change is attributed to an equity contribution from WPS Resources in 2005 and the repayment of long-term debt in 2004, partially offset by increased repayments of commercial paper in 2005.

Under a PSCW order, WPSC may not pay normal common stock dividends of more than 109% of the previous year's common stock dividend without the PSCW's approval. In addition, WPSC's Restated Articles of Incorporation limit the amount of common stock dividends that WPSC can pay to certain percentages of its prior 12-month net income, if its common stock and common stock surplus accounts constitute less than 25% of its total capitalization.

Significant Financing Activities

See *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 June 30, 2005 *(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	$ 746.2	$ 13.5	$ 54.1	$ 54.1	$ 624.5
Operating lease obligations	14.8	1.8	4.7	3.4	4.9
Commodity purchase obligations	1,087.9	95.8	329.3	207.7	455.1
Purchase orders	519.1	303.0	186.3	29.8	-
Other	385.1	19.9	73.9	43.7	247.6
Total contractual cash obligations	$2,753.1	$434.0	$648.3	$338.7	$1,332.1

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 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. Other 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 sale of WPSC's interest in Kewaunee.

Regulatory

For a discussion of regulatory considerations, see Note 16, *Regulatory Environment*.

Industry Restructuring

See *Liquidity and Capital Resources* - *WPS Resources* for detailed information on MISO.

Seams Elimination Charge Adjustment

See *Liquidity and Capital Resources - WPS Resources* for information on the impact of the Seams Elimination Charge Adjustment on WPSC.

Coal Supply

See *Liquidity and Capital Resources - WPS Resources* for detailed information regarding WPSC's coal supply.

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 - WPSC

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

CRITICAL ACCOUNTING POLICIES - WPSC

In accordance with the rules proposed by the SEC in May 2002, we reviewed our critical accounting policies for new critical accounting estimates and other significant changes. We found that the disclosures made in our Annual Report on Form 10-K for the year ended December 31, 2004, are still current and that there have been no significant changes.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

WPS Resources has potential market risk exposure related to commodity price risk, interest rate risk, equity return, and principal preservation risk. WPS Resources and WPSC are exposed to interest rate risk resulting primarily from their variable rate long-term debt and short-term commercial paper borrowing. Exposure to equity return and principal preservation risk is the result of funding liabilities (accumulated benefit obligations) related to employee benefits through various external trust funds. Exposure to commodity price risk results from the impact of market fluctuations in the price of certain commodities, including but not limited to coal, uranium, electricity, natural gas, and oil which are used and/or sold by our subsidiaries in the normal course of their business. WPS Resources has risk management policies in place to monitor and assist in controlling these market risks and uses derivative instruments to manage some of these exposures.

WPS Resources is also exposed to foreign currency risk as a result of foreign operations owned and operated in Canada and transactions denominated in Canadian dollars for the purchase and sale of natural gas and electricity by one of our nonregulated subsidiaries. WPS Resources has approved processes in place to protect against this risk. WPS Resources' exposure to foreign currency risk was not significant at June 30, 2005.

Due to the retirement of short-term commercial paper in the second quarter of 2005, WPS Resources has decreased its exposure to interest rate risk. Based on the variable rate debt of WPS Resources and Wisconsin Public Service outstanding at June 30, 2005, a hypothetical increase in market interest rates of 100 basis points in 2005 would increase annual interest expense by approximately $2.9 million and $1.0 million, respectively. Comparatively, based on variable rate debt outstanding at December 31, 2004, an increase in interest rates of 100 basis points would have increased interest expense in 2005 by approximately $3.2 million at WPS Resources and $1.0 million at WPSC. These amounts were determined by performing a sensitivity analysis on the impact of a hypothetical 100 basis point increase in interest rates on the variable rate debt of WPS Resources and WPSC outstanding as of June 30, 2005, and December 31, 2004. 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' exposure to the change.

To measure commodity price risk exposure, WPS Resources performs a value-at-risk (VaR) analysis of its exposures. VaR is estimated using a delta-normal approximation based on a one-day holding period and 95% confidence level. For further explanation of our VaR calculation, see the 2004 Form 10-K. At June 30, 2005, and December 31, 2004, WPS Energy Services’ VaR amount was calculated to be $0.6 and $0.5 million, respectively.

Other than the above-mentioned changes, WPS Resources' market risks have not changed materially from the market risks reported in the 2004 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, WPS Resources' and 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 Securities and Exchange Commission filings, particularly during the period in which this Quarterly Report on Form 10-Q was being prepared.

Changes in Internal Control Over Financial Reporting

On April 1, 2005, the MISO Day Two Market became effective which impacted electric generation and purchased power practices and systems of the subsidiaries of WPS Resources (including WPSC). In conjunction with WPS Resources' participation in the MISO Day Two Market certain changes in internal controls over financial reporting were made that have materially affected, or are reasonably likely to materially affect, WPS Resources' and WPSC's internal control over financial reporting. The internal controls affected primarily relate to revenue and cost recognition associated with electric generation and purchased power.

There were no other significant changes in WPS Resources' and WPSC's internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that occurred during the quarter ended March 31, 2005, that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Stray Voltage Claims

See Note 11 - Commitments and Contingencies, under the heading "Stray Voltage Claims" for information required by this Item 1.

Flood Damage

See Note 11 - Commitments and Contingencies, under the heading "Flood Damage" for information required by this Item 1.

Manufactured Gas Plant Remediation

See Note 11 - Commitments and Contingencies, under the heading "Manufactured Gas Plant Remediation" for information required by this Item 1.

Weston 4 Air Permits

On November 15, 2004, the Sierra Club filed a petition with the WDNR under Section 285.61, Wis. Stats., seeking a contested case hearing on the air permit issued for the Weston 4 generation station. On December 2, 2004, WDNR granted the petition and forwarded the matter to the Division of Hearings and Appeals. The contested case hearing in the matter is scheduled for the last week of September 2005. In its petition, Sierra Club raised legal and factual issues with the permit and with the process used by WDNR to develop the air emission limits and conditions. In addition, both WPSC and Sierra Club have filed motions for summary judgment on certain of the issues. A decision regarding summary judgment was issued. In the ruling, the Administrative Law Judge denied the motion of Sierra Club and granted summary judgment to WPSC with respect to certain claims of Sierra Club consistent with the rulings rendered in the WE Energies Elm Road proceeding. The upcoming hearing will address the remaining issues, which are generally related to the emission limits specified in the permit and the pollution controls to be used to achieve these limits.

Clean Air Act Violation Claim

See Note 11 - Commitments and Contingencies, under the heading Clean Air Act Violation Claim for other information required by this Item 1.

Weston Site Operation Permit

See Note 11 - Commitments and Contingencies, under the heading Weston Site Operation Permit for other information required by this Item 1.

Wausau, Wisconsin, to Duluth, Minnesota, Transmission Line

See Note 11 - Commitments and Contingencies, under the heading "Wausau, Wisconsin, to Duluth, Minnesota, Transmission Line" for other information required by this Item 1.

Current Status of Labor Contracts

Local 310 of the International Union of Operating Engineers represents approximately 1,300 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 approximately 140 UPPCO employees. The Company and Union reached agreement on a new 3-year contract on May 22, 2005; this contract is set to expire on April 19, 2008.

Local 1600 of the International Brotherhood of Electrical Workers, AFL-CIO, represents approximately 100 employees at the Sunbury generation station owned and operated by a subsidiary of PDI. The current collective bargaining agreement with Local 1600 expired on May 10, 2005. Negotiations are currently in progress. The company and the union have brought in a mediator for these negotiations.

Item 4. Submission of Matters to a Vote of Security Holders

At the May 19, 2005 WPS Resources Annual Meeting of Shareholders, Albert J. Budney, Jr., James L. Kemerling, and John C. Meng were elected to three-year terms on the Board of Directors. The vote was:

	Class B Directors - Term Expiring in 2008		
	Albert J. Budney, Jr.	**James L. Kemerling**	**John C. Meng**
Votes For	32,545,668	32,423,661	32,424,541
Votes Withheld	547,182	669,189	668,309
Shares Not Voted	4,698,560	4,698,560	4,698,560
Total Shares Outstanding	37,791,410	37,791,410	37,791,410

Election of Directors requires a plurality of the votes cast at a meeting of common stockholders at which a quorum is present.

The continuing Board members are:

Class C Directors Term Expires in 2006	Class A Directors Term Expires in 2007
Kathryn M. Hasselblad-Pascale	Richard A. Bemis
William F. Protz, Jr.	Ellen Carnahan
Larry L. Weyers	Robert C. Gallagher

Shareholders ratified the appointment of Deloitte & Touche LLP as the independent registered public accounting firm for WPS Resources and its subsidiaries for 2005. With respect to the ratification of the selection of Deloitte & Touche LLP to act as independent auditors of WPS Resources' accounts for the year 2005 shareholders voted:

Voted	Shares
For	32,462,256
Against	339,702
Abstained	290,892
Shares Not Voted	4,698,560
Total	37,791,410

Shareholders approved both the WPS Resources Corporation 2005 Omnibus Incentive Compensation Plan, which authorized 1,600,000 shares of common stock for future grants, and the amended and restated WPS Resources Corporation Deferred Compensation Plan which increased the number of shares of common stock available for future grants by 500,000 shares. With respect to the approval of the these executive compensation plans shareholders voted:

	WPS Resources Corporation 2005 Omnibus Incentive Compensation Plan	Amended and Restated WPS Resources Corporation Deferred Compensation Plan
Votes For	18,854,682	19,350,392
Votes Against	4,772,090	4,273,621
Abstentions	709,460	712,219
Total Shares Voted	24,336,232	24,336,232
Unvoted Broker Shares	8,756,618	8,756,618
Unvoted Other	4,698,560	4,698,560
Total Shares Outstanding	37,791,410	37,791,410

Approval required the affirmative vote of a majority of the votes cast at the Annual Meeting of Shareholders.

Item 6. Exhibits

The following documents are attached as exhibits (unless otherwise incorporated by reference herein):

10.1 Five Year Credit Agreement among WPS Resources Corporation and the lenders identified herein, Citibank, N.A., Wells Fargo Bank National Association, J P Morgan Chase Bank, N.A., UBS Securities LLC, U.S. Bank National Association, and U.S. Bank National Association and Citigroup Global Markets Inc., dated as of June 2, 2005

10.2 WPS Resources Corporation 2005 Omnibus Incentive Compensation Plan

10.3 WPS Resources Corporation Deferred Compensation Plan as Amended and Restated Effective January 1, 2005 (incorporated by reference to Exhibit 10.10 to WPS Resources' Form 10-K for the year ended December 31, 2004)

12.1 WPS Resources Corporation Ratio of Earnings to Fixed Charges

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

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

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

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

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

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

SIGNATURES

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

WPS Resources Corporation

Date: August 4, 2005

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

(Duly Authorized Officer and
Chief Accounting Officer)

SIGNATURES

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

Wisconsin Public Service Corporation

Date: August 4, 2005

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

(Duly Authorized Officer and
Chief Accounting Officer)

WPS RESOURCES CORPORATION AND
WISCONSIN PUBLIC SERVICE CORPORATION
EXHIBIT INDEX TO FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2005

Exhibit No.	Description
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Exhibit 10.1

EXECUTION COPY

FIVE YEAR

CREDIT AGREEMENT

among

WPS RESOURCES CORPORATION,
as Borrower

THE LENDERS IDENTIFIED HEREIN,

CITIBANK, N.A.,
as Syndication Agent

WELLS FARGO BANK NATIONAL ASSOCIATION,
as Co-Documentation Agent

JPMORGAN CHASE BANK, N.A.,
as Co-Documentation Agent

UBS SECURITIES LLC,
as Co-Documentation Agent

U.S. BANK NATIONAL ASSOCIATION,
as Agent

and

U.S. BANK NATIONAL ASSOCIATION and **CITIGROUP GLOBAL MARKETS INC.,**
as Co-Lead Arrangers and Book Managers

DATED AS OF JUNE 2, 2005

TABLE OF CONTENTS

SCHEDULES

EXHIBITS

FIVE YEAR
CREDIT AGREEMENT

THIS FIVE YEAR CREDIT AGREEMENT (this "Credit Agreement"), dated as of June 2, 2005, is entered into among WPS RESOURCES CORPORATION, a Wisconsin corporation (the "Borrower"), the Lenders (as defined herein), U.S. BANK NATIONAL ASSOCIATION and CITIGROUP GLOBAL MARKETS INC., as Co-Lead Arrangers and Book Managers, CITIBANK, N.A., as Syndication Agent, WELLS FARGO BANK NATIONAL ASSOCIATION, JPMORGAN CHASE BANK, N.A. and UBS SECURITIES LLC, as Co-Documentation Agents, and U.S. BANK NATIONAL ASSOCIATION, as administrative agent for the Lenders (in such capacity, the "Agent").

RECITALS

WHEREAS, the Borrower has requested that the Lenders provide a $500 million five year revolving credit facility to the Borrower for the purposes set forth herein; and.

WHEREAS, the Lenders have agreed to provide such five year revolving credit facility on the terms and conditions hereinafter set forth.

NOW, THEREFORE, IN CONSIDERATION of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. DEFINITIONS AND ACCOUNTING TERMS

1.1 Definitions.

As used herein, the following terms shall have the meanings herein specified unless the context otherwise requires. Defined terms herein shall include in the singular number the plural and in the plural the singular:

"2004 Credit Agreement" means the 364-Day Credit Agreement dated as of August 6, 2004, among the Borrower, the financial institutions identified as lenders therein, Wells Fargo Bank, N.A., as Syndication Agent, Citibank, N.A., J.P.Morgan Chase Bank and UBS AG, Stamford Branch, as co-documentation agents, and U.S. Bank National Association, as lead arranger, book manager and as agent for the lenders thereunder.

"Adjusted Eurodollar Rate" means the Eurodollar Rate plus the Applicable Percentage.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling (including but not limited to all directors and officers of such Person), controlled by or under direct or indirect common control with such Person. A Person shall be deemed to control a corporation if such Person possesses, directly or indirectly, the power (a) to vote 10% or more of the securities having ordinary voting power for the election of directors of such corporation or (b) to direct or cause direction of the management and policies of such corporation, whether through the ownership of voting securities, by contract or otherwise.

"Agent" means U.S. Bank National Association and any successors and assigns in such capacity.

"Aggregate Commitments" means, collectively, the Revolving Loan Commitment of each Lender.

"Applicable Percentage" means, at any time, the appropriate applicable percentages corresponding to the Borrower's Public Debt Ratings in effect as of the most recent Calculation Date, as shown below:

Pricing Level	Borrower's Public Debt Rating	Applicable Percentage for Eurodollar Loans	Applicable Percentage for Revolving Fees	Applicable Percentage for Letter of Credit Fees
I.	AA- from S&P or Aa3 from Moody's	0.135%	0.065%	0.135%
II.	A+ from S&P or A1 from Moody's	0.175%	0.075%	0.175%
III.	A from S&P or A2 from Moody's	0.210%	0.090%	0.210%
IV.	A- from S&P or A3 from Moody's	0.300%	0.100%	0.300%
V.	BBB+ from S&P or Baa1 from Moody's	0.350%	0.125%	0.350%
VI.	$\leq$BBB from S&P or Baa2 from Moody's or Unrated by S&P or Moody's	0.475%	0.150%	0.475%

The Applicable Percentage for Eurodollar Loans, the Revolving Fees and the Letter of Credit Fees shall, in each case, be determined and adjusted on the date (each a "Calculation Date") five Business Days after the date there is a change in the Borrower's Public Debt Rating. Each determination of the Applicable Percentage shall be effective from one Calculation Date until the next Calculation Date. Any adjustment in the Applicable Percentage shall be applicable to all existing Eurodollar Loans as well as any new Eurodollar Loans made.

In the event that the Public Debt Ratings of S&P and Moody's do not correspond to the same Pricing Level, then the higher of the two ratings shall determine the Pricing Level, except that if the Public Debt Ratings differ by more than one Pricing Level, the Pricing Level that is one Pricing Level higher than the Pricing Level corresponding to the lower of such ratings shall determine the Pricing Level.

The Borrower shall promptly deliver to the Agent, at the address set forth on Schedule 11.1, information regarding any change in the Borrower's Public Debt Rating, as determined by S&P and Moody's, that would change the existing Pricing Level pursuant to the preceding paragraph.

"Bankruptcy Code" means the Bankruptcy Code in Title 11 of the United States Code, as amended, modified, succeeded or replaced from time to time.

"Base Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest whole multiple of 1/100 of 1%) equal to the greater of (a) the Federal Funds Rate in effect on such day plus 1/2 of 1% or (b) the Prime Rate in effect on such day. If for any reason the Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable after due inquiry to ascertain the Federal Funds Rate for any reason, including the inability or failure of the Agent to obtain sufficient quotations in accordance with the terms hereof, the Base Rate shall be determined without regard to clause (a) of the first sentence of this definition until the circumstances giving rise to such inability no longer exist. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or the Federal Funds Rate, respectively.

"Base Rate Loan" means a Revolving Loan which bears interest based on the Base Rate.

"Borrower" means WPS Resources Corporation, a Wisconsin corporation.

"Borrower Obligations" means, without duplication, all of the obligations of the Borrower to the Lenders and the Agent, whenever arising, under this Credit Agreement, the Notes or any of the other Credit Documents.

"Business Day" means any day other than a Saturday, a Sunday, a legal holiday or a day on which banking institutions are authorized or required by law or other governmental action to close in Milwaukee, Wisconsin and New York, New York; provided that in the case of Eurodollar Loans, such day is also a day on which dealings between banks are carried on in U.S. dollar deposits in the London interbank market.

"Capitalization" means the sum of (a) Total Funded Debt plus (b) Net Worth.

"Change of Control" means any of the following events: (a) any "person" or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act) has become, directly or indirectly, the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a Person shall be deemed to have "beneficial ownership" of all shares that any such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), by way of merger, consolidation or otherwise, of 30% or more of the voting power of the Voting Stock of the Borrower on a fully-diluted basis, after giving effect to the conversion and exercise of all outstanding warrants, options and other securities of the Borrower (whether or not such securities are then currently convertible or exercisable), (b) during any period of two consecutive calendar years, individuals who at the beginning of such period constituted the board of directors of the Borrower cease for any reason to constitute a majority of the directors of the Borrower then in office unless (i) such new directors were elected or nominated by a majority of the directors of the Borrower who constituted the board of directors of the Borrower at the beginning of such period or (ii) the reason for such directors failing to constitute a majority is a result of retirement by directors due to age, death or disability or (c) the failure of the Borrower to own 100% of the common stock of Wisconsin Public Service Corporation.

"Closing Date" means the date hereof.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment Percentage" means, for each Lender, the percentage identified as its Commitment Percentage opposite such Lender's name on Schedule 1.1 attached hereto, as such percentage may be modified by assignment in accordance with the terms of this Credit Agreement or by reductions or increases in the Revolving Loan Commitment pursuant to Section 2.6 hereof.

"Confidential Information" means information furnished by or on behalf of the Borrower to the Agent or any Lender in connection with this Agreement, but does not include any such information that (a) is or becomes generally available to the public, (b) was available to the Agent or any Lender on a nonconfidential basis prior to its disclosure to the Agent or such Lender by the Borrower or any of its Subsidiaries or (c) is or becomes available to the Agent or such Lender on a nonconfidential basis from a source other than the Borrower or any of its Subsidiaries.

"Credit Documents" means this Credit Agreement, the Notes, the LOC Documents and all other related agreements and documents issued or delivered hereunder or thereunder or pursuant hereto or thereto.

"Default" means any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Defaulting Lender" means, at any time, any Lender that, at such time (a) has failed to make a Loan required pursuant to the term of this Credit Agreement, (b) has failed to pay to the Agent or any Lender an amount owed by such Lender pursuant to the terms of this Credit Agreement or (c) has been deemed insolvent or has become subject to a bankruptcy or insolvency proceeding or to a receiver, trustee or similar official.

"Dollars" and "$" means dollars in lawful currency of the United States of America.

"Effective Date" means the date on which the conditions set forth in Section 5.1 shall have been fulfilled (or waived in the sole discretion of the Lenders) and on which the initial Extension of Credit shall have been made.

"Eligible Assignee" means (a) a Lender; (b) an Affiliate of a Lender; and (c) any other Person approved by the Agent and the Borrower (such approval not to be unreasonably withheld or delayed); provided that (i) the Borrower's consent is not required during the existence and continuation of an Event of Default, and (ii) neither the Borrower nor an Affiliate of the Borrower shall qualify as an Eligible Assignee.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto, as interpreted by the rules and regulations thereunder, all as the same may be in effect from time to time. References to sections of ERISA shall be construed also to refer to any successor sections.

"ERISA Affiliate" means an entity, whether or not incorporated, which is under common control with the Borrower or any of its Subsidiaries within the meaning of Section 4001(a)(14) of ERISA, or is a member of a group which includes the Borrower or any of its Subsidiaries and which is treated as a single employer under Sections 414(b), (c), (m), or (o) of the Code.

"Eurodollar Loan" means a Revolving Loan bearing interest at the Adjusted Eurodollar Rate.

"Eurodollar Rate" means with respect to any Eurodollar Loan, for the Interest Period applicable thereto, a rate per annum determined pursuant to the following formula:

$$\text{"Eurodollar Rate"} = \frac{\text{London Interbank Offered Rate}}{1 - \text{Eurodollar Reserve Percentage}}$$

"Eurodollar Reserve Percentage" means, for any day, that percentage (expressed as a decimal) which is in effect from time to time under Regulation D of the Board of Governors of the Federal Reserve System (or any successor), as such regulation may be amended from time to time or any successor regulation, as the maximum reserve requirement (including, without limitation, any basic, supplemental, emergency, special, or marginal reserves) applicable with respect to Eurocurrency liabilities, as that term is defined in Regulation D (or against any other category of liabilities that includes deposits by reference to which the interest rate of Eurodollar Loans is determined), whether or not a Lender has any Eurocurrency liabilities subject to such reserve requirement at that time. Eurodollar Loans shall be deemed to constitute Eurocurrency liabilities and as such shall be deemed subject to reserve requirements without benefit of credits or proration, exceptions or offsets that may be available from time to time to a Lender. The Eurodollar Rate shall be adjusted automatically on and as of the effective date of any change in the Eurodollar Reserve Percentage.

"Event of Default" has the meaning specified in Section 9.1.

"Extension of Credit" means, as to any Lender, (i) the making of a Loan by such Lender (or a participation therein by a Lender) and (ii) the issuance of a Letter of Credit by the Agent (and the participation therein by the Lenders).

"Fee Letter" means that certain letter agreement, dated as of __________, 2005 between the Agent and the Borrower, as amended, modified, supplemented or replaced from time to time.

"Federal Funds Rate" means for any day the rate per annum (rounded upward to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate quoted to the Agent on such day on such transactions as determined by the Agent.

"First Mortgage Indentures" means (a) that certain First Mortgage and Deed of Trust dated as of January 1, 1941, from Wisconsin Public Service Corporation to U.S. Bank National Association (successor to First Wisconsin Trust Company), as trustee, as heretofore or hereafter amended, modified and supplemented and any substitute or replacement mortgage indenture, (b) that certain Indenture dated as of December 1, 1998, between Wisconsin Public Service Corporation and U.S. Bank National Association (successor to Firstar Bank Milwaukee, N.A.), as trustee, as heretofore or hereafter amended, modified and supplemented and any substitute or replacement mortgage indenture, and (c) that certain Indenture of Mortgage dated May 1, 1947, from Upper Peninsula Power Company to U.S. Bank National Association (successor to City National Bank and Trust Company of Chicago), as trustee, as heretofore or hereafter amended, modified and supplemented and any substitute or replacement mortgage indenture.

"Funded Debt" of any Person means, without duplication, the sum of (a) all Indebtedness of such Person for borrowed money, except to the extent such Indebtedness is "non-recourse" to such Person or recourse for payment of such Indebtedness is limited to specific assets of such Person (whether or not included on a consolidated balance sheet of such Person), (b) the principal portion of all obligations of such Person under capital lease obligations, (c) all obligations, contingent or otherwise, relative to the face amount of all letters of credit issued to support Indebtedness of the kinds referred to in clauses (a) and (b) above, (d) all Guaranty Obligations of such Person with respect to Indebtedness and obligations of the type described in clauses (a) through (c) hereof of another Person; provided that such Guaranty Obligations are required to be reported as liabilities on a balance sheet of such Person prepared in accordance with GAAP (and without duplication of any liability already appearing as a liability on such balance sheet); and further provided that, in the event a Guaranty Obligation is limited as to dollar amount, such Guaranty Obligation shall not exceed such limitation, and (e) all Indebtedness and obligations of the type described in clauses (a), (b), and (c) hereof of another Person, secured by a Lien on any property of such Person whether or not such Indebtedness or obligations has been assumed by such Person. Notwithstanding the foregoing, Funded Debt shall not include trust preferred securities, if any, shall not include interest on Indebtedness that is accrued in the ordinary course of business and shall not include intercompany Indebtedness.

"GAAP" means generally accepted accounting principles in the United States applied on a consistent basis and subject to Section 1.3.

"Governmental Authority" means any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"Guaranty Obligations" means, with respect to any Person, without duplication, any obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing any Funded Debt of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (a) to purchase any such Funded Debt, or (b) to advance or provide funds or other support for the payment or purchase of such Funded Debt or to maintain working capital, solvency or other balance sheet condition of such other Person. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount (or maximum principal amount, if larger) of the Indebtedness in respect of which such Guaranty Obligation is made; provided that, in the event a Guaranty Obligation is limited as to dollar amount, such Guaranty Obligation shall not exceed such limitation.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property purchased by such Person to the extent of the value of such property (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business), (d) all obligations, other than intercompany items, of such Person issued or assumed as the deferred purchase price of property or services purchased by such Person which would appear as liabilities on a balance sheet of such Person (other than trade payables), (e) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (f) all Guaranty Obligations of such Person, (g) the principal portion of all obligations of such Person under (i) capital lease obligations and (ii) any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product of such Person where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP, (h) all obligations of such Person to repurchase any securities which repurchase obligation is related to the issuance thereof, including, without limitation, obligations commonly known as residual equity appreciation potential shares, (i) the net obligations of such Person in respect of interest rate protection agreements, foreign currency exchange agreements, Permitted Energy Transactions or other interest or exchange rate hedging arrangements, and (j) the maximum amount of all outstanding performance and standby letters of credit issued or bankers' acceptance facilities created for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed). The Indebtedness of any Person shall include the recourse Indebtedness of any partnership or unincorporated joint venture and for which such Person is legally obligated.

"Interest Payment Date" means (a) as to Base Rate Loans, monthly in arrears on the first day of each fiscal month of the Borrower and the Maturity Date and (b) as to Eurodollar Loans, the last day of each applicable Interest Period and the Maturity Date and, in addition, where the applicable Interest Period for a Eurodollar Loan is greater than three months, then also on the last day of each fiscal quarter of the Borrower during such Interest Period. If an Interest Payment Date falls on a date which is not a Business Day, such Interest Payment Date shall be deemed to be the next succeeding Business Day, except that in the case of Eurodollar Loans where the next succeeding Business Day falls in the next succeeding calendar month, then on the next preceding day.

"Interest Period" means, as to Eurodollar Loans, a period of one, two, three or, subject to availability, six months duration, as the Borrower may elect, commencing, in each case, on the date of the borrowing (including continuations and conversions of Eurodollar Loans); provided, however, (a) if any Interest Period would end on a day which is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day (except that where the next succeeding Business Day falls in the next succeeding calendar month, then on the next preceding Business Day), (b) no Interest Period shall extend beyond the Maturity Date and (c) with respect to Eurodollar Loans, where an Interest Period begins on a day for which there is no numerically corresponding day in the calendar month in which the Interest Period is to end, such Interest Period shall end on the last Business Day of such calendar month.

"Lender" means any of the Persons identified as a "Lender" on the signature pages hereto, and any Eligible Assignee which may become a Lender by way of assignment in accordance with the terms hereof, together with their successors and permitted assigns.

"Letter of Credit Obligations" means the stated amount of all outstanding Letters of Credit plus, without duplication, any unpaid reimbursement obligations of the Borrower under the Letters of Credit.

"Letters of Credit" is defined in Section 2.9.

"Leverage Ratio" means, with respect to the Borrower and its Subsidiaries at any date of determination, the ratio of (a) Total Funded Debt to, (b) Capitalization, in each case calculated in accordance with GAAP.

"Lien" means any mortgage, pledge, hypothecation, assignment for security, deposit arrangement, security interest, encumbrance, lien (statutory or otherwise), priority or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any unterminated financing or similar statement or notice filed under the Uniform Commercial Code as adopted and in effect in the relevant jurisdiction or other similar recording or notice statute, and any lease in the nature thereof). The term "Lien" shall not include statutory priorities or financing statements filed in connection with operating leases or sales of accounts owed by customers for energy provided or to be provided outside the normal franchise service area of Wisconsin Public Service Corporation and Upper Peninsula Power Company.

"Loans" means the Revolving Loans and the Swing Line Loans.

"LOC Documents" means, with respect to any Letter of Credit, such Letter of Credit, any amendments thereto, any documents delivered in connection therewith, any application therefor, and any agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (a) the rights and obligations of the parties concerned or at risk or (b) any collateral security for such obligations.

"London Interbank Offered Rate" means, with respect to any Eurodollar Loan for the Interest Period applicable thereto, (a) the rate per annum equal to the rate determined by the Agent to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(b) if the rate referenced in the preceding subsection (a) does not appear on such page or service or such page or service is not available, the rate per annum equal to the rate determined by the Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) if the rates referenced in the preceding subsections (a) and (b) are not available, the rate of interest per annum determined by the Agent as the rate of interest at which deposits in Dollars, in the approximate amount of the Loan to be made or continued as, or converted into, a Eurodollar loan by U.S. Bank National Association and having a maturity comparable to such Interest Period, would be offered to major banks in the London interbank market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period rounded upwards to the next 1/100th of 1%.

"Material Adverse Effect" means a material adverse effect on (a) the operations, financial condition or business of the Borrower and its Subsidiaries, taken as a whole, (b) the ability of the Borrower to perform its obligations under this Credit Agreement or (c) the validity or enforceability of this Credit Agreement, any of the other Credit Documents, or the rights and remedies of the Lenders hereunder or thereunder; provided that matters disclosed in writing to the Lenders prior to the Closing Date shall not be deemed to cause a Material Adverse Effect.

"Maturity Date" means June 2, 2010.

"Moody's" means Moody's Investors Service, Inc., or any successor or assignee of the business of such company in the business of rating securities.

"Multiemployer Plan" means a Plan covered by Title IV of ERISA which is a multiemployer plan as defined in Section 3(37) or 4001(a)(3) of ERISA.

"Multiple Employer Plan" means a Plan covered by Title IV of ERISA, other than a Multiemployer Plan, which the Borrower or any ERISA Affiliate and at least one employer other than the Borrower or any ERISA Affiliate are contributing sponsors.

"Net Worth" means, as of any date, the shareholders' equity or net worth of the Borrower and its Subsidiaries, on a consolidated basis, as determined in accordance with GAAP.

"Notes" means the Revolving Loan Notes.

"Notice of Borrowing" means a request by the Borrower for a Revolving Loan in the form of Exhibit 2.2.

"Notice of Continuation/Conversion" means a request by the Borrower for the continuation or conversion of a Revolving Loan in the form of Exhibit 2.4.

"Participation Interest" means the Extension of Credit by a Lender by way of a purchase of a participation in any Loans as provided in Section 3.8.

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA and any successor thereto.

"Permitted Energy Transactions" means commodity sale, purchase or option agreements or other commodity transactions or purchase or sale of weather derivatives entered into by the Borrower or any Principal Subsidiary in the ordinary course of the energy or energy related industry for non-speculative purposes relating to the purchase or sale of electric power, electric power transmission capacity, natural gas, natural gas transportation capacity, natural gas storage, generation spark spreads, heating oil, crude oil, propane, coal or currency.

"Person" means any individual, partnership, joint venture, firm, corporation, association, trust, limited liability company or other enterprise (whether or not incorporated), or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" means any employee benefit plan (as defined in Section 3(3) of ERISA) which is covered by ERISA and with respect to which the Borrower or any ERISA Affiliate is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" within the meaning of Section 3(5) of ERISA.

"Prime Rate" means the per annum rate of interest established from time to time by the Agent at its principal office in Milwaukee, Wisconsin (or such other principal office as communicated by the Agent to the Borrower and the Lenders) as its Prime Rate. Any change in the interest rate resulting from a change in the Prime Rate shall become effective as of 12:01 a.m. (Milwaukee time) of the Business Day on which each change in the Prime Rate is announced by the Agent. The Prime Rate is a reference rate used by the Agent in determining interest rates on certain loans and is not intended to be the lowest rate of interest charged on any extension of credit to any debtor.

"Principal Subsidiary" means (a) any of Wisconsin Public Service Corporation, Upper Peninsula Power Company, WPS Resources Capital Corporation, WPS Energy Services, Inc. and their respective successors and (b) any other Subsidiary, whether owned directly or indirectly by the Borrower, which, with respect to the Borrower and its Subsidiaries taken as a whole, represents at least twenty percent (20%) of the Borrower's consolidated assets or the Borrower's consolidated net income (or loss), as shown on the most recent financial statements delivered to the Agent pursuant to Section 7.1 below.

"Public Debt Rating" means, as of any date, the rating that has been most recently announced by either S&P or Moody's, as the case may be, for any class of non-credit enhanced long-term senior unsecured debt issued by the Borrower.

"Reportable Event" means a "reportable event" as defined in Section 4043 of ERISA with respect to which the notice requirements to the PBGC have not been waived.

"Required Lenders" means Lenders whose aggregate Credit Exposure (as hereinafter defined) constitutes more than 51% of the aggregate Credit Exposure of all Lenders at such time; provided, however, that if any Lender shall be a Defaulting Lender at such time then there shall be excluded from the determination of Required Lenders the aggregate principal amount of Credit Exposure of such Lender at such time. For purposes of the preceding sentence, the term "Credit Exposure" as applied to each Lender shall mean (a) at any time prior to the termination of the Revolving Loan Commitment, the Commitment Percentage of such Lender multiplied by the Revolving Loan Commitment and (b) at any time after the termination of the Revolving Loan Commitment, the principal balance of the outstanding Loans of such Lender plus the Commitment Percentage of such Lender multiplied by the Letter of Credit Obligations.

"Revolving Loan Commitment" means, collectively, FIVE HUNDRED MILLION DOLLARS ($500,000,000), subject to amendment pursuant to Section 2.6, and with respect to each Lender, shall mean such amount multiplied by such Lender's Commitment Percentage.

"Revolving Loan Notes" means the promissory notes of the Borrower in favor of each Lender evidencing the Revolving Loans and substantially in the form of Exhibit 2.7, as such promissory notes may be amended, modified, supplemented or replaced from time to time.

"Revolving Loans" means the loans made by the Lenders to the Borrower pursuant to Section 2.1.

"S&P" means Standard & Poor's, a division of The McGraw Hill Companies, Inc., or any successor or assignee of the business of such division in the business of rating securities.

"Single Employer Plan" means any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"Subsidiary" means, as to any Person, (a) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time, any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through

Subsidiaries and (b) any partnership, association, joint venture, limited liability company or other entity in which such person directly or indirectly through Subsidiaries has more than 50% equity interest at any time.

"Swing Line Lender" means U.S. Bank National Association.

"Swing Line Loan" means a loan made by the Swing Line Lender to the Borrower under Section 2.8.

"Swing Line Sublimit" means an amount equal to the lesser of (a) $20,000,000 and (b) the aggregate Revolving Loan Commitment. The Swing Line Sublimit is part of, and not in addition to, the aggregate Revolving Loan Commitment.

"Termination Event" means (a) with respect to any Single Employer Plan, the occurrence of a Reportable Event or the substantial cessation of operations (within the meaning of Section 4062(e) of ERISA), (b) the withdrawal of the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a substantial employer (as such term is defined in Section 4001(a)(2) of ERISA), or the termination of a Multiple Employer Plan, (c) the distribution of a notice of intent to terminate or the actual termination of a Plan pursuant to Section 4041(a)(2) or 4041A of ERISA, (d) the institution of proceedings to terminate or the actual termination of a Plan by the PBGC under Section 4042 of ERISA, (e) any event or condition which might reasonably constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or (f) the complete or partial withdrawal of the Borrower or any ERISA Affiliate from a Multiemployer Plan.

"Total Assets" means all assets of the Borrower and its Subsidiaries as shown on its most recent quarterly or annual audited consolidated balance sheet, as determined in accordance with GAAP.

"Total Funded Debt" means all Funded Debt of the Borrower and its Subsidiaries, without duplication, on a consolidated basis, as determined in accordance with GAAP.

"Voting Stock" means all classes of the capital stock (or other voting interests) of a Person then outstanding and normally entitled to vote in the election of directors.

1.2 Computation of Time Periods.

For purposes of computation of periods of time hereunder, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding." References in this Credit Agreement to "Articles", "Sections", "Schedules" or "Exhibits" shall be to Articles, Sections, Schedules or Exhibits of or to this Credit Agreement unless otherwise specifically provided.

1.3 Accounting Terms.

Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Lenders hereunder shall be prepared, in accordance with

GAAP applied in a manner consistent with those used in preparing the financial statements referred to in Section 5.1(d). In the event that any changes occur in GAAP after the date of this Agreement and such changes result in a material variation in the method of calculation of financial covenants or other terms of this Agreement, then the Borrower, the Agent and the Lenders agree to amend such provisions of this Agreement so as to equitably reflect such changes in order that the criteria for evaluating the Borrower's financial condition will be the same after such changes as if such changes had not occurred.

Section 2. LOANS

2.1 Revolving Loan Commitment.

Subject to the terms and conditions set forth herein, each Lender severally agrees to make revolving loans to the Borrower in Dollars, at any time and from time to time, during the period from the Effective Date to the Maturity Date (each a "Revolving Loan" and collectively the "Revolving Loans"); provided, however, that (i) the sum of the aggregate amount of Revolving Loans outstanding plus the aggregate amount of Swing Line Loans outstanding shall not exceed the amount of the Revolving Loan Commitment minus the Letter of Credit Obligations and (ii) with respect to each individual Lender, the Lender's pro rata share of outstanding Revolving Loans plus such Lender's Commitment Percentage of outstanding Swing Line Loans shall not exceed such Lender's Commitment Percentage of the amount of the Revolving Loan Commitment minus the Letter of Credit Obligations. Subject to the terms of this Credit Agreement, the Borrower may borrow, repay and reborrow Revolving Loans.

2.2 Method of Borrowing for Revolving Loans.

By no later than noon (Milwaukee time) (a) on the date of the requested borrowing of Revolving Loans that will be Base Rate Loans or (b) two Business Days prior to the date of the requested borrowing of Revolving Loans that will be Eurodollar Loans, the Borrower shall submit a written Notice of Borrowing in the form of Exhibit 2.2 to the Agent setting forth (i) the amount requested, (ii) whether such Revolving Loans shall accrue interest at the Base Rate or the Adjusted Eurodollar Rate, (iii) with respect to Revolving Loans that will be Eurodollar Loans, the Interest Period applicable thereto and (iv) certification that the Borrower has complied in all respects with Section 5.2.

2.3 Funding of Revolving Loans.

Upon receipt of a Notice of Borrowing, the Agent shall promptly inform the Lenders as to the terms thereof. Each such Lender shall make its Commitment Percentage of the requested Revolving Loans available to the Agent by 2:00 p.m. (Milwaukee time) on the date specified in the Notice of Borrowing by deposit, in Dollars, of immediately available funds at the principal offices of the Agent in Milwaukee, Wisconsin or at such other address as the Agent may designate in writing. The amount of the requested Revolving Loans will then be made available to the Borrower by the Agent by crediting the account of the Borrower on the books of such office of the Agent, to the extent the amount of such Revolving Loans are made available to the Agent.

No Lender shall be responsible for the failure or delay by any other Lender in its obligation to make Revolving Loans hereunder; provided, however, that the failure of any Lender to fulfill its obligations hereunder shall not relieve any other Lender of its obligations hereunder. Unless the Agent shall have been notified by any Lender prior to the date of any such Revolving Loan that such Lender does not intend to make available to the Agent its portion of the Revolving Loans to be made on such date, the Agent may assume that such Lender has made such amount available to the Agent on the date of such Revolving Loans, and the Agent in reliance upon such assumption, may (in its sole discretion but without any obligation to do so) make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Agent, the Agent shall be able to recover such corresponding amount from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Agent's demand therefor, the Agent will promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the Agent. The Agent shall also be entitled to recover from the Lender or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Agent to the Borrower to the date such corresponding amount is recovered by the Agent at a per annum rate equal to (i) from the Borrower at the applicable rate for such Revolving Loan pursuant to the Notice of Borrowing and (ii) from a Lender at the Federal Funds Rate.

2.4 Continuations and Conversions.

The Borrower shall have the option, on any Business Day, to continue existing Eurodollar Loans for a subsequent Interest Period, to convert Base Rate Loans into Eurodollar Loans or to convert Eurodollar Loans into Base Rate Loans; provided, however, that (a) each such continuation or conversion must be requested by the Borrower pursuant to a Notice of Continuation/Conversion, in the form of Exhibit 2.4, in compliance with the terms set forth below, (b) except as provided in Section 4.1, Eurodollar Loans may only be continued or converted into Base Rate Loans on the last day of the Interest Period applicable hereto, (c) Eurodollar Loans may not be continued nor may Base Rate Loans be converted into Eurodollar Loans during the existence and continuation of a Default or Event of Default and (d) any request to extend a Eurodollar Loan that fails to comply with the terms hereof or any failure to request an extension of a Eurodollar Loan that fails to comply with the terms hereof or any failure to request an extension of a Eurodollar Loan at the end of an Interest Period shall constitute a conversion to a Base Rate Loan on the last day of the applicable Interest Period. Each continuation or conversion must be requested by the Borrower no later than noon (Milwaukee time) (i) on the date for a requested conversion of a Eurodollar Loan to a Base Rate Loan or (ii) two Business Days prior to the date for a requested continuation of a Eurodollar Loan or conversion of a Base Rate Loan to a Eurodollar Loan, in each case pursuant to a written Notice of Continuation/Conversion submitted to the Agent which shall set forth (A) whether the Borrower wishes to continue or convert such Loans and (B) if the request is to continue a Eurodollar Loan or convert a Base Rate Loan to a Eurodollar Loan, the Interest Period applicable thereto.

The Borrower hereby authorizes the Lenders and the Agent to extend, convert or continue Eurodollar Loans or Base Rate Loans, effect selection of Eurodollar Loans or Base Rate Loans and to transfer funds based in each case on telephonic notices made by any person or persons the Agent or any Lender in good faith believes to be acting on behalf of the Borrower.

The Borrower agrees to deliver promptly to the Agent a written confirmation, if such confirmation is requested by the Agent or any Lender, of each telephonic notice signed by the chief financial officer, treasurer, secretary or assistant treasurer of the Borrower. If the written confirmation differs in any material respect from the action taken by the Agent and the Lenders, the records of the Agent and the Lenders shall govern absent manifest error.

2.5 Minimum Amounts.

Each request for a Revolving Loan or a conversion or continuation hereunder shall be subject to the following requirements: (a) each Eurodollar Loan shall be in a minimum of $5,000,000 (and in integral multiples of $1,000,000 in excess thereof), (b) each Base Rate Loan shall be in a minimum amount of the lesser of $1,000,000 (and in integral multiples of $250,000 in excess thereof) or the remaining amount available to be borrowed and (c) no more than twelve Eurodollar Loans shall be outstanding hereunder at any one time. For the purposes of this Section, all Eurodollar Loans with the same Interest Periods that begin and end on the same date shall be considered as one Eurodollar Loan, but Eurodollar Loans with different Interest Periods, even if they begin on the same date, shall be considered separate Eurodollar Loans.

2.6 Reductions and Increases of Revolving Loan Commitment.

(a) Upon at least five Business Days' notice, the Borrower shall have the right to permanently terminate or reduce the aggregate unused amount of the Revolving Loan Commitment at any time and from time to time; provided that (i) each partial reduction shall be in an aggregate amount at least equal to $10,000,000 and in integral multiples of $1,000,000 above such amount and (ii) no reduction shall be made which would reduce the Revolving Loan Commitment to an amount less than the then outstanding Loans plus the Letter of Credit Obligations. Any reduction in (or termination of) the Revolving Loan Commitment shall be permanent and may not be reinstated.

(b) The Borrower may request at any time and from time to time that the aggregate amount of the Revolving Loan Commitment be increased up to a maximum amount of $650,000,000; provided that (i) no increase in the Revolving Loan Commitment shall be made at a time when a Default or Event of Default shall have occurred and be continuing or would result from the requested increase, (ii) no increase in the Revolving Loan Commitment shall be made at any time after the Revolving Loan Commitment has been terminated or reduced, (iii) each partial increase shall be made in an aggregate amount at least equal to $10,000,000 and in integral multiples of $5,000,000 above such amount, (iv) no more than two such increases shall be made between the Effective Date and the Maturity Date, and (v) the Borrower shall have delivered to the Agent certified resolutions of the Board of Directors of the Borrower approving such increase and borrowings in connection therewith. In the event of such a requested increase in the Revolving Loan Commitment, (i) each of the Lenders shall be given the opportunity to participate in the increased Revolving Loan Commitment (x) initially to the extent of such Lender's existing Commitment Percentage and (y) to the extent that the requested increase of the Revolving Loan Commitment is not fulfilled pursuant to the preceding clause (x), ratably in the proportion that the respective Commitment Percentages of the Lenders desiring to participate in the requested increase bear to the total of the Commitment Percentages of the increasing

Lenders, and (ii) to the extent that the Lenders do not elect so to participate in such increased Revolving Loan Commitment after an opportunity to do so, then the Borrower shall consult with the Agent as to the number, identity and requested Revolving Loan Commitments of additional financial institutions that the Agent may invite to participate in the aggregate Revolving Loan Commitment. The Agent will not unreasonably refuse to so invite a commercial bank organized under the laws of the United States or of any State thereof, identified and requested by the Borrower, that has capital and surplus reasonably satisfactory to the Agent in light of the Revolving Loan Commitment which such commercial bank would assume hereunder. The Agent shall promptly notify the Borrower and the Lenders of any increase in the amount of the aggregate Revolving Loan Commitment pursuant to this Section and of the respective adjusted Revolving Loan Commitment and Commitment Percentage of each Lender after giving effect thereto. The Borrower acknowledges that, in order to maintain Loans in accordance with the Commitment Percentage of each Lender, a non-pro-rata increase in the aggregate Revolving Loan Commitment may require prepayment or funding of all or portions of certain Loans on the date of such increase (and any such prepayment or funding shall be subject to the other provisions of this Credit Agreement).

2.7 Notes.

The Revolving Loans made by the Lenders shall be evidenced by a duly executed promissory note of the Borrower payable to each Lender in substantially the form of Exhibit 2.7 (the "Revolving Loan Notes") and in a principal amount equal to the amount of such Lender's Commitment Percentage of the Revolving Loan Commitment as originally in effect.

2.8 Swing Line Loans.

(a) Subject to the terms and conditions set forth herein, during the period from the Effective Date to the Maturity Date, Swing Line Lender agrees to make Swing Line Loans to the Borrower as the Borrower may from time to time request for the purposes permitted hereby; provided, however, that (i) the aggregate amount of Swing Line Loans outstanding shall not exceed the Swing Line Sublimit, (ii) Swing Line Lender's pro rata share of the aggregate amount of Revolving Loans outstanding plus the aggregate amount of Swing Line Loans outstanding shall not exceed such Lender's Commitment Percentage of the amount of the Revolving Loan Commitment minus the Letter of Credit Obligations, and (iii) the sum of all Loans outstanding shall not exceed the amount of the Revolving Loan Commitment minus the Letter of Credit Obligations. This is a revolving credit and, subject to the foregoing and the other terms and conditions hereof, the Borrower may borrow, prepay and reborrow Swing Line Loans as set forth herein without premium or penalty; provided, however, that Swing Line Lender may terminate or suspend the Swing Line at any time in its sole discretion upon notice to the Borrower. Each Swing Line Loan shall bear interest at a rate equal to the rate applicable to Base Rate Loans or at a rate quoted by the Agent and agreed to by the Borrower.

(b) Unless notified to the contrary by Swing Line Lender, the Borrower may irrevocably request a Swing Line Loan upon notice to Swing Line Lender. There is no minimum borrowing amount for a Swing Line Loan. Each such request for a Swing Line Loan shall constitute a representation and warranty by the Borrower that the conditions set forth in Section 5.2 are satisfied. Promptly after receipt of such request, Swing Line Lender shall obtain telephonic verification from the Agent that such Swing Line Loan is permitted hereunder. Upon receiving such verification, Swing Line Lender shall make such Swing Line Loan available to the Borrower. Without the consent of the Required Lenders and Swing Line Lender, no Swing Line Loan shall be made during the continuation of a Default or Event of Default. Upon the making of each Swing Line Loan, each Lender shall be deemed to have purchased from Swing Line Lender a risk participation therein in an amount equal to that Lender's Commitment Percentage times the amount of the Swing Line Loan.

(c) Each Swing Line Loan shall bear interest at a fluctuating rate per annum equal to the rate of interest payable on Base Rate Loans or at the rate quoted by the Agent and agreed to by the Borrower and interest shall be payable upon demand of Swing Line Lender, on the last day of each month and on the Revolving Termination Date. Swing Line Lender shall be responsible for invoicing the Borrower (or notifying the Agent to so invoice the Borrower) for such interest. The interest payable on Swing Line Loans is solely for the account of Swing Line Lender, except following any funding of a risk participation under clause (f) below.

(d) The Borrower shall repay each Swing Line Loan on the earliest of (i) upon demand made by Swing Line Lender and (ii) the Revolving Termination Date. The Borrower shall repay the principal amount of each Swing Line Loan by payment directly to Swing Line Lender or by Swing Line Lender debiting the Borrower's deposit account at Swing Line Lender not later than 10:00 a.m. (Milwaukee, Wisconsin time) for payments hereunder. If the conditions precedent set forth in Section 5.2 can be satisfied, the Borrower may request a Revolving Loan to repay Swing Line Lender, or, failing to make such request, the Borrower shall be deemed to have requested a Revolving Loan of Base Rate Loans on such payment date pursuant to subsection (f) below. Swing Line Lender shall promptly notify the Agent of each Swing Line Loan and each payment thereof.

(e) If the Borrower fails to timely make any principal or interest payment on any Swing Line Loan, Swing Line Lender shall notify the Agent of such fact and the unpaid amount. The Agent shall promptly notify each Lender of its pro rata share of such amount by 11:00 a.m. (Milwaukee, Wisconsin time). Each Lender shall make funds in an amount equal to its pro rata share of such amount available to the Agent at the Agent's payment office not later than the 2:00 p.m. (Milwaukee, Wisconsin time) for payments hereunder on the same Business Day. The obligation of each Lender to make such payment shall be absolute and unconditional and shall not be affected by the occurrence of an Event of Default or any other occurrence or event. Any such payment shall not relieve or otherwise impair the obligation of the Borrower to repay the Swing Line Lender for any amount of Swing Line Loans, together with interest as provided herein.

(f) If the conditions precedent set forth in Section 5.2 can be satisfied on any date the Borrower is obligated to, but fails to, repay a Swing Line Loan, the funding by Lenders pursuant to the previous subsection shall be deemed to be a borrowing of Base Rate Loans (without regard to the minimum amount therefor) deemed requested by the Borrower. If the conditions precedent set forth in Section 5.2 cannot be satisfied on the date the Borrower is obligated to make, but fails to make, such payment, the funding by Lenders pursuant to the previous subsection shall be deemed to be a funding by each Lender of its participation in such Swing Line Loan, and each Lender making such funding shall thereupon acquire a pro rata participation, to the extent of its payment, in the claim of Swing Line Lender against the Borrower in respect of such payment and shall share, in accordance with that pro rata participation, in any payment made by the Borrower with respect to such claim. Any amounts made available by a Lender under its risk participation shall be payable by the Borrower upon demand of the Agent, and shall bear interest at a rate per annum equal to the Base Rate plus 2% per annum.

2.9 Letters of Credit.

(a) Issuance. Subject to the terms and conditions hereof and of the LOC Documents, if any, and any other terms and conditions which the Agent may reasonably require, the Agent shall from time to time upon request issue, and the Lenders shall participate in, letters of credit (the "Letters of Credit") for the account of the Borrower; provided, however, that (i) the aggregate amount of Letter of Credit Obligations shall not at any time exceed $300,000,000 (provided that the foregoing sublimit shall be increased automatically by the amount of any increase in the aggregate Revolving Loan Commitment made pursuant to Section 2.6(b), effective as of the date thereof), (ii) the sum of the aggregate amount of Letter of Credit Obligations outstanding plus the aggregate amount of Loans outstanding shall not exceed the Aggregate Commitment and (iii) with respect to each individual Lender, the Lender's pro rata share of outstanding Loans plus its pro rata share of outstanding Letter of Credit Obligations shall not exceed such Lender's Revolving Loan Commitment. The Agent may require the issuance and expiry date of each Letter of Credit to be a day other than (x) a Saturday or a Sunday or (y) any other day on which the letter of credit issuing office of the Agent is authorized or required by law or executive order to close. Each Letter of Credit shall be a standby or documentary letter of credit issued to support the obligations (including pension or insurance obligations), contingent or otherwise, of the Borrower or any of its Subsidiaries. Each Letter of Credit shall have a stated term not to exceed one year, but may by its terms be renewable annually upon notice (a "Notice of Renewal") given to the Agent on or prior to any date for notice of renewal set forth in such Letter of Credit but in any event at least three Business Days prior to the date of the proposed renewal of such Letter of Credit and upon fulfillment of the applicable conditions set forth in Section 5.2 unless the Agent has notified the Borrower on or prior to the date for notice of termination set forth in such Letter of Credit but in any event at least 30 Business Days prior to the date of automatic renewal of its election not to renew such Letter of Credit (a "Notice of Termination") and (y) 10 Business Days prior to the Maturity Date; provided that the terms of each Letter of Credit that is automatically renewable annually shall (x) require the Agent to give the beneficiary named in such Letter of Credit notice of any Notice of Termination, (y) permit such beneficiary, upon receipt of such notice, to draw under such Letter of Credit prior to the date such Letter of Credit otherwise would have been automatically renewed and (z) not permit the expiration date (after giving effect to any renewal) of such Letter of Credit in any event to be extended to a date later than 10 Business Days before the Maturity Date. If either a Notice of Renewal is not given by the Borrower or a Notice of Termination is given by the Agent pursuant to the immediately preceding sentence, such Letter of Credit shall expire on the date on which it otherwise would have been automatically renewed; provided, however, that even in the absence of receipt of a Notice of Renewal the Agent may in its discretion, unless instructed to the contrary by the Borrower, deem that a Notice of Renewal had been timely delivered and in such case, a Notice of Renewal shall be deemed to have been so delivered for all purposes under this Agreement. Each Letter of Credit shall comply with the related LOC Documents.

(b) Cash Collateral. In the event that any Letter of Credit remains outstanding beyond the fifteenth day prior to the Maturity Date, the Borrower shall upon demand of the Required Lenders (or the Agent acting with the consent of the Required Lenders) either (i) pay to the Agent the sum of the largest draft which could then or thereafter be drawn under such Letter of Credit, which sum the Agent may hold for the account of the Borrower, with interest, for the purpose of paying any draft presented, with the excess, if any, to be returned to the Borrower upon termination or expiration of such Letter of Credit or (ii) deliver a back-up letter of credit to the Agent securing the Borrower's reimbursement obligations with respect to such Letter of Credit in form and substance acceptable to the Required Lenders and from a creditworthy financial institution acceptable to the Required Lenders.

(c) Letter of Credit Fees.

(1) Letter of Credit Fees. In consideration of the issuance of Letters of Credit hereunder, the Borrower agrees to pay to the Agent for the pro rata benefit of the Lenders (based on each Lender's Commitment Percentage), a per annum fee (the "Letter of Credit Fees") equal to the Applicable Percentage on the average daily maximum amount available to be drawn under all Letters of Credit. The Letter of Credit Fees will be payable in arrears on the first Business Day after the end of each fiscal quarter of the Borrower (as well as on the Maturity Date) for the immediately preceding fiscal quarter (or portion thereof), beginning with the first of such dates to occur after the date of this Agreement.

(2) Agent Letter of Credit Fees. In addition to the Letter of Credit Fees payable pursuant to subsection (1) above, the Borrower shall pay to the Agent for its own account, without sharing by the other Lenders, a fronting fee in an amount agreed by the Borrower and the Issuing Bank as a percentage of the outstanding face amount of each Letter of Credit payable quarterly in arrears at the same time the Letter of Credit Fees are payable plus the customary incidental and/or out of pocket charges from time to time for its services in connection with the issuance, amendment, payment, transfer, administration, cancellation and conversion of, and drawings under, Letters of Credit (collectively, the "Agent Letter of Credit Fees").

(d) Notice and Reports. The request for the issuance of a Letter of Credit shall be submitted to the Agent at least two Business Days prior to the requested date of issuance unless otherwise agreed to between the Borrower and the Agent. The Agent will, at least monthly and more frequently upon request, provide to the Lenders a detailed report specifying the Letters of Credit which are then issued and outstanding and any activity with respect thereto which may have occurred since the date of the prior report, and including therein, among other things, the account party, the beneficiary, the face amount, and the expiry date as well as any payments or expirations which may have occurred.

(e) Participations. Each Lender, upon issuance of a Letter of Credit, shall be deemed to have purchased without recourse a risk participation from the Agent in such Letter of Credit and each LOC Document related thereto and the rights and obligations arising thereunder and any collateral relating thereto, in each case in an amount equal to its Commitment Percentage of the obligations under such Letter of Credit, and shall absolutely, unconditionally and irrevocably assume, as primary obligor and not as surety, and be obligated to pay to the Agent therefor and discharge when due, its Commitment Percentage of the obligations arising under such Letter of Credit. Without limiting the scope and nature of each Lender's participation in any Letter of Credit, to the extent that the Agent has not been reimbursed as required hereunder or under any such Letter of Credit, each such Lender shall pay to the Agent its Commitment Percentage of such unreimbursed drawing in same day funds on the day of notification by the Agent of an unreimbursed drawing pursuant to the provisions of subsection (f) hereof. The obligation of each Lender to so reimburse the Agent shall be absolute and unconditional and shall not be affected by the occurrence of a Default, an Event of Default or any other occurrence or event. Any such reimbursement shall not relieve or otherwise impair the obligation of the Borrower to reimburse the Agent under any Letter of Credit, together with interest as hereinafter provided.

(f) Reimbursement. In the event of any drawing under any Letter of Credit, the Agent will promptly notify the Borrower. Unless the Borrower shall immediately notify the Agent of its intent to otherwise reimburse the Agent, the Borrower shall be deemed to have requested a Revolving Loan at the Base Rate in the amount of the drawing as provided in subsection (g) hereof, the proceeds of which will be used to satisfy the reimbursement obligations. The Borrower shall reimburse the Agent on the day any drawing under any Letter of Credit is paid either with the proceeds of a Revolving Loan obtained hereunder or otherwise in same day funds as provided herein or in the LOC Documents. If the Borrower shall fail to reimburse the Agent as provided hereinabove, the unreimbursed amount of such drawing shall bear interest at a per annum rate equal to the Base Rate plus two percent (2%). The Borrower's reimbursement obligations hereunder shall be absolute and unconditional under all circumstances (except as expressly set forth below) irrespective of any rights of set-off, counterclaim or defense to payment the applicable account party or the Borrower may claim or have against the Agent, the Lenders, the beneficiary of the Letter of Credit drawn upon or any other Person, including without limitation, any defense based on any failure of the applicable account party or the Borrower to receive consideration or the legality, validity, regularity or unenforceability of the Letter of Credit. The Agent will promptly notify the Lenders of the amount of any unreimbursed drawing and each Lender shall promptly pay to the Agent, in immediately available funds, the amount of such Lender's Commitment Percentage of such unreimbursed drawing. Such payment shall be made on the day such notice is received by such Lender from the Agent if such notice is received at or before 2:00 p.m., otherwise such payment shall be made at or before 12:00 noon on the Business Day next succeeding the day such notice is received. If such Lender does not pay such amount to the Agent in full upon such request, such Lender shall, on demand, pay to the Agent interest on the unpaid amount during the period from the date the Lender received the notice regarding the unreimbursed drawing until the Lender pays such amount to the Agent in full at a rate per annum equal to, if paid within two Business Days of the date of drawing, the Federal Funds Rate and thereafter at a rate equal to the Base Rate. Each Lender's obligation to make such payment to the Agent, and the right of the Agent to receive the same, shall be absolute and unconditional, shall not be affected by any circumstance whatsoever and without regard to the termination of this Credit Agreement or the Revolving Loan Commitments hereunder, the existence of a Default or Event of Default or the acceleration of the obligations hereunder and shall be made without any offset, abatement, withholding or reduction whatsoever. Simultaneously with the making of each such payment by a Lender to the Agent, such Lender shall, automatically and without any further action on the part of the Agent or such Lender, acquire a participation in an amount equal to such payment (excluding the portion of such payment constituting interest owing to the Agent) in the related unreimbursed drawing portion of the Letter of Credit Obligation and in the interest thereon and in the related LOC Documents, and shall have a claim against the Borrower with respect thereto.

(g) Repayment with Revolving Loans. On any day on which the Borrower shall have requested, or been deemed to have requested, a Revolving Loan to reimburse a drawing under a Letter of Credit, the Agent shall give notice to the Lenders that a Revolving Loan has been requested or deemed requested in connection with a drawing under a Letter of Credit, in which case a Revolving Loan comprised solely of Base Rate Loans (each such borrowing, a "Mandatory Borrowing") shall be immediately made from all Lenders (without giving effect to any termination of the Revolving Loan Commitments pursuant to Section 9.1) pro rata based on each Lender's respective Commitment Percentage and the proceeds thereof shall be paid directly to the Agent for application to the respective Letter of Credit Obligations. Each Lender hereby irrevocably agrees to make such Revolving Loans upon any such request or deemed request on account of each such Mandatory Borrowing in the amount and in the manner specified in the preceding sentence and on the same such date notwithstanding (i) the amount of Mandatory Borrowing may not comply with the minimum amount for borrowings of Revolving Loans otherwise required hereunder, (ii) whether any conditions specified in Article III are then satisfied, (iii) whether a Default or Event of Default then exists, (iv) failure of any such request or deemed request for Revolving Loans to be made by the time otherwise required hereunder, (v) the date of such Mandatory Borrowing, or (vi) any reduction in or any termination of the Revolving Loan Commitments. Such funding of Revolving Loans shall be made on the day notice of such Mandatory Borrowing is received by each Lender from the Agent if such notice is received at or before 2:00 p.m., otherwise such payment shall be made at or before 12:00 noon on the Business Day next succeeding the day such notice is received. In the event that any Mandatory Borrowing cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding under any applicable bankruptcy law with respect to the Borrower), then each Lender hereby agrees that it shall forthwith fund (as of the date the Mandatory Borrowing would otherwise have occurred, but adjusted for any payments received from the Borrower on or after such date and prior to such purchase) its Commitment Percentage in the outstanding Letter of Credit Obligations; provided, further, that in the event any Lender shall fail to fund its Commitment Percentage on the day the Mandatory Borrowing would otherwise have occurred, then the amount of such Lender's unfunded Commitment Percentage therein shall bear interest payable to the Agent upon demand, at the rate equal to, if paid within two Business Days of such date, the Federal Funds Rate, and thereafter at a rate equal to the Base Rate.

(h) Modification and Extension. The issuance of any supplement, modification, amendment, or extension to any Letter of Credit shall, for purposes hereof, be treated in all respects the same as the issuance of a new Letter of Credit.

(i) International Standby Practices. The Agent may have the Letters of Credit be subject to International Standby Practices, as published as of the date of issue by the International Chamber of Commerce (Publication No. 590 or the most recent publication, the "ISP 98"), in which case the ISP 98 may be incorporated therein and deemed in all respects to be a part thereof.

(j) Responsibility of Agent. It is expressly understood and agreed as between the Lenders that the obligations of the Agent hereunder to the Lenders are only those expressly set forth in this Credit Agreement and that the Agent shall be entitled to assume that the conditions precedent set forth in Section 5 have been satisfied unless it shall have acquired actual knowledge that any such condition precedent has not been satisfied; provided, however, that nothing set forth in this Section 2.9 shall be deemed to prejudice the right of any Lender to recover from the Agent any amounts made available by such Lender to the Agent pursuant to this Section 2.9 in the event that it is determined by a court of competent jurisdiction that the issuance of or payment with respect to a Letter of Credit constituted gross negligence or willful misconduct on the part of the Agent.

(k) Conflict with LOC Documents. In the event of any conflict between this Credit Agreement and any LOC Document, this Credit Agreement shall govern.

(l) Indemnification of Agent.

(1) In addition to its other obligations under this Credit Agreement, the Borrower hereby agrees to protect, indemnify, pay and save the Agent harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable, documented attorneys' fees) that the Agent may incur or be subject to as a consequence, direct or indirect, of (A) the issuance of any Letter of Credit or (B) the failure of the Agent to honor a drawing under a Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority (all such acts or omissions, herein called "Government Acts").

(2) As between the Borrower and the Agent and the Lenders, the Borrower shall assume all risks of the acts, omissions or misuse of any Letter of Credit by the beneficiary thereof. The Agent and the Lenders shall not be responsible for (except in the case of (A), (B) and (C) below if the Agent has actual knowledge to the contrary): (A) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of any Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; provided that such document(s) reasonably appear to conform on their face to the terms of the Letter of Credit, (B) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason; (C) failure of the beneficiary of a Letter of Credit to comply fully with conditions required in order

to draw upon a Letter of Credit; provided that such document(s) reasonably appear to conform on their face to the terms of the Letter of Credit, (D) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (E) errors in interpretation of technical terms; (F) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under a Letter of Credit or of the proceeds thereof; and (G) any consequences arising from causes beyond the control of the Agent, including, without limitation, any Government Acts. None of the above shall affect, impair, or prevent the vesting of the Agent's rights or powers hereunder.

(3) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by the Agent, under or in connection with any Letter of Credit or the related certificates, if taken or omitted in good faith and not deemed to constitute gross negligence or willful misconduct, shall not put the Agent under any resulting liability to the Borrower. It is the intention of the parties that this Credit Agreement shall be construed and applied to protect and indemnify the Agent against any and all risks involved in the issuance of the Letters of Credit, all of which risks are hereby assumed by the Borrower, including, without limitation, any and all risks of the acts or omissions, whether rightful or wrongful, of any present or future Government Acts. The Agent shall not, in any way, be liable for any failure by the Agent or anyone else to pay any drawing under any Letter of credit as a result of any Government Acts or any other cause beyond the control of the Agent.

(4) Nothing in this subsection (l) is intended to limit the reimbursement obligation of the Borrower contained in this Section 2.9. The obligations of the Borrower under this subsection (l) shall survive the termination of this Credit Agreement. No act or omission of any current or prior beneficiary of a Letter of Credit shall in any way affect or impair the rights of the Agent to enforce any right, power or benefit under this Credit Agreement.

(5) Notwithstanding anything to the contrary contained in this subsection (l) or in any LOC Document, neither the Borrower nor any Lender shall have any obligation to indemnify the Agent in respect of any liability incurred by the Agent arising out of the gross negligence or willful misconduct of the Agent, as determined by a court of competent jurisdiction. Nothing in this Credit Agreement shall relieve the Agent of any liability to the Borrower or any Lender in respect of any action taken by the Agent which action constitutes gross negligence or willful misconduct of the Agent or a violation of the UCP or Uniform Commercial Code (as applicable), as determined by a court of competent jurisdiction.

(m) Letters of Credit Under the 2004 Credit Agreement. Upon the Effective Date, all letters of credit issued or deemed issued by U.S. Bank National Association under the 2004 Credit Agreement shall automatically be deemed Letters of Credit issued by the Agent under this Agreement subject to all of the terms and conditions hereof including, among other things, that the Lenders will automatically be deemed to have purchased a participation in such letters of credit as of the Effective Date and the Borrower shall have the reimbursement obligations with respect thereto set forth in Section 2.9(f) above.

Section 3. PAYMENTS

3.1 Interest.

(a) Interest Rate.

(i) All Base Rate Loans shall accrue interest at the Base Rate.

(ii) All Eurodollar Loans shall accrue interest at the Adjusted Eurodollar Rate applicable to such Eurodollar Loan.

(b) Default Rate of Interest. Upon the occurrence, and during the continuance, of an Event of Default, the principal of and, to the extent permitted by law, interest on the Loans and any other amounts owing hereunder or under the other Credit Documents shall bear interest, payable on demand, at a per annum rate equal to two percent (2%) plus the rate which would otherwise be applicable (or if no rate is applicable, then the rate for Revolving Loans that are Base Rate Loans plus two percent (2%) per annum).

(c) Interest Payments. Interest on Loans shall be due and payable in arrears on each Interest Payment Date.

3.2 Prepayments.

(a) Voluntary Prepayments. The Borrower shall have the right to prepay Loans in whole or in part from time to time without premium or penalty; provided, however, that (i) Eurodollar Loans may only be prepaid on three Business Days' prior written notice to the Agent and any prepayment of Eurodollar Loans will be subject to Section 4.3; and (ii) each such partial prepayment of Loans shall be in the minimum principal amount of $1,000,000; provided that if less than $1,000,000 would remain outstanding after such prepayment, such prepayment shall be in the amount of the entire outstanding principal amount of the Loans. Amounts prepaid hereunder shall be applied as the Borrower may elect; provided that if the Borrower fails to specify a voluntary prepayment then such prepayment shall be applied as the Agent may direct. All voluntary prepayments shall be applied first to Swing Line Loans, then to Revolving Loans that are Base Rate Loans, and then to Revolving Loans that are Eurodollar Loans in direct order of Interest Period maturities.

(b) Mandatory Prepayments. If at any time the amount of Loans outstanding plus the Letter of Credit Obligations outstanding exceeds the Aggregate Commitment, the Borrower shall immediately make a principal payment to the Agent in the manner and in an amount such that the sum of Loans outstanding plus the Letter of Credit Obligations outstanding is less than or equal to the Aggregate Commitment. Any payments made under this Section 3.2(b) shall be subject to Section 4.3 and shall be applied first to Swing Line Loans, then to Revolving Loans that are Base Rate Loans, and then to Revolving Loans that are Eurodollar Loans in direct order of Interest Period maturities.

3.3 Payment in Full at Maturity.

On the Maturity Date, the entire outstanding principal balance of all Loans and the Letter of Credit Obligations (to the extent that the Borrower has not provided cash collateral or provided a back-up letter of credit pursuant to Section 2.9(b) above), together with accrued but unpaid interest and all other sums owing under this Credit Agreement, shall be due and payable in full, unless accelerated sooner pursuant to Section 9.2.

3.4 Fees.

(a) Revolving Fees. In consideration of the Revolving Loan Commitment being made available by the Lenders hereunder, the Borrower agrees to pay to the Agent, for the pro rata benefit of each Lender, a fee equal to the Applicable Percentage for Revolving Fees multiplied by the Revolving Loan Commitment (the "Revolving Fees"). The accrued Revolving Fees shall be due and payable in arrears on the first Business Day after the end of each fiscal quarter of the Borrower (as well as on the Maturity Date and on any date that the Revolving Loan Commitment is reduced) for the immediately preceding fiscal quarter (or portion thereof), beginning with the first of such dates to occur after the Closing Date.

(b) Utilization Fees. At any time the principal amount of outstanding Loans and outstanding Letter of Credit Obligations hereunder shall exceed an amount equal to fifty percent (50%) of the Aggregate Commitment, the Borrower shall pay to the Agent hereunder, for the pro rata benefit of the Lenders, fees ("Utilization Fees") equal to .10% per annum on the principal amount of outstanding Loans and Letter of Credit Obligations. The Utilization Fees, if any, shall be due and payable in arrears on the first Business Day after the end of each fiscal quarter of the Borrower (as well as the Maturity Date) and any date of reduction in the Revolving Loan Commitments.

(c) Administrative Fees. The Borrower agrees to pay to the Agent, for its own account, an annual fee as agreed to between the Borrower and the Agent in the Fee Letter.

3.5 Place and Manner of Payments.

All payments of principal, interest, fees, expenses and other amounts to be made by the Borrower under this Credit Agreement shall be received without setoff, deduction or counterclaim not later than 2:00 p.m.(Milwaukee time) on the date when due in Dollars and in immediately available funds by the Agent at its offices in Milwaukee, Wisconsin. The Agent may charge account no. 121641146 of the Borrower for principal, interest and fees due hereunder and under the Notes. Unless the application of a payment is specifically directed by the Borrower (or if such application would be inconsistent with the terms hereof), the Agent shall distribute payments received from the Borrower to the Lenders in such manner as it reasonably determines in its sole discretion.

3.6 Pro Rata Treatment.

Except to the extent otherwise provided herein, all Revolving Loans, each payment or prepayment of principal of any Revolving Loan, each payment of interest on the Revolving Loans, each payment of Revolving Fees, each reduction of the Revolving Loan

Commitment, and each conversion or continuation of any Revolving Loans, shall be allocated pro rata among the Lenders in accordance with the respective Commitment Percentages; provided that, if any Lender shall have failed to pay its applicable pro rata share of any Revolving Loan, then any amount to which such Lender would otherwise be entitled pursuant to this Section 3.6 shall instead be payable to the Agent until the share of such Revolving Loan not funded by such Lender has been repaid; and provided, further, that in the event any amount paid to any Lender pursuant to this Section 3.6 is rescinded or must otherwise be returned by the Agent, each Lender shall, upon the request of the Agent, repay to the Agent the amount so paid to such Lender, with interest for the period commencing on the date such payment is returned by the Agent until the date the Agent receives such repayment at a rate per annum equal to, during the period to but excluding the date two Business Days after such request, the Federal Funds Rate, and thereafter, the Base Rate plus two percent (2%) per annum.

3.7 Computations of Interest and Fees.

(a) Except for Base Rate Loans, on which interest shall be computed on the basis of a 365 or 366 day year as the case may be, all computations of interest and fees hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days.

(b) It is the intent of the Lenders and the Borrower to conform to and contract in strict compliance with applicable usury law from time to time in effect. All agreements between the Lenders and the Borrower are hereby limited by the provisions of this paragraph which shall override and control all such agreements, whether now existing or hereafter arising and whether written or oral. In no way, nor in any event or contingency (including but not limited to prepayment or acceleration of the maturity of any obligation), shall the interest taken, reserved, contracted for, charged, or received under this Credit Agreement, under the Notes or otherwise, exceed the maximum nonusurious amount permissible under applicable law. If, from any possible construction of any of the Credit Documents or any other document, interest would otherwise be payable in excess of the maximum nonusurious amount, any such construction shall be subject to the provisions of this paragraph and such documents shall be automatically reduced to the maximum nonusurious amount permitted under applicable law, without the necessity of execution of any amendment or new document. If any Lender shall ever receive anything of value which is characterized as interest on the Loans under applicable law and which would, apart from this provision, be in excess of the maximum lawful amount, an amount equal to the amount which would have been excessive interest shall, without penalty, be applied to the reduction of the principal amount owing on the Loans and not to the payment of interest, or refunded to the Borrower or the other payor thereof if and to the extent such amount which would have been excessive exceeds such unpaid principal amount of the Loans. The right to demand payment of the Loans or any other indebtedness evidenced by any of the Credit Documents does not include the right to receive any interest which has not otherwise accrued on the date of such demand, and the Lenders do not intend to charge or receive any unearned interest in the event of such demand. All interest paid or agreed to be paid to the Lenders with respect to the Loans shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term (including any renewal or extension) of the Loans so that the amount of interest on account of such indebtedness does not exceed the maximum nonusurious amount permitted by applicable law.

3.8 Sharing of Payments.

Each Lender agrees that, in the event that any Lender shall obtain payment in respect of any Loan or any other obligation owing to such Lender under this Credit Agreement through the exercise of a right of set-off, banker's lien, counterclaim or otherwise (including, but not limited to, pursuant to the Bankruptcy Code) in excess of its pro rata share as provided for in this Credit Agreement, such Lender shall promptly purchase from the other Lenders a participation in such Loans and other obligations, in such amounts and with such other adjustments from time to time, as shall be equitable in order that all Lenders share such payment in accordance with their respective ratable shares as provided for in this Credit Agreement. Each Lender further agrees that if a payment to a Lender (which is obtained by such Lender through the exercise of a right of set-off, banker's lien, counterclaim or otherwise) shall be rescinded or must otherwise be restored, each Lender which shall have shared the benefit of such payment shall, by repurchase of a participation theretofore sold, return its share of that benefit to each Lender whose payment shall have been rescinded or otherwise restored. The Borrower agrees that any Lender so purchasing such a participation may, to the fullest extent permitted by law, exercise all rights of payment, including set-off, banker's lien or counterclaim, with respect to such participation as fully as if such Lender were a holder of such Loan or other obligation in the amount of such participation. Except as otherwise expressly provided in this Credit Agreement, if any Lender shall fail to remit to the Agent or any other Lender an amount payable by such Lender to the Agent or such other Lender pursuant to this Credit Agreement on the date when such amount is due, such payments shall accrue interest thereon, for each day from the date such amount is due until the day such amount is paid to the Agent or such other Lender, at a rate per annum equal to the Federal Funds Rate. If under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a setoff to which this Section 3.8 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders under this Section 3.8 to share in the benefits of any recovery on such secured claim.

3.9 Evidence of Debt.

(a) Each Lender shall maintain an account or accounts evidencing each Loan made by such Lender to the Borrower from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Credit Agreement. Each Lender will make reasonable efforts to maintain the accuracy of its account or accounts and to promptly update its account or accounts from time to time, as necessary.

(b) The Agent shall maintain the Register pursuant to Section 11.3(c), and a subaccount for each Lender, in which Register and subaccounts (taken together) shall be recorded (i) the amount, type and Interest Period of each such Loan hereunder, (ii) the amount of any principal or interest due and payable or to become due and payable to each Lender hereunder and (iii) the amount of any sum received by the Agent hereunder from or for the account of the Borrower and each Lender's share thereof. The Agent will make reasonable efforts to maintain the accuracy of the subaccounts referred to in the preceding sentence and to promptly update such subaccounts from time to time, as necessary.

(c) The entries made in the accounts, Register and subaccounts maintained pursuant to subsection (b) of this Section 3.9 (and, if consistent with the entries of the Agent, subsection (a)) shall be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Lender or the Agent to maintain any such account, such Register or such subaccount, as applicable, or any error therein, shall not in any manner affect the obligation of the Borrower to repay the Loans made by such Lender in accordance with the terms hereof.

Section 4. ADDITIONAL PROVISIONS REGARDING LOANS

4.1 Eurodollar Loan Provisions.

(a) Unavailability. In the event that the Agent shall have determined in good faith (i) that U.S. dollar deposits in the principal amounts requested with respect to a Eurodollar Loan are not generally available in the London interbank Eurodollar market or (ii) that reasonable means do not exist for ascertaining the Eurodollar Rate, the Agent shall, as soon as practicable thereafter, give notice of such determination to the Borrower and the Lenders. In the event of any such determination under clauses (i) or (ii) above, until the Agent shall have advised the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (A) any request by the Borrower for Eurodollar Loans shall be deemed to be a request for Base Rate Loans, (B) any request by the Borrower for conversion into or continuation of Eurodollar Loans shall be deemed to be a request for conversion into or continuation of Base Rate Loans and (C) any Loans that were to be converted or continued as Eurodollar Loans on the first day of an Interest Period shall be converted to or continued as Base Rate Loans.

(b) Change in Legality. Notwithstanding any other provision herein, if any change, after the date hereof, in any law or regulation (including the introduction of any new law or regulation) or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written notice to the Borrower and to the Agent, such Lender may:

(A) declare that Eurodollar Loans, and conversions to or continuations of Eurodollar Loans, will not thereafter be made by such Lender hereunder, whereupon any request by the Borrower for, or for conversion into or continuation of, Eurodollar Loans shall, as to such Lender only, be deemed a request for, or for conversion into or continuation of, Base Rate Loans, unless such declaration shall be subsequently withdrawn; and

(B) require that all outstanding Eurodollar Loans made by it be converted to Base Rate Loans in which event all such Eurodollar Loans shall be automatically converted to Base Rate Loans.

In the event any Lender shall exercise its rights under clause (A) or (B) above, all payments and prepayments of principal which would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the converted Eurodollar Loans of such Lender shall instead be applied to repay the Base Rate Loans made by such Lenders in lieu of, or resulting from the conversion of, such Eurodollar Loans.

(c) Requirements of Law. If at any time a Lender shall incur increased costs or reductions in the amounts received or receivable hereunder with respect to the making, the commitment to make or the maintaining of any Eurodollar Loan because of (i) any change, after the date hereof, in any applicable law, governmental rule, regulation, guideline or order (or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, guideline or such order) including, without limitation, the imposition, modification or deemed applicability of any reserves, deposits or similar requirements (such as, for example, but not limited to, a change in official reserve requirements, but, in all events, excluding reserves required under Regulation D to the extent included in the computation of the Adjusted Eurodollar Rate) or (ii) other circumstances affecting the London interbank Eurodollar market; then the Borrower shall pay to such Lender promptly upon written demand therefore, accompanied by a statement in reasonable detail showing the calculation of the amount demanded, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender may determine in its reasonable discretion) as may be required to compensate such Lender for such increased costs or reductions in amounts receivable hereunder. Each determination and calculation made by a Lender under this Section 4.1 shall, absent manifest error, be binding and conclusive on the parties hereto. Any conversions of Eurodollar Loans made pursuant to this Section 4.1 shall subject the Borrower to the payments required by Section 4.3. This Section shall survive termination of this Credit Agreement and the other Credit Documents and payment of the Loans and all other amounts payable hereunder.

Failure or delay on the part of any Lender to demand compensation pursuant to this Section 4.1 shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate such Lender pursuant to this Section for any increased costs or reductions incurred more than 90 days prior to the date that such Lender notifies the Borrower of the change in or in the interpretation of law or regulation giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the change in or in the interpretation of law or regulation giving rise to such increased costs or reductions is retroactive, then the 90-day period referred to above shall be extended to include the period of retroactive effect thereof.

4.2 Capital Adequacy.

If any Lender has determined that the adoption or effectiveness, after the date hereof, of any applicable law, rule or regulation regarding capital adequacy, or any change therein (after the date hereof), or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by such Lender (or its parent corporation) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender’s (or parent corporation’s) capital or assets as a consequence of its commitments or obligations hereunder to a level below that which such Lender (or its parent corporation) could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's (or parent corporation's) policies with respect to capital adequacy), then, upon notice from such Lender, accompanied by a statement in reasonable detail showing the calculation of the amount demanded, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction. Each determination by any such Lender of amounts owing under this Section 4.2 shall, absent manifest error, be conclusive and binding on the parties hereto. This Section shall survive termination of this Credit Agreement and the other Credit Documents and payment of the Loans and all other amounts payable hereunder.

Failure or delay on the part of any Lender to demand compensation pursuant to this Section 4.2 shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate such Lender pursuant to this Section for any increased costs or reductions incurred more than 90 days prior to the date that such Lender notifies the Borrower of the change in or in the interpretation of law or regulation giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the change in or in the interpretation of law or regulation giving rise to such increased costs or reductions is retroactive, then the 90-day period referred to above shall be extended to include the period of retroactive effect thereof.

4.3 Compensation.

The Borrower promises to indemnify each Lender and to hold each Lender harmless from any loss or expense which such Lender may sustain or incur as a consequence of (a) default by the Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Credit Agreement, (b) default by the Borrower in making any prepayment of a Eurodollar Loan after the Borrower has given a notice thereof in accordance with the provisions of this Credit Agreement, (c) the making of a prepayment of Eurodollar Loans on a day which is not the last day of an Interest Period with respect thereto and (d) the payment, continuation or conversion of a Eurodollar Loan on a day which is not the last day of the Interest Period applicable thereto or the failure to repay a Eurodollar Loan when required by the terms of this Credit Agreement. Such indemnification may include an amount equal to (i) an amount of interest calculated at the Eurodollar Rate which would have accrued on the amount in question, for the period from the date of such prepayment or of such failure to borrow, convert, continue or repay to the last day of the applicable Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Eurodollar Loans provided for herein minus (ii) the amount of interest (as reasonably determined by such Lender) which would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Eurocurrency market. The agreements in this Section shall survive the termination of this Credit Agreement and the payment of the Loans and all other amounts payable hereunder.

4.4 Taxes.

(a) Except as provided below in this Section 4.4, all payments made by the Borrower under this Credit Agreement and any Notes shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any court, or governmental body, agency or other official, excluding taxes measured by or imposed upon the net income of any Lender or its applicable lending office, or any branch or affiliate thereof, and all franchise taxes, branch taxes, taxes on doing business or taxes on the capital or net worth of any Lender or its applicable lending office, or any branch or affiliate thereof, in each case imposed in lieu of net income taxes: (i) by the jurisdiction under the laws of which such Lender, applicable lending office, branch or affiliate is organized or is located, or in which its principal executive office is located, or any nation within which such jurisdiction is located or any political subdivision thereof or (ii) by reason of any connection between the jurisdiction imposing such tax and such Lender, applicable lending office, branch or affiliate other than a connection arising solely from such Lender having executed, delivered or performed its obligations, or received payment under or enforced, this Credit Agreement or any Notes. If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") are required to be withheld from any amounts payable to an Agent or any Lender hereunder or under any Notes, (A) the amounts so payable to the Agent or such Lender shall be increased to the extent necessary to yield to the Agent or such Lender (after payment of all Non-Excluded Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Credit Agreement and any Notes, provided, however, that the Borrower shall be entitled to deduct and withhold any Non-Excluded Taxes and shall not be required to increase any such amounts payable to any Lender that is not organized under the laws of the United States of America or a state thereof if such Lender fails to comply with the requirements of paragraph (b) of this Section 4.4 whenever any Non-Excluded Taxes are payable by the Borrower, and (B) as promptly as possible after requested, the Borrower shall send to the Agent for its own account or for the account of such Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof. If the Borrower fails to pay any Non-Excluded Taxes of which it has notice when due to the appropriate taxing authority or fails to remit to the Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Agent and any Lender for any incremental Non Excluded Taxes, interest or penalties that may become payable by the Agent or any Lender as a result of any such failure. The agreements in this Section 4.4 shall survive the termination of this Credit Agreement and the payment of the Loans and all other amounts payable hereunder.

(b) Each Lender that is not incorporated under the laws of the United States of America or a state thereof shall:

(A) on or before the date of any payment by the Borrower under this Credit Agreement or the Notes to such Lender, deliver to the Borrower and the Agent (x) two duly completed copies of United States Internal Revenue Service Form W-8ECI or W-8BEN, or successor applicable form, as the case may be, certifying that it is entitled to receive payments under this Credit Agreement and any Notes without deduction or withholding of any United States federal income taxes and (y) an Internal Revenue Service Form W-8 or W-9, or successor applicable form, as the case may be, certifying that it is entitled to an exemption from United States backup withholding tax;

(B) deliver to the Borrower and the Agent two further copies of any such form or certification on or before the date that any such form or certification expires or becomes obsolete and after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower; and

(C) obtain such extensions of time for filing and complete such forms or certifications as may reasonably be requested by the Borrower or the Agent; or

(ii) in the case of any such Lender that is not a "bank" within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code, (A) represent to the Borrower (for the benefit of the Borrower and the Agent) that it is not a bank within the meaning of Section 88l(c)(3)(A) of the Internal Revenue Code, (B) agree to furnish to the Borrower, on or before the date of any payment by the Borrower, with a copy to the Agent, two accurate and complete original signed copies of Internal Revenue Service Form W-8, or successor applicable form certifying to such Lender's legal entitlement at the date of such certificate to an exemption from U.S. withholding tax under the provisions of Section 881(c) of the Internal Revenue Code with respect to payments to be made under this Credit Agreement and any Notes (and to deliver to the Borrower and the Agent two further copies of such form on or before the date it expires or becomes obsolete and after the occurrence of any event requiring a change in the most recently provided form and, if necessary, obtain any extensions of time reasonably requested by the Borrower or the Agent for filing and completing such forms), and (C) agree, to the extent legally entitled to do so, upon reasonable request by the Borrower, to provide to the Borrower (for the benefit of the Borrower and the Agent) such other forms as may be reasonably required in order to establish the legal entitlement of such Lender to an exemption from withholding with respect to payments under this Credit Agreement and any Notes.

Notwithstanding the above, if any change in treaty, law or regulation has occurred after the date such Person becomes a Lender hereunder which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender so advises the Borrower and the Agent, then such Lender shall be exempt from such requirements. Each Person that shall become a Lender or a participant of a Lender pursuant to Section 11.3 shall, upon the effectiveness of the related transfer, be required to provide all of the forms, certifications and statements required pursuant to this subsection (b); provided that in the case of a participant of a Lender, the obligations of such participant of a Lender pursuant to this subsection (b) shall be determined as if the participant of a Lender were a Lender except that such participant of a Lender shall furnish all such required forms, certifications and statements to the Lender from which the related participation shall have been purchased.

4.5 Replacement of Lenders.

The Agent and each Lender shall use reasonable efforts to avoid or mitigate any increased cost or suspension of the availability of an interest rate under Sections 4.1 through 4.4 above to the greatest extent practicable (including transferring the Loans to another lending office of Affiliate of a Lender) unless, in the opinion of the Agent or such Lender, such efforts would be likely to have an adverse effect upon it. In the event a Lender makes a request to the Borrower for additional payments in accordance with Section 4.1, 4.2 or 4.4, then, provided that no Default or Event of Default has occurred and is continuing at such time, the Borrower may, at its own expense (such expense to include any transfer fee payable to the Agent under Section 11.3(b) and any expense pursuant to Section 4) and in its sole discretion, require such Lender to transfer and assign in whole (but not in part), without recourse (in accordance with and subject to the terms and conditions of Section 11.3(b)), all of its interests, rights and obligations under this Credit Agreement to an Eligible Assignee which shall assume such assigned obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (a) such assignment shall not conflict with any law, rule or regulation or order of any court or other Governmental Authority and (b) the Borrower or such assignee shall have paid to the assigning Lender in immediately available funds the principal of and interest accrued to the date of such payment on the portion of the Loans hereunder held by such assigning Lender and all other amounts owed to such assigning Lender hereunder, including amounts owed pursuant to Sections 4.1 through 4.4.

Section 5. CONDITIONS PRECEDENT

5.1 Closing Conditions.

The obligation of the Lenders to enter into this Credit Agreement and make the initial Extension of Credit is subject to satisfaction (or waiver) of the following conditions:

(a) Executed Credit Documents. Receipt by the Agent of duly executed copies of (i) this Credit Agreement, (ii) the Notes and (iii) all other Credit Documents, each in form and substance acceptable to the Lenders.

(b) Corporate Documents. Receipt by the Agent of the following:

(i) Charter Documents. Copies of the articles of incorporation or other charter documents of the Borrower certified to be true and complete as of a recent date by the appropriate Governmental Authority of the state or other jurisdiction of its incorporation and certified by a secretary or assistant secretary of the Borrower to be true and correct as of the Closing Date, together with any other information required by Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318, or necessary for the Agent or any Lender to verify the identity of Borrower as required by Section 326 of such Act.

(ii) Bylaws. A copy of the bylaws of the Borrower certified by a secretary or assistant secretary of the Borrower to be true and correct as of the Closing Date.

(iii) Resolutions. Copies of resolutions of the Board of Directors of the Borrower approving and adopting the Credit Documents to which it is a party, the transactions contemplated therein and authorizing execution and delivery thereof, certified by a secretary or assistant secretary of the Borrower to be true and correct and in force and effect as of the Closing Date.

(iv) Good Standing. Copies of (A) certificates of good standing, existence or its equivalent with respect to the Borrower certified as of a recent date by the appropriate Governmental Authorities of the state or other jurisdiction of incorporation and each other jurisdiction in which the failure to so qualify and be in good standing would have a Material Adverse Effect and (B) to the extent available, a certificate indicating payment of all corporate franchise taxes certified as of a recent date by the appropriate Governmental Authorities of the state or other jurisdiction of incorporation and each other jurisdiction in which the failure to pay such franchise taxes would have a Material Adverse Effect.

(v) Incumbency. An incumbency certificate of the Borrower certified by a secretary or assistant secretary of the Borrower to be true and correct as of the Closing Date.

(c) Opinion of Counsel. Receipt by the Agent of an opinion, or opinions, from legal counsel to the Borrower addressed to the Agent and the Lenders and dated as of the Effective Date, in each case satisfactory in form and substance to the Agent.

(d) Financial Statements. Receipt by the Lenders of the audited financial statements of the Borrower and its consolidated subsidiaries, for the fiscal years ended December 31, 2003 and 2004, including balance sheets and income and cash flow statements, in each case audited by Deloitte & Touche and prepared in accordance with GAAP.

(e) Fees and Expenses. Payment by the Borrower of all fees and expenses owed by it to the Lenders and the Agent, including, without limitation, payment to the Agent of the fees set forth in the Fee Letter.

(f) Litigation. Except as disclosed in the Borrower's Annual Report on its Form 10-K for the year ended December 31, 2004 and in subsequent filings under the Securities Exchange Act of 1934 made prior to the Closing Date, there shall not exist any action, suit or investigation, nor shall any action, suit or investigation be pending or threatened before any arbitrator or Governmental Authority that materially adversely affects the Borrower or any transaction contemplated hereby or on the ability of the Borrower to perform its obligations under the Credit Documents.

(g) Material Adverse Effect. No event or condition shall have occurred since the date of the financial statements delivered pursuant to Section 5.1(d) above that has had or would have a Material Adverse Effect.

(h) Officer's Certificates. The Agent shall have received a certificate or certificates executed by the chief financial officer, treasurer, secretary or assistant treasurer of the Borrower as of the Closing Date stating that (i) the Borrower is in compliance with all existing material financial obligations, (ii) no action, suit, investigation or proceeding is pending or, to his knowledge, threatened in any court or before any arbitrator or governmental instrumentality that purports to affect the Borrower or any transaction contemplated by the Credit Documents, if such action, suit, investigation or proceeding would have or would be reasonably likely to have a Material Adverse Effect and (iii) immediately after giving effect to this Credit Agreement, the other Credit Documents and all the transactions contemplated therein to occur on such date, (A) no Default or Event of Default exists, (B) all representations and warranties contained herein and in the other Credit Documents, are true and correct in all material respects on and as of the date made and (C) the Borrower is in compliance with the financial covenant set forth in Section 7.2.

(i) 2004 Credit Agreement. The 2004 Credit Agreement shall be terminated prior to or contemporaneously with the making of the initial Loans under this Credit Agreement and all loans and other obligations outstanding under the 2004 Credit Agreement shall be paid in full prior to or contemporaneously with the making of the initial Loans under this Credit Agreement. Each of the Lenders that is a party to the above described credit agreement, by execution hereof, hereby waives the requirement of five business days' notice to the termination of the commitments thereunder.

(j) Bilateral Credit Agreement. The 364-Day Credit Agreement dated as of December 10, 2004 between the Borrower and Citibank, N.A. shall be terminated prior to or contemporaneously with the making of the initial Loans under this Credit Agreement and all loans and other obligations outstanding under the said credit agreement shall be paid in full prior to or contemporaneously with the making of the initial Loans under this Credit Agreement. By execution hereof, Citibank, N.A. hereby waives the requirement of any prior notice to the termination of the commitments under such 364-Day Credit Agreement.

(k) Other. Receipt by the Lenders of such other documents, instruments, agreements or information as reasonably requested by any Lender.

5.2 Conditions to Each Extension of Credit.

In addition to the conditions precedent stated elsewhere herein, (excluding after the Closing Date those contained in Sections 5.1(f) and 5.1(g) hereof), the Lenders shall not be obligated to make any new Extension of Credit unless:

(a) Request. The Borrower shall have timely delivered, (i) in the case of any new Revolving Loan, a duly executed and completed Notice of Borrowing in conformance with all the terms and conditions of this Credit Agreement and (ii) in the case of any Letter of Credit, the necessary application and any other LOC Documents required by the Agent.

(b) Representations and Warranties. The representations and warranties made by the Borrower herein (excluding after the Closing Date those contained in Sections 6.7 and 6.10) are true and correct in all material respects at and as if made as of the date of the making of the Extension of Credit.

(c) No Default. No Default or Event of Default shall exist or be continuing either prior to or after giving effect thereto.

(d) Availability. Immediately after giving effect to the making of an Extension of Credit (and the application of the proceeds thereof), the sum of the Loans and Letter of Credit Obligations outstanding shall not exceed the Aggregate Commitment.

The delivery of each Notice of Borrowing and each application for a Letter of Credit shall constitute a representation and warranty by the Borrower of the correctness of the matters specified in subsections (b), (c) and (d) above.

Section 6. REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants to each Lender that:

6.1 Organization and Good Standing; Assets.

(a) The Borrower and each of its Principal Subsidiaries (i) is a corporation or limited liability company validly existing and in good standing (or equivalent status) under its jurisdiction of organization, (ii) is duly qualified and in good standing as a foreign corporation or limited liability company authorized to do business in every jurisdiction where the failure to so qualify would have a Material Adverse Effect and (iii) has the requisite corporate or limited liability company power and authority to own its properties and to carry on its business as now conducted and as proposed to be conducted.

(b) The Borrower and each of its Principal Subsidiaries has good and marketable title (or, in the case of personal property, valid title) or valid leasehold interests in its assets, except for (i) minor defects in title that do not materially interfere with the ability of the Borrower or the relevant Principal Subsidiary to conduct its business as now conducted and (ii) other defects that, either individually or in the aggregate, do not materially adversely affect the financial condition, properties or operations of the Borrower or the relevant Principal Subsidiary. All such assets and properties are free and clear of any Lien, other than Liens permitted under Section 8.6 hereof.

(c) The Borrower's Principal Subsidiaries and other Subsidiaries as of the Closing Date are set forth on Schedule 6.1(c) hereto. All outstanding shares of capital stock having ordinary voting power for the election of directors of each of the Borrower's Principal Subsidiaries have been validly issued, are fully paid and nonassessable (except as provided by Wisconsin Statutes section 180.0622, as judicially interpreted) and, in the case of each of the Principal Subsidiaries, are owned beneficially by the Borrower or another Subsidiary, free and clear of any Lien.

6.2 Due Authorization.

The Borrower (a) has the requisite corporate power and authority to execute, deliver and perform this Credit Agreement and the other Credit Documents and to incur the obligations herein and therein provided for and (b) is duly authorized to, and has been authorized by all necessary corporate action to, execute, deliver and perform this Credit Agreement and the other Credit Documents.

6.3 No Conflicts.

Neither the execution and delivery of the Credit Documents, nor the consummation of the transactions contemplated therein, nor performance of and compliance with the terms and provisions thereof by the Borrower will (a) violate or conflict with any provision of its organizational documents or bylaws, (b) violate, contravene or materially conflict with any law (including without limitation, the Public Utility Holding Company Act of 1935, as amended), regulation (including without limitation, Regulation U, Regulation X and any regulation promulgated by the Federal Energy Regulatory Commission), order, writ, judgment, injunction, decree or permit applicable to it, (c) violate, contravene or materially conflict with contractual provisions of, or cause an event of default under, any indenture, loan agreement, mortgage, deed of trust, contract or other agreement or instrument to which it is a party or by which it may be bound, the violation of which would have a Material Adverse Effect or (d) result in or require the creation of any Lien upon or with respect to its properties.

6.4 Consents.

No consent, approval, authorization or order of, or filing, registration or qualification with, any court or Governmental Authority (including, without limitation, the Public Service Commission of Wisconsin pursuant to Chapter 201 of the Wisconsin Statutes) or third party is required in connection with the execution, delivery or performance of this Credit Agreement or any of the other Credit Documents that has not been obtained.

6.5 Enforceable Obligations.

This Credit Agreement and the other Credit Documents have been duly executed and delivered and constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, except as may be limited by bankruptcy or insolvency laws or similar laws affecting creditors' rights generally or by general equitable principles.

6.6 Financial Condition.

(a) The financial statements delivered to the Lenders pursuant to Section 5.1(d) and pursuant to Sections 7.1(a) and (b): (i) have been prepared in accordance with GAAP (subject to the provisions of Section 1.3 and subject to, in the case of the interim financial statements, year end adjustments and the absence of footnotes) and (ii) present fairly the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries as of such date and for such periods.

(b) Since December 31, 2004, there has been no sale, transfer or other disposition by the Borrower or any of its Principal Subsidiaries of any material part of the business or property of the Borrower and its Principal Subsidiaries, other than sales of inventory during the course of business, and no purchase or other acquisition by the Borrower and its Principal Subsidiaries of any business or property (including any capital stock of any other Person) material in relation to the financial condition of the Borrower and its Principal Subsidiaries, in each case, which, is not (i) reflected in the most recent financial statements delivered to the Lenders pursuant to Section 7.1 or in the notes thereto, (ii) permitted by the terms of this Credit Agreement or (iii) disclosed to the Lenders prior to the date hereof.

6.7 No Material Change.

Since December 31, 2004, there has been no development or event relating to or affecting the Borrower and its Principal Subsidiaries which has had or would be reasonably likely to have a Material Adverse Effect.

6.8 No Default.

Neither the Borrower nor any Principal Subsidiary is in default in any respect under any contract, lease, loan agreement, indenture, mortgage, security agreement or other agreement or obligation to which it is a party or by which any of its properties is bound which default would have or would be reasonably likely to have a Material Adverse Effect. No Default or Event of Default presently exists and is continuing.

6.9 Indebtedness.

As of December 31, 2004, the Borrower and its Subsidiaries have no Indebtedness except as disclosed in the financial statements referenced in Section 5.1(d) and to the extent required to be disclosed by GAAP.

6.10 Litigation.

Except as disclosed to the Lenders in writing prior to the Closing Date, there are no actions, suits or legal, equitable, arbitration or administrative proceedings, pending or, to the knowledge of the Borrower, overtly threatened against the Borrower which has had or would be reasonably likely to have a Material Adverse Effect.

6.11 Taxes.

The Borrower and each of its Principal Subsidiaries has filed, or caused to be filed, all material tax returns (federal, state, local and foreign) required to be filed and paid all amounts of taxes shown thereon to be due (including interest and penalties) and has paid all other taxes, fees, assessments and other governmental charges (including mortgage recording taxes, documentary stamp taxes and intangibles taxes) owing by it, except for such taxes which are not yet delinquent or that are being contested in good faith and by proper proceedings, and against which adequate reserves are being maintained in accordance with GAAP. As of the date of this Agreement, the Borrower is not aware of any proposed tax assessments against it which have had or would be reasonably likely to have a Material Adverse Effect.

6.12 Compliance with Law.

The Borrower and each of its Principal Subsidiaries is in compliance with all laws, rules, regulations, orders and decrees applicable to it or to its properties, the failure to comply with which has had or would be reasonably likely to have a Material Adverse Effect.

6.13 ERISA.

Except as would not result or be reasonably likely to result in a Material Adverse Effect:

(a) During the five-year period prior to the date on which this representation is made or deemed made: (i) no Termination Event has occurred, and, to the best knowledge of the Borrower, no event or condition has occurred or exists as a result of which any Termination Event would be reasonably likely to occur, with respect to any Plan; (ii) no "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, has occurred with respect to any Plan; (iii) each Plan has been maintained, operated, and funded in compliance with its own terms and in material compliance with the provisions of ERISA, the Code, and any other applicable federal or state laws; and (iv) no Lien in favor or the PBGC or a Plan has arisen or is reasonably likely to arise on account of any Plan.

(b) No liability has been or is reasonably expected by the Borrower to be incurred under Sections 4062, 4063 or 4064 of ERISA with respect to any Single Employer Plan by the Borrower or any of its Subsidiaries.

(c) Except as disclosed in the Borrower's financial statements in accordance with FASB 87, the accumulated benefit obligation under each Single Employer Plan (determined utilizing the actuarial assumptions used for purposes of FASB 87), did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the current value of the assets of such Plan allocable to such obligation.

(d) Neither the Borrower nor any ERISA Affiliate has incurred, or, to the best knowledge of the Borrower, is reasonably likely to incur, any withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. Neither the Borrower nor any ERISA Affiliate has received any notification that any Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA), is insolvent (within the meaning of Section 4245 of ERISA), or has been terminated (within the meaning of Title IV of ERISA), and no Multiemployer Plan is, to the best knowledge of the Borrower, reasonably likely to be in reorganization, insolvent, or terminated.

(e) No prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility has occurred with respect to a Plan which has subjected or would be reasonably likely to subject the Borrower or any ERISA Affiliate to any liability under Sections 406, 409, 502(i), or 502(1) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which the Borrower or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability.

(f) The present value (determined using actuarial and other assumptions which are reasonable with respect to the benefits provided and the employees participating) of the liability of the Borrower and each ERISA Affiliate for post-retirement welfare benefits to be provided to their current and former employees under Plans which are welfare benefit plans (as defined in Section 3(1) of ERISA), net of all assets under all such Plans allocable to such benefits, are reflected on the financial statements referenced in Section 7.1 in accordance with FASB 106.

(g) Each Plan which is a welfare plan (as defined in Section 3(1) of ERISA) to which Sections 601-609 of ERISA and Section 4980B of the Code apply has been administered in compliance in all material respects with such sections.

6.14 <u>Use of Proceeds; Margin Stock</u>.

The proceeds of the Loans hereunder will be used solely for the purposes specified in Section 7.9. None of such proceeds will be used (a) in violation of Regulation U or Regulation X (i) for the purpose of purchasing or carrying any "margin stock" as defined in Regulation U or Regulation X or (ii) for the purpose of reducing or retiring any Indebtedness which was originally incurred to purchase or carry "margin stock" or (b) for the acquisition of another Person unless the board of directors (or other comparable governing body) or stockholders, as appropriate, of such Person has approved such acquisition.

6.15 <u>Government Regulation</u>.

(a) As of the Closing Date, the Borrower is not required to register as a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(b) The Borrower is not an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, or controlled by such a company.

6.16 <u>Disclosure</u>.

Neither this Credit Agreement nor any financial statements delivered to the Lenders nor any other document, certificate or statement furnished to the Lenders by or on behalf of the Borrower in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein or herein, taken as a whole, not misleading on the date when made.

Section 7. AFFIRMATIVE COVENANTS

The Borrower hereby covenants and agrees that so long as this Credit Agreement is in effect and until all Borrower Obligations have been paid in full and the Revolving Loan Commitments hereunder shall have terminated:

7.1 <u>Information Covenants</u>.

The Borrower will furnish, or cause to be furnished, to the Agent:

(a) <u>Annual Financial Statements</u>. As soon as available, and in any event within 120 days after the close of each fiscal year of the Borrower, a consolidated balance sheet and income statement of the Borrower and its Subsidiaries, as of the end of such fiscal year, together with a common stock equity statement which includes retained earnings and a consolidated statement of cash flows for such fiscal year, setting forth in comparative form figures for the preceding fiscal year, all such financial information described above to be in reasonable form and detail and audited by independent certified public accountants of recognized national standing reasonably acceptable to the Agent and whose opinion shall be to the effect that such financial statements have been prepared in accordance with GAAP (except for changes with which such accountants concur) and shall not be limited as to the scope of the audit or qualified in any respect. The Lenders agree that delivery of the Borrower's Form 10 K will meet the financial information requirements of this Section 7.1(a).

(b) Quarterly Financial Statements. As soon as available, and in any event within 60 days after the close of each fiscal quarter of the Borrower (other than the fourth fiscal quarter) a consolidated balance sheet and income statement of the Borrower and its Subsidiaries, as of the end of such fiscal quarter, together with a related consolidated statement of cash flows for such fiscal quarter in each case setting forth in comparative form figures for the corresponding period of the preceding fiscal year, all such financial information described above to be in reasonable form and detail and reasonably acceptable to the Agent, and accompanied by the review letter required to be filed with the Borrower's quarterly reports on Form 10-Q pursuant to Section 10-01(d) of Regulation S-X, if any, and a certificate of the chief financial officer, treasurer, secretary or assistant treasurer of the Borrower to the effect that such quarterly financial statements fairly present in all material respects the financial condition of the Borrower and its Subsidiaries and have been prepared in accordance with GAAP, subject to changes resulting from audit and normal year-end audit adjustments and the absence of footnotes. The Lenders agree that the delivery of the Borrower's Form 10-Q will meet the financial information requirements of this Section 7.1(b).

(c) Officer's Certificate. At the time of delivery of the financial statements provided for in Sections 7.1(a) and 7.1(b) above, a certificate of the chief financial officer, treasurer, secretary or assistant treasurer of the Borrower, substantially in the form of Exhibit 7.1(c), (i) demonstrating compliance with the financial covenant contained in Section 7.2 by calculation thereof as of the end of each such fiscal period, (ii) stating that no Default or Event of Default exists, or if any Default or Event of Default does exist, specifying the nature and extent thereof and what action the Borrower proposes to take with respect thereto and (iii) confirming the then existing Public Debt Ratings of the Borrower.

(d) Notices. Upon the Borrower obtaining knowledge thereof, the Borrower will give written notice to the Agent immediately of (i) the occurrence of an event or condition consisting of a Default or Event of Default, specifying the nature and existence thereof and what action the Borrower proposes to take with respect thereto, and (ii) the occurrence of any of the following with respect to the Borrower or any of its Principal Subsidiaries: (A) the pendency or commencement of any litigation, arbitral or governmental proceeding against the Borrower or any of its Principal Subsidiaries, the claim of which is in excess of $35,000,000 or which, if adversely determined, would have or be reasonably likely to have a Material Adverse Effect or (B) the institution of any proceedings against the Borrower or any of its Principal Subsidiaries with respect to, or the receipt of notice by such Person of potential liability or responsibility for violation, or alleged violation of any federal, state or local law, rule or regulation, the violation of which would be reasonably likely have a Material Adverse Effect.

(e) ERISA. Upon the Borrower, its Subsidiaries or any ERISA Affiliate obtaining knowledge thereof, the Borrower will give written notice to the Agent and each of the Lenders promptly (and in any event within five Business Days) of: (i) any event or condition, including, but not limited to, any Reportable Event, that constitutes, or would be reasonably likely to lead to, a Termination Event that would be reasonably likely to have a Material Adverse Effect; (ii) with respect to any Multiemployer Plan, the receipt of notice as prescribed in ERISA or otherwise of any material withdrawal liability assessed against the Borrower, its Subsidiaries or any of their ERISA Affiliates, or of a determination that any Multiemployer Plan is in reorganization or insolvent (both within the meaning of Title IV of ERISA) that would be reasonably likely to lead to a withdrawal liability that would be reasonably likely to have a Material Adverse Effect; (iii) the failure to make full payment on or before the due date (including extensions) thereof of all amounts which the Borrower or any of its Subsidiaries or ERISA Affiliates is required to contribute to each Plan pursuant to its terms to meet the minimum funding standard set forth in ERISA and the Code with respect thereto if such failure would be reasonably likely to have a Material Adverse Effect; or (iv) any change in the funding status of any Plan that would be reasonably likely to have a Material Adverse Effect; together, with a description of any such event or condition or a copy of any such notice and a statement by an officer of the Borrower briefly setting forth the details regarding such event, condition, or notice, and the action, if any, which has been or is being taken or is proposed to be taken by the Borrower with respect thereto. Promptly upon request, the Borrower shall furnish the Agent and each of the Lenders with such additional information concerning any Plan as may be reasonably requested, including, but not limited to, copies of each annual report/return (Form 5500 series), as well as all schedules and attachments thereto required to be filed with the Department of Labor and/or the Internal Revenue Service pursuant to ERISA and the Code, respectively, for each "plan-year" (within the meaning of Section 3(39) of ERISA).

(f) Other Information. With reasonable promptness upon any such request, such other information regarding the business, properties or financial condition of the Borrower or any of its Subsidiaries as the Agent or the Required Lenders may reasonably request.

Financial reports required to be delivered pursuant to clauses (a) and (b) above shall be deemed to have been delivered on the date on which such report is posted on the SEC's website at www.sec.gov, and such posting shall be deemed to satisfy the financial reporting requirements of clauses (a) and (b) above, provided that, in each instance the Company shall provide all other reports and certificates required to be delivered under this Section 7.1 in the manner set forth in Section 11.1.

7.2 Financial Covenant.

The Borrower will maintain a Leverage Ratio as of the last day of each of its fiscal quarters of not greater than .65 to 1.00.

7.3 Preservation of Existence and Franchises.

Except as expressly permitted by Section 8.2 or Section 8.3 below, the Borrower will, and will cause each of its Principal Subsidiaries to, do all things necessary to preserve and keep in full force and effect its existence, and material rights, franchises and authority.

7.4 Books and Records.

Subject to Section 1.3, the Borrower will, and will cause its Principal Subsidiaries to, keep complete and accurate books and records of its transactions in accordance with good accounting practices on the basis of GAAP (including the establishment and maintenance of appropriate reserves).

7.5 Compliance with Law.

The Borrower will, and will cause each of its Principal Subsidiaries to, comply with all laws, rules, regulations and orders, and all applicable restrictions imposed by all Governmental Authorities, applicable to it and its property, if the failure to comply would have or be reasonably likely to have a Material Adverse Effect.

7.6 Payment of Taxes and Other Indebtedness.

The Borrower will, and will cause each of its Principal Subsidiaries to, pay, settle or discharge (a) all material taxes, assessments and governmental charges or levies imposed upon it, or upon its income or profits, or upon any of its properties, before they shall become delinquent and (b) all lawful claims (including claims for labor, materials and supplies) which, if unpaid, might give rise to a Lien which is not permitted by Section 8.6 upon any of its properties; provided, however, that neither the Borrower nor any Principal Subsidiary shall be required to pay any such tax, assessment, charge, levy, claim or Indebtedness which is being contested in good faith by appropriate proceedings and as to which adequate reserves therefor have been established in accordance with GAAP, unless the failure to make any such payment (i) would give rise to an immediate right to foreclose or collect on a Lien securing such amounts or (ii) would have or reasonably be likely to have a Material Adverse Effect.

7.7 Insurance.

The Borrower will, and will cause each of its Principal Subsidiaries to, at all times maintain in full force and effect insurance (including worker's compensation insurance, liability insurance, casualty insurance and business interruption insurance) in such amounts, covering such risks and liabilities and with such deductibles or self-insurance retentions as are in accordance with normal industry practice; provided, however, that the Borrower and its Principal Subsidiaries may self-insure to the same extent as other companies engaged in similar businesses and to the extent consistent with prudent business practice.

7.8 Use of Proceeds.

The proceeds of the Loans may be used solely (a) to repay on the Closing Date the entire amount of all loans and other obligations outstanding under the 2004 Credit Agreement, (b) to provide working capital and (c) for other general corporate purposes; provided that proceeds of the Loans may not be used to acquire another Person unless the board of directors (or other comparable body) or shareholders, as appropriate, of such Person has approved such acquisition.

7.9 Audits/Inspections.

Upon reasonable notice and during normal business hours, the Borrower will, and will cause each of its Principal Subsidiaries to, permit representatives appointed by the Agent, including, without limitation, independent accountants, agents, attorneys, and appraisers to visit and inspect the Borrower's and its Principal Subsidiaries' property, including its books and records, its accounts receivable and inventory, the Borrower's and its Principal Subsidiaries' facilities and their other business assets, and to make photocopies or photographs thereof and to write down and record any information such representative obtains and shall permit the Agent or its representatives to investigate and verify the accuracy of information provided to the Lenders and to discuss all such matters with the officers, employees and representatives of the Borrower and its Principal Subsidiaries. All information so obtained shall be subject to the provisions of Section 11.11 below.

7.10 Restrictive Agreements.

The Borrower will not, and will not permit any Principal Subsidiary to, enter into any agreement that restricts the ability of any Principal Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock; provided that it is understood and agreed that (a) the foregoing covenant does not prohibit the Borrower or a Principal Subsidiary from entering into agreements that contain financial covenants which require the maintenance of a minimum net worth or compliance with financial ratios without explicitly addressing the ability to pay dividends or make other distributions with respect to shares of its capital stock and (b) the foregoing covenant does not apply to limitations or restrictions imposed by law or in regulatory proceedings or in the articles of incorporation of Wisconsin Pubic Service Corporation as in effect on the date hereof or restrictions which arise only if dividends on preferred stock issued by such Principal Subsidiary have not been paid.

Section 8. NEGATIVE COVENANTS

The Borrower hereby covenants and agrees that so long as this Credit Agreement is in effect and until all Borrower Obligations have been paid in full and the Revolving Loan Commitments shall have terminated:

8.1 Nature of Business.

The Borrower will not, and will not permit any of its Principal Subsidiaries to, alter in any material respect the character of the business of the Borrower and its Principal Subsidiaries, taken as a whole, from that conducted as of the Closing Date; provided that the foregoing shall not prevent the disposition of assets, business or operations permitted by Section 8.3 below so long as the Borrower shall have complied with all other terms and conditions of this Agreement.

8.2 Consolidation and Merger.

The Borrower will not, and will not permit any of its Principal Subsidiaries to, enter into any transaction of merger or consolidation or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); provided that, a Person may be merged or consolidated with or into the Borrower or a wholly-owned Subsidiary of the Borrower, so long as (a) if the Borrower is involved in the transaction, the Borrower shall be the continuing or surviving corporation, (b) if a Principal Subsidiary is involved, such Principal Subsidiary or a wholly owned Subsidiary of the Borrower shall be the continuing or surviving entity; provided that the foregoing shall not prohibit mergers, consolidations or liquidations of a Principal Subsidiary into the Borrower, and (c) immediately before and after such merger or consolidation there does not exist a Default or an Event of Default.

8.3 Sale or Lease of Assets.

Other than (a) sales of inventory or other assets acquired for resale in the ordinary course of business, (b) sales of accounts owed by customers for energy provided or to be provided outside the normal franchise service area of Wisconsin Public Service Company and Upper Peninsula Power Company, (c) sales, transfers or other dispositions of assets between or among the Borrower and its wholly owned Subsidiaries, (d) sales, transfers or other dispositions of obsolete or worn-out tools, equipment or other property no longer used or useful in business and sales of intellectual property determined to be uneconomical, negligible or obsolete, (e) sales, transfers or other dispositions of the assets listed on Schedule 8.3, (f) non-exclusive licenses of intellectual property, and (g) sales, transfers or other dispositions of assets the proceeds of which are invested in other energy related assets, within any twelve month period, the Borrower will not, and will not permit its Subsidiaries to, convey, sell, lease, transfer or otherwise dispose of assets, business or operations with a book value (net of assumed liabilities associated with the assets that are the subject of such transaction) in excess of twenty-five percent (25%) of Total Assets, as calculated as of the end of the most recent fiscal quarter.

8.4 Arm's-Length Transactions.

The Borrower will not, and will not permit any of its Principal Subsidiaries to, enter into any transaction or series of transactions, whether or not in the ordinary course of business, with any Affiliate other than on terms and conditions substantially as favorable to the Borrower or the Principal Subsidiary as would be obtainable in a comparable arm's-length transaction with a Person other than an Affiliate, other than (a) transactions between or among the Borrower and its wholly owned Subsidiaries, (b) customary fees to non-officer directors of the Borrower and its Subsidiaries and (c) employment and severance arrangements with officers and employees of the Borrower in the ordinary course of business.

8.5 Fiscal Year.

The Borrower will not, and will not permit any of its Principal Subsidiaries to, change its fiscal year (a) without prior written notification to the Lenders and (b) if such change would materially affect the Lenders' ability to read and interpret the financial statements delivered pursuant to Section 7.1 or calculate the financial covenant in Section 7.2.

8.6 Liens.

The Borrower will not, and will not permit any of its Principal Subsidiaries to, contract, create, incur, assume or permit to exist any Lien with respect to any of its property or assets of any kind (whether real or personal, tangible or intangible), whether now owned or hereafter acquired, except for (a) Liens securing Borrower Obligations, (b) the Lien of First Mortgage Indentures or any Liens attaching to the property to which the Lien of the First

Mortgage Indentures attach; provided that such Liens do not secure Funded Debt (other than Funded Debt secured by the First Mortgage Indentures), (c) Liens for taxes not yet due or Liens for taxes being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established (and as to which the property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof), (d) Liens in respect of property imposed by law arising in the ordinary course of business such as materialmen's, mechanics', warehousemen's, carrier's, landlords' and other nonconsensual statutory Liens which are not yet due and payable, which have been in existence less than 90 days or which are being contested in good faith by appropriate proceedings and for which adequate reserves determined in accordance with GAAP have been established (and as to which the property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof), (e) pledges or deposits made in the ordinary course of business to secure payment of worker's compensation insurance, unemployment insurance, pensions or social security programs, (f) Liens arising from good faith deposits in connection with or to secure performance of tenders, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations incurred in the ordinary course of business (other than obligations in respect of the payment of borrowed money), (g) Liens arising from good faith deposits in connection with or to secure performance of statutory obligations and surety and appeal bonds, (h) easements, rights-of-way (and liens on easements or rights-of-way or the underlying real estate), restrictions (included zoning restrictions), minor defects or irregularities in title and other similar charges or encumbrances not, in any material respect, impairing the use of the encumbered property for its intended purposes, (i) judgment Liens that would not constitute an Event of Default, (j) Liens arising by virtue of any statutory or common law provision relating to banker's liens, rights of setoff or similar rights as to deposit accounts or other funds maintained with a creditor depository institution, (k) any Lien created or arising over any property which is acquired, constructed or created by the Borrower or any Principal Subsidiary, but only if (i) such Lien secures only principal amounts (not exceeding the cost of such acquisition, construction or creation) raised for the purposes of such acquisition, construction or creation together with any costs, expenses, interest and fees incurred in relation thereto or a guarantee given in respect thereof, (ii) such Lien is created or arises on or before 180 days after the completion of such acquisition, construction or creation and (iii) such Lien is confined solely to the property so acquired, constructed or created and any improvements thereto and proceeds and products thereof, (l) any Lien on any property or assets acquired from a Person which is merged with or into the Borrower or any Principal Subsidiary in accordance with Section 8.2, and is not created in anticipation of any such transaction, (m) any Lien on any property or assets existing at the time of acquisition of such property or assets by the Borrower or any Principal Subsidiary and which is not created in anticipation of such acquisition, (n) Liens existing on the Closing Date and described on Schedule 8.6 attached hereto, (o) pledges or deposits made in the ordinary course of business to secure obligations of the Borrower or any Principal Subsidiary under interest rate protection agreements, foreign currency exchange agreements, Permitted Energy Transactions or other interest or exchange rate hedging arrangements, (p) Liens on cash, cash collateral, cash deposits or deposit accounts furnished to or for the benefit of Midwest Independent Transmission System Operator, Inc. ("MISO") or other transmission providers or energy market administrators to secure the payment and performance of obligations (i) in connection with the purchase of electric transmission service from MISO or such other transmission providers or (ii) related to energy, capacity or ancillary service transactions entered into through markets administered by MISO or such other transmission providers or energy market administrators, (q) Liens, if any, arising in connection with the securitization of environmental retrofit receivables, (r) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Liens referred to in the foregoing clauses (a) through (q), for amounts not exceeding the maximum principal amount of the Indebtedness secured by the Lien so extended, renewed or replaced; provided that such extension, renewal or replacement Lien is limited to all or a part of the same property or assets that were covered by the Lien extended, renewed or replaced (plus improvements on such property or assets), and (s) any other Lien or Liens which in the aggregate secure Indebtedness or other obligations at any one time not in excess of an amount equal to 7.5% of Total Assets.

Section 9. EVENTS OF DEFAULT

9.1 Events of Default.

An Event of Default shall exist upon the occurrence of any of the following specified events (each an "Event of Default"):

(a) Payment. The Borrower shall: (i) default in the payment when due of any principal of any of the Loans or Letter of Credit Obligations; or (ii) default, and such default shall continue for three or more Business Days, in the payment when due of any interest on the Loans or Letter of Credit Obligations or of any fees or other amounts owing hereunder, under any of the other Credit Documents or in connection herewith.

(b) Representations. Any representation, warranty or statement made or deemed to be made by the Borrower (or any of its officers or agents) herein, in any of the other Credit Documents, or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove untrue in any material respect on the date as of which it was deemed to have been made.

(c) Covenants. The Borrower shall:

(i) default in the due performance or observance of any term, covenant or agreement contained in Sections 7.1(a), 7.1(b), 7.1(c), 7.1(d), 7.2, 7.3, 7.9, 8.2, 8.3 or 8.6; or

(ii) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in subsections (a), (b) or (c)(i) of this Section 9.1) contained in this Credit Agreement or any other Credit Document and such default shall continue unremedied for a period of at least 30 days after the earlier of the Borrower becoming aware of such default or notice thereof given by the Agent.

(d) Credit Documents. Any Credit Document shall fail to be in full force and effect or the Borrower shall so assert or any Credit Document shall fail to give the Agent and/or the Lenders the rights, powers and privileges purported to be created thereby.

(e) Bankruptcy, etc. The occurrence of any of the following with respect to the Borrower or any of its Principal Subsidiaries: (i) a court or governmental agency having jurisdiction in the premises shall enter a decree or order for relief in respect of the Borrower or any of its Principal Subsidiaries in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoint a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Borrower or any of its Principal Subsidiaries or for any substantial part of its property or ordering the winding up or liquidation of its affairs; or (ii) an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect is commenced against the Borrower or any of its Principal Subsidiaries and such petition remains unstayed and in effect for a period of 60 consecutive days; or (iii) the Borrower or any of its Principal Subsidiaries shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of such Person or any substantial part of its property or make any general assignment for the benefit of creditors; or (iv) the Borrower or any of its Principal Subsidiaries shall admit in writing its inability to pay its debts generally as they become due or any action shall be taken by such Person in furtherance of any of the aforesaid purposes.

(f) Defaults Under Other Agreements. With respect to any Indebtedness in excess of $35,000,000 (other than Indebtedness outstanding under this Credit Agreement) of the Borrower or any of its Principal Subsidiaries (i) the Borrower or any of its Principal Subsidiaries shall (A) default in any payment (beyond the applicable grace period with respect thereto, if any) with respect to any such Indebtedness, or (B) default (after giving effect to any applicable grace period) in the observance or performance relating to such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event or condition shall occur or condition exist other than non-material defaults under any First Mortgage Indenture, the effect of which default or other event or condition is to cause, or permit, the holder of the holders of such Indebtedness (or trustee or agent on behalf of such holders) to cause (determined without regard to whether any notice or lapse of time is required) any such Indebtedness to become due prior to its stated maturity; or (ii) any such Indebtedness shall be declared due and payable, or required to be prepaid other than by a regularly scheduled required prepayment prior to the stated maturity thereof; or (iii) any such Indebtedness shall mature and remain unpaid. The foregoing cross default provision shall not apply to Indebtedness to the extent recourse to the Borrower is limited to specific assets in a project financing; i.e., defaults under agreements governing non-recourse project financing indebtedness are excluded.

(g) Judgments. One or more judgments, orders, or decrees shall be entered against the Borrower or any of its Principal Subsidiaries involving a liability of $35,000,000 or more, in the aggregate (to the extent not paid or covered by insurance provided by a carrier who has been notified of, and has not disputed the claim made for payment of, the amount of such judgment or order), and such judgments, orders or decrees shall continue unsatisfied, undischarged and unstayed for a period ending on the first to occur of (i) the last day on which such judgment, order or decree becomes final and unappealable and, where applicable, with the status of a judicial lien or (ii) 60 days; provided that if such judgment, order or decree provides for periodic payments over time then the Borrower shall have a grace period of 30 days with respect to each such periodic payment.

(h) ERISA. The occurrence of any of the following events or conditions if any of the same would be reasonably likely to have a Material Adverse Effect: (A) any "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, shall exist with respect to any Plan, or any lien shall arise on the assets of the Borrower, any of its Subsidiaries or any ERISA Affiliate in favor of the PBGC or a Plan; (B) a Termination Event shall occur with respect to a Single Employer Plan, which is, in the reasonable opinion of the Agent, likely to result in the termination of such Plan for purposes of Title IV of ERISA; (C) a Termination Event shall occur with respect to a Multiemployer Plan or Multiple Employer Plan, which is, in the reasonable opinion of the Agent, likely to result in (i) the termination of such Plan for purposes of Title IV of ERISA, or (ii) the Borrower, any of its Subsidiaries or any ERISA Affiliate incurring liability in connection with a withdrawal from, reorganization of (within the meaning of Section 4241 of ERISA), or insolvency (within the meaning of Section 4245 of ERISA) of such Plan; or (D) any prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility shall occur which would be reasonably likely to subject the Borrower, any of Subsidiaries or any ERISA Affiliate to liability under Sections 406, 409, 502(i), or 502(1) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which the Borrower, any of Subsidiaries or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability.

(i) Change of Control. The occurrence of any Change of Control.

9.2 Acceleration; Remedies.

Upon the occurrence and during the continuance of an Event of Default, the Agent may, and shall, upon the request and direction of the Required Lenders, by written notice to the Borrower take any of the following actions without prejudice to the rights of the Agent or any Lender to enforce its claims against the Borrower, except as otherwise specifically provided for herein:

(i) Termination of Revolving Loan Commitments. Declare the Revolving Loan Commitments terminated whereupon the Revolving Loan Commitments shall be immediately terminated.

(ii) Acceleration of Borrower Obligations. Declare the unpaid amount of all Borrower Obligations to be due whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

(iii) Cash Collateral. Direct the Borrower to pay (and the Borrower agrees that upon receipt of such notice, or upon the occurrence of an Event of Default under Section 9.1(e), it will immediately pay) to the Agent additional cash, to be held, without interest, by the Agent, for the benefit of the Lenders, in a cash collateral account as additional security for the Letter of Credit Obligations in respect of subsequent drawings under all then outstanding Letters of Credit in an amount equal to the maximum aggregate amount which may be drawn under all Letters of Credits then outstanding.

(iv) Enforcement of Rights. Enforce any and all rights and interests created and existing under the Credit Documents, including, without limitation, all rights of set-off.

Notwithstanding the foregoing, if an Event of Default specified in Section 9.1(e) shall occur, then the Revolving Loan Commitments shall automatically terminate and all Borrower Obligations, all accrued interest in respect thereof, all accrued and unpaid fees and other indebtedness or obligations owing to the Lenders and the Agent hereunder shall immediately become due and payable without the giving of any notice or other action by the Agent or the Lenders.

Notwithstanding the fact that enforcement powers reside primarily with the Agent, each Lender has, to the extent permitted by law, a separate right of payment and shall be considered a separate "creditor" holding a separate "claim" within the meaning of Section 101(5) of the Bankruptcy Code or any other insolvency statute.

9.3 Allocation of Payments After Event of Default.

Notwithstanding any other provisions of this Credit Agreement, after the occurrence and during the continuance of an Event of Default, all amounts collected or received by the Agent or any Lender on account of amounts outstanding under any of the Credit Documents shall be paid over or delivered as follows:

FIRST, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation reasonable attorneys' fees) of the Agent or-any of the Lenders in connection with enforcing the rights of the Lenders under the Credit Documents, pro rata as set forth below;

SECOND, to payment of any fees owed to the Agent or any Lender, pro rata as set forth below;

THIRD, to the payment of all accrued interest payable to the Lenders hereunder, pro rata as set forth below;

FOURTH, to the payment of the outstanding principal amount of the Loans and unreimbursed drawings under Letters of Credit, and to the payment or cash collateralization of the outstanding Letters of Credit Obligations, pro rata as set forth below;

FIFTH, to all other obligations which shall have become due and payable under the Credit Documents and not repaid pursuant to clauses "FIRST" through "FOURTH" above; and

SIXTH, to the payment of the surplus, if any, to whoever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (a) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category; (b) each of the Lenders shall receive an amount equal to its pro rata share (based on the proportion that the then outstanding Loans, and Letter of Credit Obligations held by such Lender bears to the aggregate then outstanding Loans and Letter of Credit Obligations), of amounts available to be applied; and (c) to the extent that any amounts available for distribution pursuant to clause "FOURTH" above are attributable to the issued but undrawn amount of outstanding Letters of Credit, such amounts shall be held by the Agent in a cash collateral account and applied (x) first, to reimburse the Lenders from time to time for any drawings under such Letters of Credit and (y) then, following the expiration of all Letters of Credit, to all other obligations of the types described in clauses "FOURTH," and "FIFTH" above in the manner provided in this Section 9.3.

Section 10. AGENCY PROVISIONS

10.1 <u>Appointment.</u>

Each Lender hereby designates and appoints U.S. Bank National Association as agent of such Lender to act as specified herein and the other Credit Documents, and each such Lender hereby authorizes the Agent, as the agent for such Lender, to take such action on its behalf under the provisions of this Credit Agreement and the other Credit Documents and to exercise such powers and perform such duties as are expressly delegated by the terms hereof and of the other Credit Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere herein and in the other Credit Documents, the Agent shall not have any duties or responsibilities, except those expressly set forth herein and therein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Credit Agreement or any of the other Credit Documents, or shall otherwise exist against the Agent. The provisions of this Section are solely for the benefit of the Agent and the Lenders and the Borrower shall not have any rights as a third party beneficiary of the provisions hereof. In performing its functions and duties under this Credit Agreement and the other Credit Documents, the Agent shall act solely as agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation or relationship of agency or trust with or for the Borrower.

10.2 <u>Delegation of Duties.</u>

The Agent may execute any of its duties hereunder or under the other Credit Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

10.3 <u>Exculpatory Provisions.</u>

Neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection herewith or in connection with any of the other Credit

Documents (except for its or such Person's own gross negligence or willful misconduct), or responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower contained herein or in any of the other Credit Documents or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection herewith or in connection with the other Credit Documents, or enforceability or sufficiency therefor of any of the other Credit Documents, or for any failure of the Borrower to perform its obligations hereunder or thereunder. The Agent shall not be responsible to any Lender for the effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Credit Agreement, or any of the other Credit Documents or for any representations, warranties, recitals or statements made herein or therein or made by the Borrower in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by the Agent to the Lenders or by or on behalf of the Borrower to the Agent or any Lender or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or of the existence or possible existence of any Default or Event of Default or to inspect the properties, books or records of the Borrower. The Agent is not a trustee for the Lenders and owes no fiduciary duty to the Lenders.

10.4 Reliance on Communications.

The Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower, independent accountants and other experts selected by the Agent with reasonable care). The Agent may deem and treat the Lenders as the owner of its interests hereunder for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Agent in accordance with Section 11.3(b). The Agent shall be fully justified in failing or refusing to take any action under this Credit Agreement or under any of the other Credit Documents unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or under any of the other Credit Documents in accordance with a request of the Required Lenders (or to the extent specifically provided in Section 11.6, all the Lenders) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders (including their successors and assigns).

10.5 Notice of Default.

The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Agent has received notice from a Lender or the Borrower referring to the Credit Document, describing such Default or Event of Default and stating that such notice is a "notice of default." In the event that the Agent receives such a notice, the Agent shall give prompt notice thereof to the Lenders. The Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders.

10.6 <u>Non-Reliance on Agent and Other Lenders.</u>

Each Lender expressly acknowledges that neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by the Agent or any affiliate thereof hereinafter taken, including any review of the affairs of the Borrower and its Subsidiaries, shall be deemed to constitute any representation or warranty by the Agent to any Lender. Each Lender represents to the Agent that it has, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrower or its Subsidiaries and made its own decision to make its Extensions of Credit hereunder and enter into this Credit Agreement. Each Lender also represents that it will, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Credit Agreement, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrower or its Subsidiaries. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, assets, property, financial or other conditions, prospects or creditworthiness of the Borrower or its Subsidiaries which may come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

10.7 <u>Indemnification.</u>

Each Lender agrees to indemnify the Agent in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to its Commitment Percentage, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including without limitation at any time following the payment in full of the Borrower Obligations) be imposed on, incurred by or asserted against the Agent in its capacity as such in any way relating to or arising out of this Credit Agreement or the other Credit Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or willful misconduct of the Agent or from any losses suffered by the Agent solely as a result of the Borrower's failure to make payments as required pursuant to Section 3.4(c). If any indemnity furnished to the Agent for any purpose shall, in the opinion of the Agent, be insufficient or become impaired, the Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished. The agreements in this Section 10.7 shall survive the payment of the Borrower Obligations and all other amounts payable hereunder and under the other Credit Documents.

10.8 Agent in Its Individual Capacity.

The Agent in its individual capacity and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower and its Subsidiaries as though the Agent were not Agent hereunder. With respect to the Loans made and all Borrower Obligations owing to it, the Agent in its individual capacity shall have the same rights and powers under this Credit Agreement as any Lender and may exercise the same as though they were not Agent, and the terms "Lender" and "Lenders" shall include the Agent in its individual capacity.

10.9 Successor Agent.

The Agent may, and at the request of the Required Lenders shall, resign as the Agent upon 30 days notice to the Lenders. If the Agent resigns under this Credit Agreement, the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders which successor agent shall be approved by the Borrower. If no successor agent is appointed prior to the effective date of the resignation of the Agent, the Agent may appoint, after consulting with the Lenders and the Borrower, a successor agent from among the Lenders. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Agent and the term "Agent" shall mean such successor agent and the retiring Agent's appointment, powers and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 10 and Section 11.5 shall inure to its benefit as to any actions taken or omitted to be taken, by it while it was the Agent under this Credit Agreement. If no successor agent has accepted appointment as the Agent by the date which is 30 days following a retiring Agent's notice of resignation, the retiring Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent with the Borrower's approval, as provided for above; provided that the Borrower's approval shall not be required after and during the continuance of an Event of Default.

Section 11. MISCELLANEOUS

11.1 Notices.

Except as otherwise expressly provided herein, all notices and other communications shall have been duly given and shall be effective (a) when delivered, (b) when transmitted via telecopy (or other facsimile device) or (c) the Business Day following the day on which the same has been delivered prepaid to a reputable national overnight air courier service, in each case to the respective parties at the address or telecopy numbers set forth on Schedule 11.1, or at such other address as such party may specify by written notice to the other parties hereto.

11.2 Right of Set-Off.

In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence and during the continuance of an Event of Default and the commencement of remedies described in Section 9.2, each Lender is authorized at any time and from time to time, without presentment, demand, protest or other notice of any kind (all of which rights being hereby expressly waived), to set off and to appropriate and apply any and all deposits (general or special) and any other indebtedness at any time held or owing by such Lender (including, without limitation branches, agencies or Affiliates of such Lender wherever located) to or for the credit or the account of the Borrower against obligations and liabilities of the Borrower to the Lenders hereunder, under the Notes, the other Credit Documents or otherwise, irrespective of whether the Agent or the Lenders shall have made any demand hereunder and although such obligations, liabilities or claims, or any of them, may be contingent or unmatured. The Borrower hereby agrees that any Person purchasing a participation in the Loans and Revolving Loan Commitments hereunder pursuant to Section 11.3(c) may exercise all rights of set-off with respect to its participation interest as fully as if such Person were a Lender hereunder.

11.3 Benefit of Agreement.

(a) Generally. This Credit Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided the Borrower may not assign and transfer any of its interests without the prior written consent of the Lenders; and provided, further, that the rights of each Lender to transfer, assign or grant participations in its rights and/or obligations hereunder shall be limited as set forth below in this Section 11.3.

(b) Assignments. Each Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Credit Agreement (including, without limitation, all or a portion of its Loans, its Notes, and its Revolving Loan Commitment); provided, however, that:

(i) each such assignment shall be to an Eligible Assignee;

(ii) except in the case of an assignment to another Lender or an assignment of all of a Lender's rights and obligations under this Credit Agreement, any such partial assignment shall be in an amount at least equal to $5,000,000 (or, if less, the remaining amount of the Revolving Loan Commitment being assigned by such Lender) and an integral multiple of $1,000,000 in excess thereof;

(iii) each such assignment by a Lender shall be of a constant and not varying, percentage of all of its rights and obligations under this Credit Agreement and the Notes; and

(iv) the parties to such assignment shall execute and deliver to the Agent for its acceptance an Assignment Agreement in substantially the form of Exhibit 11 .3(b), together with a processing fee (other than in connection with any assignment to an Affiliate of such Lender) from the assignor of $3,500.

Upon execution, delivery, and acceptance of such Assignment Agreement, the assignee thereunder shall be a party hereto and, to the extent of such assignment, have the obligations, rights, and benefits of a Lender hereunder and the assigning Lender shall, to the extent of such assignment, relinquish its rights and be released from its obligations under this Credit Agreement. Upon the consummation of any assignment pursuant to this Section 11.3(b), the assignor, the Agent and the Borrower shall make appropriate arrangements so that, if required, new Notes are issued to the assignor and the assignee. If the assignee is not incorporated under the laws of the United States of America or a state thereof, it shall deliver to the Borrower and the Agent certification as to exemption from deduction or withholding of taxes in accordance with Section 4.4.

By executing and delivering an assignment agreement in accordance with this Section 11.3(b), the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (A) such assigning Lender represents and warrants that it is legally authorized to enter into such assignment agreement and it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim created by such assigning Lender and the assignee warrants that it is an Eligible Assignee; (B) except as set forth in clause (A) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Credit Agreement, any of the other Credit Documents or any other instrument or document furnished pursuant hereto or thereto, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Credit Agreement, any of the other Credit Documents or any other instrument or document furnished pursuant hereto or thereto or the financial condition of the Borrower or its Subsidiaries or the performance or observance by the Borrower of any of its obligations under this Credit Agreement, any of the other Credit Documents or any other instrument or document furnished pursuant hereto or thereto; (C) such assignee represents and warrants that it is legally authorized to enter into such assignment agreement; (D) such assignee confirms that it has received a copy of this Credit Agreement, the other Credit Documents and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such assignment agreement; (E) such assignee will independently and without reliance upon the Agent, such assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Credit Agreement and the other Credit Documents; (F) such assignee appoints and authorizes the Agent to take such action on its behalf and to exercise such powers under this Credit Agreement or any other Credit Document as are delegated to the Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto; and (G) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Credit Agreement and the other Credit Documents are required to be performed by it as a Lender.

(c) Register. The Agent shall maintain a copy of each Assignment Agreement delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Revolving Loan Commitment of, and principal amount of the Loans owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Credit Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Acceptance. Upon its receipt of an Assignment Agreement executed by the parties thereto, together with any Note subject to such assignment and payment of the processing fee, the Agent shall, if such Assignment Agreement has been completed and is in substantially the form of Exhibit 11.3(b) hereto, (i) accept such Assignment Agreement, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the parties thereto.

(e) Participations. Each Lender may sell participations to one or more Persons in all or a portion of its rights, obligations or rights and obligations under this Credit Agreement (including all or a portion of its Revolving Loan Commitment, its Notes and its Loans); provided, however, that (i) such Lender's obligations under this Credit Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participant shall be entitled to the benefit of the yield protection provisions contained in Sections 4.1 through 4.4, inclusive, but only to the extent that such Lender is entitled to payment or reimbursement under such Sections, and the right of set-off contained in Section 11.2 and (iv) the Borrower shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Credit Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrower relating to its Loans and its Notes and to approve any amendment, modification, or waiver of any provision of this Credit Agreement (other than amendments, modifications, or waivers decreasing the amount of principal of or the rate at which interest is payable on such Loans or Notes, extending any scheduled principal payment date or date fixed for the payment of interest on such Loans or Notes, or extending its Revolving Loan Commitment).

(f) Nonrestricted Assignments. Notwithstanding any other provision set forth in this Credit Agreement, any Lender may at any time assign and pledge all or any portion of its Loans and its Notes to any Federal Reserve Bank as collateral security pursuant to Regulation A and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Lender from its obligations hereunder.

(g) Information. Any Lender may furnish any information concerning the Borrower and its Subsidiaries in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants); provided that the furnishing of such information shall be subject to the provisions of Section 11.11 below.

(h) SPC's. Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC") the option to fund all or any part of any Loan that such Granting Lender would otherwise be obligated to fund pursuant to this Credit Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to fund any Loan, (ii) if an SPC elects not to exercise such option or otherwise fails to fund all or any part of such Loan, the Granting Lender shall be obligated to fund such Loan pursuant to the terms hereof, (iii) no SPC shall have any voting rights pursuant to Section 11.6 (all such voting rights shall be retained by the Granting Lenders),

(iv) with respect to notices, payments and other matters hereunder, the Borrower, the Agent and the Lenders shall not be obligated to deal with an SPC, but may limit their communications and other dealings relevant to such SPC to the applicable Granting Lender, and (v) with respect to the funding of any Loan by an SPC, the Borrower shall not have to pay any greater cost, or incur any greater expense, under the provisions of Section 4 of this Credit Agreement or otherwise, than if all Loans were funded by the applicable Granting Lender without the involvement of an SPC. The funding of a Loan by an SPC hereunder shall utilize the Revolving Loan Commitment of the Granting Lender to the same extent that, and as if, such Loan were funded by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or payment under this Credit Agreement for which a Lender would otherwise be liable for so long as, and to the extent, the Granting Lender provides such indemnity or makes such payment. In furtherance of the foregoing, each party hereto hereby agrees (which agreements shall survive termination of this Credit Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. Notwithstanding anything to the contrary contained in this Credit Agreement, any SPC may disclose on a confidential basis any non-public information relating to its funding of Loans to any rating agency, commercial paper dealer or provider of any surety or guarantee to such SPC. This clause (h) may not be amended without the prior written consent of each Granting Lender, all or any part of whose Loan is being funded by an SPC at the time of such amendment.

11.4 No Waiver; Remedies Cumulative.

No failure or delay on the part of the Agent or any Lender in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between the Borrower and the Agent or any Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies provided herein are cumulative and not exclusive of any rights or remedies which the Agent or any Lender would otherwise have. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Agent or the Lenders to any other or further action in any circumstances without notice or demand.

11.5 Payment of Expenses, etc.

The Borrower agrees to: (i) pay all reasonable out-of-pocket costs and expenses of the Agent and the Lead Arranger in connection with (A) the negotiation, preparation, execution and delivery and administration of this Credit Agreement and the other Credit Documents and the documents and instruments referred to therein (including, without limitation, legal fees of one counsel for the Agent) and (B) any amendment, waiver or consent relating hereto and thereto including, but not limited to, any such amendments, waivers or consents resulting from or related to any work-out, renegotiation or restructure relating to the performance by the Borrower under this Credit Agreement, (ii) pay all reasonable out-of-pocket costs and expenses of the Agent and the Lenders in connection with (A) enforcement of the Credit Documents and the documents and instruments referred to therein (including, without limitation, in connection with any such enforcement, the reasonable fees and disbursements of counsel for the Agent and each of the Lenders) and (B) any bankruptcy or insolvency proceeding of the Borrower and (iii) indemnify the Agent, the Lead Arranger and each Lender, its officers, directors, employees, representatives, affiliates and agents from and hold each of them harmless against any and all losses, liabilities, claims, damages or expenses incurred by any of them as a result of, or arising out of, or in any way related to, or by reason of, any investigation, litigation or other proceeding (whether or not the Agent, the Lead Arranger or any Lender is a party thereto) related to the entering into and/or performance of any Credit Document or the use of proceeds of any Loans (including other extensions of credit) hereunder or the consummation of any other transactions contemplated in any Credit Document, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding (but excluding any such losses, liabilities, claims, damages or expenses to the extent incurred by reason of gross negligence or willful misconduct on the part of the Person to be indemnified or such Person's employer, employee or co-employee); provided that the foregoing indemnity by the Borrower shall not extend to disputes solely among the Lenders or litigation commenced by the Borrower which (a) seeks enforcement of any of the Borrower’s rights hereunder and (b) is determined in a final judgment adverse to the Agent and the Lenders.

11.6 Amendments, Waivers and Consents.

Neither this Credit Agreement, nor any other Credit Document nor any of the terms hereof or thereof may be amended, changed, waived, discharged or terminated unless such amendment, change, waiver, discharge or termination is in writing and signed by the Required Lenders and the Borrower; provided that no such amendment, change, waiver, discharge or termination shall without the consent of each Lender:

(a) extend the Maturity Date, or postpone or extend the time for any payment or prepayment of principal;

(b) reduce the rate or extend the time of payment of interest (other than as a result of waiving the applicability of any post-default increase in interest rates) thereon or fees or other amounts payable hereunder;

(c) reduce or waive the principal amount of any Loan;

(d) increase or extend the Revolving Loan Commitment of a Lender (it being understood and agreed that a waiver of any Default or Event of Default shall not constitute a change in the terms of any Revolving Loan Commitment of any Lender);

(e) release the Borrower from its obligations under the Credit Documents;

(f) amend, modify or waive any provision of this Section 11.6 or Section 3.6, 3.8, 4.1, 4.2, 4.3, 4.4, 9.1(a), 11.2, 11.3 or 11.5;

(g) reduce any percentage specified in, or otherwise modify, the definition of Required Lenders; or

(h) consent to the assignment or transfer by the Borrower of any of its rights and obligations under (or in respect of) the Credit Documents.

No provision of Section 2.9 or Section 10 may be amended or modified without the consent of the Agent.

Notwithstanding the fact that the consent of all the Lenders is required in certain circumstances as set forth above, each Lender is entitled to vote as such Lender sees fit on any reorganization plan that affects the Loans, and each Lender acknowledges that the provisions of Section 1126(c) of the Bankruptcy Code supersedes the unanimous consent provisions set forth herein.

11.7 Counterparts/Telecopy.

This Credit Agreement may be executed in any number of counterparts, each of which where so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of executed counterparts by telecopy shall be as effective as an original and shall constitute a representation that an original will be delivered.

11.8 Headings.

The headings of the sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Credit Agreement.

11.9 Defaulting Lender.

Each Lender understands and agrees that if such Lender is a Defaulting Lender then it shall not be entitled to vote on any matter requiring the consent of the Required Lenders or to object to any matter requiring the consent of all the Lenders; provided, however, that all other benefits and obligations under the Loan Documents shall apply to such Defaulting Lender.

11.10 Survival of Indemnification and Representations and Warranties.

All indemnities set forth herein and all representations and warranties made herein shall survive the execution and delivery of this Credit Agreement, the making of the Loans and the repayment of the Loans and other obligations and the termination of the Revolving Loan Commitments hereunder.

11.11 Confidentiality.

Neither the Agent nor any Lender shall disclose any Confidential Information to any Person, without the prior written consent of the Borrower, other than (a) to the Agent's or such Lender's Affiliates and their officers, directors, employees, agents, attorneys, accountants and advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and such person shall have agreed to keep such Confidential Information confidential on substantially the same terms as provided herein) and, as contemplated by Section 11.3, to actual or prospective assignees and participants, and, in each such case, then only on a confidential basis, (b) as required by any law, rule or regulation or by judicial process, (c) to any rating agency when required by it to do so; provided that, prior to any such disclosure, such rating agency shall undertake to preserve the confidentiality of any Confidential Information relating to the Borrower received by it from such Lender, (d) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking, (e) to protect, preserve, exercise or enforce the Agent's or such Lender's rights under or pursuant to this Agreement or any Note, and (f) to perform any of the Agent's or such Lender's obligations under or pursuant to this Agreement or any Note.

11.12 Governing Law; Venue.

(a) THIS CREDIT AGREEMENT AND THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. Any legal action or proceeding with respect to this Credit Agreement or any other Credit Document may be brought in the courts of the State of New York, or of the United States for the Southern District of New York, and, by execution and delivery of this Credit Agreement, the Borrower hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of such courts. Nothing herein shall affect the right of a Lender to commence legal proceedings or to otherwise proceed against the Borrower in any other jurisdiction.

(b) The Borrower hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Credit Agreement or any other Credit Document brought in the courts referred to in subsection (a) hereof and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

11.13 Waiver of Jury Trial; Waiver of Consequential Damages.

EACH OF THE PARTIES TO THIS CREDIT AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS CREDIT AGREEMENT, ANY OF THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER AGREES NOT TO ASSERT ANY CLAIM AGAINST THE AGENT, ANY LENDER, ANY OF THEIR AFFILIATES, OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, ATTORNEYS OR AGENTS, ON ANY THEORY OF LIABILITY, FOR SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES ARISING OUT OF OR OTHERWISE RELATING TO ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN.

11.14 Time.

All references to time herein shall be references to Central Standard Time or Central Daylight Time, as the case may be, unless specified otherwise.

11.15 Severability.

If any provision of any of the Credit Documents is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

11.16 Assurances.

The Borrower agrees, upon the request of the Agent, to promptly take such actions, as reasonably requested, as are consistent with and necessary to carry out the intent of this Credit Agreement and the other Credit Documents.

11.17 USA Patriot Act Notification.

The following notification is provided to the Borrower pursuant to Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318:

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person or entity that opens an account, including any deposit account, treasury management account, loan, other extension of credit, or other financial services product. What this means for the Borrower: When the Borrower opens an account, if the Borrower is an individual, the Agent and the Lenders will ask for the Borrower's name, residential address, tax identification number, date of birth, and other information that will allow the Agent and the Lenders to identify the Borrower, and, if the Borrower is not an individual, the Agent and the Lenders will ask for the Borrower's name, tax identification number, business address, and other information that will allow the Agent and the Lenders to identify the Borrower. The Agent and the Lenders may also ask, if the Borrower is an individual, to see the Borrower's driver's license or other identifying documents, and, if the Borrower is not an individual, to see the Borrower's legal organizational documents or other identifying documents.

11.18 Entirety.

This Credit Agreement together with the other Credit Documents represent the entire agreement of the parties hereto and thereto, and supersede all prior agreements and understandings, oral or written, if any, including any commitment letters or correspondence relating to the Credit Documents or the transactions contemplated herein and therein.

[Remainder of Page Intentionally Left Blank, Signature Pages Follow]

Each of the parties hereto has caused a counterpart of this Credit Agreement to be duly executed and delivered as of the date first above written.

Borrower: **WPS RESOURCES CORPORATION**

By: /s/ Bradley A. Johnson
Name: Bradley A. Johnson
Title: Vice President & Treasurer

Lenders: **U.S. BANK NATIONAL ASSOCIATION** individually in its capacity as a Lender and as Agent

By: /s/ Sandra J. Hartay
Name: Sandra J. Hartay
Title: Vice President

Signature Page to WPS Resources Corporation Five Year Credit Agreement.

CITIBANK, N.A.

By: /s/ J. Nicholas McKee
Name: J. Nicholas McKee
Title: Managing Director

Signature Page to WPS Resources Corporation Five Year Credit Agreement.

JPMORGAN CHASE BANK, N.A.

By: /s/ Michael J. DeForge
Name: Michael J. DeForge
Title: Vice President

Signature Page to WPS Resources Corporation Five Year Credit Agreement.

WELLS FARGO BANK NATIONAL ASSOCIATION

By: /s/ Thomas J. Fameree
Name: Thomas J. Fameree
Title: Vice President

Signature Page to WPS Resources Corporation Five Year Credit Agreement.

UBS LOAN FINANCE LLC

By: /s/ Wilfred V. Saint
Name: Wilfred V. Saint
Title: Director
Banking Products Services, US

By: /s/ Joselin Fernandes
Name: Joselin Fernandes
Title: Associate Director
Banking Products Services, US

Signature Page to WPS Resources Corporation Five Year Credit Agreement.

BANK OF AMERICA, N.A.

By: /s/ Kevin P. Betelsen
Name: Kevin P. Betelsen
Title: Vice President

Signature Page to WPS Resources Corporation Five Year Credit Agreement.

ASSOCIATED BANK, NATIONAL ASSOCIATION

By: /s/ Stephen E. Pasowicz
Name: Stephen E. Pasowicz
Title: Vice President

Signature Page to WPS Resources Corporation Five Year Credit Agreement.

BAYERISCHE LANDESBANK
Cayman Islands Branch

By: /s/ Donna Quilty
Name: Donna Quilty
Title: Vice President

By: /s/ Catherine Schilling
Name: Catherine Schilling
Title: Vice President

Signature Page to WPS Resources Corporation Five Year Credit Agreement.

HARRIS NESBITT FINANCING, INC.

By: /s/ Cahal B. Carmody
Name: Cahal B. Carmody
Title: Vice President

Signature Page to WPS Resources Corporation Five Year Credit Agreement.

MIZUHO CORPORATE BANK, LTD.

By: /s/ Mark Gronich
Name: Mark Gronich
Title: Senior Vice President

Signature Page to WPS Resources Corporation Five Year Credit Agreement.

WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/ Lawrence N. Gross
Name: Lawrence N. Gross
Title: Assistant Vice President

Signature Page to WPS Resources Corporation Five Year Credit Agreement.

LASALLE BANK, NATIONAL ASSOCIATION

By: /s/ Matthew D. Rodgers
Name: Matthew D. Rodgers
Title: Assistant Vice President

Signature Page to WPS Resources Corporation Five Year Credit Agreement.

NATIONAL CITY BANK OF THE MIDWEST

By: /s/ Tiffany Cozzolino
Name: Tiffany Cozzolino
Title: Vice President

Signature Page to WPS Resources Corporation Five Year Credit Agreement.

THE NORTHERN TRUST COMPANY

By: /s/ Ashish Bhagwat
Name: Ashish Bhagwat
Title: Vice-President

Signature Page to WPS Resources Corporation Five Year Credit Agreement.

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Efrain Soto
Name: Efrain Soto
Title: Vice President

Exhibit 10.1

Schedule 1.1
to
Five Year Credit Agreement

Commitment Percentages

Lender	Commitment Percentage	Revolving Loan Commitment
U.S. Bank National Association	9.349593495935%	$ 46,747,967.50
Citibank, N.A.	9.349593495935%	$ 46,747,967.50
JPMorgan Chase Bank, N.A.	8.130081300813%	$ 40,650,406.50
Wells Fargo Bank National Association	8.130081300813%	$ 40,650,406.50
UBS Loan Finance LLC	8.130081300813%	$ 40,650,406.50
Bank of America, N.A.	8.130081300813%	$ 40,650,406.50
Associated Bank	6.504065040650%	$ 32,520,325.20
Bayerische Landesbank	6.504065040650%	$ 32,520,325.20
Harris Nesbitt Financing, Inc.	6.504065040650%	$ 32,520,325.20
Mizuho Corporate Bank, Ltd.	6.504065040650%	$ 32,520,325.20
Wachovia Bank, National Association	6.504065040650%	$ 32,520,325.20
LaSalle Bank, National Association	4.065040650407%	$ 20,325,203.25
National City Bank of the Midwest	4.065040650407%	$ 20,325,203.25
The Northern Trust Company	4.065040650407%	$ 20,325,203.25
Union Bank of California, N.A.	4.065040650407%	$ 20,325,203.25
	100.00%	$500,000,000.00

Schedule 6.1(c)
to
Five Year Credit Agreement

Subsidiaries

Upper Peninsula Power Company

Wisconsin Public Service Corporation

WPS Visions, Inc.

WPS Resources Capital Corporation

Upper Peninsula Building Development Company

Penvest, Inc.

WPS Nuclear Corporation

WPS Leasing, Inc.

WPS Power Development, LLC.

WPS Energy Services, Inc.

ECO Coal Pelletization #12, LLC

Sunbury Holdings, LLC

Combined Locks Energy Center, LLC

Wisconsin Woodgas, LLC

WPS New England Generation, Inc.

WPS Canada Generation, Inc.

WPS Empire State, Inc.

PDI Operations, Inc.

PDI Stoneman, Inc.

Sunbury Generation, LLC

WPS Westwood Generation, LLC

WPS-ESI Gas Storage, LLC

WPS Investments, LLC

Mid-American Power Ventures, LLC

Mid-American Power, LLC

WPS Energy Services of Canada Corp.

WPS Beaver Falls Generation, LLC

WPS Niagara Generation, LLC

WPS Syracuse Generation, LLC

Advantage Energy, Inc.

Quest Energy, LLC

3096210 Nova Scotia Company (not currently active)

Schedule 8.3
to
Five Year Credit Agreement

Asset Sales

1. Sale of Kewaunee Nuclear Power Plant.

2. Sale of Sunbury plant and emission allowances.

3. Sale of accounts receivable in connection with the securitization of environmental retrofits.

4. Sale of 30% of Weston 4 to Dairyland.

Schedule 8.6
to
Five Year Credit Agreement

<u>Existing Liens</u>

Secured Party, Filing Date and Filing Number	**Description**
Debtor: Wisconsin Public Service Corporation	
Wells Fargo Bank Northwest, N.A. 11/05/92 01312991 (Wisconsin DFI)	Synthetic lease of railcars; probably not a Lien.
First Security Bank of Utah 11/11/93 01391037 (Wisconsin DFI)	Synthetic lease of railcars; probably not a Lien.
First Security Bank of Utah 11/29/93 01394204 (Wisconsin DFI)	Synthetic lease of railcars; probably not a Lien.
Debtor: WPS Energy Services, Inc.	
PSEG Energy Resources & Trade LLC 04/21/03 030006474021 (Wisconsin DFI)	All property, rights and interest of the Debtor in a BGS-FP Master Agreement and all of Debtor's present and future rights to payment deriving from the sale of any Product created pursuant to the BGS-FP Master Agreement, together with all instruments and documents of title representing any of the aforementioned.

Exhibit 10.1

Schedule 11.1

to

Five Year Credit Agreement

Borrower

WPS Resources Corporation
Attn: Bradley A. Johnson
700 North Adams Street
P.O. Box 19001
Green Bay, Wisconsin 54307
Phone: (920) 433-1662
Fax: (920) 433-1526

Agent

Steve Carlton
U.S. Bank National Association
777 East Wisconsin Avenue
Milwaukee, WI 53202
Phone: (414) 765-4244
Fax: (414) 765-4430
steve.carlton@usbank.com

Lenders

Sandra Hartay
U.S. Bank National Association
777 East Wisconsin Avenue
Milwaukee, WI 53202
Phone: (414) 765-6004
Fax: (414) 765-5367
sandra.hartay@usbank.com

Amit Vasani
Citibank, N.A.
388 Greenwich Street
21st Floor
New York, NY 10013
Phone: (212) 816-4166
Fax: (212) 816-8098
amit.vasani@citigroup.com

JPMorgan Chase Bank, N.A.

Wells Fargo Bank National Association

UBS Loan Finance LLC

Jacqueline Archuleta
Bank of America, N.A.
901 Main Street
Dallas, TX 75202
Phone: (214) 209-2135
Fax: (214) 290-8372
jacqueline.archuleta@bankofamerica.com

Kathy Carter
Associated Bank National Association
2870 Holmgren Way
Green Bay, WI 54304
Phone: (920) 405-2847
Fax: (920) 405-2798
kathy.carter@associatedbank.com

Bayerische Landesbank

Harris Nesbitt Financing, Inc.

Mizuho Corporate Bank, Ltd.

Wachovia Bank, National Association

LaSalle Bank, National Association

Tiffany Cozzolino
National City Bank of the Midwest
2021 Spring Road, Suite 600
Oak Brook, IL 60523
Phone: (630) 954-3189
Fax: (630) 954-5570
tiffany.cozzolino@nationalcity.com

The Northern Trust Company

Union Bank of California, N.A.

Exhibit 10.1

Exhibit 2.2

FORM OF NOTICE OF BORROWING

TO: U.S. Bank National Association
Attention: Stephen E. Carlton
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

RE: Five Year Credit Agreement dated as of June 2, 2005 among WPS Resources Corporation (the "Borrower"), U.S. Bank National Association as Agent, the agents party thereto and the Lenders party thereto (as the same may be amended, modified, extended or restated from time to time, the "Credit Agreement")

DATE: , ____

---

1. This Notice of Borrowing is made pursuant to the terms of the Credit Agreement. All capitalized terms used herein unless otherwise defined shall have the meanings set forth in the Credit Agreement.

2. Please be advised that the Borrower is requesting a Revolving Loan in the amount of $_____________ to be funded on ___________, ____ at the interest rate option set forth in paragraph 3 below.

3. The interest rate option applicable to the requested Revolving Loan shall be equal to:

   A. the Base Rate

   B. the Adjusted Eurodollar Rate for an Interest Period of:
   __________ one month
   __________ two months
   __________ three months
   __________ six months

4. On the date of the requested Revolving Loan, immediately after giving effect to the funding and the application thereof, the aggregate amount of Revolving Loans plus Swing Line Loans plus all Letter of Credit Obligations outstanding will be $__________, which is less than or equal to the Revolving Loan Commitment.

5. On and as of the date of the requested Revolving Loan, immediately after giving effect to the funding and the application thereof, the representations and warranties made by the Borrower in any Credit Document (excluding those contained in Sections 6.7 and 6.10 of the Credit Agreement) are true and correct in all material respects except to the extent they expressly relate to an earlier date.

6. No Default or Event of Default exists or is continuing or will be caused by giving effect to this Notice of Borrowing.

WPS RESOURCES CORPORATION

By:______________________________________
Name:
Title:

Exhibit 10.1

Exhibit 2.4

FORM OF NOTICE OF CONTINUATION/CONVERSION

TO: U.S. Bank National Association, as Agent
Attention: Stephen E. Carlton
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

RE: Five Year Credit Agreement entered into as of June 2, 2005, among WPS Resources Corporation (the "Borrower"), U.S. Bank National Association, as Agent, the agents party thereto and the Lenders party thereto (as the same may be amended, modified, extended or restated from time to time, the "Credit Agreement")

DATE:__________, ____

1. This Notice of Continuation/Conversion is made pursuant to the terms of the Credit Agreement. All capitalized terms used herein unless otherwise defined shall have the meanings set forth in the Credit Agreement.

2. Please be advised that the Borrower is requesting that a portion of the current outstanding Revolving Loans, in the amount of $___________, be continued or converted at the interest rate option set forth in paragraph 3 below.

3. The interest rate option applicable to the continuation or conversion of all or part of the existing Revolving Loans shall be equal to:

   A. the Base Rate
   B. the Adjusted Eurodollar Rate for an Interest Period of
      ______ one month
      ______ two months
      ______ three months
      ______ six months

4. Subsequent to the continuation or conversion of the Revolving Loans, as requested herein, the aggregate amount of Revolving Loans plus Swing Line Loans plus all Letter of Credit Obligations outstanding will be $___, which is less than or equal to the Revolving Loan Commitment.

5. No Default or Event of Default has occurred and is continuing or would be caused by giving effect to this Notice of Continuation Conversion.

WPS RESOURCES CORPORATION

By:____

Name:

Title:

Exhibit 10.1

Exhibit 2.7
to
Five Year Credit Agreement

FORM OF REVOLVING LOAN NOTE

June 2, 2005

FOR VALUE RECEIVED, WPS RESOURCES CORPORATION, a Wisconsin corporation (the "Borrower"), hereby promises to pay to the order of ___________ (the "Lender"), at the office of U.S. Bank National Association (the "Agent") as set forth in that certain Five Year Credit Agreement dated as of June 2, 2005, among the Borrower, the Lenders named therein and U.S. Bank National Association, as Agent (as the same may be amended, modified, extended or restated from time to time, the "Credit Agreement"), or at such other place or places as the holder of this Revolving Loan Note may designate, the aggregate principal amount of all advances made by the Lender as Revolving Loans (and not otherwise repaid), in Dollars and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each Revolving Loan made by the Lender, at such office, in like money and funds, for the period commencing on the date of each Revolving Loan until each Revolving Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

This Note is one of the Revolving Loan Notes referred to in the Credit Agreement and evidences Revolving Loans made by the Lender thereunder. The Lender shall be entitled to the benefits of the Credit Agreement. Capitalized terms used in this Revolving Loan Note have the respective meanings assigned to them in the Credit Agreement and the terms and conditions of the Credit Agreement are expressly incorporated herein and made a part hereof.

The Credit Agreement provides for the acceleration of the maturity of the Revolving Loans evidenced by this Revolving Loan Note upon the occurrence of certain events (and for payment of collection costs in connection therewith) and for prepayments of Revolving Loans upon the terms and conditions specified therein. In the event this Revolving Loan Note is not paid when due at any stated or accelerated maturity, the Borrower agrees to pay, in addition to the principal and interest, all costs of collection, including reasonable attorney fees.

Except as permitted by Section 11.3(b) of the Credit Agreement, this Revolving Loan Note may not be assigned by the Lender to any other Person.

The date, amount, type, interest rate and duration of Interest Period (if applicable) of each Revolving Loan made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Agent and the Lender on its books; provided that the failure of the Agent or the Lender to make any such recordation shall not affect the obligations of the Borrower to make a payment when due of any amount owing hereunder or under this Revolving Loan Note in respect of the Revolving Loans to be evidenced by this Revolving Loan Note, and each such recordation shall be prima facie evidence of the obligations owing under this Revolving Loan Note absent manifest error.

THIS REVOLVING LOAN NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the Borrower has caused this Revolving Loan Note to be executed as of the date first above written.

WPS RESOURCES CORPORATION

By:______________________________________
Name:
Title:

Exhibit 10.1

Exhibit 7.1(c)

FORM OF OFFICER'S CERTIFICATE

TO: U.S. Bank National Association
Attention: Stephen E. Carlton
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

RE: Five Year Credit Agreement dated as of June 2, 2005
among WPS Resources Corporation (the "Borrower"),
U.S. Bank National Association, as Agent, the agents party thereto and the Lenders party thereto (as the same may be amended, modified, extended or restated from time to time, the "Credit Agreement")

DATE:_________, ___

Pursuant to the terms of the Credit Agreement, I, __________________________ [Chief Financial Officer/Treasurer/Secretary/Assistant Treasurer] of WPS RESOURCES CORPORATION hereby certify that, as of the fiscal quarter ending ____________, ____, the statements below are accurate and complete in all respects (all capitalized terms used below shall have the meanings set forth in the Credit Agreement):

A. Attached hereto as Schedule I are (x) calculations (calculated as of the date of the financial statements referred to in paragraph C. below) demonstrating compliance by the Borrower with the financial covenant contained in Section 7.2 of the Credit Agreement and (y) Borrower's Public Debt Ratings as of the date hereof.

B. No Default or Event of Default exists under the Credit Agreement, except as indicated on a separate page attached hereto, together with an explanation of the action taken or proposed to be taken by the Borrower with respect thereto.

C. The quarterly/annual financial statements for the fiscal quarter/year ended ___________ which accompany this certificate fairly present in all material respects the financial condition of the Borrower and its Subsidiaries and have been prepared in accordance with GAAP, subject to changes resulting from normal year-end audit adjustments.

WPS RESOURCES CORPORATION

By:_______________________________________
[Chief Financial Officer/Treasurer/Secretary
Assistant Treasurer]

Schedule 1 to
Exhibit 7.1(c) to
Credit Agreement

Maximum Leverage Ratio

1.	Total Funded Debt	$_______________________
2.	Net Worth	$_______________________
3.	Capitalization (Line 1 + Line 2)	$_______________________
4.	Total Funded Debt to Capitalization Ratio: (Line 1/Line 3)	______: 1.00

Maximum Permitted Total Funded
Debt to Capitalization Ratio: .65: 1.0

Borrower's Public Debt Ratings:

S&P_________________________________

Moody's_______________________________

Exhibit 10.1

Exhibit 11.3

FORM OF ASSIGNMENT AGREEMENT

Reference is made to that certain Five Year Credit Agreement, dated as of June 2, 2005, among WPS RESOURCES CORPORATION(the "Borrower"), the agents party thereto, the Lenders party thereto and U.S. Bank National Association, as Agent for the Lenders (as the same may be amended, modified, extended or restated from time to time, the "Credit Agreement"). Capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement.

1. The Assignor hereby sells and assigns to the Assignee, without recourse and without representation and warranty except as expressly set forth herein, and the Assignee hereby purchases and assumes from the Assignor, without recourse and without representation and warranty except as expressly set forth herein, the interests set forth below (the "Assigned Interest") in the Assignor’s rights and obligations under the Credit Agreement, including, without limitation, the interests set forth below in the Commitment Percentage of the Assignor on the Effective Date (as defined below) and the Loans owing to the Assignor in connection with the Assigned Interest which are outstanding on the Effective Date. The purchase of the Assigned Interest shall be at par (unless otherwise agreed to by the Assignor and the Assignee) and periodic payments made with respect to the Assigned Interest which (a) accrued prior to the Effective Date shall be remitted to the Assignor and (b) accrue from and after the Effective Date shall be remitted to the Assignee.

2. The Assignor (a) represents and warrants to the Assignee that it is the legal and beneficial owner of the Assigned Interest and that the Assigned Interest has not previously been transferred or encumbered and is free and clear of any adverse claim created by the Assignor; (b) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Documents or any other instrument or document furnished pursuant thereto; (c) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Credit Documents or any other instrument or document furnished pursuant thereto; and (d) attaches the Note held by the Assignor and requests that the Agent exchange such Note for a new Note payable to the order of the Assignee in an amount equal to the Revolving Loan Commitment assumed by the Assignee pursuant hereto and to the Assignor in an amount equal to the Revolving Loan Commitment retained by the Assignor, if any, as specified herein.

3. The Assignee (a) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 7.1 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment; (b) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (c) confirms that it is an

Eligible Assignee; (d) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (e) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender, and (f) attaches any U.S. Internal Revenue Service or other forms required under Section 4.4.

4. Following the execution of this Assignment, it will be delivered to the Agent, together with the transfer fee required pursuant to Section 11.3(b) of the Credit Agreement, for acceptance and recording by the Agent. The effective date for this Assignment (the "Effective Date") shall be the date of acceptance hereof by the Agent and the Borrower, as applicable, unless otherwise specified herein.

5. Upon the consent of the Borrower and the Agent, as applicable, as of the Effective Date, (a) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment, have the rights and obligations of a Lender thereunder and (b) the Assignor shall, to the extent provided in this Assignment, relinquish its rights and be released from its obligations under the Credit Agreement.

6. This Assignment shall be governed by, and construed in accordance with, the laws of the State of New York.

7. This Assignment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

8. Terms of Assignment

(a)	Legal Name of Assignor:	_________________
(b)	Legal Name of Assignee:	_________________
(c)	Effective Date of Assignment:	_________________
(d)	Commitment Percentage Assigned:	_________________%
(e)	Total Revolving Loans outstanding as of Effective Date	$_________________
(f)	Principal Amount of Revolving Loans assigned on Effective Date (the amount set forth in (e) multiplied by the percentage set forth in (d))	$_________________
(g)	Revolving Loan Commitment	$_________________

(h) Principal Amount of Revolving Loan Commitment assigned on Effective Date (the amount set forth in (g) multiplied by the percentage set forth in (d)) $________________

The terms set forth above
are hereby agreed to:

______________________, as Assignor

By:______________________________
Name:
Title:

_______________________, as Assignee

By:_______________________________
Name:
Title:

CONSENTED TO (if applicable):

WPS RESOURCES CORPORATION

By:__________________________________
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION,
as Agent

By:__________________________________
Name:
Title:

Exhibit 10.2

WPS RESOURCES CORPORATION

2005 OMNIBUS INCENTIVE COMPENSATION PLAN

Section 1. PURPOSE AND DEFINITIONS

(a) Purpose. The purpose of the WPS Resources Corporation 2005 Omnibus Incentive Compensation Plan is to promote the interests of the Company and its shareholders by (a) attracting and retaining executives and other key employees of outstanding training, experience and ability; (b) motivating them, by means of performance-related incentives, to achieve performance goals; and (c) enabling them to participate in the growth and financial success of the Company. It is intended that this purpose be effected via performance-based incentives and through awards or grants of stock options and various other rights with respect to shares of the Company's common stock, as provided herein, to such eligible employees (as defined in subsection (b) below).

(b) Definitions. The following terms shall have the following respective meanings unless the context requires otherwise:

(1) 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.

(2) The term "Annual Performance Right" shall mean the right to receive up to the amount of compensation described in the Participant's award agreement, taking into account the Target Award and the Performance Formula, upon the attainment of one or more specified Performance Goals, subject to the terms and conditions of the award agreement and the Plan.

(3) A person shall be deemed to be the "Beneficial Owner" of any securities:

(A) 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, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, 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 Firstar Trust Company, dated as of December 12, 1996, as amended from time to time (or any successor to such Rights Agreement) at any time before the issuance of such securities;

(B) 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; *provided*, *however*, 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

(C) 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 Section paragraph (B) above) or disposing of any voting securities of the Company.

(4) The term "Board" shall mean the Board of Directors of the Company.

(5) The term "Change in Control" shall mean the occurrence of any one of the following:

(A) 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 WPS Resources Corporation's then outstanding securities;

(B) one-half or more of the members of the Board are not Continuing Directors;

(C) 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;

(D) 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;

(E) 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

(F) the shareholders of WPS Resources Corporation approve any plan or proposal for the liquidation or dissolution of WPS Resources Corporation.

(6) The term "Code" shall mean the Internal Revenue Code of 1986, or any successor thereto, as the same may be amended and in effect from time to time.

(7) The term "Committee" shall mean the committee appointed pursuant to Section 2 to administer the Plan.

(8) The term "Company" shall mean WPS Resources Corporation, or any successor thereto.

(9) The term "Continuing Director" shall mean (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.

(10) The term "Covered Executive" shall mean, with respect to each taxable year of the Company, an individual who, on the last day of the taxable year, is the Chief Executive Officer of the Company or among the four highest compensated officers of the Company and its subsidiaries (other than the Chief Executive Officer), as determined pursuant to the executive compensation disclosure rules under the Exchange Act.

(11) The term "Employee" shall mean an employee of the Company or any Subsidiary. The term "Employee" shall also be deemed to include any person who is an employee of any joint venture corporation or partnership, or comparable entity, in which the Company or Subsidiary has a substantial equity interest.

(12) The term "Exchange Act" shall mean the Securities Exchange Act of 1934, or any successor thereto, as the same may be amended and in effect from time to time.

(13) The term "Fair Market Value" shall mean the average of the highest and lowest sale prices at which a share of Stock shall have been sold regular way on the New York Stock Exchange on the date of grant of any Option or Stock Appreciation Right or other relevant valuation date. In the event that any Option or Stock Appreciation Right shall be granted, or other relevant valuation date shall occur, on a date on which there were no such sales of Stock on the New York Stock Exchange, the Fair Market Value of a share of Stock shall be deemed to be the average of the highest and lowest sale prices on the next preceding day on which there were such sales.

(14) The term "Final Award" shall mean the amount of compensation or the number of shares of Stock to be awarded finally to the Participant who holds an Annual Performance Right or a Performance Stock Right, as determined by the Committee taking into account the extent to which the Participant has achieved the Performance Goals.

(15) The term "Option" or "Options" shall mean the option to purchase Stock in accordance with Section 6 and such other terms and conditions as may be prescribed by the Committee. An Option may be either an "incentive stock option", as such term is defined in

the Code, or shall otherwise be designated as an option entitled to favorable treatment under the Code ("ISO") or a "nonqualified stock option" ("NQO"). ISOs and NQOs are individually called an "Option" and collectively called "Options".

(16) The term "Other Stock-Based Awards" shall mean awards of Stock (including Restricted Stock) or other rights made in accordance with Section 7.

(17) The term "Participant" shall mean an Employee who has been designated for participation in the Plan.

(18) The term "Performance Goals" shall mean, with respect to any Annual Performance Right or Performance Stock Right granted to a Participant who is a Covered Executive, a performance measure that is based upon one or more of the following objective business criteria established by the Committee with respect to the Company and/or any Subsidiary, division, business unit or component thereof: asset charge, asset turnover, return on sales, capital employed in the business, capital spending, cash flow, cost structure improvements, complexity reductions, customer loyalty, diversity, earnings growth, earnings per share, economic value-added, environmental health, safety, increase in customer base, market share, net cash balance, net income, net income margin, net operating cash flow, operating profit margin, operations and maintenance reduction, productivity, response time, profits before tax, quality/customer satisfaction, return on assets, return on capital, return on equity, return on net operating assets, return on sales, revenue growth, sales margin, sales volume, system reliability, total shareholder return, variable margin and working capital. With respect to any Annual Performance Right or Performance Stock Right granted to a Participant who is not a Covered Executive, performance goals may be based on one or more of the business criteria described above or any other criteria based on individual, business unit, Subsidiary, group or Company performance selected by the Committee. The Performance Goals may be expressed in absolute terms or relate to the performance of other companies or to an index.

(19) The term "Performance Formula" shall mean a formula to be applied in relation to the Performance Goals in determining the percentage, not to exceed 200%, of the Target Award earned by the Participant with respect to a Plan Award.

(20) The term "Performance Period" shall mean the period of time for which performance with respect to one or more Performance Goals with respect to any Annual Performance Right or Performance Stock Right is to be measured, with such period commencing not earlier than 90 days prior to the date of grant of such Annual Performance Right or Performance Stock Right.

(21) The terms "Performance Stock Rights" or "Performance Shares" shall mean the right to receive, without payment to the Company, up to the number of shares of Stock described in the Participant's award agreement, taking into account the Target Award and the Performance Formula, upon the attainment of one or more specified Performance Goals, subject to the terms and provisions of the award agreement and the Plan.

(22) The term "Person" shall mean 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.

(23) The term "Plan" shall mean the WPS Resources Corporation 2005 Omnibus Incentive Compensation Plan as the same may be amended and in effect from time to time.

(24) The term "Plan Awards" shall mean awards or grants of incentive compensation, whether in cash or in the form of Options, Stock Appreciation Rights, Performance Shares, Restricted Stock, or Other Stock Based Awards.

(25) The term "Restricted Stock" or "Restricted Shares" shall mean shares of Stock delivered to (or held in escrow or in a book account for the benefit of) a Participant, subject to such restrictions on the Participant's right to retain the shares as the Committee shall, in its discretion, determine.

(26) The term "Right" shall mean an Annual Performance Right or a Performance Stock Right, as required by the context.

(27) The term "Stock Appreciation Right" shall mean the right to receive, without payment to the Company, an amount of cash or Stock as determined in

accordance with Section 6, based on the amount by which the Fair Market Value of a share of Stock on the relevant valuation date exceeds the grant price.

(28) The term "Subsidiary" shall mean (A) any corporation a majority of the voting stock of which is owned directly or indirectly by the Company or (B) any limited liability company a majority of the membership interest of which is owned, directly or indirectly, by the Company.

(29) The term "Stock" shall mean shares of the Company's common stock, par value $1.00 per share.

(30) The term "Target Award" shall mean the amount of compensation or the number of shares of Stock, subject to adjustment pursuant to Section 12, to be earned by a Participant under an Annual Performance Right or a Performance Stock Right if all of the Performance Goals are achieved.

Section 2. ADMINISTRATION

(a) Committee. The Plan shall be administered by the Compensation Committee of the Board consisting of not less than two (2) members of the Board who meet the "outside" director requirements of Section 162(m) of the Code, the independence standards of the New York Stock Exchange and the "non-employee director" requirements of Rule 16b-3(b)(3) under the Exchange Act, or by any other committee appointed by the Board, *provided* the members of such committee meet such requirements. The Committee shall administer the Plan and perform such other functions as are assigned to it under the Plan. The Committee is authorized, subject to the provisions of the Plan, from time to time, to establish such rules and regulations as it may deem appropriate for the proper administration of the Plan, and to make such determinations under, and such interpretations of, and to take such steps in connection with, the Plan and the Plan Awards as it may deem necessary or advisable, in each case in its sole discretion. The Committee's decisions and determinations under the Plan need not be uniform and may be made selectively among Participants, whether or not they are similarly situated. Any authority granted to the Committee may also be exercised by the Board, except to the extent that the grant or exercise of such authority would cause any qualified performance-based award to cease to qualify for exemption under Section 162(m) of the Code. To the extent that any permitted action taken by the Board conflicts with any action taken by the Committee, the Board action shall control.

(b) Delegation of Authority. The Committee may delegate any or all of its powers and duties under the Plan, including, but not limited to, its authority to make awards under the Plan or to grant waivers pursuant to Section 9, to one or more of its members or to one or more officers of the Company as it shall appoint, and with any such delegation to be subject to such conditions or limitations as the Committee may establish; *provided, however*, that the Committee shall not delegate its authority to (1) act on matters affecting any Participant who is subject to the reporting requirements of Section 16(a) of the Exchange Act, or the liability provisions of Section 16(b) of the Exchange Act (any such Participant being called a "Section 16 Person") or (2) amend or modify the Plan pursuant to the provisions of Section 15(b). Further, no person to whom authority has been delegated shall grant a Plan Award to himself or herself or otherwise administer or interpret a Plan Award that has been previously granted to such person. To the extent of any such delegation, the term "Committee" when used herein shall mean and include (except for purposes of subsection (c) below) any such delegate.

(c) Eligibility of Committee Members. No person while a member of the Committee shall be eligible to hold or receive a Plan Award.

Section 3. ANNUAL PERFORMANCE RIGHTS AND FINAL AWARDS

(a) Grant of Annual Performance Rights. The Committee, at any time and from time to time while the Plan is in effect, may grant or authorize the granting of, Annual Performance Rights to such officers of the Company and any Subsidiary, and other Employees, whether or not members of the Board, as it may select and in such amount as it shall designate, subject to the provisions of this Section 3.

(b) Maximum Awards. The maximum amount that may be granted to a Covered Executive as a Final Award with respect to one or more Annual Performance Rights during any calendar year during any part of which the Plan is in effect, whether such Final Award is payable in cash or credited to the Covered Executive's account under the WPS

Resources Corporation Deferred Compensation Plan in accordance with subsection (d) below, shall be $2 million.

(c) Terms and Provisions of Annual Performance Rights. Prior to the grant of any Annual Performance Right, the Committee shall determine the terms and provisions of such Right, including, without limitation (1) the Target Award; (2) one or more Performance Goals to be used to measure performance under such Right, and the Performance Formula to be applied against the Performance Goals in determining the amount of compensation earned under such Right as a percentage of the Target Award; (3) the Performance Period, and (4) the effect of the Participant's termination of employment or death. Within 90 days of commencement of a Performance Period, the Committee may establish a minimum threshold objective for any Performance Goal for such Performance Period which, if not met, would result in no Final Award being made to any Participant with respect to such Performance Goal for such Performance Period. During and after the Performance Period, but prior to the Committee's final determination of the Participant's Final Award as provided in subsection (d), the Committee may adjust the Performance Goals, Performance Formula and Target Award and otherwise modify the terms and provisions of a Right granted to a Participant who is not a Covered Executive, subject to the terms and conditions of the Plan. Each Right shall be evidenced by an award agreement in such form as the Committee may determine.

(d) Final Awards.

(1) As soon as practicable following the completion of the Performance Period relating to any Annual Performance Right, but not later than 12 months following such completion, the Committee shall determine the extent to which the Participant achieved the Performance Goals and the amount of compensation to be awarded as a Final Award to the Participant who holds such Right. In making such determination, the Committee shall apply the applicable Performance Formula for the Participant for the Performance Period against the accomplishment of the related Performance Goals. The Committee may, in its sole discretion, reduce the amount of any Final Award that otherwise would be awarded to any Participant for any Performance Period. In addition, the Committee may, in its sole discretion, increase the amount of any Final Award that otherwise would be awarded to any Participant who

is not a Covered Executive. Any such determination shall take into account (A) the extent to which the Performance Goals provided in such Right were, in the Committee's sole opinion, achieved, (B) the individual performance of such Participant during the related Performance Period and (C) such other factors as the Committee may deem relevant, including, without limitation, any change in circumstances or unforeseen events, relating to the Company, the economy or otherwise, since the date of grant of such Right. The Committee shall notify such Participant of such Participant's Final Award as soon as practicable following such determination.

(2) Following the determination of each Final Award, unless the Participant has elected to defer all or a portion of the Final Award in accordance with the procedures set forth in the WPS Resources Corporation Deferred Compensation Plan, the Final Award will be payable to the Participant in cash.

Section 4. STOCK AVAILABLE FOR PLAN AWARDS

(a) Stock Subject to Plan. The Stock issued under the Plan in satisfaction of Plan Awards may be either authorized and unissued or held in the treasury of the Company.

(1) Aggregate Share Limit. The maximum number of shares of Stock that may be issued under the Plan in satisfaction of Plan Awards, subject to adjustment in accordance with the provisions of Section 12, shall be equal to one million six hundred thousand (1,600,000) shares. Upon this Plan being approved by the Company's shareholders in accordance with Section 23, no further Plan Awards shall be granted under or pursuant to the WPS Resources Corporation 2001 Omnibus Incentive Compensation Plan ("2001 Plan"); *provided*, that the 2001 Plan will continue to operate in accordance with its terms with respect to Plan Awards previously granted.

(2) Limit on Full-Value Awards. Of the shares of Stock authorized for issuance under Section 4(a)(1) above, no more than four hundred thousand (400,000) of such shares shall be granted as Performance Shares, Restricted Stock or Other Stock-Based Awards.

(3) Limits on Plan Awards to Covered Executives. In addition to the aggregate share limitations sets forth in Section 4(a)(1) and 4(a)(2) above, the following individual limitations shall apply with respect to Plan Awards granted to any Covered Executive:

(A) The maximum number of shares subject to Options, with or without any related Stock Appreciation Rights, or Stock Appreciation Rights (not related to Options) that may be granted pursuant to Section 6 to any Covered Executive during any calendar year during any part of which the Plan is in effect shall be 250,000, subject to adjustment in accordance with the provision of Section 12; and

(B) The maximum number of shares of Stock that may be granted as Final Awards pursuant to Section 5 or as Code Section 162(m) performance-based awards under Section 7 to any Covered Executive during any calendar year during any part of which the Plan is in effect shall be 50,000, subject to adjustment in accordance with the provision of Section 12.

(b) Computation of Stock Available for Plan Awards. For the purpose of computing the total number of shares of Stock remaining available for Plan Awards at any time while the Plan is in effect, there shall be debited against the total number of shares determined to be available pursuant to this Section 4, (1) the maximum number of shares of Stock subject to Options or Stock Appreciation Rights granted under this Plan, (2) the maximum number of shares of Stock issuable under Performance Stock Rights granted under this Plan, and (3) the number of shares of Stock related to Other Stock-Based Awards granted under this Plan, as determined by the Committee in each case as of the dates on which such Plan Awards were granted.

(c) Terminated, Expired, Unearned or Forfeited Plan Awards. The shares involved in the unexercised or undistributed portion of any terminated, expired, unearned or forfeited Plan Award shall be reinstated to the pool of available shares and shall be made available for further Plan Awards. Notwithstanding the foregoing, in the event any Option or Stock Appreciation Right granted to a Covered Executive is canceled, the number of shares of

Stock subject to such canceled Option or Stock Appreciation Right shall continue to count against the individual limit specified in subsection (a)(3), in accordance with the requirements of Code Section 162(m).

Section 5. PERFORMANCE STOCK RIGHTS AND FINAL AWARDS

(a) Grant of Performance Stock Rights. The Committee, at any time and from time to time while the Plan is in effect, may grant, or authorize the granting of, Rights to such officers of the Company and any Subsidiary, and other key salaried Employees, whether or not members of the Board, as it may select and for such numbers of shares as it shall designate, subject to the provisions of this Section 5 and Section 4.

(b) Terms and Provisions of Performance Stock Rights. Prior to the grant of any Right, the Committee shall determine the terms and provisions of each Right, including, without limitation (1) the Target Award; (2) one or more Performance Goals to be used to measure performance under such Right, and the Performance Formula to be applied against the Performance Goals in determining the number of shares of Stock earned under such Right as a percentage of the Target Award; (3) the Performance Period; (4) the period of time, if any, during which the disposition of shares of Stock issuable under such Right shall be restricted as provided in subsection (a) of Section 10, *provided*, *however*, that the Committee may establish restrictions applicable to any Right at the time of or at any time prior to the granting of the related Final Award rather than at the time of granting such Right; and (5) the effect of the Participant's termination of employment or death. Within 90 days of commencement of a Performance Period, the Committee may establish a minimum threshold objective for any Performance Goal for such Performance Period which, if not met, would result in no Final Award being made to any Participant with respect to such Performance Goal for such Performance Period. During and after the Performance Period, but prior to the Committee's final determination of the Participant's Final Award as provided in subsection (d), the Committee may adjust the Performance Goals, Performance Formula and Target Award and otherwise modify the terms and provisions of a Right granted to a Participant who is not a Covered Executive, subject to the terms and conditions of the Plan. Each Right shall be evidenced by an award agreement in such form as the Committee may determine.

(c) Dividend Equivalents on Stock Performance Rights.

(1) If the Committee shall determine, each Participant to whom a Right is granted shall be entitled to receive payment of the same amount of cash that such Participant would have received as cash dividends if, on each record date during the Performance Period relating to such Right, such Participant had been the holder of record of a number of shares of Stock equal to 100% of the related Target Award (as adjusted pursuant to Section 12). Any such payment may be made at the same time as a dividend is paid or may be deferred until the date that a Final Award is determined, as determined by the Committee in its sole discretion. Such cash payments are hereinafter called "dividend equivalents".

(2) Notwithstanding the provisions of subsection (c)(1), the Committee may determine that, in lieu of receiving all or any portion of any such dividend equivalent in cash, a Participant shall receive an award of full shares of Stock having a Fair Market Value approximately equal to the portion of such dividend equivalent that was not paid in cash. Certificates for shares of Stock so awarded may be issued as of the payment date for the related cash dividend or may be deferred until the date that the Final Award is determined, and the shares of Stock covered thereby may be subject to the terms and conditions of the Right to which it relates (including but not limited to the attainment of the Performance Goals) and the terms and conditions of the Plan (including but not limited to Sections 5, 9, 10 and 12), all as determined by the Committee in its sole discretion.

(d) Final Awards.

As soon as practicable following the completion of the Performance Period relating to any Right, but not later than 12 months following such completion, the Committee shall determine the extent to which the Participant achieved the Performance Goals and the number of shares of Stock to be awarded as a Final Award to the Participant who holds such Right. Each Final Award shall represent only full shares of Stock, and any fractional share that would otherwise result from such Final Award calculation shall be disregarded. In making such determination, the Committee shall apply the applicable Performance Formula for the Participant for the Performance Period against the accomplishment of the related Performance Goals. The Committee may, in its sole discretion, reduce the amount of any Final Award that otherwise would be awarded to any Participant for any Performance Period. In addition, the Committee may, in its sole discretion, increase the amount of any Final Award that otherwise would be awarded to any Participant who is not a Covered Executive. Any such determination shall take into account (A) the extent to which the Performance Goals provided in such Right were, in the Committee's sole opinion, achieved, (B) the individual performance of such Participant during the related Performance Period and (C) such other factors as the Committee may deem relevant, including, without limitation, any change in circumstances or unforeseen events, relating to the Company, the economy or otherwise, since the date of grant of such Right. The Committee shall notify such Participant of such Participant's Final Award as soon as practicable following such determination.

(1) Following the determination of each Final Award, unless the Participant has elected to defer all or a portion of the Final Award in accordance with the procedures set forth in the WPS Resources Corporation Deferred Compensation Plan or unless the Committee has directed an alternate form of distribution, the Company shall issue or cause to be issued certificates for the number of shares of Stock representing such Final Award, registered in the name of the Participant who received such Final Award. Such Participant shall thereupon become the holder of record of the number of shares of Stock evidenced by such certificates, entitled to dividends, voting rights and other rights of a holder thereof, subject to the terms and provisions of the Plan, including, without limitation, the provisions of this subsection (d) and Sections 9, 10 and 12. The Committee may require that such certificates bear such restrictive legend as the Committee may specify and be held by the Company in escrow or otherwise pursuant to any form of agreement or instrument that the Committee may specify. If the Committee has determined that deferred dividend equivalents shall be payable to a Participant with respect to any Right pursuant to subsection (c) of this Section 5, then concurrently with the issuance of such certificates, the Company shall deliver to such Participant a cash payment or additional shares of Stock in settlement of such dividend equivalents.

Section 6. OPTIONS AND STOCK APPRECIATION RIGHTS

(a) Grant of Options.

(1) The Committee, at any time and from time to time while the Plan is in effect, may authorize the granting of Options to such officers of the Company and any Subsidiary, and other key salaried Employees, whether or not members of the Board, as it may select, and for such numbers of shares as it shall designate, subject to the provisions of this Section 6 and Section 4. Each Option granted pursuant to the Plan shall be a NQO unless designated by the Committee at the time of grant as an ISO.

(2) The date on which an Option shall be granted shall be the date of authorization of such grant or such later date as may be determined by the Committee at the time such grant is authorized. Any individual may hold more than one Option.

(b) Price. In the case of each Option granted under the Plan the option price shall be the Fair Market Value of Stock on the date of grant of such Option; *provided, however*, that the Committee may in its discretion fix an option price in excess of (but not lower than) the Fair Market Value of Stock on such date.

(c) Grant of Stock Appreciation Rights.

(1) The Committee, at any time and from time to time while the Plan is in effect, may authorize the granting of Stock Appreciation Rights to such officers of the Company and any Subsidiary, and other key salaried Employees, whether or not members of the Board, as it may select, and for such numbers of shares as it shall designate, subject to the provisions of this Section 6 and Section 4. Each Stock Appreciation Right may relate to all or a portion of a specific Option granted under the Plan and may be granted concurrently with the Option to which it relates or at any time prior to the exercise, termination or expiration of such Option (a "Tandem SAR"), or may be granted independently of any Option, as determined by the Committee. If the Stock Appreciation Right is granted independently of an Option, the grant price of such Stock Appreciation Right shall be the Fair Market Value of Stock on the date of grant; *provided, however*, that the Committee may, in its discretion, fix a grant price in excess of (but not less than) the Fair Market Value of Stock on such grant date.

(2) Upon exercise of a Stock Appreciation Right that is not a Fixed Term Stock Appreciation Right (as defined below), the Participant will be entitled to receive, without payment to the Company, that number of shares of Stock determined by dividing (i) the total number of shares of Stock subject to the Stock Appreciation Right being exercised by the Participant, multiplied by the amount by which the Fair Market Value of a share of Stock on the day the right is exercised exceeds the grant price, by (ii) the Fair Market Value of a share of Stock on the exercise date; *provided, however*, that, in the case of a Tandem SAR, the total number of shares which may be received upon exercise of a Stock Appreciation Right for Stock shall not exceed the total number of shares subject to the related Option or relevant portion thereof. Except as may be permitted without causing the Stock Appreciation Right to constitute "deferred compensation" subject to Code Section 409A, a Stock Appreciation Right that is not a Fixed Term Stock Appreciation Right (as defined below) will be settled solely in Stock (together with cash for any fractional share). A Fixed Term Stock Appreciation Right means a Stock Appreciation Right under which the Participant is not able to control the exercise date, but under which the Stock Appreciation Right establishes a fixed term (mandatory exercise date) at which time the Stock Appreciation Right will be valued and any payment to the Participant made. A Fixed Term Stock Appreciation Right may be settled in Stock or cash, as determined by the Committee in its discretion.

(d) Terms and Conditions.

(1) Each Option and Stock Appreciation Right granted under the Plan shall be exercisable on such date or dates, during such period, for such number of shares and subject to such further conditions as shall be determined pursuant to the provisions of the award agreement with respect to such Option and Stock Appreciation Right; *provided, however*, that a Tandem SAR shall not be exercisable prior to or later than the time the related Option could be exercised; and *provided, further*, that in any event no Option or Stock Appreciation Right shall be exercised beyond ten years from the date of grant.

(2) The Committee may impose such conditions as it may deem appropriate upon the exercise of an Option or a Stock Appreciation Right, including, without

limitation, a condition that the Stock Appreciation Right may be exercised only in accordance with rules and regulations adopted by the Committee from time to time.

(3) With respect to Options issued with Tandem SARs, the right of a Participant to exercise the Tandem SAR shall be cancelled if and to the extent the related Option is exercised, and the right of a Participant to exercise an Option shall be cancelled if and to the extent that shares covered by such Option are used to calculate the consideration received upon exercise of the Tandem SAR.

(4) If any fractional share of Stock would otherwise be payable to a Participant upon the exercise of an Option or Stock Appreciation Right, the Participant shall be paid a cash amount equal to the same fraction of the Fair Market Value of the Stock on the date of exercise.

(e) Award Agreement. Each Option and Stock Appreciation Right shall be evidenced by an award agreement in such form and containing such provisions not inconsistent with the provisions of the Plan as the Committee from time to time shall approve.

(f) Payment for Option Shares.

(1) Payment for shares of Stock purchased upon exercise of an Option granted hereunder shall be made in such manner as is provided in the applicable award agreement, which may include payment through a cash-less exercise executed through a broker.

(2) Unless the Committee shall provide otherwise in any award agreement, any payment for shares of Stock purchased upon exercise of an Option granted hereunder may be made in cash, by delivery of shares of Stock beneficially owned by the Participant, or by a combination of cash and Stock, at the election of the Participant; *provided*, *however*, that any shares of Stock so delivered shall have been beneficially owned by the Participant for a period of not less than six months prior to the date of exercise. Any such shares of Stock so delivered shall be valued at their Fair Market Value on the date of such exercise. The Committee shall determine whether and if so the extent to which actual delivery of share certificates to the Company shall be required.

Section 7. OTHER STOCK-BASED AWARDS

(a) Grants of Other Stock-Based Awards. The Committee, at any time and from time to time while the Plan is in effect, may grant Other Stock-Based Awards to such officers of the Company and its Subsidiaries, and other key salaried Employees, whether or not members of the Board, as it may select. Such Plan Awards pursuant to which Stock is or may in the future be acquired, or Plan Awards valued or determined in whole or part by reference to, or otherwise based on, Stock, may include, but are not limited to, awards of Restricted Stock or Plan Awards denominated in the form of "stock units", grants of so-called "phantom stock" and options containing terms or provisions differing in whole or in part from Options granted pursuant to Section 6. Other Stock-Based Awards may be granted either alone, in addition to, in tandem with or as an alternative to any other kind of Plan Award, grant or benefit granted under the Plan or under any other employee plan of the Company, including a plan of any acquired entity.

(b) Terms and Conditions. Subject to the provisions of the Plan, the Committee shall have the authority to determine the time or times at which Other Stock-Based Awards shall be made, the number of shares of Stock or stock units and the like to be granted or covered pursuant to such Plan Awards (subject to the provisions of Section 4) and all other terms and conditions of such Plan Awards, including, but not limited to, whether such Plan Awards shall be payable or paid in cash, Stock or otherwise.

(c) Consideration for Other Stock-Based Awards. In the discretion of the Committee, any Other Stock-Based Award may be granted as a Stock bonus for no consideration other than services rendered.

Section 8. CASH AWARDS TO EMPLOYEES OF FOREIGN SUBSIDIARIES OR BRANCHES OR JOINT VENTURES

In order to facilitate the granting of Plan Awards to Participants who are foreign nationals or who are employed outside of the United States of America, the Committee may provide for such special terms and conditions, including without limitation substitutes for Plan Awards, as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Such substitutes for Plan Awards may include a requirement that the

Participant receive cash, in such amount as the Committee may determine in its sole discretion, in lieu of any Plan Award or share of Stock that would otherwise have been granted to or delivered to such Participant under the Plan. The Committee may approve any supplements to, or amendments, restatements or alternative versions of the Plan as it may consider necessary or appropriate for purposes of this Section 8 without thereby affecting the terms of the Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Company may certify any such documents as having been approved and adopted pursuant to properly delegated authority; *provided*, *however*, that no such supplements, amendments, restatements or alternative versions shall include any provision that is inconsistent with the terms of the Plan as then in effect. Participants subject to the laws of a foreign jurisdiction may request copies of, or the right to view, any materials that are required to be provided by the Company pursuant to the laws of such jurisdiction.

Section 9. PAYMENT OF PLAN AWARDS AND CONDITIONS THEREON

(a) Effect of Competitive Activity. Anything contained in the Plan to the contrary notwithstanding, if the employment of any Participant shall terminate, for any reason other than death, while any Plan Award granted to such Participant is outstanding hereunder, and such Participant has not yet received the compensation or Stock covered by such Plan Award or otherwise received the full benefit of such Plan Award, such Participant, if otherwise entitled thereto, shall receive such Stock or compensation or benefit only if, during the entire period from the date of such Participant's termination to the date of such receipt, such Participant shall have (1) made himself or herself available, upon request, at reasonable times and upon a reasonable basis, to consult with, supply information to and otherwise cooperate with the Company or any Subsidiary with respect to any matter that shall have been handled by him or her or under his or her supervision while he or she was in the employ of the Company or of any Subsidiary, and (2) refrained from engaging in any activity that is directly or indirectly in competition with any activity of the Company or any Subsidiary.

(b) Nonfulfillment of Competitive Activity Conditions: Waivers Under the Plan. In the event of a Participant's non-fulfillment of any condition set forth in subsection (a) of this Section 9, such Participant's rights under any Plan Award shall be forfeited and cancelled forthwith; *provided*, *however*, that the nonfulfillment of such condition may at any time (whether before, at the time of or subsequent to termination of employment) be waived in the following manner:

(1) with respect to any such Participant who at any time shall have been a Section 16 Person, such waiver may be granted by the Committee upon its determination that in its sole judgment there shall not have been and will not be any substantial adverse effect upon the Company or any Subsidiary by reason of the nonfulfillment of such condition; and

(2) with respect to any other such Participant, such waiver may be granted by the Committee (or any delegate thereof) upon its determination that in its sole judgment there shall not have been and will not be any such substantial adverse effect.

(c) Effect of Inimical Conduct. Anything contained in the Plan to the contrary notwithstanding, all rights of a Participant under any Plan Award shall cease on and as of the date on which it has been determined by the Committee that such Participant at any time (whether before or subsequent to termination of such Participant's employment) acted in a manner inimical to the best interests of the Company or any Subsidiary.

(d) Tax and Other Withholding. Prior to any distribution of cash, Stock or Other Stock-Based Awards (including payments under Section 5(c)) to any Participant, appropriate arrangements (consistent with the Plan and any rules adopted hereunder) shall be made for the payment of any taxes and other amounts required to be withheld by federal, state or local law.

(e) Substitution. The Committee, in its sole discretion, may substitute a Plan Award (except ISOs) for another Plan Award or Plan Awards of the same or different type.

Section 10. NON-TRANSFERABILITY OF PLAN AWARDS; RESTRICTIONS ON DISPOSITION AND EXERCISE OF PLAN AWARDS

(a) Restrictions on Transfer of Rights or Final Awards. No Right or, until the expiration of any restriction period imposed by the Committee, no shares of Stock covered by any Final Award, shall be transferred, pledged, assigned or otherwise disposed of by a

Participant, except as permitted by the Plan, without the consent of the Committee, otherwise than by will or the laws of descent and distribution; *provided*, *however*, that the Committee may permit, on such terms as it may deem appropriate, use of Stock included in any Final Award as partial or full payment upon exercise of an Option under the Plan or a stock option under any other stock option plan of the Company prior to the expiration of any restriction period relating to such Final Award.

(b) Restrictions on Transfer of Options or Stock Appreciation Rights. Unless the Committee determines otherwise, no Option or Stock Appreciation Right shall be transferable by a Participant otherwise than by will or the laws of descent and distribution, and during the lifetime of a Participant the Option or Stock Appreciation Right shall be exercisable only by such Participant or such Participant's guardian or legal representative.

(c) Restrictions on Transfer of Certain Other Stock-Based Awards. Unless the Committee determines otherwise, no Other Stock-Based Award shall be transferable by a Participant otherwise than by will or the laws of descent and distribution, and during the lifetime of a Participant any such Other Stock-Based Award shall be exercisable only by such Participant or such Participant's guardian or legal representative.

(d) Attachment and Levy. No Plan Award shall be subject, in whole or in part, to attachment, execution or levy of any kind, and any purported transfer in violation hereof shall be null and void. Without limiting the generality of the foregoing, no domestic relations order purporting to authorize a transfer of a Plan Award, or to grant to any person other than the Participant the authority to exercise or otherwise act with respect to a Plan Award, shall be recognized as valid.

Section 11. DESIGNATION OF BENEFICIARIES

Any benefits due and payable to a Participant following the Participant's death shall be paid to the executor or administrator of the Participant's estate (or to such person as the executor or administrator of the estate may certify as being eligible to receive such award as a result of the operation of the Participant's last will and testament or the application of the laws of intestate succession), and upon any such payment, the Company, the Plan, the Committee and the members thereof shall not be under any further liability to anyone. Notwithstanding the foregoing, the Committee may, but need not, permit a Participant to file with the Company a written designation of a beneficiary or beneficiaries under the Plan, subject to such limitations as to the classes and number of beneficiaries and contingent beneficiaries and such other limitations as the Committee from time to time may prescribe. A Participant may from time to time revoke or change any such designation of beneficiary. Any designation of a beneficiary under the Plan shall be controlling over any other disposition, testamentary or otherwise; *provided*, *however*, that if the Committee shall be in doubt as to the entitlement of any such beneficiary to receive any Right, Final Award, Option, Stock Appreciation Right or Other Stock-Based Award, or if applicable law requires the Company to do so, the Committee may recognize only the legal representative of such Participant as the sole beneficiary, in which case the Company, the Plan, the Committee and the members thereof shall not be under any further liability to anyone. In the event of the death of any Participant, the term "Participant" as used in the Plan shall thereafter be deemed to refer to the person entitled to payment pursuant to this Section 11 unless the context otherwise requires.

Section 12. MERGER, CONSOLIDATION, STOCK DIVIDENDS, ETC.

(a) Adjustments. In the event of any merger, consolidation, reorganization, stock split, stock dividend or other event affecting Stock, an appropriate adjustment shall be made in the total number of shares available for Plan Awards and in all other provisions of the Plan that include a reference to a number of shares, and in the numbers of shares covered by, and other terms and provisions (including, but not limited to the grant or exercise price of any Plan Award) of outstanding Plan Awards.

(b) Committee Determinations. The foregoing adjustments and the manner of application of the foregoing provisions shall be determined by the Committee in its sole discretion. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to a Plan Award.

Section 13. ACCELERATION OF PAYMENT OR MODIFICATION OF PLAN AWARDS

(a) Acceleration and Modification. The Committee, in the event of the death of a Participant or in any other circumstance, may accelerate distribution of any Plan Award in its entirety or in a reduced amount, or modify or terminate any Plan Award, including the cancellation of an outstanding Plan Award that is not subject to Code Section 409A in exchange for a cash payment, in each case on such basis and in such manner as the Committee may determine in its sole discretion; *provided*, *however*, that in no event shall the Committee "re-price" an Option or Stock Appreciation Right to provide for a grant price that is less than the Fair Market Value of the Stock on the date on which the Option or Stock Appreciation Right was originally granted..

(b) Change in Control. Notwithstanding any other provision of the Plan, unless the Committee determines otherwise at the time of grant, upon the occurrence of a Change in Control:

(1) any Options or Stock Appreciation Rights outstanding as of the date of the Change in Control shall become fully vested (if not previously vested) and shall be subject to the terms of the sale, merger, consolidation or other agreement (the "Agreement") governing the transaction the consummation of which results in the Change in Control. Such Agreement shall provide for one of the following:

(A) The continuation of such outstanding Options and Stock Appreciation Rights by the Company (if the Company is the surviving corporation);

(B) The assumption of the Plan and such outstanding Options and Stock Appreciation Rights by the surviving corporation or an affiliate of the surviving corporation;

(C) The substitution by the surviving corporation or its parent of options and stock appreciation rights with substantially the same terms and conditions for such outstanding Options and Stock Appreciation Rights;

(D) The full exercisability of such outstanding Options and Stock Appreciation Rights, followed by the cancellation of such Options and Stock Appreciation Rights at the conclusion of the exercise period provided in the Agreement; or

(E) The cancellation of such outstanding Options and Stock Appreciation Rights (whether or not then exercisable) and, in the case of an Option, payment in Stock, cash or cash equivalent, or in the case of a Stock Appreciation Right, a payment in Stock or, if permitted without causing the Stock Appreciation Right to constitute "deferred compensation" under Code Section 409A, Stock, cash or cash equivalent, in either case followed by the cancellation of such Options and Stock Appreciation Rights.

(2) Any other Plan Award outstanding as of the date of such Change in Control, and that are not then vested:

(A) shall become fully vested if vesting is based solely upon length of the employment relationship, or shall become fully vested at the Target Level (or if greater, the then projected Final Award) prorated for the portion of the Performance Period that has been completed as of the date of the Change in Control;

(B) any restrictions or other conditions applicable to the Plan Award shall lapse, and such Plan Award shall become free of all restrictions and conditions; and

(C) such Plan Award shall be immediately paid to the Participant.

Section 14. RIGHTS AS A SHAREHOLDER

A Participant shall not have any rights as a shareholder with respect to any Stock covered by any Plan Award until such Participant shall have become the holder of record of such Stock.

Section 15. TERM, AMENDMENT, MODIFICATION AND TERMINATION OF THE PLAN AND AGREEMENTS

(a) Term. No Plan Award shall be granted under the Plan after December 31, 2014 or such earlier date on which the Plan is terminated pursuant to subsection (b) below.

(b) Amendment, Modification and Termination of Plan. The Board may, from time to time, amend or modify the Plan or any outstanding Plan Award, including without limitation, to authorize the Committee to make Plan Awards payable in other securities or other forms of property of a kind to be determined by the Committee, and such other amendments as may be necessary or desirable to implement such Plan Awards, or may terminate the Plan or any provision thereof; *provided*, *however*, that no such action of the Board, without approval of the shareholders of the Company, may (1) increase the total number of shares of Stock with respect to which Plan Awards may be granted under the Plan or increase the limits specified in Section 4, (2) extend the term of the Plan as set forth in subsection (a) of this Section 15, (3) permit any person while a member of the Committee or any other committee of the Board administering the Plan to be eligible to receive or hold a Plan Award, or (4) permit the Company to decrease the grant price of any outstanding Option or Stock Appreciation Right to an amount less than the Fair Market Value of the Stock on the date on which the Option or Stock Appreciation Right was granted.

(c) Limitation and Survival. The Committee's authority to act and to apply the terms of the Plan with respect to any Plan Award granted prior termination of the Plan, and a Participant's ability to exercise an outstanding Plan award granted prior to termination of the Plan and not otherwise cancelled by the Board, shall survive termination of the Plan.

(d) Amendments for Changes in Law. Notwithstanding anything to the contrary herein, the Board shall have the authority to amend outstanding Plan Awards and the Plan to take into account changes in law and tax and accounting rules as well as other developments, and to grant Plan Awards that qualify for beneficial treatment under such rules, without shareholder approval.

Section 16. INDEMNIFICATION AND EXCULPATION

(a) Indemnification. Each person who is or shall have been a member of the Board, the Committee, or of any other committee of the Board administering the Plan or of any committee appointed by the foregoing committees, shall be indemnified and held harmless by the Company against and from any and all loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be or become a party or in which such person may be or become involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof (with the Company's written approval) or paid by such person in satisfaction of a judgment in any such action, suit or proceeding, except a judgment in favor of the Company based upon a finding of such person's lack of good faith; subject, however, to the condition that, upon the institution of any claim, action, suit or proceeding against such person, such person shall in writing give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's behalf. The foregoing right of indemnification shall not be exclusive of any other right to which such person may be entitled as a matter of law or otherwise, or any power that the Company may have to indemnify or hold such person harmless.

(b) Exculpation. Each member of the Board, the Committee, or of any other committee of the Board administering the Plan or any committee appointed by the foregoing committees, and each officer and employee of the Company, shall be fully justified in relying or acting in good faith upon any information furnished in connection with the administration of the Plan by any appropriate person or persons other than such person. In no event shall any person who is or shall have been a member of the Board, the Committee, or of any other committee of the Board administering the Plan or of any committee appointed by the foregoing committees, or an officer or employee of the Company, be held liable for any determination made or other action taken or any omission to act in reliance upon any such information, or for any action (including the furnishing of information) taken or any failure to act, if in good faith.

Section 17. EXPENSES OF PLAN

The entire expense of offering and administering the Plan shall be borne by the Company and its participating Subsidiaries; *provided*, that the costs and expenses associated with the redemption or exercise of any Plan Award, including but not limited to commissions charged by any agent of the Company, may be charged to the Participants.

Section 18. FINALITY OF DETERMINATIONS

Each determination, interpretation, or other action made or taken pursuant to the provisions of the Plan by the Board, the Committee or any committee of the Board administering the Plan or any committee appointed by the foregoing committees, shall be final and shall be binding and conclusive for all purposes and upon all persons, including, but without limitation thereto, the Company, the shareholders, the Committee and each of the members thereof, and the directors, officers, and employees of the Company and its Subsidiaries, the Participants, and their respective successors in interest.

Section 19. NO RIGHTS TO CONTINUED EMPLOYMENT OR TO PLAN AWARD

(a) No Right to Employment. Nothing contained in this Plan, or in any booklet or document describing or referring to the Plan, shall be deemed to confer on any Participant the right to continue as an Employee or director of the Company or Subsidiary, whether for the duration of any Performance Period, the duration of any vesting period under a Plan Award, or otherwise, or affect the right of the Company or Subsidiary to terminate the employment of any Participant for any reason.

(b) No Right to Award. No Employee or other person shall have any claim or right to be granted a Plan Award under the Plan. Having received an Award under the Plan shall not give a Participant or any other person any right to receive any other Plan Award under the Plan. A Participant shall have no rights in any Plan Award, except as set forth herein and in the applicable award grant.

Section 20. GOVERNING LAW AND CONSTRUCTION

The Plan and all actions taken hereunder shall be governed by, and the Plan shall be construed in accordance with the laws of the State of Wisconsin without regard to the principle of conflict of laws. Titles and headings to Sections are for purposes of reference only, and shall in no way limit, define or otherwise affect the meaning or interpretation of the Plan.

Section 21. SECURITIES AND STOCK EXCHANGE REQUIREMENTS

(a) Restrictions on Resale. Notwithstanding any other provision of the Plan, no person who acquires Stock pursuant to the Plan may, during any period of time that such person is an affiliate of the Company (within the meaning of the rules and regulations of the Securities Exchange Commission) sell or otherwise transfer such Stock, unless such offer and sale or transfer is made (1) pursuant to an effective registration statement under the Securities Act of 1933 ("1933 Act"), which is current and includes the Stock to be sold, or (2) pursuant to an appropriate exemption from the registration requirements of the 1933 Act, such as that set forth in Rule 144 promulgated pursuant thereto.

(b) Registration, Listing and Qualification of Shares of Common Stock. Notwithstanding any other provision of the Plan, if at any time the Committee shall determine that the registration, listing or qualification of the Stock covered by a Plan Award upon any securities exchange or under any foreign, federal, state or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Plan Award or the purchase or receipt of Stock in connection therewith, no Stock may be purchased, delivered or received pursuant to such Plan Award unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any condition not acceptable to the Committee. Any person receiving or purchasing Stock pursuant to a Plan Award shall make such representations and agreements and furnish such information as the Committee may request to assure compliance with the foregoing or any other applicable legal requirements. The Company shall not be required to issue or deliver any certificate or certificates for Stock under the Plan prior to the Committee's determination that all related requirements have been fulfilled. The Company shall in no event be obligated to register any securities pursuant to the 1933 Act or applicable state or foreign law or to take any other action in order to cause the issuance and delivery of such certificates to comply with any such law, regulation, or requirement.

Section 22. EFFECTIVE DATE

Subject to Section 23 below, the Plan shall become effective January 1, 2005.

Section 23. VOTE REQUIRED

The affirmative vote of the holders of a majority of the total votes cast on the proposal to approve the Plan at the 2005 annual meeting of shareholders of the Company will be required for approval of the Plan, *provided*, that the total votes cast on the proposal represents over fifty percent (50%) of all shares entitled to vote on the proposal.

Exhibit 12.1

WPS Resources Corporation
Ratio of Earnings to Fixed Charges

(Millions)	2005 6 Months	2004	2003	2002	2001	2000
EARNINGS						
Income available to common shareholders	$89.8	$139.7	$94.7	$109.4	$77.6	$67.0
Cumulative effect of change in accounting principles	-	-	(3.2)	-	-	-
Federal and state income taxes	23.6	21.7	27.0	24.8	4.8	6.0
Pretax earnings	113.4	161.4	118.5	134.2	82.4	73.0
Loss (income) from less than 50% equity investees	(3.6)	(3.6)	4.2	4.1	(6.5)	-
Distributed earnings of less than 50% equity investees	7.7	11.7	7.5	7.0	3.5	-
Fixed charges	44.6	66.9	69.6	69.4	68.2	63.6
Subtract:						
Preferred dividend requirement	2.6	4.6	5.1	4.9	4.6	4.6
Minority interest	2.2	3.4	5.6	-	-	-
Total earnings as defined	$157.3	$228.4	$189.1	$209.8	$143.0	$132.0
FIXED CHARGES						
Interest on long-term debt, including related amortization	$35.6	$54.4	$53.8	$49.1	$45.6	$41.7
Other interest	5.3	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	1.1	1.9	1.7	1.7	2.3	1.9
Preferred dividends (grossed up) (see below)	2.6	4.6	5.1	4.9	4.6	4.6
Total fixed charges	$44.6	$66.9	$69.6	$69.4	$68.2	$63.6
Ratio of earnings to fixed charges	3.5	3.4	2.7	3.0	2.1	2.1

PREFERRED DIVIDEND CALCULATION:						
Preferred dividends	$1.6	$3.1	$3.1	$3.1	$3.1	$3.1
Tax rate *	39.3%	33.3%	38.7%	36.4%	32.9%	33.3%
Preferred dividends (grossed up)	$2.6	$4.6	$5.1	$4.9	$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)	2005 6 months	2004	2003	2002	2001	2000	1999
EARNINGS							
Earnings on common stock	$58.9	$104.8	$78.9	$83.1	$80.6	$70.4	$67.1
Federal and state income taxes	34.3	51.3	45.7	46.8	43.9	40.1	38.0
Net pretax income	93.2	156.1	124.6	129.9	124.5	110.5	105.1
Income from less than 50% equity investees	3.7	8.4	6.0	6.6	6.3	0.0	0.0
Distributed earnings of less than 50% equity investees	2.6	5.9	4.3	5.4	3.3	0.0	0.0
Fixed charges	21.5	40.4	38.8	41.2	39.3	37.7	33.6
Subtract preference dividend requirement	2.5	4.6	4.8	4.8	4.7	4.8	4.8
Total earnings as defined	$111.1	$189.4	$156.9	$165.1	$156.1	$143.4	$133.9
FIXED CHARGES							
Interest on long-term debt, including related amortization	$15.0	$29.9	$27.8	$27.2	$24.1	$21.6	$21.9
Other interest	3.2	4.5	4.9	7.9	9.2	10.1	5.6
Interest factor applicable to rentals	0.8	1.4	1.3	1.3	1.3	1.2	1.3
Fixed charges before preferred dividend requirement	$19.0	$35.8	$34.0	$36.4	$34.6	$32.9	$28.8
Ratio of earnings to fixed charges	5.8	5.3	4.6	4.5	4.5	4.4	4.6
Preferred dividends (grossed up) (see below)	$2.5	$4.6	$4.8	$4.8	$4.7	$4.8	$4.8
Total fixed charges including preferred dividend	$21.5	$40.4	$38.8	$41.2	$39.3	$37.7	$33.6
Ratio of earnings to fixed charges and preferred dividends	5.2	4.7	4.0	4.0	4.0	3.8	4.0

PREFERRED DIVIDEND CALCULATION:

Preferred dividends	$1.6	$3.1	$3.1	$3.1	$3.1	$3.1	$3.1
Tax rate	36.3%	32.4%	35.6%	35.0%	34.4%	35.3%	35.2%
Preferred dividends (grossed up)	$2.5	$4.6	$4.8	$4.8	$4.7	$4.8	$4.8

Exhibit 31.1

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

I, Larry L. Weyers, certify that:

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

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

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

4. The registrant's other certifying officer(s) 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 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The registrant's other certifying officer(s) 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: August 4, 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 Quarterly Report on Form 10-Q of WPS Resources Corporation;

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

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

4. The registrant's other certifying officer(s) 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 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The registrant's other certifying officer(s) 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: August 4, 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 Quarterly Report on Form 10-Q of Wisconsin Public Service Corporation;

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

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

4. The registrant's other certifying officer(s) 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 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The registrant's other certifying officer(s) 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: August 4, 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 Quarterly Report on Form 10-Q of Wisconsin Public Service Corporation;

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

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

4. The registrant's other certifying officer(s) 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 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The registrant's other certifying officer(s) 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: August 4, 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 Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2005 (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: August 4, 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 Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2005 (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: August 4, 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.