



***Wisconsin Energy  
Corporation***

**Midwest Utilities Seminar  
April 7, 2009**

# Disclaimer

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All statements in this presentation other than historical facts are forward-looking statements that involve risks and uncertainties which are subject to change at any time. Such statements are based upon management's expectations at the time they are made. In addition to the assumptions, and other factors referred to in connection with the statements, factors described in the company's latest Form 10-K and subsequent reports filed with the Securities and Exchange Commission could cause actual results to differ materially from those contemplated.

# Overview of Wisconsin Energy

## Integrated Electric and Gas Utility

- Solid electric and gas utility franchises
  - Wisconsin Electric, Wisconsin Gas, Edison Sault
  - 1.1 million electric customers
  - 1.0 million natural gas customers
  - Constructive regulators focused on reliability
- Power the Future greatly enhances regulated business
  - We Power constructs and finances four generating plants
  - Generation leased to Wisconsin Electric
  - Steady, visible growth
- Asset sales and financial policy continue to reduce business/financial risk

# Update on Economy in Southeastern Wisconsin

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- Well-diversified industrial and commercial business base
  - Helps to mitigate the impact of most economic downturns
  - Three sectors significantly affected in this downturn; primary metals, automotive & paper production
- Current electric sales expectations for 2009
  - 6% reduction in Large Commercial & Industrial sales
  - 2.5% reduction in Small Commercial & Industrial sales

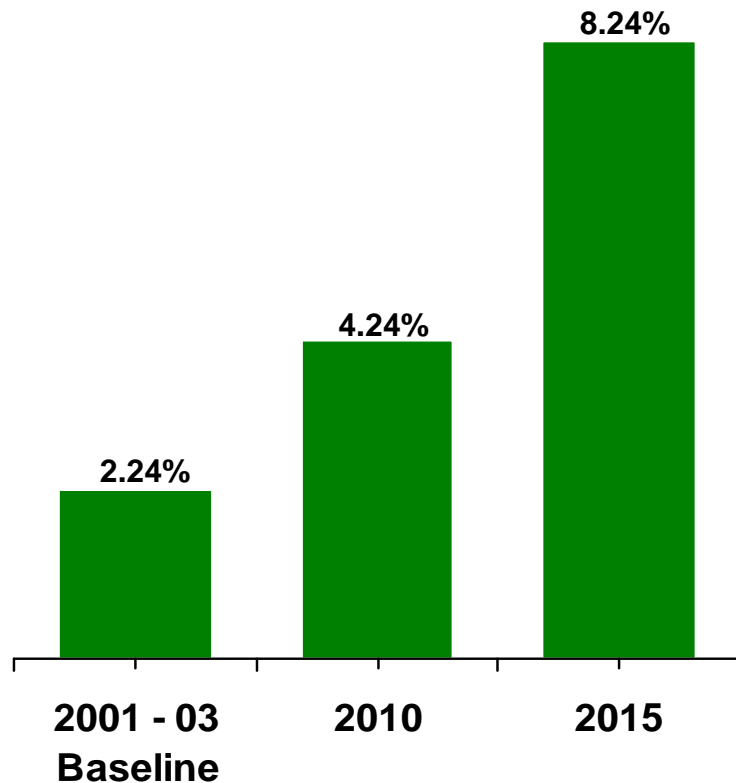
# Update on Utility Operations

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- Renewable Energy
  - Moving forward on expansion of wind capacity
    - Blue Sky Green Field—about \$300 million for 145 MW, in service May 2008
    - Began approval process in October for an additional 100 to 200 MW at Glacier Hills Wind Park in east central Wisconsin. Application found complete – 180 day approval clock started in January
  - Governor's Task Force on Global Warming proposed a 25% renewable energy target for 2025
  - Managing price impact on customers is a key challenge

# Renewable Energy Opportunity at Wisconsin Electric

## Required Percentage of Retail Sales



## Example: If All New Need Met with Wind

800 to 900 MW	2015 Total
145 MW	2008 BSGF
<u>100 to 200 MW</u>	2011/12
455 to 655MW	Additional

New wind capacity: approximately  
\$2,500/kw +

# Update on Utility Operations

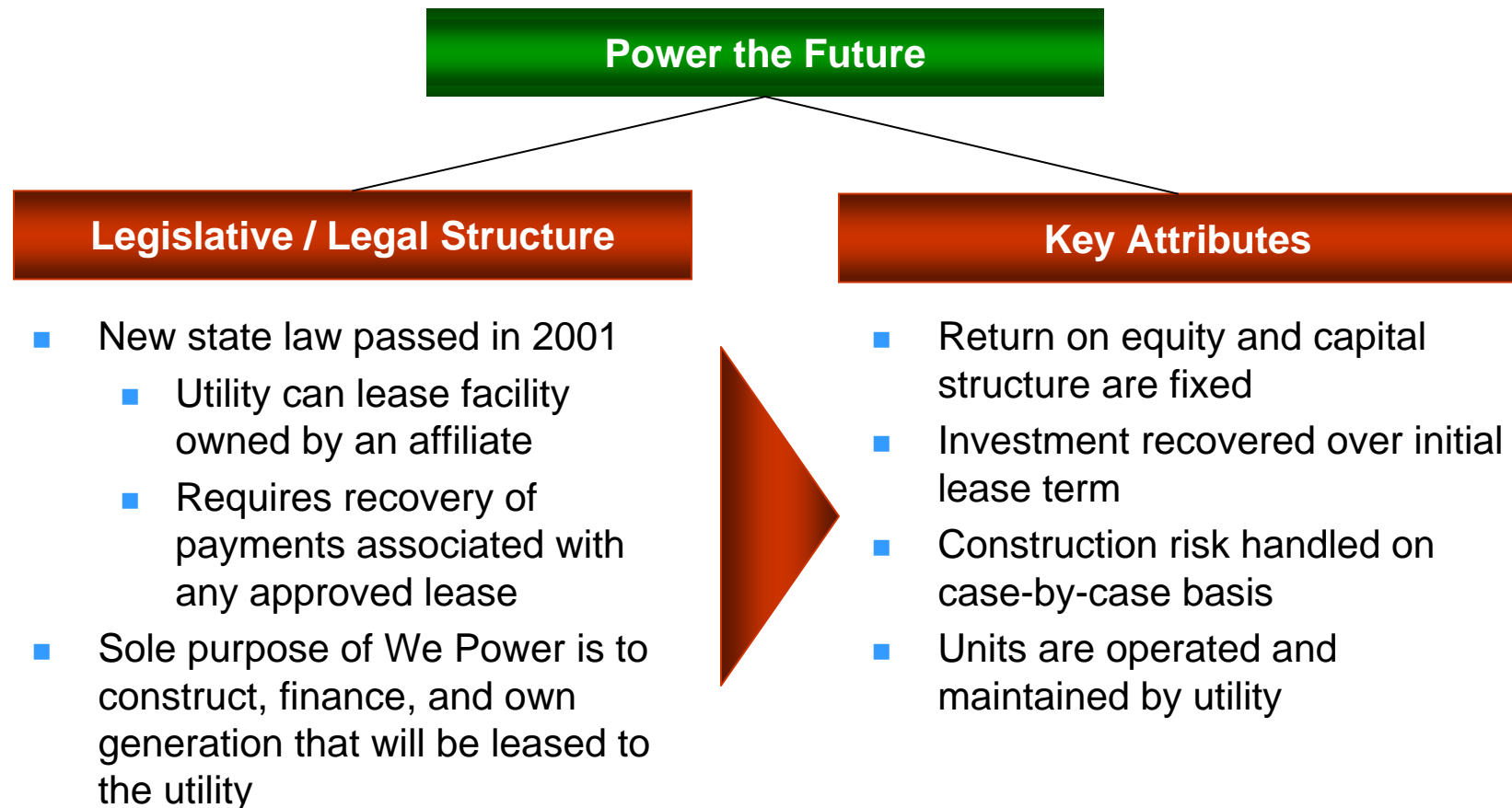
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- Environmental Spending
  - PSCW approved scrubbers and SCRs for existing Oak Creek units
  - In-service in 2012, with approved cost of up to \$885 million including AFUDC
- Rate Case Activity in 2009
  - Michigan – filing first half of the year
  - Wisconsin – filed on March 13, 2009
  - Decision in Wisconsin expected by year-end 2009

# New Generating Capacity

## Overview of Power the Future Opportunity

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# Power the Future Structure

## Coal Units

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- Cash carrying costs covered during construction
- Lease payments can be adjusted up to 5 percent above approved cost subject to PSCW review
- Any additional amounts—such as force majeure costs—would be subject to PSCW review
- Turn-key type contract in place with Bechtel

# Power the Future Plan

	Natural Gas	Coal
<b>Capacity</b>	1,150 MW	1,030 MW <sup>1</sup>
<b>Investment</b>	\$664 million	\$1.8 billion <sup>2-3</sup>
<b>ROE</b>	12.7%	12.7%
<b>Equity</b>	53%	55%
<b>Initial Lease Term</b>	25 Years	30 Years
<b>Scheduled In Service Dates</b>	Unit 1 – July 16, 2005 Unit 2 – May 23, 2008	Unit 1 - 2009 Unit 2 - 2010

1. Approximately \$350 million will be invested in two coal units by MG&E/WPPI for about 200 MW of capacity. All capacity and investment amounts reflect WEC ownership only.

2. Does not include costs as a result of delays caused by litigation. These are estimated to be \$50 to \$55 million. We believe these costs are recoverable, but recovery is subject to our final calculation of costs and to review and approval by the PSCW.

3. Does not include potential costs as a result of Bechtel's claims submitted December 22, 2008.

# Update on Coal Units

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- Ongoing permit litigation settled with environmental groups
  - Allows for “once through cooling”—as designed
  - Key economic terms are subject to regulatory approval
- November 2007 through February 2008 were difficult months for construction due to severe weather
- Revised in-service dates
  - Unit 1 – December 29, 2009
  - Unit 2 – August 29, 2010
- Bechtel submitted claims for cost and schedule relief on December 22, 2008

# Power the Future Plan

## Estimated Earnings Impact *(all dollars in millions)*

	<b>Investment</b>	<b>Estimated Earnings</b> (First Full Year)
Port Washington Unit 1	\$ 333	\$ 17
Port Washington Unit 2	\$ 331	\$ 17
Oak Creek Unit 1 <sup>1-3</sup>	\$ 1,229	\$ 65
Oak Creek Unit 2 <sup>1-3</sup>	<u>\$ 605</u>	<u>\$ 35</u>
	\$ 2,498	\$134

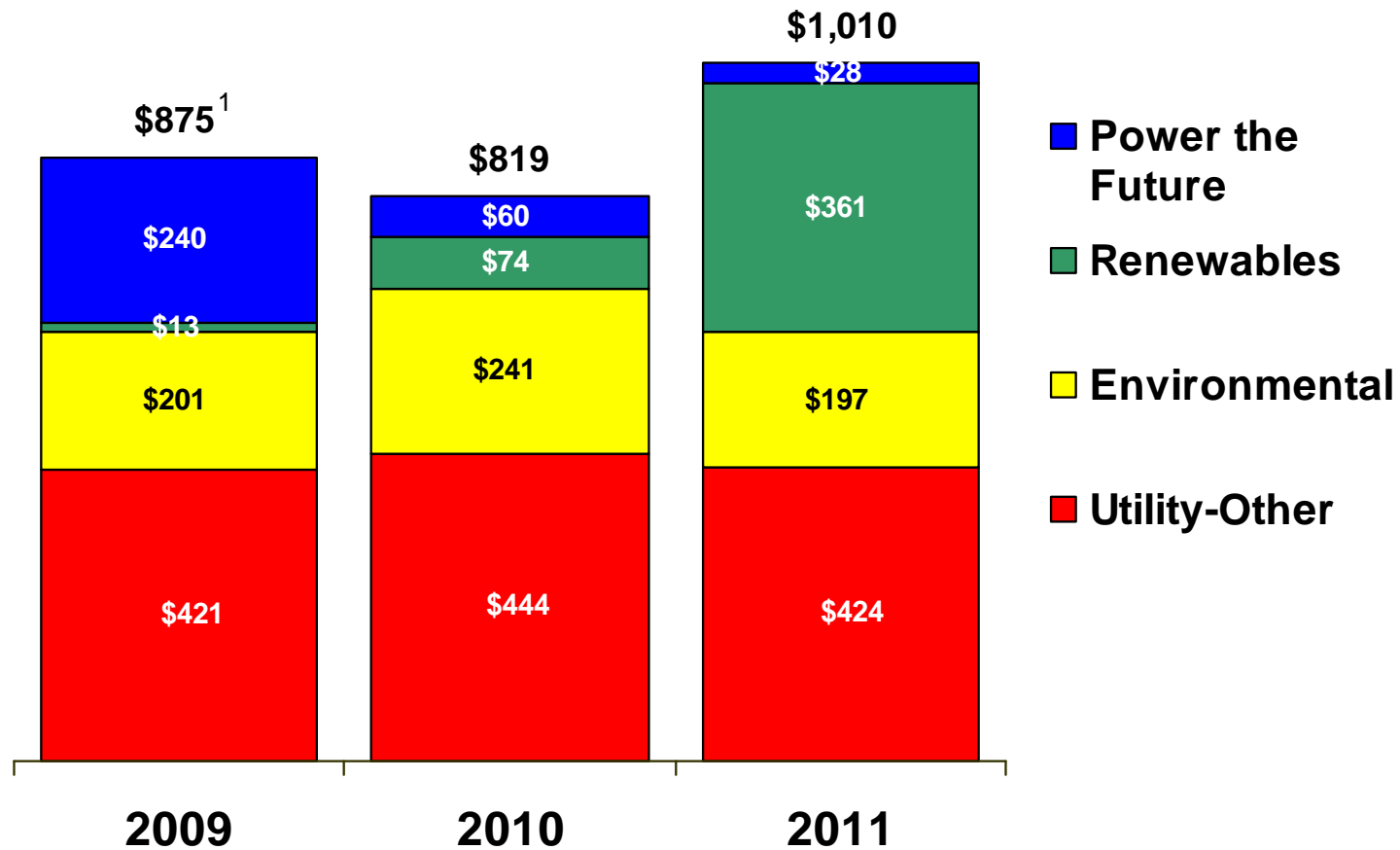
1. Approximately \$350 million will be invested in two coal units by MG&E/WPPI for about 200 MW of capacity. Units are located adjacent to Wisconsin Electric's existing Oak Creek site. All amounts reflect WEC ownership only.

2. Does not include costs resulting from delays caused by litigation or cost/schedule claims that Bechtel may submit. Increases caused by litigation-related delays are estimated to be \$50 to \$55 million. We believe these costs are recoverable, but recovery is subject to our final calculation of costs and to review and approval by the PSCW. Any cost/schedule claims that Bechtel may be entitled to would be in addition to this \$50 to \$55 million.

3. Does not include potential costs as a result of Bechtel's claims submitted December 22, 2008

# Current Capital Spending Forecast

(Millions of Dollars)



1. Capital Expenditures in 2009 are expected to range between \$825 and \$875 million.

Note: As presented in 2008 10-K for Wisconsin Energy

# Financing and Dividend Policy

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- Capital Structure Goals
  - Maintain debt to capital at no more than 60% during Power the Future construction
  - Reach approximately 55% debt to capital by the end of 2012
  - Assumes half of hybrid securities are treated as common equity
- Current Dividend Policy
  - Target is a dividend payout ratio of 40-45 percent of earnings in each year from 2009 – 2011 and a target of 45-50 percent of earnings after 2011
  - Dividend increased nearly 70% since beginning of 2004
  - Annual dividend raised from \$0.80 per share in 2004 to \$1.35 per share this year
- Do not expect to issue any additional shares

# Key Takeaways on Wisconsin Energy

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- Solid utility franchises
- Power the Future provides tremendous regulated growth opportunity
- Continuing to reduce business and financial risk
- Positioned to deliver among the best risk-adjusted returns in the industry