



***Wisconsin Energy  
Corporation***

**September 2010**

## Cautionary Statement Regarding Forward-Looking Information

Much of the information contained in this presentation is forward-looking information based upon management's current expectations and projections that involve risks and uncertainties. Forward-looking information includes, among other things, information concerning earnings per share, earnings per share growth, dividend payouts and dividend payout ratios, construction costs and capital expenditures, customer and economic growth, electric sales, rate base and the capital structure. Readers are cautioned not to place undue reliance on this forward-looking information. Forward-looking information is not a guarantee of future performance and actual results may differ materially from those set forth in the forward-looking information. In addition to the assumptions and other factors referred to in connection with the forward-looking information, including, without limitation, final resolution of the Michigan retail rate case; rate recovery of any costs above the PSCW approved amount for the Oak Creek expansion; PSCW approval of utility construction projects; and continued growth in earnings from ATC, factors that could cause Wisconsin Energy's actual results to differ materially from those contemplated in any forward-looking information or otherwise affect our future results of operations and financial condition include, among others, the following: general economic conditions; business, competitive and regulatory conditions in the deregulating and consolidating energy industry, in general, and, in particular, in the company's service territories; timing, resolution and impact of pending and future rate cases and other regulatory decisions, including the impact of any new fuel rules adopted by the PSCW; availability of the company's generating facilities; unanticipated changes in purchased power costs; unanticipated changes in coal or natural gas prices and supply and transportation availability; key personnel changes; the ability to recover fuel and purchased power costs; varying weather conditions; catastrophic weather-related or terrorism-related damage; construction risks, including those associated with the construction of Unit 2 at the Oak Creek expansion; obtaining necessary investment capital to implement the company's Power the Future program; adverse interpretation or enforcement of permit conditions by permitting agencies; equity and bond market fluctuations; the investment performance of the company's pension and other post-retirement benefit plans; the impact of recent and future federal, state and local legislative and regulatory changes; the effect of accounting pronouncements issued periodically by standard setting bodies, including any requirement for U.S. registrants to follow International Financial Reporting Standards instead of GAAP; foreign, governmental, economic, political and currency risks; and other factors described under the heading "Factors Affecting Results, Liquidity and Capital Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operations and under the headings "Cautionary Statement Regarding Forward-Looking Information" and "Risk Factors" contained in Wisconsin Energy's Form 10-K for the year ended December 31, 2009 and in subsequent reports filed with the Securities and Exchange Commission. Wisconsin Energy expressly disclaims any obligation to publicly update or revise any forward-looking information.

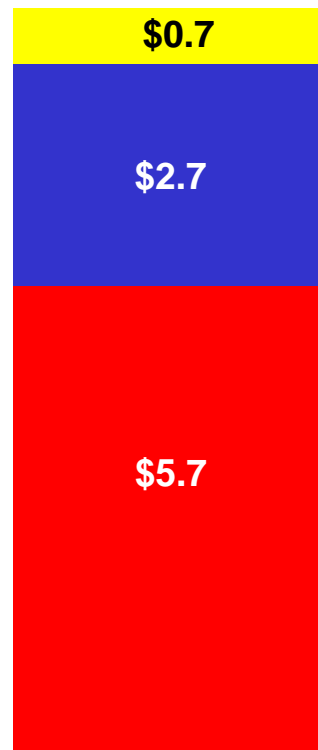
# Key Areas to be Covered

- Overview of Wisconsin Energy
- Retail Electric and Gas Utilities
- Power the Future
- Wholesale Electric Transmission
- Earnings Outlook

# Overview of Wisconsin Energy

## Estimated Rate Base and Power the Future Investment at 12/31/10

\$9.1 Billion



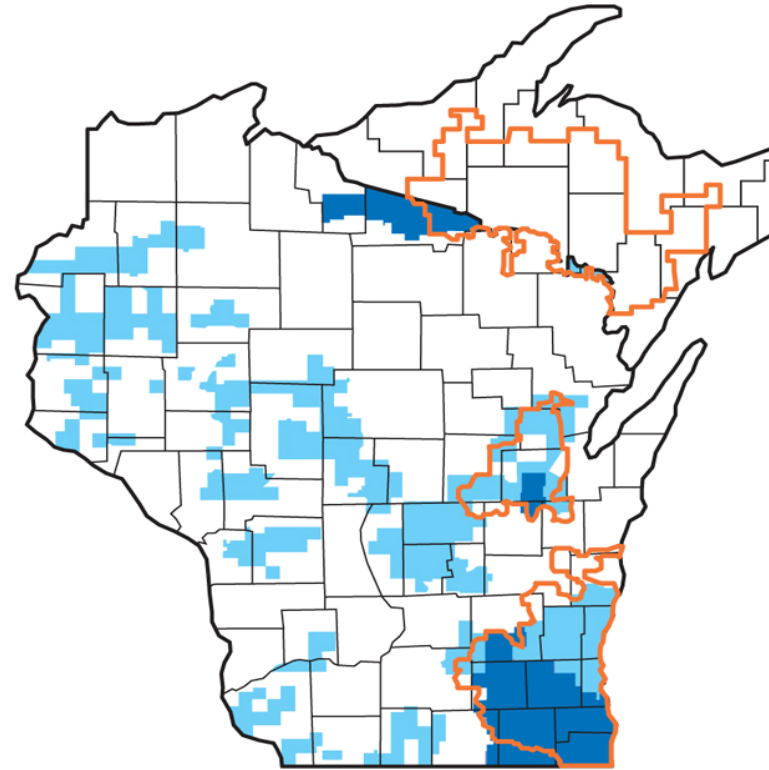
■ Utilities ■ PTF ■ Transmission

- **Retail Electric and Gas Utilities**
  - Wisconsin, Michigan, and FERC jurisdictions
  - 48.5% to 53.5% equity for Wisconsin Electric
    - 10.4% allowed ROE
  - 45% to 50% equity for Wisconsin Gas
    - 10.5% allowed ROE
- **Power the Future**
  - 53% to 55% equity levels in lease agreements
  - 12.7% ROE fixed in lease agreements
- **Wholesale Electric Transmission**
  - FERC jurisdictional
  - 50% equity level for rates
  - 12.2% ROE with true-up

Note: Value for retail electric and gas utilities represents rate base, Power the Future value is book value of investment, wholesale electric transmission is 26.2% of ATC's rate base.

# Retail Electric and Gas Utilities

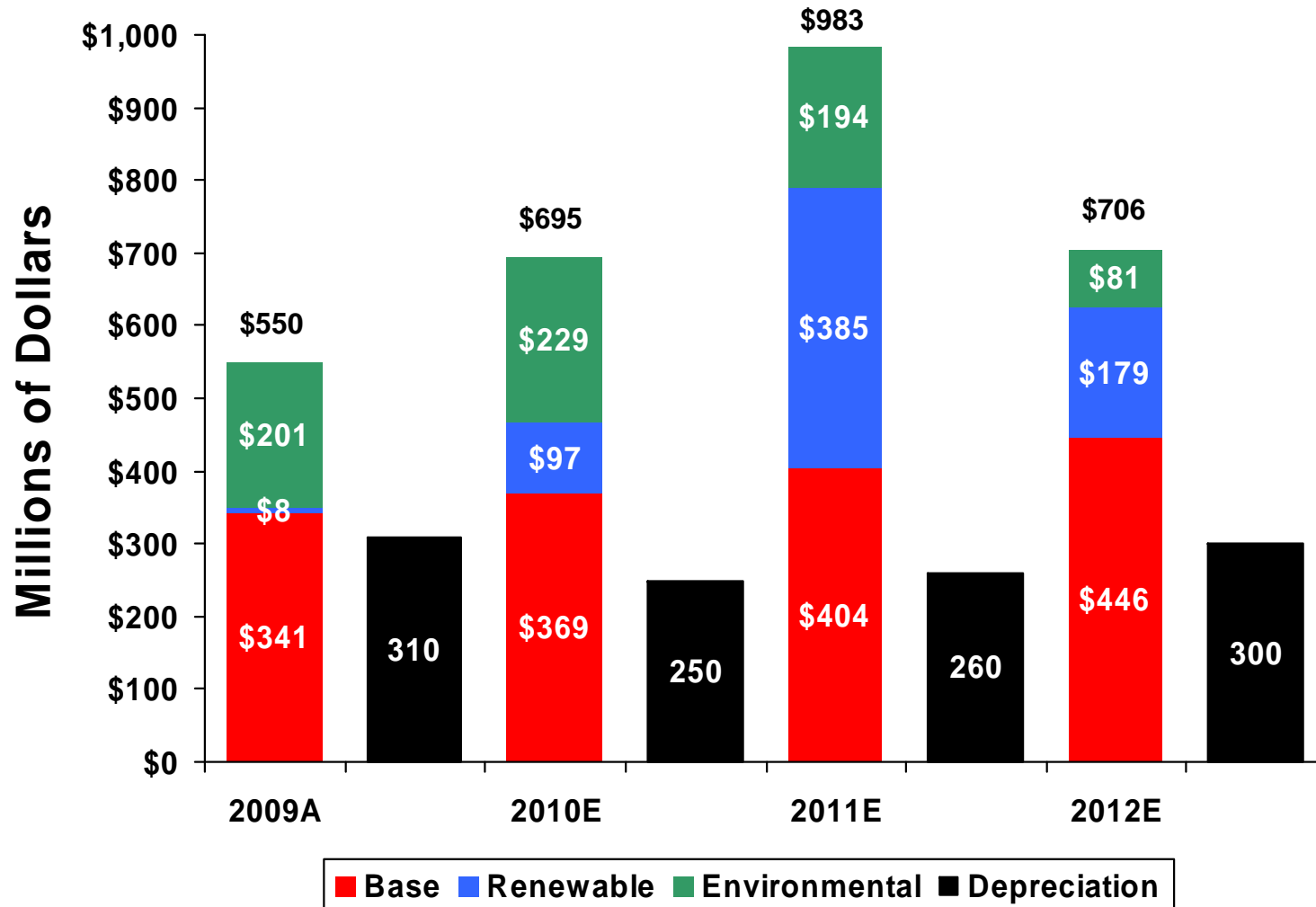
- Largest electric and gas company in Wisconsin
  - 1.1 million electric customers
  - 1.0 million natural gas customers



- **Wisconsin Electric** Gas Service Area
- **Wisconsin Electric** Electric Service Area
- **Wisconsin Gas** Service Area

# Retail Electric and Gas Utilities

## Expected Levels of Investment and Depreciation



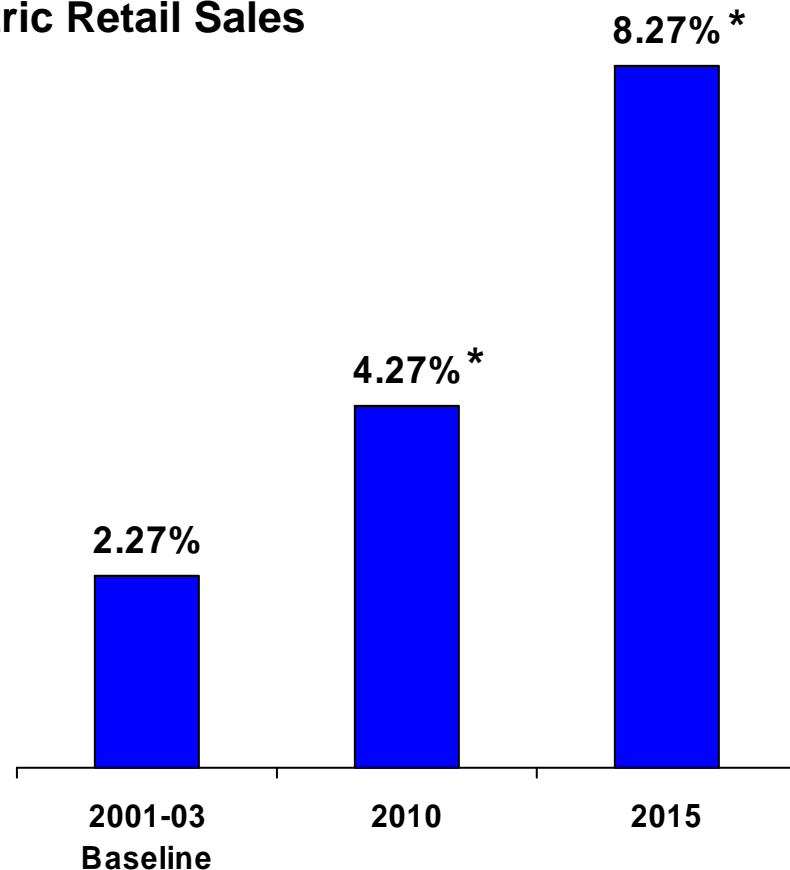
\*Total depreciation expense was \$310 million in 2009, and is expected to be \$250, \$260 and \$300 million in 2010, 2011, and 2012 respectively for utilities on a combined basis. The expected reduction in depreciation expense in 2010 is driven by a change in the depreciation rates.



# Renewable Energy Opportunity

## Renewable Portfolio Standard in Wisconsin

Required Percentage for  
Wisconsin Electric Retail Sales



\*Requirements at a Wisconsin state level are 5% and 10% in 2010 and 2015 respectively. In terms of energy this is estimated to be 1.4 TWh in 2010 and 2.5 TWh in 2015.

# Renewable Energy Opportunity

## Wind Projects

- Blue Sky Green Field
  - Completed May 2008
  - 145 MW
  - \$295 million investment
- Glacier Hills
  - Construction began May 2010
  - 160 MW
  - Estimated investment of \$367 million
- Wisconsin Electric has executed 75 MW of short term Power Purchase Agreements



# Renewable Energy Opportunity

## Biomass and Solar Projects

- Biomass
  - Filed application for a 50MW project with PSCW on March 15
  - Estimated investment of \$255 million with a target in-service date of 2013
  - Decision expected by early 2011
- 12.5 MW of solar
  - Expected investment of \$85 to \$90 million
  - Targeting 2013 in-service date for initial projects
- We expect to need additional renewable capacity to meet the 2015 requirement
  - If all of this came from wind projects, it would require almost 500MW
- All projects are subject to PSCW review and approval

# Electric Fuel Cost Recovery

## Wisconsin Jurisdiction

- Electric fuel case for 2010 was filed on February 19
  - Interim relief was granted on March 25
  - Wisconsin jurisdictional increase of \$60.5 million, subject to refund
  - Final decision expected in December
- Limited reopening of fuel rates for 2011 filed on September 3
  - Additional \$38.4 million increase
- New proposed fuel rules sent to legislature on August 30
  - +/- 2% deadband, or approximately +/- \$16 million in 2011
  - Escrow costs outside the deadband

# Power the Future Plan

	<u>Natural Gas</u>	<u>Coal</u>
<b>Capacity</b>	1,090 MW <sup>1</sup>	1,030 MW <sup>1</sup>
<b>Investment</b>	\$664 million	\$2.0 billion
<b>ROE</b>	12.7%	12.7%
<b>Equity</b>	53%	55%
<b>Initial Lease Term</b>	25 Years	30 Years
<b>Actual &amp; Targeted In-service Dates</b>	Unit 1 – July 16, 2005 Unit 2 – May 23, 2008	Unit 1 – February 2, 2010 Unit 2 – 4 <sup>th</sup> Quarter 2010
<b>Consolidated Net Income 2011 Estimate</b>	\$38 million <sup>2</sup>	\$ 119 million <sup>2</sup>

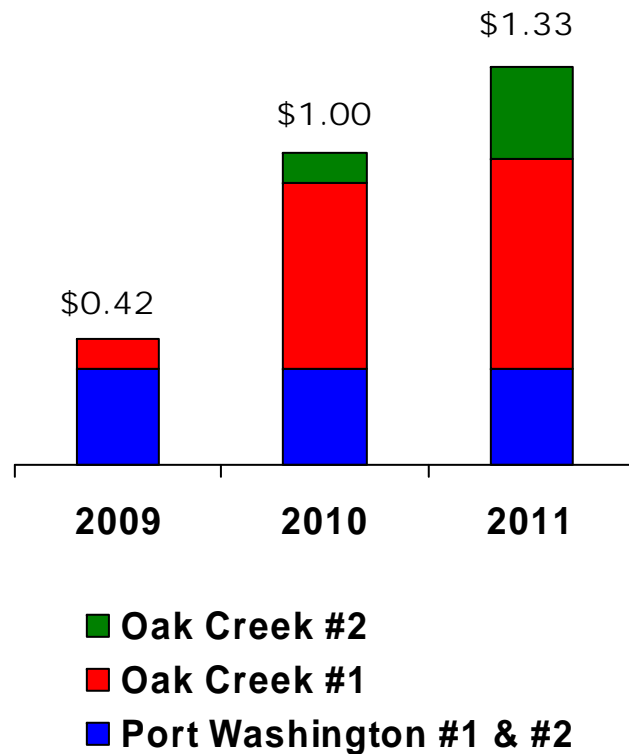
<sup>1</sup>All capacity and investment amounts reflect WEC ownership only. Demonstrated capacity for the natural gas units is 1,150MW – value shown in table is amount guaranteed in lease agreement.

<sup>2</sup>Includes allocation of holding company debt.

# Power the Future

## Expected Earnings

### Earnings per Share Contribution Consolidated Basis



\*Includes allocation of holding company interest.  
Capitalized interest benefit not included.

### Key Assumptions

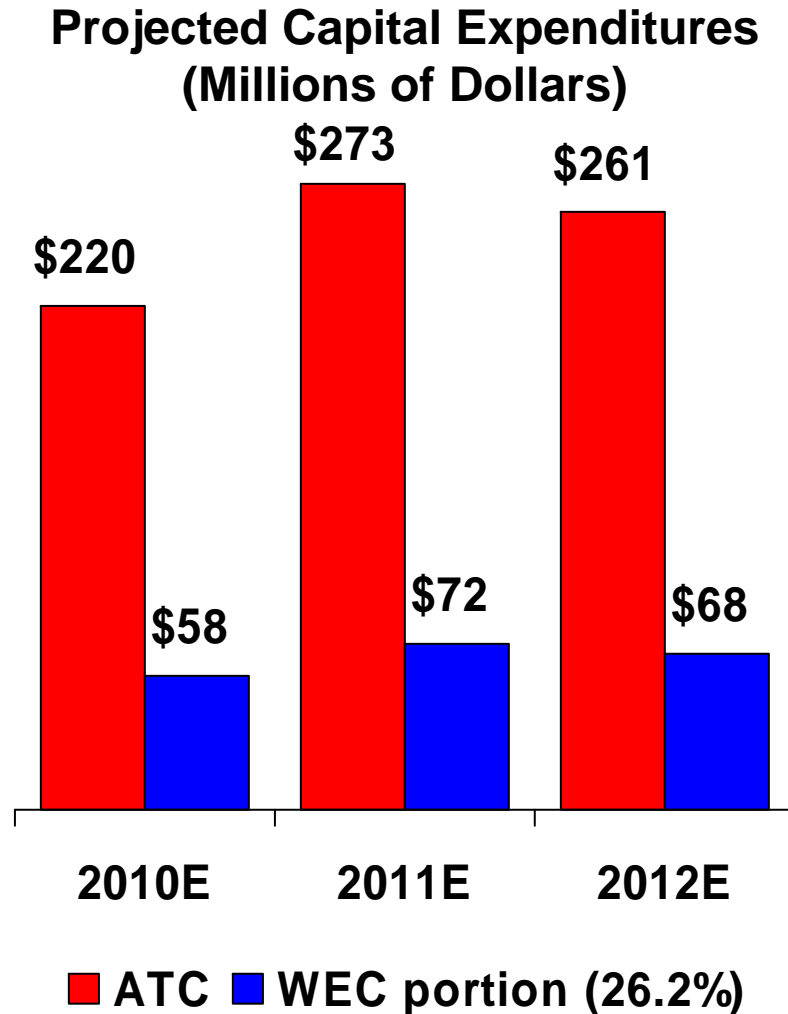
- Oak Creek Unit 2 in service November 1, 2010 – one month change results in +/- 2 cents per share in 2010
- Cost estimate of \$2 billion for WEC's ownership of the coal units
- Free cash flow of \$209 million in 2011 – after capex and debt repayment at We Power level
- Earnings contribution expected to grow somewhat over time as debt repayment occurs

# Wholesale Electric Transmission

- Wisconsin Energy owns 26.2% of American Transmission Company (ATC)
- ATC is projected to contribute approximately 32 cents to our EPS this year
  - Represents almost 9% of consolidated earnings
- ATC's projected capital investment over the next ten years is \$3.4 billion
  - ATC rate base at year end 2010 is projected to be about \$2.5 billion
- Regulated by the FERC for purposes of rates and returns
  - 12.2% return on equity with true-up mechanism
  - Transmission siting is under state jurisdiction

# Wholesale Electric Transmission

## Expected Earnings



### Key Assumptions

- In its latest 10-year assessment ATC projects a need for \$3.4 billion of transmission improvements in its footprint from 2010 to 2019
- Implies average \$30 million effective annual rate base growth for WEC from 2010 to 2012
- Expect a \$0.33 and \$0.34 contribution to EPS in 2011 and 2012 respectively
- Excludes potential transmission projects outside ATC's traditional footprint

# Projected Earnings Base for 2010 - 2012

	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Electric and Gas Utilities</b>	\$2.55 to \$2.60	\$2.71 to \$2.81	\$7 billion rate base
<b>Power the Future <sup>(1)</sup></b>	\$1.00	\$1.33	\$1.33
<b>Wholesale Electric Transmission <sup>(2)</sup></b>	\$0.32	\$0.33	\$0.34
<b>Unallocated holding company debt</b>	(\$0.17)	(\$0.27)	(\$0.17)
	\$3.70 to \$3.75	\$4.10 to \$4.20	

<sup>(1)</sup>Includes allocation of approximately \$375 million of 6.25% rate holding company debt

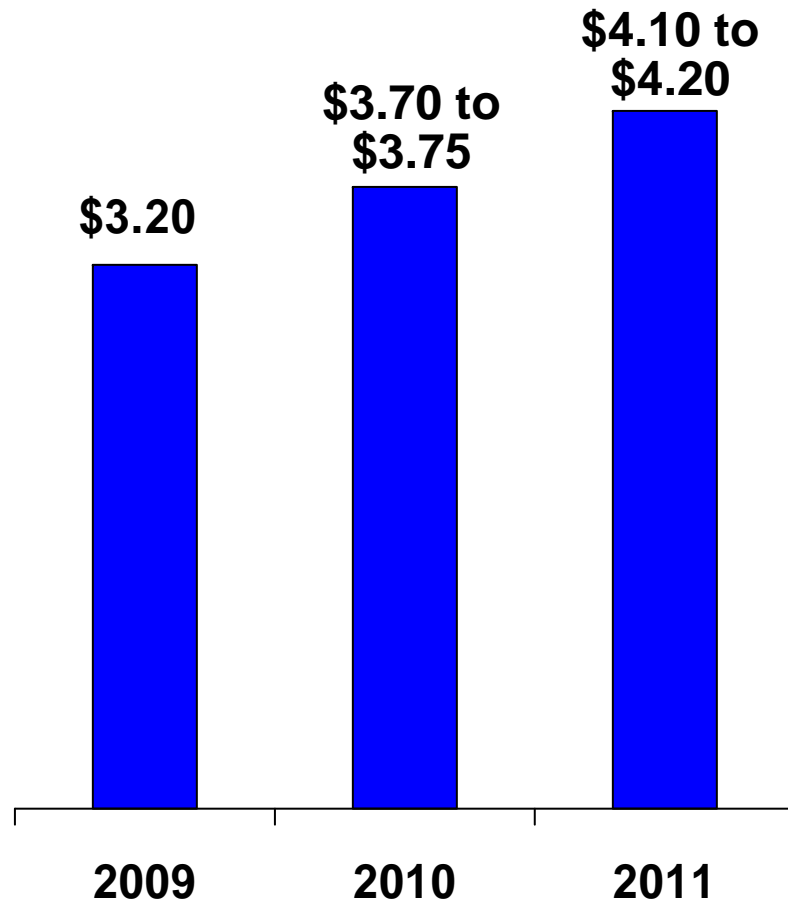
<sup>(2)</sup>26.2% Investment in ATC

# Financing and Dividend Policy

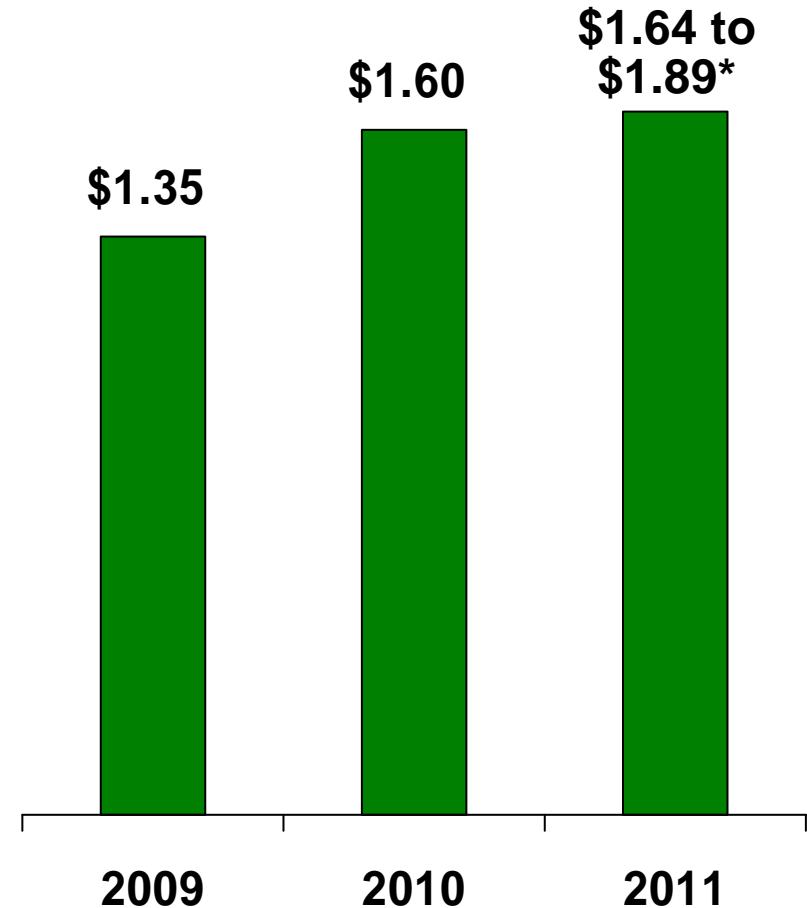
- Capital Structure Goals
  - Reach and maintain 55% debt to capital by the end of 2013
  - Assumes half of hybrid securities are treated as common equity
- Current Dividend Policy
  - Target a dividend payout ratio of 40-45 percent of earnings this year as well as 2011
  - Target 45-50 percent of earnings starting in 2012
- Do not expect to issue any additional shares

# Projected Growth in Earnings and Dividends

## Earnings per Share



## Dividends per Share



\*Projected dividend is based on 40% payout on \$4.10 of earnings at low end and 45% payout on \$4.20 of earnings at high end.

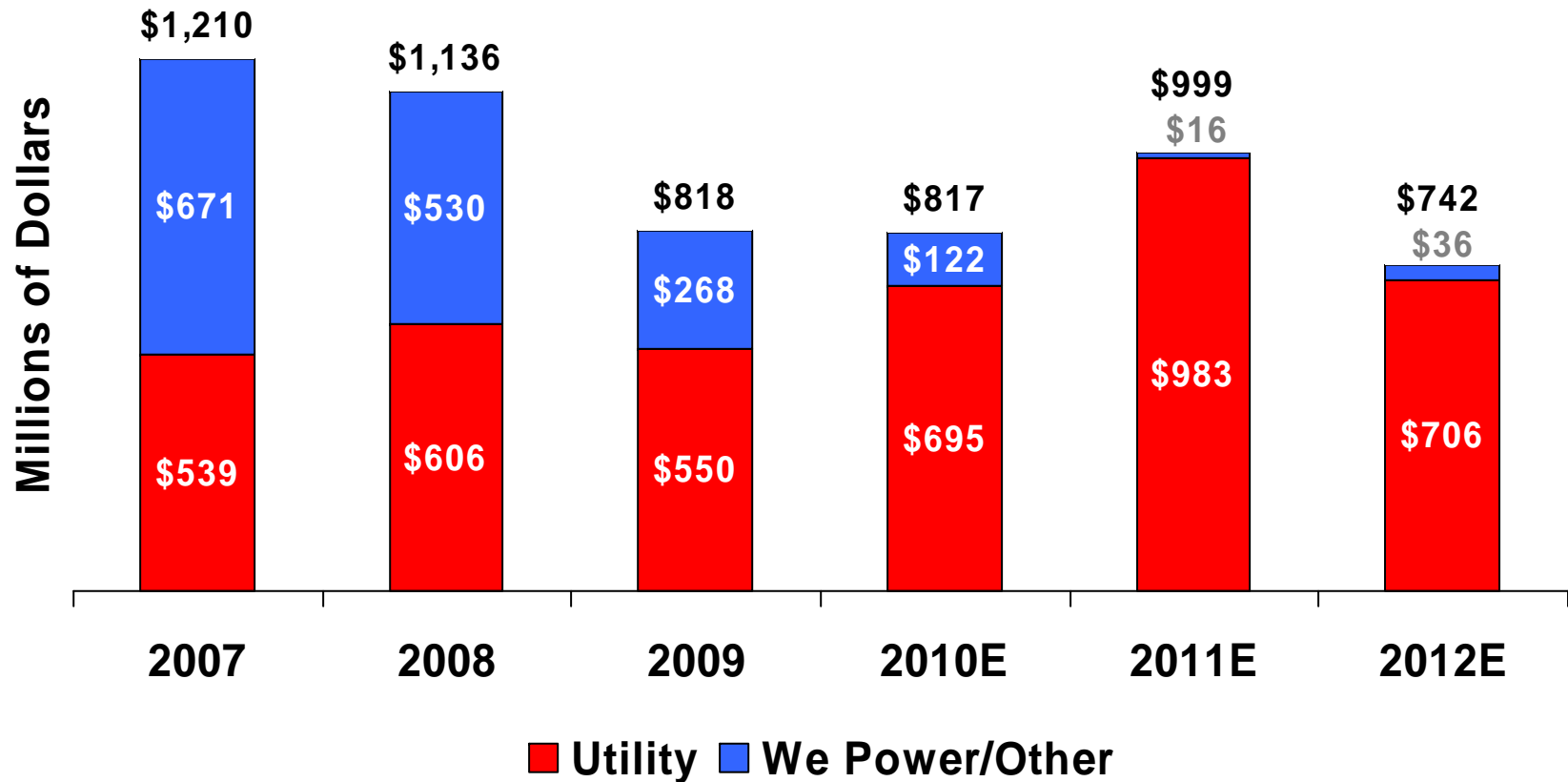
# Key Takeaways on Wisconsin Energy

- Power the Future program almost complete
  - Highly visible earnings and strong cash flow
- Solid utility franchises with rate base growth
  - Driven by environmental upgrades, renewable energy projects and network improvements
- Investment in American Transmission Company provides an additional regulated growth opportunity
- Positioned to deliver among the best risk-adjusted returns in the industry

# Appendix

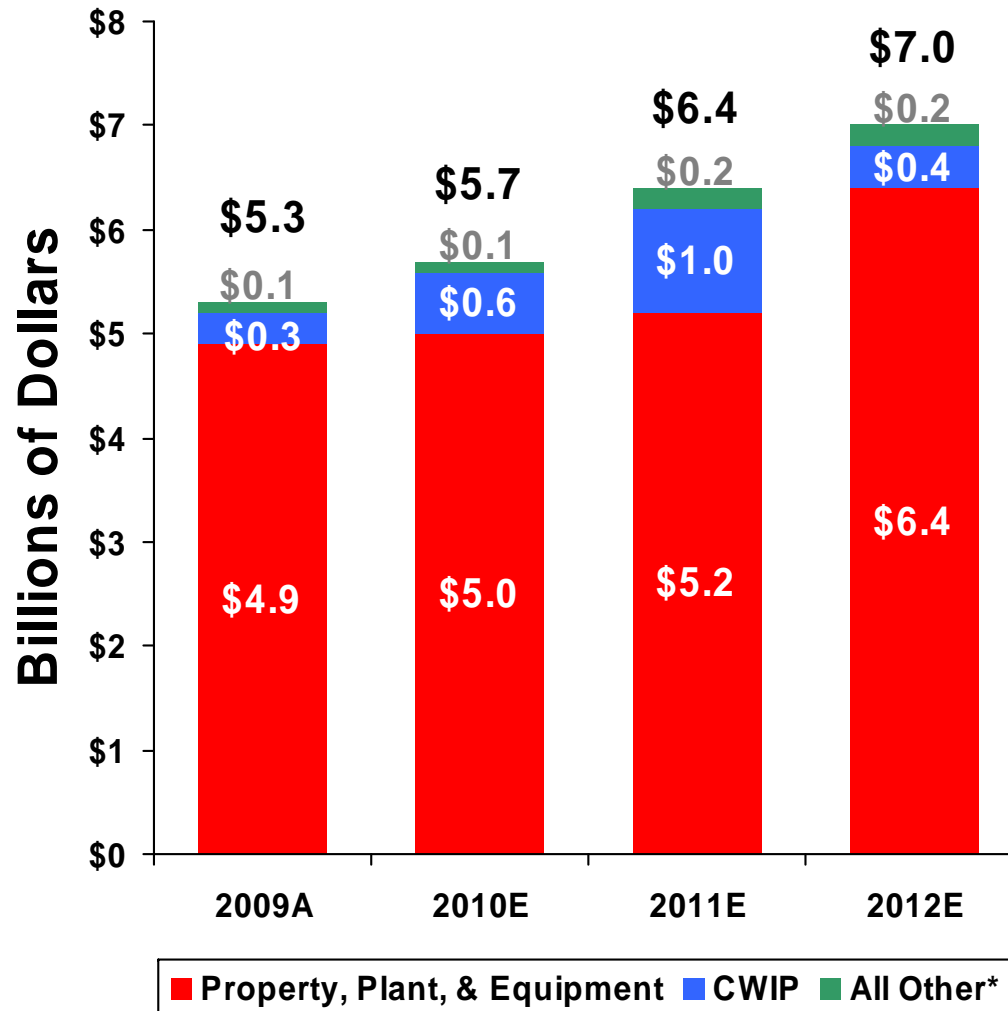
# Consolidated Capital Expenditures

## Actual and Projected



# Retail Electric and Gas Utilities

## Average Total Utility Rate Base



\*All other is comprised of customer advances, def. taxes, inventory and implied working capital. Their approximate value in 2009 was (\$0.1), (\$0.8), \$0.3, and \$0.7 billion, respectively.

# Retail Electric and Gas Utilities

## Rate Base Detail

*Millions of Dollars*

<b>Major Capital Projects</b>	<b>2010</b>	<b>2012</b>	<b>In-Service Value</b>
<b>Oak Creek – AQCS</b>	\$460	\$890	\$935
<i>*In-service 2012</i>			
<b>Glacier Hills Wind Park</b>	50	380	395
<i>*In-service by year-end 2011</i>			
<b>Biomass – Domtar</b>	10	210	295
<i>*In-service Fall 2013</i>			
	<b>\$520<sup>(1)</sup></b>	<b>\$1,480<sup>(1)</sup></b>	<b>\$1,625<sup>(2)</sup></b>

<sup>(1)</sup>Includes Net Plant and CWIP, based on a 13-month average.

<sup>(2)</sup>Includes direct spending and AFUDC, measured at the time of in-service.

# Forecast of Electric Sales for 2010

	<u>Annual</u>	<u>YTD - June</u>	
	2010 Forecast vs. <u>2009 Normalized</u>	2010 Normalized vs. 2009 <u>Normalized</u>	2010 Forecast vs. 2009 <u>Normalized</u>
Residential	-0.2%	-1.0%	-0.3%
Small C&I	-3.0%	-0.1%	-2.8%
Large C&I (ex. Mines)	1.7%	2.6%	2.5%
Total Large C&I	<u>1.6%*</u>	<u>10.0%</u>	<u>2.8%</u>
Total Retail	-0.4%*	3.1%	0.0%

\*Current estimates for large C&I and total retail are 5.5% and 0.9%, respectively, given increase in projected usage by the Mines.