



Greenhouse Gases

To curb greenhouse gas emissions, We Energies supports flexible, voluntary, market-based strategies that encourage technology development and transfer, and that include all sectors of the economy and all significant global sources.

We Energies' emissions in future years will continue to be influenced by several actions as part of Wisconsin Energy Corporation's (WEC) Power the Future plan, including:

- Repowering the Port Washington Power Plant from coal to natural gas combined cycle units.
- Adding coal-fired units as part of the Oak Creek expansion that will be the most efficient coal units in the We Energies system.
- Increasing investment in energy efficiency and conservation.
- Maintaining and increasing the company's non-emitting generation by adding 145 megawatts of wind capacity as well as increasing customer participation in the Energy for Tomorrow® renewable energy program.
 - Visit www.we-energies.com/environmental/bluesky_greenfield.htm to learn more about the wind project and www.we-energies.com/business_new/altenergy/renewable.htm for more information on Energy for Tomorrow, and to use a calculator to determine your "carbon footprint" and how to reduce or eliminate it using Energy for Tomorrow.
- Successful renewal of the Point Beach Nuclear Plant's operating licenses in 2005.

We Energies' Pleasant Prairie Power Plant located in Kenosha, Wisconsin, will host a first-of-its-kind project that demonstrates a technology to separate and capture up to 90 percent of the carbon dioxide (CO₂) emissions from a coal-fired power plant. The project is scheduled to remain operational for about one year, during which the Electric Power Research Institute will conduct an extensive test program to collect data and evaluate technology performance. This technology has the potential to dramatically reduce the cost of removing CO₂ from pulverized coal power plants and is expected to bring the cost of removing CO₂ from these power plants in line with the estimated cost of removal from proposed integrated gasification combined cycle power plants. Visit www.we-energies.com/home/carboncapture.htm to learn more about the project.

Emissions and Reductions

WEC's fossil-fueled power plants, owned and operated by We Energies, are the corporation's primary sources of greenhouse gases. These facilities release mainly carbon dioxide, methane and nitrous oxide, as well as small amounts of hydrofluorocarbons and sulfur hexafluoride.

The quantity of greenhouse gas emissions from We Energies' facilities is related directly to both the time the company's fossil-fueled generating units operate and to individual plant capacity factors. Operation of these units is influenced primarily by the availability of We Energies' non-emitting Point Beach Nuclear Plant and by customers' demand for electricity. Customer demand depends on economic conditions and weather.

We Energies' net greenhouse gas emissions and emission rate (metric tons/megawatt-hour) fluctuate from year to year, depending on the amounts and types of fossil fuels burned and the efficiency of individual generating units. Electricity generation using fossil fuels decreased 4.4 percent from 2005 to 2006, and carbon dioxide emissions from fossil generation decreased 5.5 percent during the same period.

Some of this difference is due to a change in greenhouse gas reporting methodologies used. We Energies historically has reported greenhouse gas emissions and reductions under the U.S. Department of Energy's (DOE) Voluntary Reporting of Greenhouse Gases program. This program used fuel-based calculations for greenhouse gas estimations.

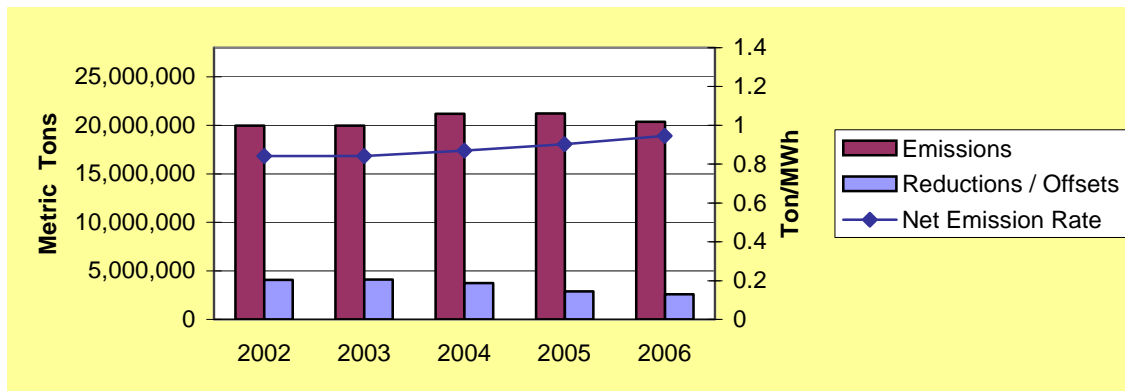


We Energies has determined that future reporting regimes are more likely to use carbon dioxide measurements from continuous emission monitor (CEM) systems, such as those employed on nearly all of the company's fossil-fuel plants. Therefore, where these measurements are available, they will be used for reporting, beginning with 2006 data. Emissions from fossil generating facilities without CEMs will continue to be estimated using fuel-based calculations. If the fuel-based method had been used to calculate total emissions for 2006, the total would have been 1.5 percent lower than the amount reported by the CEMs.

We Energies has been taking voluntary actions to reduce these emissions since the early 1990s and continues to support appropriate greenhouse gas reduction activities. During 2006, these reductions represented approximately 10 percent of the total greenhouse gas emissions as illustrated below.

The net greenhouse gas emission rate of We Energies' energy production facilities increased slightly in 2006 from previous years due to a decrease in reported greenhouse gas reductions and offsets from 2.9 million metric tons in 2005 to about 2.6 million metric tons in 2006.

Net Greenhouse Gases from We Energies, 2002-2006



NOTE: 2002-2005 values were restated to be We Energies only.

Climate Actions

A series of voluntary actions to reduce greenhouse gas emissions have been taken for more than 12 years:

DOE Climate Challenge Program. The Climate Challenge is the DOE's voluntary greenhouse gas reporting program. Since 1995, We Energies has reported greenhouse gas emission reductions of more than 40 million metric tons from energy efficiency, increased use of low- and non-emitting generation (e.g., renewables and nuclear), partnerships with others in both domestic and overseas projects, beneficial use of power plant ash and use of natural gas vehicles.

Wisconsin Voluntary Emission Reduction Registry. We Energies has registered more than 12 years of greenhouse gas emission reductions with the Wisconsin Department of Natural Resources Voluntary Emission Reduction Registry. The registry was created to ensure that efforts undertaken voluntarily in Wisconsin to reduce or avoid emissions of greenhouse gases or air contaminants or to sequester carbon are publicly recognized, and that these reductions are considered under future mandatory federal or state emission reduction programs. We Energies was one of the organizations that helped develop the registry.

Renewable Energy. We Energies generates or purchases more than 0.92 million megawatt-hours (MWh) of renewable energy. Renewable energy reduces greenhouse gas emissions by about 1,900 pounds of carbon dioxide per MWh of energy for We Energies, resulting in a total reduction of greenhouse gas emissions of approximately 7,900 metric tons from 2000 through 2006. (For information on renewable-based energy, see the "Renewable Energy and Energy Efficiency" section of this report.)



Projects with Others. We Energies participates in non-regulatory programs that encourage private-sector investments to reduce or sequester greenhouse gas emissions in developing countries. The Rio Bravo Carbon Sequestration Pilot Project, a carbon sequestration and sustainable forestry management program in Belize, Central America, is expected to mitigate 2.4 million metric tons of carbon over 40 years. (For more information on the project, see the “Natural Habitats and Biodiversity” section of this report.)

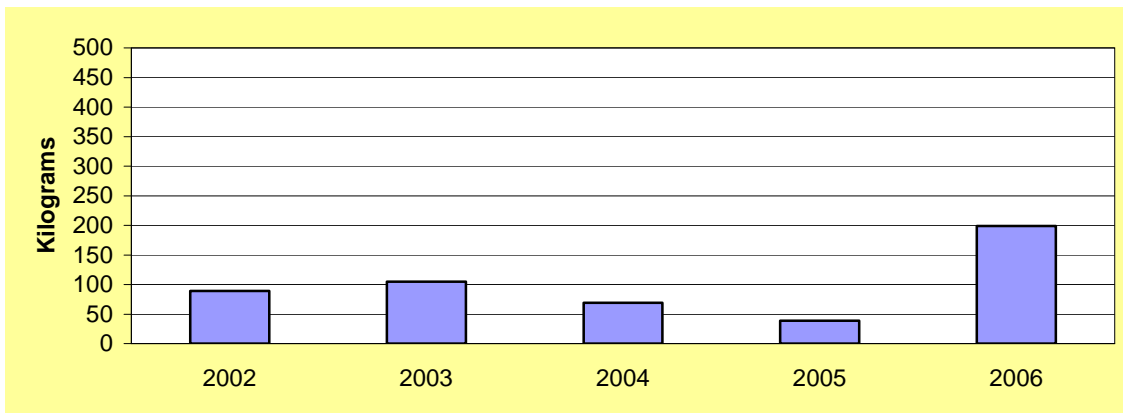
We Energies works jointly with other U.S. utilities through the UtiliTree and PowerTree Carbon Company LLC to purchase forest land for protection from intensive agricultural development and to enhance sequestration of carbon. The 1997 Decin Repowering Project in the Czech Republic replaced inefficient, high-polluting lignite coal-fired boilers in the Bynov District Heating Plant, with state-of-the art, energy efficient natural gas internal combustion engines. This project has improved overall regional air quality and reduced carbon dioxide emissions by nearly 7,000 metric tons every year since it began.

Pew Center on Global Climate Change. WEC is a member of the Pew Center’s Business Environmental Leadership Council (BELC). The BELC’s mission is to provide credible information, straight answers and innovative solutions in the effort to address global climate change.

Climate Leaders. As a member of the U.S. Environmental Protection Agency (EPA) Climate Leaders program, We Energies has worked with the EPA to establish the company’s greenhouse emissions inventory and develop an Inventory Management Plan.

SF₆ Emissions Reduction Partnership for Electric Power Systems. Sulfur hexafluoride (SF₆) is used in electrical equipment including circuit breakers, substations and electric switchgear. As an EPA SF₆ Emissions Reduction Partnership member, We Energies has committed to voluntarily reduce SF₆ emissions to less than 5 percent of its equipment’s nameplate capacity. A significant increase in installation and maintenance of SF₆-filled equipment in 2006 resulted in more lost and unaccounted-for gas compared with prior years.

We Energies SF₆ Emissions, 2002-2006



Strategic Analysis and Plan

WEC believes that the most cost-effective climate strategy at this time is continued implementation of its Power the Future plan as outlined at the beginning of this section.

WEC has taken an early and active approach to address greenhouse gas emissions. Starting nearly a decade ago, WEC initiated actions that included:

- Assessing current emissions and projecting emission trends to establish a baseline and plan for possible future reduction activities.
- Calculating and publicly reporting greenhouse gas emissions, emission reductions and offsets resulting from specialized projects.



From a broader perspective, WEC has taken early steps to address greenhouse gas emissions by:

- Pursuing opportunities for collaborative efforts, such as the Belize, Decin and carbon capture projects described above.
- Purchasing and making firm commitments to develop renewable energy sources for We Energies and Edison Sault Electric Company.
- Creating one of the first successful green pricing renewable energy programs in the country.
- Taking an active approach to working with governmental agencies and other groups to address greenhouse gas emissions.
- Participating in numerous national, state and local initiatives to address climate change issues, such as the EPA's Climate Leaders program, and the Pew Center on Global Climate Change's Business Environmental Leadership Council.

WEC will continue to report on the progress of these and other actions to address greenhouse gas emissions.