

**Wisconsin Energy Corporation**  
**Wisconsin Electric Power Company**  
**Wisconsin Gas LLC**

**Audit and Oversight Committee**  
**Key Policies and Practices**

The Audit and Oversight Committee has adopted key policies and practices to ensure that the Committee fulfills the duties and responsibilities set forth within its charter. The following are some of these policies and practices.

**1. Meetings**

The Committee shall meet once every fiscal quarter. If circumstances warrant, the Committee may meet more frequently. As determined by the Committee, Company management shall attend the meetings. The internal auditor and the independent auditor shall meet alone with the Committee at each regularly scheduled meeting to discuss any matters that the Committee or any of these persons or firms believe should be discussed privately. Both the internal auditor and the independent auditor also have the authority and are expected to contact the Committee on any matters requiring its attention.

**2. Review of Financial Statements**

The Audit and Oversight Committee reviews, with Company management and the independent auditor, the financial statements and other related financial information that will be included in the Company's Annual Report on Form 10-K, including the Company's disclosure under "Management's Discussion and Analysis of Financial Conditions and Results of Operations." Prior to filing, the Committee also reviews the Company's Quarterly Report on Form 10-Q and related financial statements with Company management and the independent auditor.

**3. Review CEO and CFO Certification Process**

On a quarterly basis, the Audit and Oversight Committee reviews the certifications of the Chief Executive Officer and the Chief Financial Officer related to the annual and interim reports as required by the Sarbanes-Oxley Act of 2002. The Committee also reviews any significant reports from management's Disclosure Committee.

**4. Review of Earnings Releases**

Company's management discusses earnings press releases with the Audit and Oversight Committee before it is released. The Committee also reviews financial information and earnings guidance provided to analysts and rating agencies. As stated in the Charter, the Committee does not need to review this information in advance of each earnings release or instance that the Company provides earnings guidance.

**5. Hiring Policy for Employees or Former Employees of the Independent Auditors**

The Committee has stated that Wisconsin Energy Corporation (i) shall not appoint a chief executive officer, chief financial officer, chief accounting officer, or person in an equivalent position of the Company who has been employed by the Company's public accounting firm and

participated in any capacity in the audit during the one-year period preceding the initiation of the audit and (ii) shall not hire anyone that participated in the audit with the Company's public accounting firm during the one-year preceding the initiation of the current year's audit for any other financial reporting oversight role within the Company, without prior approval from the Audit and Oversight Committee Chair. Participation in the audit is defined to include lead partner, concurring partner, or any other member of the audit engagement team who provides more than ten hours of audit, review, or attest services for the Company.

#### **6. Approval of Audit and Non-Audit Services**

The Committee has adopted a formal policy regarding the pre-approval of audit and permissible non-audit services. The Committee has the sole and ultimate authority to appoint, retain, and evaluate the services of the independent auditor. Before engagement of the independent auditor for the next year's audit, the independent auditor will submit a detailed description of services anticipated to be rendered during the following year for the Committee to approve. Annual pre-approval will be deemed effective for a period of twelve months from the date of the pre-approval, unless the Committee specifically provides for a different period. Annual pre-approvals shall establish a fee level for all permissible non-audit services. Any proposed services exceeding this level will require additional approval by the Committee. Management periodically reports information on fees for professional audit services provided by the independent auditor for the current and prior fiscal years and fees billed for other services rendered during those periods.

#### **7. Procedures for Handling Complaints About Accounting Matters**

All complaints received by the Company and its Compliance Officer with respect to accounting, internal accounting controls or auditing matters, including issues relating to the accuracy or completeness of the Company's public financial reports, are immediately reported to the Chair of the Audit and Oversight Committee. A copy is sent to all other Audit and Oversight Committee members. The Committee reviews and considers any complaint that it has received and takes any action that it deems appropriate in order to respond thereto.

#### **8. Review of the Audit and Oversight Committee Charter**

The Committee annually reviews its charter to ensure that all required items for the year have been fully addressed. In addition, the Committee annually determines if any changes to the charter should be recommended to the Board.

#### **9. Oversight for Litigation and Environmental Compliance Matters**

As a quarterly agenda item, the Committee reviews and provides oversight of litigation and environmental compliance matters, to ensure appropriate management is being afforded. A report is provided to the Committee detailing any matters that may have a material impact on the financial statements of the Company. In addition, the Committee annually meets with the general counsel and the officer in charge of the Environmental Department to ensure that appropriate management attention is being given. The Committee may meet with those officers without management present, as appropriate.

## **10. Audit Committee Financial Expert**

The Audit and Oversight Committee has spent a considerable amount of time reviewing the requirements for an Audit Committee Financial Expert and assessing their own background, experience, and education. The Board of Directors has determined that all of the members of the Audit and Oversight Committee are financially literate as required by the New York Stock Exchange rules and all members are financial experts within the meaning of the Securities and Exchange Commission rules.

## **11. Code of Business Conduct**

On a periodic basis, all directors and all management employees, including all senior officers, submit certification of compliance with the Code of Business Conduct. The Audit and Oversight Committee also receives reports from the Company's Compliance Officer on the status of the training, certification, or other programs used to convey the requirements of the Code to all management employees, including the Company's financial professionals and officers.

## **12. Related Party Transactions**

The Committee annually reviews a report on transactions between the listed company and its officers, directors or principal stockholders, and any affiliates thereof. This review is undertaken in connection with the preparation of the Company's proxy statement and related materials. The Committee will also review related party transactions during the year as they occur, should any be noted.

## **13. Executive Sessions**

At each quarterly meeting, the Audit and Oversight Committee meets with the internal auditor and the independent auditor each, without management present, to discuss any matters that the Committee or any of these persons or firms believe should be discussed privately. The Committee also conducts executive sessions, without management present, at each quarterly meeting.