



**As we continue to build a great place to work, some of the values we embrace include:**

- Safety
- Diversity
- Inclusion
- Customer focus
- Sense of urgency
- Financial discipline
- Personal responsibility for results

#### **Environmental commitment**

We are committed to improving the quality of life in the areas we serve and the compatibility of our operations with the environment.

We pledge environmental accountability for our business activities. We will lead by example in the communities we serve.

#### **LINKS**

- [Investor relations](#)
- [2010 annual report](#)
- [Annual reports – historical](#)
- [Environmental commitment](#)
- [Guiding principles](#)

## **Statement from Chairman of the Board and CEO 1.1**

Welcome to our 10th annual Corporate Responsibility Report.

Wisconsin Energy has a long history of corporate citizenship. The employees of Wisconsin Energy strive daily to conduct their business with integrity while demonstrating a commitment to corporate social responsibility (CSR) and sustainable business practices. For us, CSR means aligning our policies and practices with the needs and interests of our stakeholders – managing risk while accounting for our economic, environmental and social impact.

Wisconsin Energy recognizes the importance of sustainability. That's why we're working to help our employees, customers, stockholders, families, friends and neighbors understand the critical link between the company's economic, environmental and social performance.

Our approach to corporate social responsibility is driven by our values. These values define what each employee is called upon to model every day. How well the organization performs ultimately is measured by every interaction with fellow employees and customers.

From customer satisfaction to network reliability to completion of our Power the Future plan, the company made great strides during 2010 in its financial and operational performance. The year brought encouraging signs of a return to economic growth across Wisconsin and the Upper Peninsula of Michigan – a region known for its strong manufacturing and industrial base.

There's more work to do...more growth to come...more value to be created. As we move forward, Wisconsin Energy will continue its commitment to corporate social responsibility and sustainable business practices as we pursue perfection for our customers and our stockholders.

Sincerely,

Gale E. Klappa

Chairman, President and Chief Executive Officer

## Strategic priorities & progress section

### Implementing environmental upgrades

We Energies has a long-standing commitment to environmental performance. Since the late 1980s, we have shown a steady reduction of sulfur dioxide (SO<sub>2</sub>), nitrogen oxide (NO<sub>x</sub>) and particulate emissions. As emission control technology has advanced, We Energies has been actively installing new equipment at its generation facilities to meet new state and federal air quality requirements while maintaining system reliability and cost-effectiveness.

Our existing generating units are critical to our ability to supply energy at a reasonable price. By installing additional environmental controls to our existing generating facilities, we will continue to meet the region's energy needs as well as improve air quality in the most cost-effective means for our customers and the state of Wisconsin.

The air quality control project at Oak Creek Power Plant will significantly upgrade the existing environmental controls to further reduce SO<sub>2</sub> and NO<sub>x</sub> emissions. The new system is expected to cut SO<sub>2</sub> emissions by 80 – 90 percent and NO<sub>x</sub> emissions by 60 – 70 percent. The project will play a significant role in improving the air quality in southeastern Wisconsin. Construction began in July 2008 and the emission controls are expected to be ready for operation by the end of 2012. For additional information please visit: [Air Quality Control Projects](#).

### Strengthening our distribution infrastructure

Our principal utility, We Energies, has more than 45,000 miles of electric distribution lines, 350 electrical substations in Wisconsin and the Upper Peninsula of Michigan, and more than 20,000 miles of natural gas main in Wisconsin. We serve more than 1.1 million electric and 1 million natural gas customers in a service area that spans some 22,000 square miles.



*Construction of the Air Quality Control System (AQCS) for the South Oak Creek units.*

To maintain the high-quality, reliable service our customers expect and deserve, we plan to invest more than \$400 million a year for the next several years to upgrade and renew our aging infrastructure. This work will include voltage conversion, automation, smart grid controls, cable replacement, substation transformer and circuit breaker replacements, and relays, controls and communication systems upgrades.

### Diversifying our renewable energy supply

Investing in renewable energy projects is an important component of our growth plan. The company is well under way on the [Glacier Hills Wind Park](#), that will consist of 90 wind turbines on 17,300 acres of farm land about 45 miles northeast of Madison. Each turbine will have a capacity of 1.8 megawatts, bringing the total generating capacity at the site to 162 megawatts.

Access roads and foundations needed to support the turbines were built in 2010, and installation of the towers, wind turbines and the sophisticated electronics is taking place throughout the summer and autumn of 2011, with full commercial operation expected by the end of the year. When finished, Glacier Hills will eclipse our Blue Sky Green Field Energy Center as the largest wind generation facility in Wisconsin.

The company believes that diversification of our renewable energy supply is an important objective. That's one of the reasons we have partnered with Domtar Corporation to construct a [50-megawatt biomass cogeneration plant](#) at Domtar's paper mill site in Rothschild, Wisconsin. The site is close to significant forest lands that are harvested in a sustainable manner, yielding the forest residue that will fuel the power plant.

Construction began in August 2011, with commercial operation expected by the end of 2013.

### Meeting new and emerging environmental regulations

The U.S. Environmental Protection Agency is moving ahead with numerous environmental standards and regulations. Fossil-fuel electric utilities face a growing number of environmental regulations over the remainder of this decade. Some of these regulations are new and others are updates to existing requirements.

These environmental regulations are mostly related to air quality, including greenhouse gases, but also cover water quality and land quality. They create a great deal of continuing and increasing uncertainty for utility planning and complicate decision making regarding the future operation of existing power plants. Significant additional capital and operation and maintenance investment in fossil fuel power plants is expected to be required by electric utilities with coal-fueled power plants. Nationally, these changes may lead to the retirement of coal and natural gas power plants and potentially create concerns about reliability.

We have pursued a multi-emission strategy for over a decade in response to the numerous environmental regulations facing the electric utility industry. As a result of implementing this strategy, we believe our generation system is well positioned to comply with these environmental regulations.

### Managing and using coal combustion products

We Energies is committed to the continued beneficial use of coal combustion products. Our plans include utilizing greater than 90 percent of the coal combustion products produced at We Energies' existing coal power plants and minimize landfilling. Coal combustion products are beneficially utilized when they are used to replace natural or manufactured construction materials. This utilization also helps to offset the environmental impacts associated with the production processes of conventional materials.

We Energies' beneficial utilization of coal combustion products across its entire system has grown from 5 percent in the early 1980s to 110 percent in 2010. It is possible to exceed 100 percent utilization on an annual basis by recovering coal combustion products stored in landfills in years past for beneficial use. Strategies are being developed to maintain this high utilization rate while working in an economy that has been in decline for the past few years. Please see [Recycling Power Plant Coal Combustion Products](#).

The new units coming on line at Oak Creek are increasing the total quantity of coal combustion products produced by the We Energies coal plant fleet. These additional materials are being characterized for quality and matched to new market opportunities and customers. While maintaining 90 percent or greater beneficial utilization of its existing coal combustion products, We Energies intends to continue to work to steadily grow the utilization of the new Oak Creek coal combustion products with a goal of achieving 100 percent utilization within the next 10 years.

### Controlling costs for customers

By implementing a multi-emission strategy over the past decade, we have achieved greater environmental benefit for lower cost. We have increased our planning certainty for a fixed timeframe while other electric utilities have waited and face limited resources and compressed timeframes to complete the major projects we already have in place or plan to have completed by the end of 2012.

## Dramatic improvement in environmental performance from 2000 to 2013

Power plant capacity

50%

Emissions of:  
nitrogen oxide  
sulfur dioxide  
mercury  
particulate matter

81%

The agreements we entered into voluntarily allowed us to establish known environmental targets and improve our planning process for maintaining/replacing existing units and adding new units. The environmental targets have been consistent with reduction requirements we expected over the past decade. This approach allowed us to proactively invest resources in significant air quality improvements.

### Dividend policy

Move to a dividend payout ratio that is competitive with our peers:

1. Adopted a policy that trends to a 60 percent payout ratio over the period 2010 to 2015;
2. Beginning in 2012, this policy should support annual dividend increases in the 8 to 9 percent range over the forecast period.

To maintain appropriate financial strength and provide value to our shareholders, we:

1. Retired \$450 million of long-term debt for Wisconsin Energy Corporation
2. Implemented a share repurchase plan to buy back up to \$300 million of Wisconsin Energy common stock through the end of 2013

# 2010 goals and performance

## 1. Make this year our breakthrough year for safety.

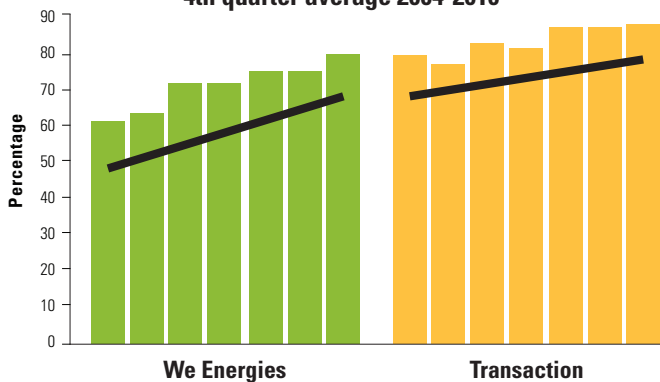
	Through Dec. 31	Goal
OSHA-recordable injury	2.20	2.42 – 2.53
Lost-time injury	0.43	0.46 – 0.49

- Excellent focus on safety. Best overall safety results in the history of the company.

## 2. Secure company's place as THE industry leader in customer satisfaction.

	4th Qtr	December	Goal
Satisfaction w/We Energies	77.8%	79.1%	70 – 74.5% of 8-10 ratings
Satisfaction w/Transaction	86.2%	87.7%	83 – 86% of 8-10 ratings

Customer satisfaction – % rating 8 – 10  
4th quarter average 2004-2010



Focus on customer satisfaction has resulted in continuous improvement in the past seven years.

### 2010 performance compared to major market indices

	Total Return (%)
<b>Wisconsin Energy</b>	<b>21.72</b>
NASDAQ Composite Index	18.15
S&P 500 Index	15.06
Dow Jones Industrial Average	14.06
Dow Jones Utilities Average	6.46
Philadelphia Utility Index	5.70
S&P 500 Electric Utility Index	3.44

### 2010 results/highlights

- Highest net income in company history
- Highest earnings per share in company history
- Debt to total capital – better than plan – and better than year-end 2009
- Raised the dividend on Wisconsin Energy stock by 18.5 percent, effective with the first quarter payment in 2010
- Share price increased by 18.1 percent during 2010
- Set 45 new all-time trading highs during the year
  - Stock price hit \$61.02 on Dec. 1, which, at that time, was an all-time high
- With a modest economic recovery and a return to warm summer temperatures...
  - Total sales of electricity to retail customers grew by 6 percent
  - Electric energy use by large commercial and industrial customers increased by 9 percent
  - Small commercial and industrial usage rose by 2.9 percent

## 3. Meet or beat earnings target for 2010. Retain premium valuation.

### Earnings per share from continuing operations (diluted)

	2010	2009
4th quarter	\$1.06	\$0.96
Full year	\$3.84	\$3.19

	P/E Ratio	Wisconsin Energy P/E Premium
Wisconsin Energy	15.5x	
S&P Electric Index	11.9x	30.8%
Philadelphia Utility Index	12.6x	23.2%

\*As of December 31, 2010. Using analyst consensus estimate for 2010 earnings.

## 4. Deliver world-class reliability.

### CAIDI (Customer Average Interruption Duration Index)

	2010 Goal	Through December
Blue sky	85 minutes	97 minutes
Major storm	160 minutes	242.5 minutes

### SAIFI (System Average Interruption Frequency Index)

	2010 Goal	Through December
	0.650 – 0.700	0.664

## **5. Finish construction and testing of the Oak Creek expansion units on or before the guaranteed completion dates. Begin commercial operation.**

- Unit 1 was turned over to We Energies for commercial operation in February 2010.
- Unit 2 was turned over to We Energies for commercial operation on January 12, 2011.

## **6. Achieve schedule and budget milestones for the air quality control upgrade at the existing Oak Creek units. Meet or exceed all environmental and safety standards.**

- Project involves installation of wet flue gas desulphurization and selective catalytic reduction facilities on original units at Oak Creek.
- Construction was more than 63 percent complete at the end of 2010.
- Piping system tie-ins to operating plant were completed.

## **7. Improve the economic performance of our generating fleet in the MISO market.**

- Improved Fleet Equivalent Forced Outage Factor (EFOF) without Oak Creek Expansion Unit 1:
  - 2010 EFOF: 5.21%
  - 2009 EFOF: 8.76%
- Executed a number of actions to minimize cost:
  - Deferred deliveries and sold coal, rather than force burn
  - Executed self-commitment strategies at Presque Isle, Valley and Port Washington power
  - Maximized value of financial transmission rights

## **8. Continue to grow wholesale power business.**

- Completed 15 short-term transactions for 477 megawatts, worth \$3.3 million.
- Completed one long-term transaction to Cloverland Electric as part of the sale of the Edison Sault utility. The transaction has an annual value of approximately \$35 million for 75 megawatts of energy and capacity.
- Signed nine new transaction master agreements with counter-parties (other utilities or unregulated marketing companies that purchase energy on a wholesale basis).

## **9. Obtain approval for the Glacier Hills wind park and the biomass plant in Rothschild.**

### **Glacier Hills – Columbia County, Wisconsin**

- PSCW approved the project on May 14, 2010. Construction began on May 17, 2010.
- Project includes 90 turbines each with capacity of 1.8 megawatts
- Construction of all access roads and turbine foundations is complete.
- In 2011: Turbine equipment will be delivered and erected. Additional work in 2011 includes construction of the substation and collector system.
- First full year of operation for Glacier Hills is projected to be 2012.
- Capital costs are expected to be approximately \$367 million. (Does not include any allowance for funds used during construction or transmission costs.)

### **Biomass – Rothschild, Wisconsin**

- Proposed 50-megawatt biomass-fueled cogeneration plant at the Domtar paper mill site in Rothschild (near Wausau). The project will supply steam to the mill for use in mill operations.
- Expect to invest between \$245 million and \$255 million.
- Anticipate the new facility will reduce overall emissions from mill site by approximately 30 percent.
- Received all local approvals necessary for the project to move forward.
- Final approval by PSCW received May 12, 2011.
- Targeted in-service date in late 2013.

This project will help the company meet the renewable portfolio standard (RPS) in Wisconsin. The RPS establishes a goal that 10% of all electricity consumed in Wisconsin be generated by renewable services by Dec. 31, 2015. The standard sets targets for each of the Wisconsin utilities using a historical baseline. Using that baseline, approximately 8.27 percent of the company's retail electricity sales must come from renewable sources in 2015.



## 10. Successfully resolve the final elements of the electric rate case in Michigan. Obtain regulatory approvals and close the sale of Edison Sault.

- In 2010, the rate increase was phased in: \$12 million in January and an additional \$11.5 million in July for a final increase of \$23.5 million.
- Industrial customer requested rehearing of Michigan Public Service Commission order. After re-hearing, Commission corrected mathematical errors in the original order, reducing the amount of the final increase by approximately \$256,000 annually.
- The sale of Edison Sault to Cloverland Electric Cooperative of Dafer, Mich., was completed for approximately \$63.0 million.

## 11. Supplier Diversity

- Spending through December
- 7.18% (\$43.4 million)  
*Percentage of cumulative tier-one spending with minority- and women-owned suppliers*
- Goal for 2010: 5.20% – 6.20%

## 12. Build an even greater place to work.

We received recognition from a number of groups and organizations in 2010, affirming the quality of our work force and our commitment to do our best for customers and stockholders. Awards and recognition from third parties validate we're making progress on building a great place to work. These are just a few of the awards the company received in 2010.

- EEI – Supplier Diversity Innovation Award and Vendor Opportunity Award
- EEI Index Award for outstanding financial performance
- GovernanceMetrics Perfect 10 for excellence in corporate governance – 24th consecutive rating. Wisconsin Energy is the only company, out of more than 4,000 companies rated worldwide, to consistently earn this distinction from GovernanceMetrics International, an independent rating agency.
- Ethisphere Magazine's – World's Most Ethical Companies – 4th consecutive year
- Corporate Responsibility Magazine – 100 Best Corporate Citizens – 4th consecutive year
- EPRI Environment Sector Technology Transfer awards
- Better Business Bureau of Wisconsin Torch Award runner up
- Wisconsin Safety Council's Corporate Safety Award to Port Washington Generating Station
- Epilepsy Foundation of Wisconsin's Toast of the Town Award to Gale Klappa for community leadership
- Milwaukee Public Library's Ben Franklin Award to Gale Klappa
- Business Council's CEO Award to Gale Klappa; Corporation of the Year to We Energies
- PA Consulting's Performance Excellence Award for distribution network
- Governor's Award for Excellence in Environmental Performance for agricultural gypsum project
- G.I. Jobs Magazine – 100 Most Military Friendly Employers
- ComputerWorld Magazine – One of the Best Places to Work in IT
- Fox Cities Habitat for Humanity Community Partnership Award



# The 11 for 2011

## What We Need To Achieve For A Year Of Progress



### 1.

#### Make this year the **safest** year in our history.

- Every employee focused and committed to working safely.
- Lower OSHA incident rate.
- Fewer lost-time accidents.

### 2.

#### Day in, day out – deliver the best customer care **anywhere**.

- Act with a true sense of urgency.
- Resolve customer problems – First time. Every time.
- Demonstrate that we care during every contact.
- If multiple steps are involved, **communicate** with the customer along the way.
- Exceed our customer satisfaction goals.



### 3.

#### Begin commercial operation of Unit 2 at the Oak Creek expansion. Resolve remaining warranty issues. Demonstrate the superior operating characteristics of the new Oak Creek units.

### 4.

#### Meet or beat our earnings target for 2011. Retain our premium valuation (as compared to the S&P Electric Index and the Philadelphia Utility Index).

### 5.

#### Be the most reliable utility in the Midwest – **again**.

- Achieve stretch targets for outage frequency and restoration times.

### 6.

#### Achieve schedule and budget milestones for the air quality control upgrade at the existing Oak Creek units. Complete the Glacier Hills Wind Park on time and on budget. Obtain approval for the biomass plant in Rothschild. Execute the 2011 construction plan at the site.

### 7.

#### Determine the most cost-effective technology options for future operation at the Milwaukee County, Presque Isle and Valley plants. In light of recent economic and public policy developments, review our renewable energy strategy.

### 8.

#### Improve the performance of our generating fleet in the MISO market.

- Low cost for customers consistent with full recovery of fuel and other operating expenses.

### 9.

#### Grow our wholesale power business.

- Sign contracts to provide up to 500 megawatts of capacity or energy to other suppliers in the region.
- Spread our costs over a broader base of customers.

### 10.

#### Successfully resolve the 2011 rate reviews.

- Wisconsin electric, gas, steam and fuel cases.
- Michigan electric case.

### 11.

#### Keep building 'the best place to work' in our industry.

- Safety
- Diversity
- Inclusion
- Customer focus
- Sense of urgency
- Financial discipline
- Personal responsibility for results

