

2002 PERFORMANCE REPORT

Executive Summary

Introduction

“A truly successful company earns a profit not at the expense of, but while working in the interests of, the Earth and society.” These simple but very powerful words were shared with stakeholders by Wisconsin Energy Corporation (WEC) Chairman and CEO Richard A. Abdo as he introduced the corporation’s first-ever Performance Report in 2002 (covering 2001). Two words help summarize this statement: integrity and responsibility.

Developing this second WEC Performance Report has helped the corporation and its employees better understand the many good things they have accomplished, but it also has brought to light several areas where improvement is needed. WEC has the opportunity to reinforce its corporate values and strengthen its strategic planning and performance management by incorporating corporate responsibility into these activities. It also has the opportunity to better collect and manage data, transform the data into information, and translate the information into knowledge and business intelligence so it can be used effectively to manage and improve performance.

This Performance Report, covering calendar year 2002, includes all of the corporation’s operations, except for WICOR Industries operations outside Wisconsin. Many individuals at WEC devoted significant time gathering, analyzing and presenting the information in this report. A newly appointed Assistant to the Chairman now leads the effort to expand and enhance the Performance Report for 2002 and beyond. WEC expects to use its performance results, stakeholder feedback and industry trends to establish a corporate strategy to guide development of goals and priorities across the corporation. Strategic performance management is imperative if WEC is to perform at the highest levels.

Although this report is not presented “in accordance” with the GRI guidelines, the guidelines have helped WEC to look at the corporation holistically and raise the level of importance of social and environmental performance among all of our employees.

This report contains forward-looking statements made by or on behalf of Wisconsin Energy Corporation and its affiliates. Forward-looking statements may be identified by reference to a future period or periods or by the use of forward-looking terminology. Actual results may differ materially from those set forth in forward-looking statements as a result of certain risks and uncertainties, including but not limited to, changes in political and economic conditions, equity and bond market fluctuations, varying weather conditions and governmental regulation or supervision. Such forward-looking statements are intended to communicate management's current expectations, and readers are cautioned not to place undue reliance on any forward-looking statements contained in this performance report.

Future performance reports will continue to build upon and improve the type of information reported. Wisconsin Energy Corporation encourages you to read this report and to provide comments and feedback on how WEC can become, in the fullest and truest sense, a more successful corporation.

Respectfully Submitted,

2002 WEC Performance Report Team:

Steve Bain, Brian Borofka, Juan Carrasquillo, Gary Froehlich, Rick James, Nora Lewis, Matt Malten, Deana Zewen, Judy Ziebell

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Vision and Strategy

The 2002 WEC Performance Report summarizes several important steps taken to improve economic, social and environmental performance, and it continues to help us identify the necessary strategies to sustain the corporation's ability to serve future generations.

The introduction of the Sarbanes-Oxley Act by the Congress of the United States reinforces the need to better understand and manage corporate governance and areas impacting financial success. It reiterates the importance of being transparent and being accountable for how the business is managed. It validates the need to have a comprehensive report, such as this one.

In 2002, WEC's largest utility subsidiaries, Wisconsin Electric Power Company and Wisconsin Gas Company, began to operate under the trade name We Energies, and established a new vision: "We enhance the quality of life of every person we touch...today, tomorrow, together." This vision is supported by the values of respect, excellence, accountability, diversity, integrity and safety.

In the 2001 Performance Report, WEC described its corporate growth strategy: *Power the Future* (PTF). In 2002, WEC established a new company, W.E. Power, LLC., to lead the activities for building new generating stations. The company received initial approvals to begin construction of the first unit, the Port Washington Generating Station (PWGS) in Port Washington, Wisconsin. This 1,090 megawatt (MW) combined-cycle, intermediate load range natural gas-fueled facility (two 545 MW units) will replace the coal-fueled plant that has operated on the site since 1935. The company is seeking final approval to build three 600 MW base load coal-fueled generating units at the existing Oak Creek Power Plant site. The project is known as the Elm Road Generating Station (ERGS).

Building on We Energies recent recognition by PA Consulting as the utility with the best electric reliability in the Midwest, the *Power the Future* plan also includes a \$2.7 billion investment to improve local power lines, neighborhood substations, and the rest of the electric distribution system.

WEC's environmental commitment continues to grow. We Energies, has set a target of at least five percent of its retail electric energy sales to be derived from renewable energy sources by 2011. This is approximately double the amount required by state law. We Energies also signed the Multi-Emission Cooperative Agreement with the Wisconsin Department of Natural Resources (WDNR). The Agreement calls for the company to invest \$400 to \$600 million during the next 10 years in existing power plants to reduce sulfur dioxide by 45 to 50 percent, nitrogen oxides by 60 to 65 percent, and mercury by 50 percent.

Wisvest Corporation began operation of The Calumet Energy Team, LLC, 300 MW natural-gas-fueled combustion turbine plant in the Chicago area. Wisvest sold two fossil-fueled power plants operated by Wisvest-Connecticut, LLC. The sale of the Connecticut assets was an integral part of the PTF strategy to concentrate on core competencies in the Midwest.

WEC continues to expand its focus on social performance. Through the WEC Foundation, the corporation donated nearly \$5 million to charitable organizations. WEC is also committed to economic and community development, real estate development, and urban development projects, managed by Wispark, LLC., a WEC subsidiary.

In 2002, WEC created a new position, director of supplier diversity, to significantly expand opportunities for minority and women-owned companies to do business with all companies within WEC. Supplier diversity goals were established for We Energies and *Power the Future* projects.

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Public and employee safety is of utmost importance. The Corporate Health and Safety department continually looks for ways to stress the importance of safety. A number of educational programs help stress safety at work, at home, and in the field. We Energies participates in many community programs to discuss electrical safety and meet with contractors to promote safe work practices, especially around electrical lines and natural gas pipelines. Unfortunately, the employee safety record, although improved, is not meeting expectations.

As promised in the 2001 Performance Report, this report includes aspects of WICOR Industries, Inc. manufacturing operations. WICOR Industries, Inc. is a leading global manufacturer of water pumps, water treatment products and fluid handling equipment. Its three major operations are Sta-Rite Industries, Shurflo Pump Company, and Hypro Corporation. The focus for the 2002 Performance Report is on Sta-Rite's manufacturing facility in Delavan, Wisconsin, which also is the company's headquarters.

As this report heads for publication, WEC has made some changes to its executive team. A focus on customer excellence, accountability, financial discipline and sense of urgency should help deliver improved results and help ensure WEC's success.

Sincerely,

Richard A. Abdoo
Chairman and Chief Executive Officer

Gale Klappa
President

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Corporate Profile

Wisconsin Energy Corporation (WEC), headquartered in Milwaukee, Wisconsin, U.S.A., is a holding company with a diversified portfolio of subsidiaries engaged in electric generation; electric, natural gas, steam and water distribution; pump manufacturing; and other businesses.

As of December 31, 2002, the companies had a total of 9,258 full- and part-time employees; total operating revenues of \$3.7 billion; and, assets of \$8.4 billion. WEC's common stock is traded on the New York Stock Exchange using the symbol WEC. Of approximately 116 million shares outstanding, about half are held by institutions and half by individual stockholders.

WEC's utility subsidiaries – Edison Sault Electric Company, Wisconsin Electric Power Company and Wisconsin Gas Company – serve more than one million electric customers, nearly one million natural gas customers, more than 2,800 water customers, and some 450 steam customers across service areas located in Wisconsin and Michigan's Upper Peninsula. These areas include a full range of markets: residential, commercial and industrial customers in rural and urban settings.

Power plants owned by WEC produce about 85 percent of the power delivered to electric customers. The remainder is acquired from independent power producers and other utilities. WEC works closely with the American Transmission Company, which owns and operates the electric transmission system in Wisconsin and Michigan's Upper Peninsula; and the Nuclear Management Company, which manages and operates the Point Beach Nuclear Plant.

WEC's non-utility businesses are:

W.E. Power LLC. This business was established in November, 2001 to design, construct, own, finance, and lease the 2,800 MW of new, Wisconsin-based generating capacity proposed as part of Wisconsin Energy's *Power the Future* plan.

WICOR Industries. The largest of the non-utility business, WICOR Industries manufactures pumps, water treatment products and fluid-handling equipment through subsidiaries Sta-Rite, SHURflo and Hypro Corporation. WICOR Industries has 38 manufacturing, distribution and sales facilities in 13 nations and employs 3,156. WICOR operations represent nearly 18 percent of WEC's total operating revenues.

Minergy Corporation. This business specializes in the processing and recycling of waste streams, such as sludges, sediments and soils, into an inert glass aggregate material used in the construction industry. Its primary activity is the operation of a glass aggregate plant in Neenah, Wisconsin, that processes sludge from several nearby paper mills.

Wispark LLC. This business is WEC's primary focal point for economic development, investing and developing real estate, including business parks, industrial and office buildings, and urban redevelopment projects.

Wisvest Corporation. Wisvest owns, operates and maintains energy production plants primarily outside the We Energies service area.

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Governance Structure and Management Systems

Corporate Governance

Corporate Governance Guidelines. Since 1996, the Wisconsin Energy Corporation (WEC) Board of Directors has maintained Corporate Governance Guidelines (the "Guidelines") that provide a framework from which it conducts business. The Guidelines are reviewed annually to ensure that the Board is providing effective governance over the affairs of the company. The Board recently approved minor changes to strengthen the definition of director independence in response to corporate governance reforms set forth in the Sarbanes-Oxley Act of 2002 and proposed changes to the New York Stock Exchange Listing Standards.

Board Evaluation. The Board of Directors annually evaluates its own collective performance. Each director is asked to rate the performance of the Board. The Board's Corporate Governance Committee uses the results of this process as part of its annual review of the Corporate Governance Guidelines and to foster continuous improvement of the Board's activities.

Committees of the Board of Directors.

- Audit and Oversight
- Compensation
- Corporate Governance
- Executive
- Finance
- Nuclear Oversight

Independence of the Board. To be independent, the Board of Directors should consist of at least a two-thirds majority of outside, independent directors. At year-end 2002, the Board of Directors consisted of ten (10) individuals. Recent internal management changes reduced the number of board members, and as of August 1, 2003, there were nine directors, seven of whom are independent. The Board's standard of independence is more comprehensive than the standard used by the New York Stock Exchange. The Board annually reviews whether its independent directors meet the independence guidelines and publishes the results of that review in the corporation's proxy statement.

Selection of Directors. The Board recommends to stockholders qualified individuals who have the skills to perform successfully the role of director. The Corporate Governance Committee screens director candidates, including those recommended by stockholders, using specified criteria.

Oversight of Legal/Litigation, Regulatory and Environmental Matters. The Board's Audit and Oversight Committee, at each of its meetings, reviews litigation matters to ensure that significant actual and potential litigation and insurance claims are receiving appropriate management attention. The committee also reviews environmental compliance matters to ensure they receive appropriate management attention.

Compensation Philosophy and Objectives. The Board's Compensation Committee makes decisions affecting compensation for the executives of WEC and its principal subsidiaries. All committee members are independent, non-employee directors. The committee believes a substantial portion of executive compensation should be at risk. As a result, WEC's compensation plans strongly tie total compensation to achievement of business results aligned with the interests of stockholders and customers. The primary elements of WEC's executive compensation program are base salary, annual incentive compensation, and long-term incentive compensation.

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For 2003, the committee again set goals that were primarily financial. Annual incentive awards for executive officers are based upon attainment of targets for financial measures supporting earnings per share, return on equity and cash flow. A goal to measure the corporation's commitment to supplier diversity also was introduced.

Code of Business Conduct. The WEC Code of Business Conduct applies to all management employees and directors, and it covers WEC and all of its subsidiaries. All management employees and directors are required to periodically submit a certification of compliance. The code addresses ethical standards, the compliance program, conflicts of interest, and related matters.

The WEC Corporate Secretary serves as the Corporate Compliance Officer.

Stockholders' Input. Any stockholder wishing to provide recommendations or direction to the Board of Directors may write to the independent directors in care of the Corporate Secretary, Kristine Rappé, 231 West Michigan Street, P.O. Box 2949, Milwaukee, WI 53201. The Corporate Secretary will directly inform such directors of these communications.

Management Systems

Major Stakeholders.

- Customers
- Investors/shareholders
- Employees
- Community and political leaders
- Regulators
- News media

Stakeholders are subdivided into smaller groups (for example, residential, commercial and industrial customers, or active and retired employees) and grouped according to common characteristics to help the corporation communicate with them effectively and develop and apply appropriate services, programs, and policies on their behalf. Departments or areas within WEC are charged with managing relationships with the various stakeholders. Coordination between departments and areas is critical to clear communication and to assuring the best possible service.

Approaches to Stakeholder Consultation. WEC consults stakeholders regularly using a variety of vehicles, including surveys, focus groups, community panels, corporate advisory panels, written communication, the internet, management/union structures, private meetings, and public presentations.

Participation in Externally Developed Initiatives. WEC voluntarily participates in several initiatives that help us to continually monitor and improve our performance in various areas. Examples of this include:

- The 2002 Global Reporting Initiative
- The Wisconsin Bird Conservation Initiative in 2001
- ISO 14001, an international environmental management systems standard

Principal Memberships. WEC believes that it is very important to stay connected with peers in other organizations. As such, the corporation supports memberships in industry, business, and other associations and organizations which are closely related to our businesses.

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Supply Chain Cost Management Initiative. Our Supply Chain department manages by using Total Lifecycle Cost (TLC) analysis. Using TLC, we evaluate ownership cost over the lifetime of a product or service, including in the evaluation the cost of not having the product or service available. Elements of TLC analysis include price, maintenance, installation, transportation, storage, service, technical assistance, invoicing, and final disposition (reuse, recycling, or disposal).

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Economic Performance

Overview

In general, Wisconsin Energy Corporation (WEC) was pleased with the performance of its core electric and natural gas utility and pump manufacturing operations during 2002. WEC reported 2002 net income of \$167 million and net earnings of \$1.44 per diluted share, compared with net income of \$219 million and net earnings of \$1.86 per diluted share in 2001. The 2002 results would have been substantially higher if not for a one-time asset valuation charge of \$0.79 per share taken to reflect softness in the market for energy assets and a charge of \$0.09 per share to settle litigation.

Earnings highlights include:

- Utility earnings were up \$21 million, or almost 8 percent, primarily due to improved electric and natural gas margins, a strong focus on managing financial resources, reduced financing costs and discontinued amortization of goodwill due to a new accounting standard. Specifically:
 - Electric margins increased by \$65 million, or about 5 percent, reflecting warmer summer weather, improved recovery of fuel and purchased power costs and a surcharge to recover increased electric transmission costs.
 - Natural gas margins were \$20 million, or 6 percent, more than 2001 levels because of colder winter weather conditions.
- Pump manufacturing net earnings increased \$14 million, or 40 percent, driven by growth in the global water systems and pool and spa markets, acquisitions that increased market penetration, new-product rollouts, international expansion, aggressive cost cutting, and discontinued amortization of goodwill and certain intangible assets due to a new accounting standard.

As profitability improved during 2002, WEC continued to execute its growth strategy. The corporation lowered its risk profile by selling wholesale generation assets and focusing on securing regulatory approval for new Wisconsin-based power plants under the *Power the Future* plan. To date, WEC has received more than \$1 billion from the sale of non-core assets and has used the proceeds to reduce debt, strengthen the balance sheet and fund growth initiatives – including *Power the Future*. The corporation has repurchased 13 million shares of WEC stock for \$287 million since 2000 and reduced its debt-to-total-capital ratio to 62.9 percent at the end of 2002 from 65.1 percent in 2001.

During 2002, WEC made progress implementing its 10-year, \$7 billion (in 2001 dollars) *Power the Future* plan to strengthen its electric distribution services, improve existing operations, and add 2,800 megawatts (MW) of fuel-diverse, reasonably priced and environmentally responsible electric power in Wisconsin.

- In December 2002, WEC received Public Service Commission of Wisconsin (PSCW) approval for its application to build two gas-fueled, intermediate-load generating plants in Port Washington, Wisconsin. Construction has started.
- In November 2002, the PSCW told WEC that it had enough information to begin reviewing an application to add three clean 600 MW coal-fueled base load generating units at the Oak Creek Power Plant site. Technical and public hearings have been concluded and a decision is expected from the PSCW in November 2003.
- In 2002, We Energies agreed to invest \$400 to \$600 million in facility improvements to voluntarily reduce emissions from existing power plants over the next 10 years as part of \$1.3 billion earmarked in the *Power the Future* plan to improve existing generating facilities.
- The company also made a commitment in 2002 that 5 percent of retail electric sales will come from renewable energy sources such as biomass, wind and solar power by 2011.
- During 2002, WEC continued to invest \$2.7 billion over 10 years in its energy distribution infrastructure as part of *Power the Future*.

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Looking ahead, WEC expects to maintain its momentum in 2003 and beyond. Management believes that the corporation today is stronger, better-focused and positioned well for continued growth.

Economic and Community Development

WEC is an active participant in both the economic and community development of those areas where it operates, with particular emphasis on those areas served by the electric and natural gas utility businesses.

Wispark LLC is WEC's primary focal point for economic development, investing in and developing real estate, including business parks, industrial and office buildings, and urban redevelopment projects. A total of twelve business parks have been developed by Wispark. These total more than 1,396 hectares, 70 percent of them located in southeastern Wisconsin and the remainder in Illinois, Minnesota, and California. In 2000, Wispark revised its mission to concentrate its efforts on projects such as "infill" redevelopment within existing urban areas, completion of previously initiated, successful "greenfield" developments, and build-to-suit services of industrial, office and distribution facilities.

Wispark has made several investments that provide both economic and broader community benefits. Some of these projects qualify for low cost state or local financing or historical rehabilitation tax credits. Wisconsin Energy Corporation, working through Wispark and other partners, is presently involved in the redevelopment of three properties in the heart of downtown Milwaukee and one property in Racine, Wisconsin.

Economic Performance Measures

The following summarizes the performance of Wisconsin Energy Corporation against a variety of financial criteria associated with some of its key stakeholders:

- Total operating revenues for WEC increased by \$1.4 billion during the period 1999 through 2002 primarily because of the acquisition of WICOR in 2000. Between 2001 and 2002, however, total operating revenues decreased from \$3.9 billion to \$3.7 billion because of lower gas costs, which flow directly through to natural gas utility customers, and because of reduced non-utility energy segment operations.
- Retained earnings increased almost 19 percent to almost \$1.4 billion from the beginning of 1999 through the end of 2002 due to higher net income and lower dividend payments on common stock.
- WEC paid a total of \$235.6 million of interest to debt holders and another \$92.4 million of dividends to its common shareholders during 2002.

Between its utility operations and its Sta-Rite, Delavan pump manufacturing operations, during 2002 the company:

- Compensated its employees with a total of \$603.7 million in wages and benefits
- Paid \$458.9 million of total taxes
- Purchased almost \$1.3 billion of goods, materials and services from suppliers located predominantly in the United States and Canada.

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Environmental Performance**Air Emissions**

Overall air emissions from Wisconsin Energy Corporation's large electric generating facilities continued to decline. Lower emissions of nitrogen oxides (NOx), sulfur dioxide (SO₂) and particulate matter from We Energies' facilities resulted from changes in fuel and installation of new boiler and emission control technologies. In September 2002, We Energies signed a voluntary Multi-Emission Cooperative Agreement with the Wisconsin Department of Natural Resources, committing to significantly reduce emissions of NOx, SO₂ and mercury during the ten year agreement. As part of its *Power the Future* plan, proposed generation facilities will further reduce these emissions.

We Energies Air Emissions (metric tons x 1,000), 1999-2002

Emission	2002	2001	2000	1999
NOx	39.9	45.0	48.4	49.1
SO ₂	80.3	90.1	99.6	107.8
Particulate Matter	1.0	1.2	1.2	1.5

Atmospheric emissions of Toxic Release Inventory (TRI) compounds by We Energies in 2002 were approximately 45 percent of the emission levels in 1999. This is the result of switching the kind of coal burned at certain power plants and more accurate measurements and accounting.

We Energies TRI Air Emissions, 1999-2002

	2002	2001	2000	1999
TRI Air Emissions (kilograms)	1,280,487	1,650,396	2,233,296	3,001,181
TRI Air Emissions (kilograms / MWhr)	0.07	0.08	0.11	0.15

We Energies 2002 emissions of mercury increased by approximately 150 kilograms. However, under the Multi-Emission Cooperative Agreement with the Wisconsin Department of Natural Resources, the company has set a goal of reducing mercury emissions by 50 percent within ten years. A full-scale demonstration project at the Presque Isle Power Plant combined with improvements at other facilities will support achieving this goal.

Installation of a scrubber at the Minergy glass aggregate facility reduced SO₂ emissions. Increases in overall facility operation and production of steam (for an adjacent paper mill) and aggregate product increased the total mass of NOx emissions during 2002.

Sta-Rite's Delavan, Wisconsin facility reduced its total emissions of priority air pollutants during 2002. Emissions of hazardous air pollutants increased due to changes in product mix and higher production levels. Sta-Rite is continually seeking to change production processes to reduce solvent-based processes and substituting water-based paints and materials. The company is exploring new production techniques to significantly reduce or avoid the use of certain hazardous materials.

Sta-Rite, Delavan Air Emissions (metric tons), 2000-2002

Emission	2002	2001	2000
Priority Pollutants	33.9	35.8	38.0
Hazardous Air Pollutants	18.5	17.4	9.8

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Energy Use

Reported total energy use by the corporation declined due to a decrease in the total amount of coal and natural gas consumed by We Energies. Generation of electric energy by We Energies also declined.

We Energies Fuel Usage to Generate Electricity, 1999-2002

Fuel	2002	2001	2000	1999
Coal (metric tons)	9,902,657	11,267,589	11,562,219	10,326,246
Natural Gas (therms)	80.3	90.1	99.6	107.8
Nuclear Fuel (kilograms)	1.0	1.2	1.2	1.5

The electric energy generated by Minergy's Neenah, Wisconsin plant remained relatively constant from the prior year.

Electricity and natural gas use both increased at Sta-Rite's Delavan, Wisconsin facility due to higher manufacturing production.

Environmental Compliance

Wisconsin Energy Corporation was not assessed any monetary penalties for non-compliance in 2002. Five separate notices of non-compliance, violation, or letter of warning were received by individual facilities during the year. Sixty-two separate reportable exceedances occurred during the year requiring notification of appropriate state or federal environmental regulatory authorities.

The corporation's comprehensive multi-media environmental auditing program of operating facilities continued during the year. No major environmental compliance issues were identified, and minor issues identified were corrected. We Energies conducted and reported on voluntary baseline compliance reviews of its major electric generating facilities as part of its two Environmental Cooperative Agreements with the Wisconsin Department of Natural Resources.

Expenses and Research

The most significant environmental expenses during 2002 were associated with emission control projects being installed at We Energies' fossil-fuel electric generating plants. During 2002, We Energies expended over \$56 million in environmental capital improvements and had over \$96 million in environmental-related construction work in progress.

We Energies supported the highest level of environmental research in the corporation in 2002, with expenditures of \$676,000 involving global climate change, mercury monitoring and removal technologies, coal combustion product utilization, and fine particulate matter in the atmosphere.

We Energies Environmental Expenses (U.S. dollars), 1999-2002

	2002	2001	2000	1999
Capital Expenses	\$56,533,383	\$66,816,599	\$54,087,395	\$51,851,051
Construction Work in Progress	96,479,523	42,438,123	11,651,301	11,091,597
Environmental Research and Development	676,100	885,235	1,150,200	949,900

Greenhouse Gases

Greenhouse gas emissions by Wisconsin Energy Corporation's major utility, We Energies, decreased approximately 7 percent over the period 1999 to 2002. This reduction was primarily due to decreased electricity demand and production. We Energies' greenhouse gas emission reductions reported to the U.S. Department of Energy decreased by approximately 8 percent due to amortization of demand-side activity investments and carbon sequestration projects in Central America.

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We Energies and Minergy Net Greenhouse Gas Emissions (metric tons CO₂ equivalents), 1999-2002

	2002	2001	2000	1999
Emissions	19,785,394	20,887,251	22,110,464	21,159,038
Reductions / Offsets	4,456,078	4,951,168	5,229,373	5,073,447
Net Emissions	15,328,961	15,936,083	16,881,091	16,085,591

Following a precautionary approach, the corporation has taken several steps to address greenhouse gas emissions ranging from conducting a system-wide inventory of emissions to discussing it with the Board of Directors and assigning this issue to a Board committee.

Natural Habitats and Biodiversity

Wisconsin Energy Corporation continues to own and actively manage over 26,000 hectares (ha) of land, including plant sites, service centers, office buildings, and power distribution facilities. The bulk of this land is associated with We Energies' hydroelectric facilities in the Menominee River watershed along the Michigan and Wisconsin border. Almost 10,000 ha. of this land are retained by the corporation for public recreational use, while 1,600 ha. are managed to encourage biodiversity and old-growth forest. The corporation's hydroelectric facilities also provide protection for 483 kilometers of shoreline.

The corporation continues to support several environmental stewardship activities on lands owned in Wisconsin and Michigan, as well as research and protection efforts for the bald eagle, peregrine falcon, and osprey, often working in partnership with state and local co-sponsors. Hydroelectric operations also provide hatchery and rearing facilities for Atlantic salmon, lake sturgeon, brook trout and walleye pike.

Remedial activities continued in 2002 at eight former manufactured gas plant (MGP) sites in southeastern Wisconsin now owned by We Energies. The company also initiated action at a former power plant site in St. Francis, Wisconsin to recover and utilize over 13,000 metric tons of coal still located at the site. All these remedial activities are part of an initiative to return formerly used properties to a beneficial use compatible with local community needs.

Recovered and Recycled Materials

Recovery and reuse of materials was highlighted by the continued success of We Energies in its beneficial utilization of coal combustion products in building materials and other uses. During 2002, the company beneficially used 96 percent of these products compared to a national average of 31 percent.

We Energies Coal Combustion Products Produced and Utilized (metric tons), 1999-2002

	2002	2001	2000	1999
Produced	602,982	629,935	617,869	617,027
Products Utilized	573,733	532,423	523,729	494,097
Percent Beneficially Used	96	85	85	80

Since initiating the patented process in 2000, We Energies has also successfully replaced significant quantities of coal with ash fuel recovered from the company's landfills and other plants. During 2002, the company's Pleasant Prairie Power Plant ash fuel reburn process avoided the purchase of 535 railroad car loads of coal. This process was expanded to We Energies' Presque Isle Power Plant in 2002. These initiatives avoided landfilling coal combustion materials and resulted in the production of useful products that could be sold.

The Minergy facility in Neenah, Wisconsin continued to utilize paper mill sludge for the production of steam and a glass aggregate product.

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Minergy Sludge Processing and Aggregate Production (metric tons), 1999-2002

	2002	2001	2000	1999
Paper Mill Sludge Processed	238,399	282,128	250,770	267,749
Aggregate Produced	42,902	40,382	38,395	30,310

Waste minimization, recovery and recycling efforts continued at Sta-Rite's Delavan, Wisconsin facility. Changes in processes and materials reduced the amount of raw materials used, as well as reducing or eliminating several solvents, lead and some paints.

Renewable Energy and Energy Efficiency

The corporation continued to promote the generation and use of renewable energy. Both We Energies and Minergy produced and sold renewable electricity generated by wind, biomass and hydroelectric facilities.

We Energies and Minergy Renewable Energy Generation, 1999-2002

	2002	2001	2000	1999
We Energies Energy for Tomorrow Energy Use (megawatt hours)	35,161	33,360	35,262	32,162
We Energies Energy for Tomorrow Customers (average number of customers)	10,571	10,487	11,546	9,726
Minergy Renewable Energy Generation (megawatt hours)	30,064	29,383	21,488	5,596

We Energies issued a request for proposals in 2002 soliciting developers to build a minimum of 200 megawatts of wind generation for the company. This would supplement current wind generation facilities in the Town of Byron and in Montfort, Wisconsin.

Working with Wisconsin Focus on Energy, We Energies offers programs and services that help customers improve energy efficiency in their homes, buildings and factories. Wisconsin Focus on Energy is a public-private partnership, and represents a coordinated group of programs under the Wisconsin Department of Administration. The program provides citizens and businesses with technical assistance and information on energy management in a manner that makes energy choices yield the most value for their money while protecting the environment. The program is funded by a surcharge on gas and electric bills and through direct utility contributions. A major share of the money goes towards weatherization and energy efficiency programs.

The year 2002 was the last in which We Energies directly provided low income weatherization services to our customers. Beginning in 2003, these services are provided through Wisconsin Focus on Energy.

We Energies Low-Income Weatherization Program, 2001-2002

	2002		2001	
	Gas	Electric	Gas	Electric
Households served	1,727	1,463	2,025	1,505
Measures installed	8,445	13,303	9,217	12,726
Therms saved	1,013,689	N/A	1,165,932	N/A
Megawatt-hours saved	N/A	1,589	N/A	1,637

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We Energies Energy Efficiency Initiatives (U.S. dollars), 1999-2002

Initiative	2002	2001	2000	1999
<i>Wisconsin Focus on Energy</i> program	\$35,594,257	\$28,900,000	\$04,300,000	\$0
Energy Center of Wisconsin dues + Low-income Weatherization + Energy Efficiency Programs	2,728,500	9,522,707	12,705,855	20,511,634
Total	\$38,322,757	\$38,422,707	\$17,005,855	\$20,511,634

We Energies offers several business and residential load management options in which customers receive electricity rate discounts or other incentives in return for reducing load on short notice during high-demand periods. The programs have the potential to reduce our peak demand by more than 400 megawatts on a given day.

Spills

Twenty-one reportable spills occurred during 2002. All of these were reported by We Energies, including several that occurred on private property due to accidents involving distribution system equipment. Corrective actions were taken in all cases, and where appropriate follow up root cause analyses and preventive actions were taken to minimize the potential for reoccurrences. No spills were reported by Minergy or Sta-Rite Industries during the year.

Transportation

The corporation continued to implement steps to minimize auto and truck mileage associated with operations and employee commuting. We Energies took several actions, including working with contractors in minimizing the need for truck trips and mileage as part of its coal combustion products beneficial use program. The company also promoted several commuter choice programs to reduce auto commuting mileage associated with its Milwaukee headquarters. This included providing support for car pooling, bus transit passes, and bicycling to work. Over 430 employees are enrolled in these programs. We Energies and Edison Sault Electric Company also operate natural gas vehicles within their service fleets.

Waste Management

Wisconsin Energy Corporation companies properly managed all solid and hazardous waste generated during 2002. We Energies further reduced the percentage of coal ash sent to landfills for disposal to four percent. However, the company's total volume of hazardous waste shipments in 2002 increased almost 40 percent from the previous year due to its voluntary cleanup and removal activities at formerly used manufactured gas plant (MGP) and other sites. Seventy-nine percent of We Energies' hazardous waste shipments originated from these remedial actions.

Toxic Release Inventory (TRI) releases to land from We Energies increased in 2002, primarily due to the composition of coal combustion products (CCP), most of which are beneficially used. The company follows a conservative approach and chooses to report even those CCPs that are beneficially used.

We Energies TRI Land Emissions (metric tons), 1999-2002

	2002	2001	2000	1999
TRI Land Emissions	1,059,310	975,249	886,946	1,273,262

Sta-Rite's Delavan, Wisconsin facility continued to reduce its generation of hazardous waste through material substitution, process changes, and other waste minimization activities.

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The volume of nuclear spent fuel from We Energies' Point Beach Nuclear Plant increased by approximately 150 kilograms from the previous year, reflecting an increased utilization by the plant.

We Energies Nuclear Spent Fuel (kilograms), 1999-2002

	2002	2001	2000	1999
Spent Uranium Fuel	19,106	18,958	17,138	16,630

Water Effluents and Use

We Energies' electric generating plants were the primary users and dischargers of water in 2002. Most of the water was used for once-through cooling. Lake Michigan and Lake Superior were the primary waterbodies used for this purpose. The company's hydroelectric plants also used waters on the Menomonee River and its tributaries for electric production.

Water use and discharges by Sta-Rite's Delavan, Wisconsin facility increased by approximately 30 percent during 2002 due to an increase in manufacturing activity.

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Social Performance

Employment

As of December 31, 2002, Wisconsin Energy Corporation (WEC) had 9,258 employees. Following is the breakdown by WEC subsidiary:

- We Energies: 5,918
- Edison Sault Electric: 69
- Northern Tree Service: 10
- We Power: 23
- Wicor Industries: 3,156
- Minergy: 41
- Wispark: 12
- Wisvest: 19
- WEC Holding Co.: 10

Employees of all domestic operations are eligible for wages and benefits that are competitive in their respective locations. Turnover in the energy related businesses is 4%; in the manufacturing businesses it averages 26%. Both these figures are typical within their respective industry segments. For both the energy and manufacturing companies, the lowest paid wages are nearly double the minimum wage rate for the United States.

Health & Safety

Safety is a critical issue in the energy and manufacturing companies. We Energies, Edison Sault Electric Company and Sta-Rite, Delavan, have established numerous programs to ensure that the public and employees are made aware of any risks. Training programs are encouraged for the public and required for employees. Sta-Rite, Delavan relies on training, testing laboratories and product literature to ensure safety is integral to the manufactured product.

Employee safety needs improvement. The following tables illustrates safety performance:

We Energies Safety Statistics, 1999-2002

	2002	2001*	2000	1999
OSHA cases	255	285	276	295
OSHA rates	4.48	4.98	5.26	5.50
Lost time injury cases	61	69	45	62
Lost time rates (per 100 employees)	1.06 (0 fatalities)	1.20 (1 fatality)	0.86 (0 fatalities)	1.20 (0 fatalities)

*Reflects integration of Wisconsin Electric Power Company and Wisconsin Gas Company

Edison Sault Electric Company Safety Statistics, 1999-2002

	2002	2001	2000	1999
OSHA cases	9	7	10	12
OSHA rates	15.00	11.20	15.40	18.30
Lost time injury cases	5	4	1	6
Lost time rates (per 100 employees)	8.32 (0 fatalities)	6.50 (0 fatalities)	1.00 (0 fatalities)	9.20 (0 fatalities)

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Sta-Rite, Delavan Safety Statistics*, 2000-2002

	2002	2001	2000
OSHA cases	52	49	61
OSHA rates	5.09	5.09	6.20
Lost time injury cases	13	14	20
Lost time rates (per 100 employees)	1.24 (0 fatalities)	1.36 (0 fatalities)	1.98 (0 fatalities)

*Data reported since 2000; the year WEC acquired WICOR Industries

Political Lobbying & Contributions

Wisconsin Energy Corporation (WEC) advocates on behalf of its customers, shareholders, and employees for safe, reliable, and affordable energy before local, state, and federal elected officials and government agencies. WEC maintains governmental and regulatory relations offices in Madison, Wisconsin, and Lansing, Michigan as well as Washington, D.C. The corporation also hires contract lobbyists and works with lobbying organizations to assist in advocacy activities. WEC also has several political action committees (PACs). WEC PAC's are registered with their regulating governments (state or federal) and authorized by elections laws to collect voluntary contributions from – in our case – management employees. The money, in turn, is pooled together and used to support candidates running for federal, state, and local offices. Contributions are limited in amount by law. All WEC PACs are administered by a committee that combines appointed and democratically elected members. The various committees decide how and where dollars are spent.

PAC contributions and lobbying expenditures are reported below:

WEC PAC Disbursements (U.S. dollars), 1999-2002

Organization	2002	2001	2000	1999
Wisconsin Energy Corporation Political Action Committee (WEPAC - a federal PAC)	\$12,750	\$9,500	\$19,750	\$25,202
Better Government Committee (BGC -- a state PAC)	25,700	5,150	4,475	8,500
Michigan Political Action Committee (MIPAC -- a state PAC)	11,098	2,816	7,050	525
Personal Contribution Account (PCA Conduit – a state PAC)	59,989	26,325	51,743	29,846
Total	\$109,537	\$43,791	\$83,018	\$64,073

WEC Lobbying Activities and Expenditures Summary, 1999-2002

	2002	2001	1999 & 2000
Lobbying Hours State & Federal	3,079	3,695	6,420
Lobbying Expenditures State & Federal (U.S. dollars)	\$1,000,314	\$866,602	\$1,035,256

Union Representation

Wisconsin Energy Corporation's (WEC) utility companies work to build and maintain collaborative relationships with unions and their members. The corporation strives to communicate and consult early, often, and openly with union leaders on business matters that may affect represented employees. Negotiations are conducted in traditional formats using formal proposals. The goal is to reach settlements before contracts expire.

Labor unions represent 4,157 of 5,918 We Energies' employees (70 percent). At Edison Sault Electric Company, 48 of 69 employees (70 percent) are represented.

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Community Investment

Through the WEC Foundation, the corporation donated nearly \$5 million to charitable organizations. WEC is also committed to economic and community development, real estate development, and urban development projects, managed by Wispark, a WEC subsidiary.

The WEC Foundation ranks fourth largest among corporate giving programs in Wisconsin. In 2002, the WEC Foundation:

- Invested \$4.8 million back into communities (the foundation has invested more than \$62 million over the past 20 years).
- Gave more than \$1 million to United Way agencies throughout Wisconsin and Upper Peninsula of Michigan.
- Was one of six local corporations whose annual combined corporate and employee gifts to United Way of Greater Milwaukee exceeded \$1 million.
- Gave 1.76 percent of WEC's net pre-tax income. (In 2001, the average giving among United States utilities was 0.3 percent of net pre-tax income).
- Matched more than \$750,000 in employee and retired employee gifts to the arts, environmental initiatives and schools.

In addition to the foundation, WEC subsidiaries participate in events and programs throughout the communities in which our employees live and work. The corporation also has donated furniture, equipment and vehicles worth more than \$640,000 between 1999 and 2002.

Diversity

Minorities and women have been hired or promoted into key positions at We Energies. Of 247 officials and managerial positions, 19 percent are held by women and 10 percent by minorities. Throughout We Energies, 31 percent of employees are women and 13 percent are minorities. Eight members of the WEC Board of Directors' are men and one is a woman. The woman and two other board members are African-American; the remaining six are Caucasian.

At Sta-Rite, Delavan, of 95 officials and managerial positions, 13 percent are held by women, and 4 percent by minorities.

Supplier Diversity

In 2002, WEC created a new position, Director of Supplier Diversity, to significantly expand opportunities for minority and women-owned companies to do business with all companies within WEC. Supplier diversity goals were established for We Energies and *Power the Future* projects for 2003.

Public Relations

WEC and its subsidiaries keep our communities informed of activities by working closely with the news media. Many community activities are organized. Employees are encouraged to become involved in their community.

Customer Satisfaction

Several WEC subsidiaries track customer satisfaction. However, the methodologies and attributes used to track satisfaction are different.

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We Energies tracks Customer Value Added (CVA). The company defines **value** to the customer as a comparison between the **quality** of the products and services and their **price**. In addition, We Energies tracks perceptions of its **image** as a company.

The table below shows the overall mean scores for We Energies' CVA scores, based on a maximum of 100 points. CVA has declined over the past four years, and the company lags most other utilities in many of the attributes.

We Energies Consumer CVA, 1999-2002

	2002	2001	2000	1999
Quality	80	79	82	82
Price	64	59	70	73
Image	76	75	80	81
Value	73	70	76	76

We Energies Business CVA, 1999-2002

	2002	2001	2000	1999
Quality	80	79	86	81
Price	65	60	70	71
Image	78	78	79	79
Value	71	69	75	76

We Energies is not satisfied with these results. The company has a number of initiatives under way that should improve customer opinions of its products and services. We Energies also uses transactional tools to track customer satisfaction with specific activities, such as customer experience with the call center, or with restoration services after experiencing electric service disruption.

Edison Sault has an 89 percent favorable customer satisfaction rate and only 2.3 percent unfavorable customer satisfaction rate.

Sta-Rite tracks customer satisfaction by measuring two goals:

- Fill order rate of 95 percent. For 2002 the rate was 95.7 percent
- On-time delivery rate of 95 percent. For 2002 the rate was 71.7 percent

Conclusion

This WEC Performance Report has helped the corporation and its employees better understand the many good things accomplished, but also has brought to light several reporting gaps and issues where improvement is needed. The WEC Performance Report team will identify key opportunities for performance improvement, and share those with the executive leadership for review and to determine appropriate action.

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Vision and Strategy

Wisconsin Energy Corporation (WEC) looks back on 2002 as a rewarding year in which the corporation made progress to improve its economic, social and environmental performance.

The introduction of the Sarbanes-Oxley Act in Congress reinforces the need to better understand and manage corporate governance, and areas impacting financial success. It reiterates the importance of being transparent and being accountable for how the business is managed. It validates the need to have a comprehensive performance report, such as this one. WEC recognizes that sustainable performance means more than simply reporting disparate facts and figures under the Global Reporting Initiative (GRI) Guidelines. The long-term goal must be to think and act from the presumption that economic, social and environmental performance are inseparable. WEC is taking affirmative steps toward integrating those elements at every level of the corporation, and will continue to report on progress in the future.

In 2002, the largest utility subsidiaries, Wisconsin Electric Power Company and Wisconsin Gas Company, began to operate under the trade name We Energies, and established a new vision: "We enhance the quality of life of every person we touch...today, tomorrow, together." This mission is supported by the values of safety, integrity, excellence, diversity, respect and accountability. The vision and values act as a compass to guide employees in decision making.

In the 2001 Performance Report, WEC described its corporate growth strategy: *Power the Future* (PTF). This 10-year plan is designed to provide a reliable and affordable electricity supply to meet the growing needs of customers while at the same time substantially improving environmental performance, and having a positive social and economic impact in Southeastern Wisconsin. In 2002, WEC established a new company, W.E. Power, L.L.C., to lead the activities for building new generating stations. The company received initial approval to begin construction of the first unit, the Port Washington Generating Station (PWGS) in Port Washington, Wisconsin. This 1,090 megawatt (MW) combined cycle, intermediate load range natural-gas-fueled facility (two 545 MW units) will replace the coal-fueled plant that has operated on the site since 1935.

We Power is in the process of seeking final approval for the construction of three 600 MW base load, coal-fueled generating units at the existing Oak Creek Power Plant site. In November 2002, the Public Service Commission of Wisconsin established that the company's application for this project, known as the Elm Road Generating Station (ERGS), was complete. The commission is expected to issue a final ruling on the application by the end of 2003.

Building on We Energies' recent recognition by PA Consulting as the utility with the best electric reliability in the Midwest, the *Power the Future* plan also includes a \$2.7 billion investment to improve local power lines, neighborhood substations, and the rest of the electric distribution system. This investment will continue to improve the reliability of electric service to customers and support continued economic growth in Wisconsin.

WEC's environmental commitment continues to grow. We Energies, has set a target of at least five percent of its retail electric energy sales to be derived from renewable energy sources by 2011. This is approximately double the amount required by state law. We Energies also signed the Multi-Emission Cooperative Agreement with the Wisconsin Department of Natural Resources (WDNR). The Agreement calls for the company to invest \$400 to \$600 million during the next 10 years in existing power plants to reduce sulfur dioxide by 45 to 50 percent, nitrogen oxide by 60 to 65 percent, and mercury by 50 percent.

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In 2002, Wisvest Corporation, a WEC subsidiary, sold two fossil-fueled power plants operated by Wisvest-Connecticut, LLC. The power plants, located in Bridgeport and New Haven, Connecticut, have a combined generating capacity of more than 1,000 MW. The sale of the Connecticut assets was an integral part of the PTF strategy to concentrate on core competencies in the Midwest.

Wisvest began operation of The Calumet Energy Team, LLC, 300 MW peaking natural gas-fueled combustion turbine plant in the Chicago area.

WEC continues to expand its focus on social performance. Through the WEC Foundation, the corporation donated nearly \$5 million to charitable organizations. WEC is also committed to economic and community development, real estate development, and urban development projects, managed by Wispark, L.L.C., a WEC subsidiary.

In 2002, WEC created a new position, director of supplier diversity, to significantly expand opportunities for minority and women-owned companies to do business with all companies within WEC. Supplier diversity goals were established for We Energies and *Power the Future* projects.

Public and employee safety is of utmost importance. The Corporate Health and Safety department continually looks for ways to stress the importance of safety. A number of educational programs help stress safety at work, at home, and in the field. Employees participate in many community programs to discuss electrical safety and meet with contractors to promote safe work practices, especially around electrical lines and natural gas pipelines. Unfortunately, the employee safety record, although improved, is not meeting expectations.

As promised in the 2001 Performance Report, this report includes aspects of WICOR Industries manufacturing operations. WICOR Industries is a leading global manufacturer of water pumps, water treatment products and fluid handling equipment. Its three major operations are Sta-Rite Industries, Shurflo Pump Company, and Hypro Corporation. The focus for the 2002 Performance Report is on Sta-Rite manufacturing in Delavan, Wisconsin, which also is the company's headquarters. It represents a significant portion of WICOR Industries' operations and sales. Sta-Rite manufactures pumps, tanks, water treatment products, and fluid-handling equipment for water system, agricultural, pool/spa and water treatment markets worldwide. Its products are manufactured in the United States, Australia, China, Germany, India, Italy, Mexico and New Zealand. They are sold through a network of distributors, retailers and original equipment manufacturers. Next year, WEC plans to report on all performance at WICOR domestic operations, and the year after it plans to start reporting performance on WICOR international operations.

This report describes many other examples of WEC programs and initiatives that deliver environmental, social and economic benefits. It also reports on the impact that WEC companies have on those three areas. Most performance is reported using 1999 as the base year, since that was the earliest year reported in the first Performance Report in 2001, and areas are best analyzed over longer periods of time. Sta-Rite information reflects a base year of 2000, the year WEC consummated the acquisition of WICOR Industries.

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As this report heads for publication, WEC has made some changes to its executive team. A focus on customer excellence, accountability, financial discipline and sense of urgency should help deliver improved results and help ensure WEC's success.

Sincerely,

Richard A. Abdo
Chairman and Chief Executive Officer

Gale Klappa
President

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Profile

Wisconsin Energy Corporation (WEC), headquartered in Milwaukee, Wisconsin, U.S.A., is a holding company with a diversified portfolio of subsidiaries engaged in electric generation; electric, natural gas, steam and water distribution; pump manufacturing; and other businesses.

As of December 31, 2002, the companies had a total of 9,258 full- and part-time employees; total operating revenues of \$3.7 billion; and, assets of \$8.4 billion. WEC's common stock is traded on the New York Stock Exchange using the symbol WEC. Of approximately 116 million shares outstanding, about half are held by institutions and half by individual stockholders.

WEC's utility subsidiaries – Edison Sault Electric Company, Wisconsin Electric Power Company and Wisconsin Gas Company – serve more than one million electric customers, nearly one million natural gas customers, more than 2,800 water customers, and some 450 steam customers across service areas located in Wisconsin and Michigan's Upper Peninsula. These areas include a full range of markets: residential, commercial and industrial customers in rural and urban settings.

Power plants owned by WEC (see table below) produce about 85 percent of the power delivered to electric customers. The remainder is acquired from independent power producers and other utilities. WEC closely works with American Transmission Company, which owns and operates the electric transmission system in Wisconsin and Michigan's Upper Peninsula; and Nuclear Management Company, which manages and operates the Point Beach Nuclear Plant.

We Energies Generating System

Plant	Location	Fuel	Net Capacity
Milwaukee County Power Plant	Wauwatosa, WI	Coal	11 MW
Oak Creek Power Plant	Oak Creek, WI	Coal	1,154 MW
Pleasant Prairie Power Plant	Pleasant Prairie, WI	Coal	1,210 MW
Port Washington Power Plant	Port Washington, WI	Coal	225 MW
Presque Isle Power Plant	Marquette, MI	Coal	618 MW
Valley Power Plant	Milwaukee, WI	Coal	280 MW
Concord Generating Station	Watertown, WI	Natural gas	368 MW
Germantown Generating Station	Germantown, WI	Natural gas	348 MW
Paris Generating Station	Union Grove, WI	Natural gas	368 MW
Port Washington Generating Station (under construction)	Port Washington, WI	Natural gas	1,090 MW
Point Beach Nuclear Plant	Two Rivers, WI	Nuclear	1,022 MW
Hydroelectric Plants (14)	Michigan and Wisconsin	Water	89 MW total
Byron Wind Turbines (2)	Town of Byron, WI	Wind	1,320 kw total

WEC's non-utility businesses are:

W.E. Power LLC. In November 2001, Wisconsin Energy created this subsidiary to design, construct, own, finance, and lease the 2,800 MW of new, in-state Wisconsin generating capacity proposed as part of Wisconsin Energy's *Power the Future* plan.

WICOR Industries. The largest portion of the non-utility business, WICOR Industries manufactures pumps, water treatment products and fluid-handling equipment through subsidiaries Sta-Rite, SHURflo and Hypro Corporation. WICOR Industries has 38 manufacturing, distribution and sales facilities in 13 nations and employs 3,156. It operates primarily in the United States, but it also has facilities in Argentina, Australia, Canada, China, England, France, Germany, India, Italy, Mexico,

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New Zealand and Russia. WICOR operations represent nearly 18 percent of WEC's total operating revenues.

Minergy Corporation. This business specializes in the processing and recycling of waste streams, such as sludges, sediments and soils, into an inert glass aggregate material used in the construction industry. Its primary activity is the operation of a glass aggregate plant in Neenah, Wisconsin, that processes sludge from several nearby paper mills. The company regularly investigates and develops new applications for its technology.

Wispark LLC. This business is WEC's primary focal point for economic development, investing in and developing real estate, including business parks, industrial and office buildings, and urban redevelopment projects. Formed in 1987, Wispark's initial purpose was to help create jobs and support tax base growth in the areas surrounding Kenosha and Racine, Wisconsin, which at the time were experiencing significant plant closures and job losses. It has developed more than a dozen business parks in the greater Milwaukee, Chicago and Minneapolis metropolitan areas.

Wisvest Corporation. Wisvest owns, operates and maintains energy production plants primarily outside the We Energies service area. Recently, Wisvest has been divesting certain assets in support of Wisconsin Energy's overall strategy to focus on its core business and to meet Wisconsin's growing energy needs through its *Power the Future* plan.

WEC has followed the 2002 Global Reporting Initiative (GRI) guidelines in completing this report. WEC reports the financial data for all of the companies it owns. This report also includes currently available environmental, social and operational data for its utility and certain other operations. Reporting is structured on a company basis and is aggregated corporately. The report does not include activities of joint-venture partners or approximately 9,000 suppliers. WEC claims only achievements attributable to its direct actions and does not claim any upstream or downstream effects.

In accordance with Generally Accepted Accounting Principles applied in the United States, WEC follows the equity method of accounting for joint ventures or investments in affiliates greater than 20 percent, recognizing the share of the earnings or losses of the investee. The corporation consolidates the financial statements of investees in which its ownership interest is greater than 50 percent. WEC follows the cost basis of accounting for those investments of less than 20 percent where the corporation does not have influence over the investee, recognizing only cash transactions with such investees. The corporation recognizes the costs of outsourced operations in operating income based upon the terms of underlying contracts. It accounts for leases based upon the corporation's level of control over the economic life of the underlying assets, capitalizing those agreements for which it has significant control of the assets and treating the remainder of such agreements as operating leases.

This report contains forward-looking statements made by or on behalf of Wisconsin Energy Corporation and its affiliates. Forward-looking statements may be identified by reference to a future period or periods or by the use of forward-looking terminology such as "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "may," "objectives," "plans," "possible," "potential," "projects" or similar terms or variations of these terms. Actual results may differ materially from those set forth in forward-looking statements as a result of certain risks and uncertainties, including but not limited to, changes in political and economic conditions, equity and bond market fluctuations, varying weather conditions and governmental regulation or supervision. Such forward-looking statements are intended to communicate management's current expectations, and readers are cautioned not to place undue reliance on any forward-looking statements contained in this performance report.

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For more information about this report, or to obtain a CD of the report, contact Juan Carrasquillo, Assistant to the Chairman, at Juan.Carrasquillo@we-energies.com, or call 414-221-2648. This report also is available on WEC's Web site at www.wec-performancereport.com.

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GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS PERFORMANCE

Structure and Governance

Please see our Corporate Governance website for related documents:

<http://www.wisconsinenergy.com/governance/index.htm>.

Corporate Governance Guidelines. Since 1996, the Wisconsin Energy Corporation (WEC) Board of Directors has maintained Corporate Governance Guidelines (the "Guidelines") that provide a framework from which it conducts business. The Guidelines are reviewed annually to ensure that the Board is providing effective governance over the affairs of the company. The Board recently approved minor changes to strengthen the definition of director independence in response to corporate governance reforms set forth in the Sarbanes-Oxley Act of 2002 and proposed changes to the New York Stock Exchange Listing Standards. To review a copy of the Guidelines, please refer to: http://www.wisconsinenergy.com/governance/Corp_Gov_Guidelines_121002.pdf.

A copy may also be requested from the Corporate Secretary, Kristine Rappé, at the corporation's principal executive offices, 231 West Michigan Street, P.O. Box 2949, Milwaukee, WI 53201.

Board Evaluation. The Board of Directors annually evaluates its own collective performance. Each director is asked to rate the performance of the Board on such things as:

- Establishment of appropriate corporate governance practices
- Providing appropriate oversight for key affairs of the corporation (including its long-range goals, financial performance and strategic plans)
- Providing necessary and timely advice and counsel to the CEO
- Communicating the Board's expectations and concerns to the CEO
- Having in place effective processes to aid in its deliberations
- Monitoring of issues and trends affecting the corporation
- Operating in a manner that ensures open communication, objective and constructive participation, and timely resolution of issues.

The Board's Corporate Governance Committee uses the results of this process as part of its annual review of the Corporate Governance Guidelines and to foster continuous improvement of the Board's activities.

Committees of the Board of Directors. Committees play a significant role in the corporate governance practices of the Board. The Board has the following committees:

- Audit and Oversight
- Compensation
- Corporate Governance
- Executive
- Finance
- Nuclear Oversight

Each committee is required to provide to the entire Board an annual performance evaluation of its activities. The evaluation compares the performance of each committee with the requirements of its charter. As a result of recent corporate governance reforms, the Board amended several committee charters to incorporate changes. Except for the Executive Committee and the Nuclear Oversight Committee, all committees are comprised of independent directors. The Executive Committee

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includes the Chairman and CEO of the corporation, who is not independent. The Nuclear Oversight Committee includes the We Energies' Chief Operating Officer, who is not independent, and non-directors who serve as ad hoc members because of their considerable expertise in nuclear matters.

For a summary of committee responsibilities, please refer to:

http://www.wisconsinenergy.com/governance/Sum_Committee_Responsibility.pdf

For a summary of committee membership, please refer to:

http://www.wisconsinenergy.com/governance/Committee_Membership_021003.pdf

Independence of the Board. To be independent, the Board of Directors should consist of at least a two-thirds majority of outside, independent directors. At year-end 2002, the Board of Directors consisted of ten (10) individuals. Recent internal management changes reduced the number of board members, and as of August 1, 2003, there were nine directors, seven of whom are independent. The Board's standard of independence is more comprehensive than the standard used by the New York Stock Exchange. The Board annually reviews whether its independent directors meet the independence guidelines and publishes the results of that review in the corporation's proxy statement.

No director qualifies as "independent" unless the Board affirmatively determines that the director has no material relationship with the corporation, either directly (as an employee, former employee, or shareholder) or indirectly (as a partner, shareholder or officer of an organization that has a relationship with the corporation).

To review the guidelines used in making a determination about "independence," please refer to:

http://www.wisconsinenergy.com/governance/Corp_Gov_Guidelines_121002.pdf

Using its guidelines, the Board has affirmed that seven of the nine directors – Dr. Ahearne, and Messrs. Bergstrom, Cornog, Davis, Payne and Stratton and Ms. Bowles – are independent directors. Messrs. Abdoo and Wardeberg are or were employees of the corporation within the past five years and thus do not qualify as independent.

Selection of Directors. The Board recommends to stockholders qualified individuals who have the skills to perform successfully the role of director. The Corporate Governance Committee screens director candidates, including those recommended by stockholders. The criteria for candidates include:

- Proven integrity
- Mature and independent judgment
- Vision and imagination
- Ability to appraise problems objectively
- Ability to evaluate strategic options and risks
- Sound business experience and acumen
- Relevant technological, political, economic or social/cultural expertise
- Social consciousness
- Achievement of prominence in a career
- Familiarity with national and international issues affecting the corporation's businesses
- Ability to work well with others
- Contribution to the Board's desired diversity and balance.

In screening director candidates, the Corporate Governance Committee reviews potential conflicts of interest, including interlocking directorships and substantial business, civic and/or social relationships

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with other members of the Board that could impair the prospective members' ability to act independently from the other members.

Oversight of Legal/Litigation, Regulatory and Environmental Matters. The Board's Audit and Oversight Committee, at each of its meetings, reviews litigation matters to ensure that significant actual and potential litigation and insurance claims are receiving appropriate management attention. In addition, the committee reviews environmental compliance matters, including the corporation's regulatory and civil litigation exposure to environmental contamination and/or toxic torts, to ensure that such matters are receiving appropriate management attention. The committee members also have direct access to and meet as needed with the officer in charge of each function, without other management present, as appropriate. Management is required to report all significant legal and environmental matters to the Audit and Oversight Committee.

In addition, the Finance Committee discusses policies with respect to the corporation's risk assessment and risk management, and provides oversight of insurance matters to ensure that the corporation's risk management program is functioning properly. The Committee also has direct access to and meets as needed with the officer in charge of this function without management present, as appropriate, to summarize any significant claims made on the corporation's insurance policies, or other significant matters related to risk management.

Compensation Philosophy and Objectives. The Board's Compensation Committee makes decisions affecting compensation for the executives of WEC and its principal subsidiaries. All committee members are independent, non-employee directors. The committee seeks to provide a competitive, performance-based executive compensation program that enables WEC to attract and retain key individuals and motivate them to achieve the corporation's short- and long-term goals.

The committee believes a substantial portion of executive compensation should be at risk. As a result, WEC's compensation plans strongly tie total compensation to the achievement of business results aligned with the interests of stockholders and customers.

All elements of WEC executive compensation are generally targeted at the 50th percentile of general industry practices: the median levels paid for similar positions at similar-sized companies. To determine competitive compensation practices, the committee relies upon compensation surveys provided by Towers Perrin, an independent compensation consultant. The labor market for WEC executives is that of general industry in the United States. As a result, the committee principally relies upon a survey of compensation practices of similar-sized companies in general industry. However, for executives whose positions principally relate to utility operations, the committee places a greater emphasis upon compensation practices in the energy industry.

For 2002, base salaries were adjusted to reflect updated information on executive compensation practices for similar positions at comparable companies. In making these adjustments, the committee also considered factors such as the relative levels of individual experience, performance, responsibility, and contribution to the results of corporate operations.

The primary elements of WEC's executive compensation program are base salary, annual incentive compensation, and long-term incentive compensation.

Annual Incentive Compensation. The annual incentive plan provides for annual awards to executives based on achievement of pre-established objectives focused on customers, stockholders, and employees. All payments under the plan are at risk; payments are only made if performance goals are achieved, and awards may be less than or greater than targeted amounts based on actual

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performance. Based upon a review of competitive practices, 2002 annual incentive awards were targeted at 35 percent to 100 percent of base salary. Actual awards could have ranged from zero percent to 200 percent based on actual results. The plan also gives the Compensation Committee of the Board discretion to recognize individual performance.

At the Compensation Committee's direction, the annual performance incentive program for 2002 principally focused on the attainment of key financial measures. WEC's 2002 financial performance, in aggregate, exceeded the target when adjusted for non-recurring items, as defined by the committee. The utility group's financial performance exceeded target performance in all three measures: net income, return on net assets, and cash flow. That group's overall customer satisfaction rating also improved, and targets for its employee measure were exceeded.

For 2003, the committee again set goals that were primarily financial. Annual incentive awards for executive officers are based upon attainment of targets for financial measures supporting earnings per share, return on equity and cash flow. A goal to measure the corporation's commitment to supplier diversity also was introduced. The committee believes this incentive structure will continue to focus management on attaining WEC's financial objectives while reinforcing supplier diversity as a key strategic objective.

Long-Term Incentive Compensation. The Compensation Committee administers WEC's 1993 Omnibus Stock Incentive Plan, as amended. This long-term incentive plan is approved by stockholders and is designed to link the interests of executives and other key employees to long-term stockholder value. It allows for various types of awards keyed to the performance of WEC's common stock.

In 2002, the committee reviewed the long-term incentive program to ensure its effectiveness in focusing WEC executives on achieving the corporation's long-term objectives. The committee believes an important adjunct to the long-term incentive program is that participants own a significant amount of WEC stock. Accordingly, as a condition of participating in the long-term incentive plan, committee guidelines call for executive officers of the corporation to own stock with value ranging from 100 to 300 percent of base salary.

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Corporate Management. The following is current through September 1, 2003.

WEC BOARD OF DIRECTORS:

Richard A. Abdo
John F. Ahearne
John F. Bergstrom
Barbara L. Bowles
Robert A. Cornog
Willie D. Davis
Ulice Payne, Jr.
Frederick P. Stratton, Jr.
George E. Wardeberg

WEC OFFICERS:

Richard A. Abdo, Chairman of the Board and Chief Executive Officer
Gale E. Klappa, President
Richard R. Grigg, Executive Vice President
James R. Klauser, Senior Vice President
Larry Salustro, Senior Vice President and General Counsel
Kristine M. Krause, Vice President - Environmental
Walter J. Kunicki, Vice President
Richard J. White, Vice President
Arthur A. Zintek, Vice President
Allen L. Leverett, Chief Financial Officer
Stephen P. Dickson, Controller
Kristine Rappé, Corporate Secretary
Jeffrey P. West, Treasurer
Keith H. Ecke, Assistant Corporate Secretary
Ralph W. Kane, Assistant Vice President - Tax
Dennis J. Masticola, Assistant Treasurer
James A. Schubilske, Assistant Treasurer

OFFICE OF THE CHAIR:

The Office of the Chair is the senior leadership team of the corporation, consisting of the corporation's senior officers and other selected officers. Meeting at least once each month, the Office of the Chair reviews ongoing corporate activities, strategic initiatives proposed for the corporation, and issues and events that could have an impact on the corporation.

Richard A. Abdo
Richard R. Grigg
Gale E. Klappa
James R. Klauser
Kristine Krause
Allen L. Leverett
Kristine Rappé
Larry Salustro
Arthur A. Zintek

2002 PERFORMANCE REPORT

Mission, Vision and Values. We Energies, the trade name of Wisconsin Electric Power Company and Wisconsin Gas Company, WEC's principal utility subsidiaries, has established a new vision: "We enhance the quality of life of every person we touch...today, tomorrow, together." This vision statement is supported by the values of:

- Safety
- Integrity
- Excellence
- Diversity
- Respect
- Accountability.

The vision and values act as a compass to guide employees in decision making.

Code of Business Conduct. The WEC Code of Business Conduct applies to all employees and directors, and it covers WEC and all of its subsidiaries. All employees have a responsibility to read and familiarize themselves with the Code of Business Conduct, comply with it, seek advice in doubtful situations, and report suspected violations. All management employees and directors are required to periodically submit a certification of compliance. The code addresses ethical standards, the compliance program, conflicts of interest, and related matters.

The WEC Corporate Secretary serves as the Corporate Compliance Officer, responsible for overseeing and administering the program established to achieve compliance with WEC's ethical standards. If a situation arises that seems to invoke a question of ethics, employees are encouraged to use the policy as a reference, talk with their supervisor as appropriate, or contact the WEC Compliance Officer. Employees may also report possible ethics violations anonymously on a toll-free ethics line.

Stockholders' Input. Any stockholder wishing to provide recommendations or direction to the Board of Directors may write to the independent directors in care of the Corporate Secretary, Kristine Rappé, 231 West Michigan Street, P.O. Box 2949, Milwaukee, WI 53201. The Corporate Secretary will directly inform such directors of these communications.

The Corporate Governance Committee and WEC Board have approved director candidate selection criteria designed to provide the Board with a diversity of experience to allow it to effectively meet the many challenges WEC faces in today's changing environment. Stockholders wishing to propose director candidates for consideration and recommendation by the Corporate Governance Committee for election at the 2004 Annual Meeting of Stockholders must have submitted the candidates' names and qualifications to the Corporate Secretary no later than October 15, 2003. The Bylaws state that directors must be stockholders of WEC.

Stockholders who intend to have a proposal considered for inclusion in proxy materials for presentation at the 2004 Annual Meeting must have submitted the proposal to the corporation no later than November 13, 2003. Stockholders who intend to present a proposal at the 2004 Annual Meeting without including it in the proxy materials, or who propose to nominate a person for election as a director at the meeting, must provide notice of such proposal to the corporation at least 70 days and not more than 100 days before the meeting. The 2004 annual meeting is scheduled to be held on May 5, 2004, in Milwaukee, Wisconsin.

2002 PERFORMANCE REPORT

GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS PERFORMANCE

Management Systems

Major Stakeholders

Wisconsin Energy Corporation (WEC) defines its key stakeholders as:

- Customers
- Investors/shareholders
- Employees
- Community and political leaders
- Regulators
- News media

Stakeholders are subdivided into smaller groups (for example, residential, commercial and industrial customers, or active and retired employees) and grouped according to common characteristics to help the corporation communicate with them effectively and develop and apply appropriate services, programs, and policies on their behalf. Departments or areas within WEC are charged with managing relationships with the various stakeholders. Coordination between departments and areas is critical to clear communication and to assuring the best possible service.

WEC typically decides which stakeholder group to engage, at what level, when and how, based on their involvement in a particular project, the extent to which they may be affected by any action, and the influence they will or may have on the success or failure of a specific initiative.

Approaches to Stakeholder Consultation

WEC consults stakeholders regularly using a variety of vehicles, including surveys, focus groups, community panels, corporate advisory panels, written communication, the Internet, management/union structures, private meetings, and public presentations. Examples follow.

Customers.

- Business panel, surveyed up to three times per year
- Overall customer satisfaction surveys, surveyed continuously, reported quarterly
- Transaction-based customer satisfaction surveys, surveyed continuously, reported quarterly
- Surveys used to get feedback on specific topics
- Focus groups used to get feedback on specific issues
- Meetings held with business customers
- E-mail channel to the corporation via web sites
- Outbound calls

Employees.

- Annual survey
- 4 Cs (Compliments, Concerns, Commitments and Comments) meetings for employee input
- Internal customer satisfaction surveys for several departments
- Employee inclusion in all process improvement teams that involve customers
- Focus groups used to get feedback on specific issues
- Employee meetings
- Labor/management forums
- Intranet sites

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Investors/Shareholders.

- Annual Meeting format allowing for questions and comments
- Proxy mailings to vote on candidates for the Board of Directors and on shareholder proposals
- Stockholder Hotline for questions and comments
- Meetings with institutional investors and presentations to analysts
- E-mail channel to WEC via web sites
- Quarterly surveys of shareholders by an independent firm to measure satisfaction with service provided by WEC's transfer agent
- Quarterly conference calls for analysts and portfolio managers

Regulators.

Subject to the ex parte restrictions imposed by the respective agencies, WEC representatives communicate regularly with the various state and federal organizations that regulate our principal subsidiaries, Wisconsin Electric Power Company and Wisconsin Gas Company. Communication includes face-to-face meetings, telephone calls, e-mails and other written communication. In cases where a particular proposal is being debated before a regulating agency, WEC representatives provide public testimony, answer questions and make public presentations.

To facilitate the prompt and favorable review of its filings by regulatory agencies (including the Public Service Commission of Wisconsin and the Michigan Public Service Commission), the State Regulatory Affairs department at Wisconsin Electric Power Company and Wisconsin Gas Company:

- Interacts daily with commission staff on a variety of issues, including construction applications, rate-making concerns, code interpretation, system operating status and other topics to help build consensus on issues affecting the companies
- Maintains regulatory advocacy offices in Madison, Wisconsin; Lansing, Michigan; and Washington, DC, to facilitate prompt and accurate communication on any issues affecting the companies.
- Works to establish and maintain credible working relationships with commission staff members.
- Works collaboratively with constituent groups to minimize barriers.
- Participates in joint utility planning and working groups to review national, regional and state-specific issues and activities that may affect the electric and gas distribution businesses; works to influence outcomes and intervenes when necessary.
- Participates in quarterly meetings with commission gas staff to identify and discuss industry changes and their potential impacts on gas customers, facilitating meetings with subject matter experts where appropriate.
- Provides regulatory guidance to the company's business units on the impact of regulation and the regulatory process on proposed projects, products and initiatives.
- Assists business units in developing new tariffs to support business goals.
- Clearly communicates corporate priorities to commission staff and manages all corporate interaction with the commissions to ensure continued focus on those priorities.

Community and Political Leaders. WEC representatives work with community and political leaders primarily in Wisconsin and Michigan, but also in the nation's capital, Washington D.C. We have a comprehensive strategy in our working relationships with community and political leaders. It consists of working with political leaders within local, city, county, state and national decision making processes. We serve on the boards of directors of external organizations and work with them on special committee assignments. Representatives from community organizations have served at our request on internal corporate councils. These interactions provide us with important guidance and

2002 PERFORMANCE REPORT

feedback on our programs, policies and initiatives, and help us to better understand the political and community context in which we do business.

News Media. Our representatives interact daily with the news media on behalf of WEC and its subsidiaries. Positive, open relationships with local, regional, state and national news media are essential to achieving WEC goals. The Media Relations team is responsible for planning and managing the corporation's interaction with print, broadcast, and trade media. This includes:

- Providing timely and accurate information to the media 24 hours a day, every day of the year
- Writing news releases, arranging interviews, and organizing and managing news conferences and media visits
- Developing and coordinating positions on industry and corporate issues
- Serving as spokespersons for WEC and its subsidiaries
- Developing, implementing and evaluating media contact/media marketing strategies
- Coordinating editorial board meetings with selected media

Type of Information Generated and Use

Stakeholder consultations and interactions generate a great deal of useful information. WEC uses this information to tailor customer service offerings, refine key messages and strategies for various initiatives and programs, improve internal processes and practices, and develop plans for the future. For instance:

- WEC sends communications materials to customers containing information those customers have indicated they want and need.
- WEC places advertising in the media customers have indicated they use most often.

Employee feedback has helped focus and improve communication with employees. For example, based on this feedback, WEC companies have refined and upgraded employee print publications, developed an intranet site, and disseminated a print publication to retired employees. Employees also have helped fashion more focused and useful interactions with executive management. WEC recognizes employees as an important channel of communication to customers. All messages provided to customers are made available to employees through the intranet and print publications.

Overarching Policies and Management Systems

Practicing the Precautionary Principle. Amid the ongoing scientific research and spirited public discussion, We Energies has followed the precautionary principle as it relates to greenhouse gas (GHG) and mercury emissions. We Energies believes it is appropriate for the United States to create regulatory and institutional mechanisms to stabilize and then reduce GHG emissions. Starting in the early 1990s, We Energies took voluntary actions that have reduced GHG emissions. These include including joint implementation projects in the Czech Republic and Belize that are expected to reduce carbon emissions by more than 2 million metric tons over the next 40 years.

Our renewable energy program has also reduced GHG emissions. Finally, we encourage others to join this precautionary approach, and we support a voluntary emission reduction registry such as that being developed in the state of Wisconsin.

Similarly, our approach to mercury emissions has been to proactively seek reductions. We continue to work with the U.S. Department of Energy and the Electric Power Research Institute (EPRI) on state-of-the-art mercury control technology and other research projects aimed at reducing emissions. We also support reasonable regulations to reduce mercury emissions as part of an integrated air quality strategy.

2002 PERFORMANCE REPORT

Participation in Externally Developed Initiatives

WEC voluntarily participates in several initiatives that help us to continually monitor and improve our performance in various areas. Examples of this include:

- The 2002 Global Reporting Initiative
- The Wisconsin Bird Conservation Initiative in 2001
- ISO 14001, an international environmental management systems standard

WEC embraces the approach outlined by ISO 14001 and has been an industry leader in upgrading our environmental programs to conform with the standard. Because we aim beyond mere regulatory compliance, the ISO 14001 framework for continual improvement provides a consistent approach for WEC as a whole, as well as with individual facilities to change behaviors and improve environmental performance. The standard also supports our desire to integrate environmental issues into our overall business model across all of our operating companies.

We Energies first adopted an ISO 14001-based Environmental Management System (EMS) in 1997 at the Presque Isle Power Plant in Marquette, Michigan. The Pleasant Prairie Power Plant, the largest generating plant in the state of Wisconsin, has also adopted the EMS framework, and other power plants will be developing this system in the next two years. The Presque Isle EMS has been used as a reference and as a source of training materials by the Michigan Department of Environmental Quality, while the Pleasant Prairie Power Plant EMS Handbook has been made publicly available for review on our web site: <http://www.we-energies.com/environment/isoenv.htm>

The EMS frameworks at both plants have also been formally recognized as a keystone for participating in state regulatory innovation programs in Wisconsin and Michigan.

Because our businesses are increasingly complex, and because our customers and communities continue to expect more from us, it is important that we continually improve our environmental performance. EMS frameworks help us to do that. They also help WEC and other companies support the goals of the U.S. Environmental Protection Agency and state regulatory agencies as we work together toward innovative solutions to environmental issues. A robust, formal EMS can provide the structure that supports state regulatory initiatives, such as the Michigan Clean Corporate Citizen (C3) and the Wisconsin Environmental Cooperative Agreement program.

Principal Memberships

WEC counts the following among its principal memberships in industry, business, and other associations and organizations:

- American Gas Association
- Association of Edison Illuminating Companies
- Corporate Executive Board
- Edison Electric Institute
- Electric Power Research Institute
- Energy Center of Wisconsin
- Forward Wisconsin
- Metropolitan Milwaukee Association of Commerce
- Michigan Electric and Gas Association
- Public Policy Forum
- Wisconsin Utilities Association
- Other Chambers of Commerce and business associations throughout the We Energies service territory in Wisconsin and Michigan.

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Supply Chain Cost Management Initiative

Our Supply Chain department manages by using the Total Life Cycle (TLC) cost analysis (cradle to grave) technique, which enables us to make the most cost-effective purchasing decisions. We evaluate ownership cost over the lifetime of a product or service, including in the evaluation the cost of not having the product or service available. Elements of the TLC cost analysis include price, maintenance, installation, transportation, storage, service, technical assistance, invoicing, and final disposition (reuse, recycling, or disposal).

We address supplier environmental performance through our supplier audits, using criteria derived from the ISO 14001 guidelines to measure Environmental Management Systems compliance. The We Energies Supplier Environmental Requirements and Certification (Policy Number SRC-31), implemented in June 2000, provides a procedure for Supply Chain to identify environmental requirements and certify suppliers. The objective of the program is to minimize the potential environmental impact of our suppliers' activities and services.

The We Energies Environmental Department and Supply Chain review suppliers using the ISO 14001 standard for management and compliance systems. After we certify suppliers, we include environmental requirements within their contracts with the company, and we review their performance periodically.

Product and Service Stewardship Initiatives

Our key product and stewardship initiatives are listed below and are described in more detail elsewhere in this report.

- **Energy for Tomorrow®** -- See "Renewable Energy and Energy Efficiency" in the Environmental section of this report.
- **Natural Gas Vehicles** – See "Transportation" in the Environmental section of this report.
- **Load Management Initiatives:** Curtailable rate, Interruptible rate, Energy Cooperative, and Voluntary Load Reduction – See "Renewable Energy and Energy Efficiency" (subsection Load Management) in the Environmental section of this report.

2002 PERFORMANCE REPORT

Major Changes in Operations or Locations

Beginning April 2002, the largest utility operations of WEC – Wisconsin Electric Power Company and Wisconsin Gas Company – began doing business as We Energies. Other significant changes include:

2002

- Wisconsin Electric becomes non-transmission owning member and customer of Midwest Independent Transmission System Operator, Inc. (Midwest ISO) – February 2002
- Wisconsin Electric and Wisconsin Gas begin doing business under the trade name of “We Energies” – April 2002
- WICOR Industries completes the acquisition of a manufacturer of water systems pumps – April 2002
- We Energies enters into an agreement with Wisconsin Department of Natural Resources to invest \$400 million to \$600 million to voluntarily reduce emissions from its existing electric generating facilities over the coming decade - September 2002
- We Energies joins the U.S. Environmental Protection Agency’s “Climate Leaders” program – September 2002
- PSCW approves construction of We Power’s two gas-fueled generating units in Port Washington, Wisconsin as part of the *Power the Future* program – December 2002
- Guardian Pipeline completed and placed in service – December 2002
- Wisvest closes on the sale of its ownership interest in two fossil-fueled power plants in the state of Connecticut – December 2002

2001

- Wisconsin Electric Power Company transfers all electric transmission assets to the American Transmission Company (ATC) in exchange for an equity interest in ATC – January 2001
- Guardian Pipeline project receives approval from Federal Energy Regulatory Commission (FERC) – March 2001
- WICOR Industries completes acquisition of a leading manufacturer of spa and jetted tub pumps and fittings – July 2001
- We Power formed to design, permit, construct, and own *Power the Future* power plants – November 2001
- Wisvest exits non-utility electric energy marketing activities – December 2001

2000

- WEC/WICOR merger consummated – April 2000
- WEC announces plans to substantially reduce existing Wispark real estate portfolio and concentrate future real estate efforts in southeast Wisconsin – May 2000
- WEC sells interest in SkyGen to Calpine – June 2000
- WICOR Industries completes acquisition of privately held manufacturer of fiber-wound pressure tanks for water treatment industry – August 2000
- Wisconsin Electric Power Company transfers operating authority of Point Beach Nuclear Plant to Nuclear Management Company (NMC) – August 2000
- WEC announces *Power the Future (PTF)* plan – September 2000
- NMC announces plans to combine operations of Point Beach Nuclear Plant with Kewaunee Nuclear Power Plant, owned by two other participants in NMC – September 2000
- Wisvest agrees to sell two fossil-fueled power plants in Connecticut originally purchased from United Illuminating in April 1999 – December 2000

2002 PERFORMANCE REPORT

1999

- Wisconsin Electric Power Company reaches agreement with several other investor-owned utilities to form Nuclear Management Company (NMC) – February 1999
- WICOR enters into joint venture to construct Guardian Pipeline – March 1999
- Wisvest purchases two fossil-fueled power plants in the state of Connecticut from United Illuminating – April 1999
- WEC and WICOR sign a definitive merger agreement under which WEC will acquire all outstanding shares of WICOR. The transaction had an equity value of approximately \$1.275 billion – June 1999
- Wisconsin Legislature amends non-utility asset cap provisions of Wisconsin's public utility holding company law – October 1999
- Wisvest agrees to build gas-fired peaking plant in Chicago – November 1999

Status of Environmental Systems Certification

We are self-declaring our conformance with the international environmental management system (EMS) standard, ISO 14001, on a facility-by-facility basis.

2002 PERFORMANCE REPORT

Economic Performance

Overview

In general, Wisconsin Energy Corporation (WEC) was pleased with the performance of its core electric and natural gas utility and pump manufacturing operations during 2002.

WEC reported 2002 net income of \$167 million and net earnings of \$1.44 per diluted share, compared with net income of \$219 million and net earnings of \$1.86 per diluted share in 2001. The 2002 results would have been substantially higher if not for a one-time asset valuation charge of \$0.79 per share taken primarily to reflect softness in the market for energy assets and a charge of \$0.09 per share to settle litigation.

Utility earnings were up \$21 million, or almost 8 percent, primarily due to improved electric and natural gas margins, a strong focus on managing financial resources, reduced financing costs, and discontinued amortization of goodwill due to a new accounting standard.

The electric and natural gas utility business recorded revenues of \$2.9 billion. Electric utility revenues totaled \$1.9 billion, up \$43 million from 2001. Several factors drove the improvement: warm summer weather, the full-year impact of an increase in electric prices implemented during 2001 to cover higher fuel and purchased power costs, and a surcharge to recover increased costs for the startup of American Transmission Company. Electric margins increased by \$65 million, or about 5 percent, over the previous year because of the surcharges and warmer summer weather, as well as lower fuel and purchased-power costs. Natural gas utility revenues were \$918 million, \$156 million lower than the \$1.1 billion posted in 2001, because of lower natural gas costs that flow directly through to customers. Margins were \$343 million, which is \$20 million or 6 percent more than 2001 levels, because of colder winter weather.

In 2002, the WICOR Industries pump manufacturing business posted all-time record revenues and net earnings. Annual revenues reached \$685 million, up \$100 million, or 17 percent, over the previous year. Net earnings were \$24 million, an increase of \$14 million, or 40 percent, from the \$10 million reported in 2001. The record-setting performance was driven by growth in the global water systems and pool and spa markets, acquisitions that increased market penetration, new-product rollouts, international expansion, aggressive cost cutting, and discontinued amortization of goodwill and certain intangible assets due to a new accounting standard.

This impressive performance in the face of generally soft economic conditions reflects the soundness of WICOR Industries' business strategy, its success at integrating acquisitions – Vico Products in 2001 and Aermotor in 2002 – and its ability to grow core businesses and penetrate new markets. Given this success, WICOR Industries' short- and long-term prospects appear bright, and WEC remains positive about the business going forward.

With strong 2002 operating performance as a foundation, WEC continued to execute the growth strategy it announced in 2000. As profitability improved, the corporation lowered its risk profile by selling wholesale generation assets and focusing on securing regulatory approval for new Wisconsin-based power plants under the *Power the Future* plan.

To date, WEC has received more than \$1 billion from the sale of non-core assets and has used the proceeds to reduce debt, strengthen the balance sheet, fund growth initiatives – including *Power the Future* – and repurchase common stock. WEC expects to divest additional non-core assets in 2003. The corporation has bought 13 million shares of WEC stock for \$287 million since 2000. During 2002, 2.2 million shares were repurchased for \$52 million.

2002 PERFORMANCE REPORT

Over the last three years, WEC has grown its core electric and natural gas utility businesses, strengthened the pump manufacturing capabilities, cut costs, reduced its debt-to-total-capital ratio to 62.9 percent at the end of 2002 from 65.1 percent in 2001 and, overall, managed operations more effectively. In doing so, WEC has positioned itself for further growth while creating greater value for shareholders.

In 2002, for example, WEC ranked eighth out of 65 utilities nationwide in the Edison Electric Institute Index in total shareholder return – about 15 percent. This is a reflection that investors are recognizing the merits of the growth strategy. The corporation continued to outperform the Standard & Poor's 500 Stock Index and the Dow Jones Utility Average – something it has done since announcement of the growth strategy.

During 2002, WEC made progress implementing its 10-year, \$7 billion *Power the Future* plan to strengthen its electric distribution services, improve existing operations, and add 2,800 megawatts (MW) of fuel-diverse, reasonably priced and environmentally responsible electric power in Wisconsin.

The corporation achieved several *Power the Future* milestones in 2002:

- WEC signed a ground-breaking Memorandum of Understanding with a coalition of public power companies, citizens' organizations and organized labor. The agreement included an innovative lease arrangement that calls for a non-utility subsidiary, We Power, to build the plants – a \$3 billion investment (in 2001 dollars) – and to lease them back to the utility business on a 25-year term for the gas plants and a 30-year term for the coal plants. Management believes the long-term, fixed nature of the lease structure should allow the company to provide affordable energy prices to customers and provide steady cash flow to finance the plants at a reasonable borrowing cost while still providing an appropriate return to shareholders.
- In December 2002, WEC received Public Service Commission of Wisconsin (PSCW) approval for its application to build two gas-fueled, intermediate-load generating plants in Port Washington, Wisconsin. Construction has started. The first plant is expected to be online in time to meet peak summer demand in 2005 and the second online in 2008. With this \$640 million project, WEC is replacing coal-based plants built in the 1930s and 1940s with two modern 545 MW natural-gas-fueled units.
- In November 2002, the PSCW told WEC that it had enough information to begin reviewing the application to add three clean 600 MW coal-fueled base-load generating units at the Oak Creek Power Plant site. Increased clean-coal capacity is essential to keeping energy prices stable, because natural gas prices are volatile and long-term supplies are uncertain. Technical and public hearings have been concluded, and a final decision is expected from the PSCW in November 2003.

WEC believes that *Power the Future* will not only help address the state's growing energy needs but also will benefit the environment, the social fabric of Wisconsin, and the corporation's shareholders.

In 2002, WEC made financial commitments to build on a decades-long tradition of environmental leadership. For example, We Energies agreed to invest approximately \$400 to \$600 million in facility improvements to voluntarily reduce emissions from existing power plants over the next 10 years. The investment is part of \$1.3 billion earmarked in the *Power the Future* plan to improve existing generating facilities. The company also made progress in continually improving the compatibility of its operations with the environment and in being accountable for its activities. For example, the company made a commitment that 5 percent of retail electric sales will come from renewable energy sources such as biomass, wind and solar power by 2011.

2002 PERFORMANCE REPORT

As part of WEC's commitment to customers, the corporation combined its largest electric and natural gas businesses under one entity – We Energies – to provide one contact point for customers. Under the new structure, the corporation continued to achieve synergy savings, improved productivity, and made good on a pledge to supply safe, reliable and reasonably priced energy services.

WEC's coal and natural gas plants performed well in 2002. In addition, the performance of the Point Beach Nuclear Power Plant was strong throughout the year, thanks to plant employees and Nuclear Management Company, which operates the plant. Moreover, We Energies installed more than 200,000 new wireless meter reading devices, implemented outage management improvements, rebuilt 540 miles of overhead lines, and improved facilities. WEC is also investing \$2.7 billion over 10 years under *Power the Future* in 18 new substations, 2,500 miles of new rural lines, 6,000 miles of rebuilt lines, and new control technology. On the natural gas utility side, more than 200 miles of gas main and about 220 miles of new lines were installed throughout the service territory.

Looking ahead, WEC expects to maintain its momentum in 2003 and beyond. Management believes that Wisconsin Energy Corporation today is a stronger, better-focused corporation positioned well for continued growth.

2002 PERFORMANCE REPORT

Economic Performance

Economic and Community Development

Wisconsin Energy Corporation (WEC) and its subsidiaries believe that sustaining and enhancing the economy and community fabric of those areas where it operates is key to success as a corporation and complements the lives of employees and customers. It also makes good business sense, as the corporation can only do as well as the communities it serves. Consequently, WEC is an active participant in economic and community development, with particular emphasis on areas served by the electric and natural gas utility businesses.

Economic Development

Wispark LLC is WEC's primary focal point for economic development, investing in and developing real estate, including business parks, industrial and office buildings, and urban redevelopment projects. Formed in 1987, Wispark's initial purpose was to help create jobs and support tax base growth in the areas surrounding Kenosha and Racine, Wisconsin, which at the time were experiencing significant plant closures and job losses. During the 1990's, Wispark evolved into a full-service, real estate development company.

A total of 12 business parks have been developed by Wispark. These total more than 1,396 hectares (ha), 70 percent of them located in southeastern Wisconsin and the remainder in Illinois, Minnesota, and California. Total office, industrial and commercial space developed exceeds 2.5 million square meters.

One of the earliest and most successful business parks is Lakeview Corporate Park along Interstate 94 in Kenosha County, Wisconsin. Consisting of more than 915 ha, Lakeview has attracted 70 companies since it opened in 1989, including S.C. Johnson, Volkswagen, Snap-On-Tools, Rustoleum, Yamaha, and Jelly Belly. The economic impact of this one development since 1989 has been estimated to be:

- 7,400 regular jobs
- 2,430 construction jobs
- Total salaries paid of \$1.4 billion
- Cumulative indirect benefits of \$2.0 billion
- Personal income tax payments of \$57.9 million
- Property tax payments of \$56.6 million
- Sales and hotel tax payments of \$46.5 million.

Lakeview Corporate Park has been the most successful TIF (tax incremental financing) district in Wisconsin history. Wispark is presently completing development of several other business parks in the surrounding Kenosha and Racine areas that will provide additional economic benefits.

In May 2000, WEC decided to significantly reduce Wispark's real estate holdings as a means to provide capital for the *Power the Future* plan and to reduce debt. Concurrently, Wispark revised its mission "to develop select real estate projects that support the key programs of the core utility businesses and the development efforts of communities within the corporation's utility service territories." To achieve its mission, Wispark is now concentrating its efforts on projects such as "infill" redevelopment within existing urban areas, completion of previously initiated, successful "greenfield" developments, and build-to-suit services of industrial, office and distribution facilities.

2002 PERFORMANCE REPORT

Community Development

Wispark has made several investments that provide both economic and broader community benefits. Since 1990, the company's investments have supported the development of nine urban housing and apartment complexes in Milwaukee, Racine and Kenosha, Wisconsin. These have included such developments as the Historic King Place Apartments on Milwaukee's redeveloping north side and the Library Hill apartments in the heart of downtown Milwaukee. Investments have also been made in developing or restoring retail and commercial properties. An early example was the cleanup and redevelopment of a former Chrysler plant to retail space on the north side of Milwaukee.

An excellent example of community redevelopment investment by Wispark has been Gaslight Pointe on the waterfront in Racine, Wisconsin. This 6 ha former manufactured gas plant site and surrounding area has been restored to include:

- 15 townhomes
- 52 mid-rise condominiums
- A 121-slip marina
- An office building
- A Radisson hotel and adjoining restaurant
- A 308-space parking structure
- An extension of Racine's riverwalk.

Wisconsin Energy Corporation, working through Wispark and other partners, is presently involved in the redevelopment of three properties in the heart of downtown Milwaukee and one property in Racine, Wisconsin. These include:

- **Boston Store**. The restoration of this historic commercial building will maintain downtown Milwaukee's only department store, retain 650 jobs in Saks Regional Headquarters, and create 74 high-quality residential apartments.
- **Matthews Bros. Building**. Loans provided by WEC to the Milwaukee Redevelopment Corporation have allowed this classic office building in Milwaukee's Grand Avenue Mall to be restored. While some floors are already occupied, renovation continues through 2003.
- **Pabst Brewery Site**. With a joint venture partner, Wispark is working to redevelop this historic 9 ha former brewery site into a major office, hotel and retail complex adjoining the west side of downtown Milwaukee. This project is in the planning stages.
- **Western Publishing Building**. Wispark is also a partner in a joint venture to redevelop the former Racine, Wisconsin, corporate offices and production and distribution facilities of Western Publishing Company into a multi-use facility.

Several of these projects qualify for low-cost state or local financing or historical rehabilitation tax credits.

2002 PERFORMANCE REPORT

Economic Performance

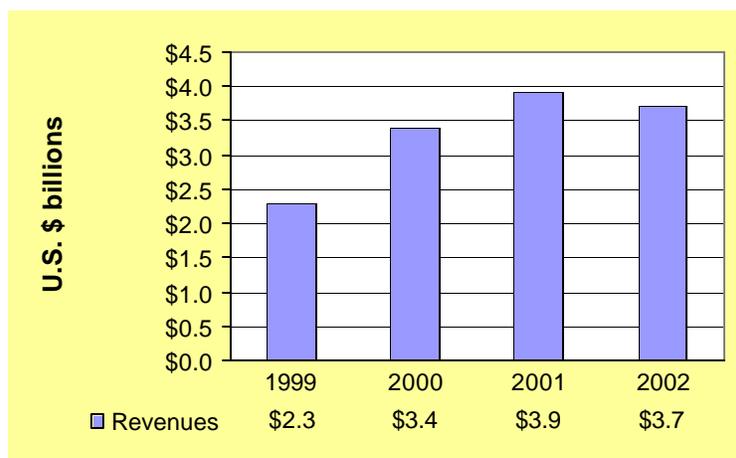
Economic Performance Measures

The following sections describe the performance of Wisconsin Energy Corporation (WEC) against a variety of financial criteria associated with some of its key stakeholders. Where applicable, the following includes information subsequent to the acquisition of WICOR in April 2000.

Operating Revenues

Total operating revenues for WEC increased by \$1.4 billion during the period 1999 through 2002 primarily because of the acquisition of WICOR in 2000. Between 2001 and 2002, however, total operating revenues decreased from \$3.9 billion to \$3.7 billion because of lower gas costs, which flow directly through to natural gas utility customers, and because of reduced non-utility energy segment operations. These figures primarily represent sales of electricity and natural gas, and worldwide sales of pumps.

WEC Total Operating Revenues, 1999-2002



Retained Earnings

Due to higher net income and lower dividend payments on common stock, retained earnings have increased about 19 percent from 1999 through 2002.

WEC Retained Earnings (U.S. \$ millions), 1999-2002

Retained Earnings – 1/1/1999	\$1,144.1
Net Income – 1999	209.0
Dividends – 1999	(182.3)
Retained Earnings – 12/31/1999	\$1,170.8
Net Income – 2000	154.2
Dividends – 2000	(165.3)
Retained Earnings – 12/31/2000	\$1,159.7
Net Income – 2001	219.0
Dividends – 2001	(93.8)
Retained Earnings – 12/31/2001	\$1,284.9
Net Income – 2002	167.0
Dividends – 2002	(92.4)
Retained Earnings – 12/31/2002	\$1,359.5

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Distributions to Capital Providers

In addition to cash from operations, WEC obtains capital through the issuance of debt and equity securities. WEC made the following distributions to capital providers in each of the four years ending in 2002. Interest paid includes financing costs associated with the acquisition of WICOR in April 2000. In September 2000, WEC reduced its quarterly dividend on common stock from \$0.39 per share to \$0.20 per share.

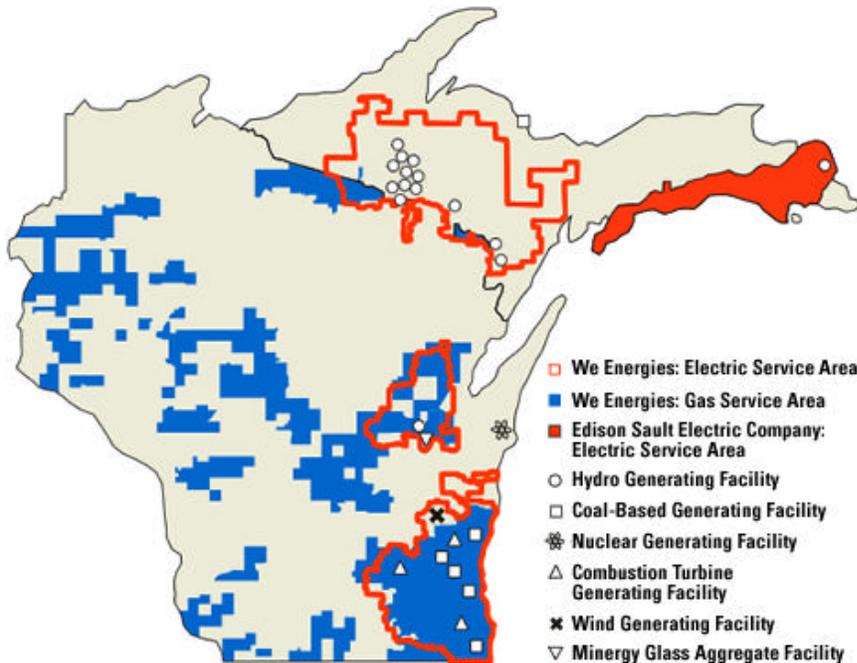
WEC Distributions to Capital Providers (U.S. \$ millions), 1999-2002

	2002	2001	2000	1999
Interest paid	\$235.6	\$228.3	\$223.6	\$156.1
Dividends paid on common stock	\$92.4	\$93.8	\$165.3	\$182.3

The following information pertains only to the utility operations of WEC (primarily We Energies) and the Delavan, Wisconsin, operations of Sta-Rite Industries, Inc., the principal pump manufacturing subsidiary of WICOR Industries. Corresponding information for other WEC subsidiaries was not available (n/a) for this report. The utilities and Sta-Rite, Delavan account for more than 80 percent of WEC's total operating revenues.

WEC Utility Service Areas, Generation and Other Facilities

WEC's utilities operate throughout the state of Wisconsin and in the upper peninsula of Michigan:



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Payroll and Benefits

Following is a summary of wage and benefit costs for the utility operations of WEC – We Energies and Edison Sault Electric. The 2000 figures include wages and benefits after the April 2000 acquisition of WICOR. Year 2001 reflects the transfer of 410 employees to Nuclear Management Co. and American Transmission Co. The 2002 figures also include a summary of wage and benefit costs for Sta-Rite, Delavan operations.

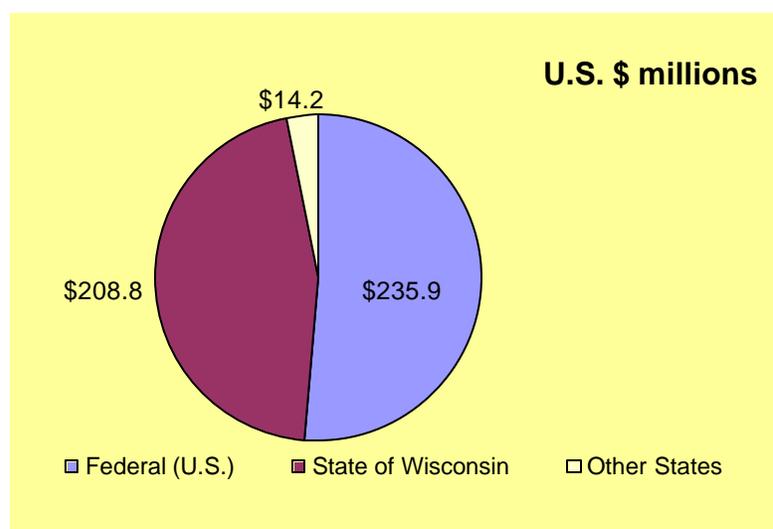
Utility Companies and Sta-Rite, Delavan Summary of Wages & Benefits (U.S. \$ millions), 1999-2002

	2002	2001	2000	1999
Utility	\$545.6	\$513.9	\$549.3	\$445.5
Sta-Rite, Delavan	58.1	n/a	n/a	n/a
Total	\$603.7	\$513.9	\$549.3	\$445.5

Taxes Paid

WEC's utility and Sta-Rite's Wisconsin operations paid \$458.9 million of total taxes during 2002, including income, payroll, sales and other taxes. The table below provides further information about these tax payments by jurisdiction.

Utility Companies and Sta-Rite, Delavan Summary of 2002 Taxes Paid



Cost of Goods, Materials and Services

We Energies' payments are broken down by fuel, purchased power, and non-fuel. Fuel includes all purchases of coal, natural gas, oil and nuclear used in power production. Purchased power includes energy purchased on the wholesale market to assure adequate supplies of power. Non-fuel includes all other goods, materials and services. Segmented data was not readily available for years prior to 2000.

We Energies Cost of Purchased Goods, Materials and Services (U.S. \$ millions), 2000-2002

	2002	2001	2000
Non-Fuel	\$653.6	\$652.4	\$540.6
Fuel	261.9	289.6	305.1
Purchased Power	217.9	200.4	170.2
Total	\$1,133.4	\$1,142.4	\$1,015.9

*2001 includes impact of integration of Wisconsin Electric Power Company and Wisconsin Gas Company following the acquisition of WICOR by WEC.

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For Sta-Rite, Delavan:

Sta-Rite, Delavan Cost of Purchased Goods, Materials and Services (U.S. \$ millions), 2000-2002

	2002	2001	2000
Payments	160.0	141.0	125.0

The table below includes not only the cost of purchased goods, materials and services but also all other costs such as employee benefits, interest expense, request for checks, taxes, etc. We Energies' total payments have increased consistently over the reporting period, and wire payments continue to increase as a percentage of total payments.

We Energies Total Payments (U.S. \$ millions), 1999-2002

	2002	2001	2000	1999
Check Payments	\$894.1	\$1,020.0	\$920.2	\$1,166.7
Wire Payments	2,275.0	1,889.5	1,283.9	1,270.0
Total	\$3,169.1	\$2,909.5	\$2,204.1	\$2,436.7

*2001 includes impact of integration of Wisconsin Electric Power Company and Wisconsin Gas Company following the acquisition of WICOR by WEC.

Contract Payments

Payments are made according to contract terms from the date an invoice is received. Invoice terms at We Energies are generally net 30 days, but can vary with specific agreements.

We Energies Contracts Paid According to Terms, 2000-2002

	2002	2001	2000
Total # of Invoices Paid	140,338	138,039	128,845
# of Invoices Paid Late	12,269	15,987	11,000
# of Invoices Paid According to Terms	128,069	122,052	117,845
% Invoices Paid Late	8.7%	11.6%	8.5%
% Invoices Paid According to Terms	91.3%	88.4%	91.5%

In 2002, Sta-Rite, Delavan, paid 99.5 percent of all contracts according to terms, generally net 30 days. There was no information available for previous years.

Suppliers

We Energies' suppliers are located predominantly in the United States and Canada. No single supplier represents 10 percent or more of total purchases. The table below shows where all payments, including those to suppliers, were sent.

We Energies Payments by Country (U.S. \$ millions), 2000-2002

Country	2002	2001	2000
United States	\$3,118.6	\$2,759.6	\$2,153.1
Canada	\$50.5	\$149.7	\$50.8
Other	\$ -	\$0.2	\$0.2
Total	\$3,169.1	\$2,909.5	\$2,204.1

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At Sta-Rite, since this report focuses only on the Delavan operations, the following table reflects those suppliers that represent 10 percent or more of all purchases.

Sta-Rite, Delavan Supplier Information (U.S. \$ millions), 2000-2002

	2002	2001	2000
Total	\$160.0	\$141.0	\$125.0
Purchases from Suppliers within a 50 mile radius of Corporate Headquarters	\$ 40.0	\$ 38.0	\$ 36.0
Suppliers representing 10% or more of total purchases	AO Smith, Milwaukee, WI Franklin Electric, Bluffton, IN	AO Smith, Milwaukee, WI Franklin Electric, Bluffton, IN	AO Smith, Milwaukee, WI Franklin Electric, Bluffton, IN

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Financial Highlights (a)

The following table summarizes financial results for WEC for 1999 to 2002.

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(Millions of U.S. Dollars, Except Financial Ratios and Other Data)			
FINANCIAL DATA				
Operating Revenues By Operating Segment				
Utility energy	\$2,852.1	\$2,964.8	\$2,556.7	\$2,050.2
Manufacturing	685.2	585.1	382.2	-
Non-utility energy	167.2	337.3	372.8	193.2
Other	31.7	41.3	51.0	29.2
Total Operating Revenues	\$3,736.2	\$3,928.5	\$3,362.7	\$2,272.6
Operating Revenues By Geographic Region				
Domestic	\$3,558.6	\$3,788.3	\$3,274.6	\$2,272.6
International (all manufacturing)	177.6	140.2	88.1	-
Total Operating Revenues	\$3,736.2	\$3,928.5	\$3,362.7	\$2,272.6
Gross Margin By Operating Segment				
Utility energy	\$1,780.5	\$1,695.9	\$1,556.5	\$1,417.3
Manufacturing	172.0	157.1	107.7	-
Non-utility energy	69.8	115.6	88.7	64.0
Other	31.7	41.3	51.0	29.2
Total Gross Margin	\$2,054.0	\$2,009.9	\$1,803.9	\$1,510.5
Operating Income By Operating Segment				
Utility energy	\$562.1	\$534.9	\$419.1	\$455.2
Manufacturing	56.2	41.1	32.5	-
Non-utility energy (b)	(132.0)	36.2	1.8	19.7
Other (b)	(28.3)	(7.3)	(8.5)	1.2
Total Operating Income	\$458.0	\$604.9	\$444.9	\$476.1
Earnings Before Interest and Taxes (b)	\$493.9	\$603.9	\$523.6	\$468.4
Net Income By Operating Segment				
Utility energy	\$295.2	\$274.4	\$160.0	\$216.0
Manufacturing	24.0	9.7	7.5	-
Non-utility energy (b)	(94.4)	18.7	39.4	2.7
Other (b)	(57.8)	(83.8)	(52.7)	(9.7)
Net Income	\$167.0	\$219.0	\$154.2	\$209.0
Cash Provided by Operating Activities	\$711.3	\$570.6	\$461.0	\$306.9
Capital Expenditures By Operating Segment				
Utility energy	\$405.4	\$428.7	\$400.0	\$356.7
Manufacturing	15.0	27.1	20.3	-
Non-utility energy	92.7	127.7	107.7	43.0
Other	43.7	89.0	83.0	118.4
Total Capital Expenditures	\$556.8	\$672.5	\$611.0	\$518.1
Income Taxes Paid (Net of Refunds)	\$90.9	\$166.8	\$82.4	\$114.9
Assets – End of Year				
Utility energy	\$6,719.5	\$6,423.9	\$6,526.5	\$4,975.3
Manufacturing	924.5	907.9	850.2	-
Non-utility energy	348.7	649.0	597.9	640.9
Other	372.2	347.9	431.5	445.6
Total Assets	\$8,364.9	\$8,328.7	\$8,406.1	\$6,061.8

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	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
(Millions of U.S. Dollars, Except Financial Ratios and Other Data)				
Capitalization Ratios – End of Year				
Common Equity	33.5%	31.4%	31.4%	40.6%
Preferred Securities	3.6%	3.5%	3.6%	4.6%
Long-Term Debt (including current maturities)	48.0%	56.7%	43.4%	44.5%
Short-Term Debt	14.9%	8.4%	21.6%	10.3%
Total Capitalization	100.0%	100.0%	100.0%	100.0%

Debt – End of Year (includes short-term debt, long-term debt, and current maturities of long-term debt)	\$4,023.9	\$4,272.0	\$4,174.2	\$2,711.2
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Debt Ratings – End of Year (c)	<u>Notes</u>	<u>Bonds</u>	<u>Notes</u>	<u>Bonds</u>	<u>Notes</u>	<u>Bonds</u>	<u>Notes</u>	<u>Bonds</u>
Moody's	A2	Aa2	A2	Aa2	-	Aa2	-	Aa2
Standard & Poors	A-	A	A-	A	-	AA-	-	AA+
Fitch	A	AA	A+	AA	-	AA	-	AA

COMMON EQUITY DATA

Diluted Earnings per Share of Common Stock (b)	\$1.44	\$1.86	\$1.27	\$1.79
Return on Average Common Equity	8.1%	10.7%	7.5%	10.7%
Dividends per Share of Common Stock	\$0.80	\$0.80	\$1.37	\$1.56
Payout Ratio (calculated using the annualized current quarterly dividend and EPS for the 12 month period)	55.6%	43.0%	63.0%	87.3%
Common Stock Price per Share – End of Year Close	\$25.20	\$22.56	\$22.56	\$19.25
Price Earnings Ratio	17.5	12.1	17.8	10.8
Book Value per Share of Common Stock – End of Year	\$18.40	\$17.70	\$17.00	\$16.89
Average Diluted Common Shares Outstanding (millions)	116.3	117.9	121.2	117.0

- (a) Where applicable, reflects the operations of Wisconsin Gas Company and the manufacturing segment subsequent to WEC's acquisition of WICOR, Inc. on April 26, 2000.
- (b) During the first quarter of 2002, WEC recorded a \$141.5 million impairment charge (\$92.0 million after tax or \$0.79 per diluted share) related to the value of non-utility assets held for sale (primarily non-utility energy assets).
- (c) Senior debt ratings: WEC senior unsecured Notes first issued in 2001 and Wisconsin Electric Power Company first mortgage Bonds. Subsequent to the end of 2002, all three agencies lowered the company's debt ratings. In March 2003, Standard and Poors lowered its ratings on WEC's Notes from A- to BBB+ and on Wisconsin Electric's Bonds from A to A-. In October 2003, Moody's lowered its ratings on WEC's Notes from A2 to A3 and on Wisconsin Electric's Bonds from Aa2 to Aa3. Also in October 2003, Fitch lowered its ratings on WEC's Notes from A to A- and on Wisconsin Electric's Bonds from AA to AA-.

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ENVIRONMENTAL PERFORMANCE

Air Emissions

Power plants and industrial processes that burn fossil fuels, like coal, fuel oil or natural gas, emit various substances to the air. The amounts, rates and types of emissions depend largely on the characteristics of the fuel. The principal fossil fuels used by Wisconsin Energy Corporation (WEC) and its subsidiaries are bituminous and sub-bituminous coal, natural gas, fuel oil and petroleum coke. (For more information, see the “Energy Use” section of this report.)

WEC’s subsidiary, Wisconsin Electric Power Company (doing business under the trade name We Energies) operates its power plants in compliance with its air quality permits and as cleanly and efficiently as possible. By using state-of-the-art emission control technologies (baghouses, low nitrogen oxide burners, selective catalytic reactors), We Energies continues to reduce air emissions significantly. Similarly, Edison Sault Electric, Minergy and Sta-Rite Industries comply with all state and federal regulations, and continually seek to reduce emissions by optimizing fuel use and process improvements.

State and federal regulations govern emissions of nitrogen oxides (NO_x), sulfur dioxide (SO₂), volatile organic compounds (VOCs), and particulate matter (small particles that come directly from the burning of fuel). Under the Clean Air Act, enforced by the U.S. Environmental Protection Agency (EPA) and state agencies, emissions of these pollutants are regulated to attain the National Ambient Air Quality Standards. These standards are designed to protect public health (respiratory impacts), with “an adequate margin of safety,” as well as to protect public welfare (aesthetics, visibility). All We Energies fossil-fueled power plants and the Minergy Glass Aggregate Plant in Neenah, Wisconsin, operate under permits issued by the Wisconsin Department of Natural Resources (WDNR) or the Michigan Department of Environmental Quality (MDEQ). Sta-Rite Industries’ Wisconsin facility uses natural gas in its manufacturing processes and its air emissions are regulated by EPA and WDNR regulations.

Nitrogen oxide (NO_x) emissions contribute to ground-level ozone (smog), acid rain, and secondary particulate matter (tiny particles that form in the atmosphere through complex chemical reactions involving sunlight, SO₂, NO_x and volatile organic compounds, or VOCs). Ozone and particulate matter may contribute to respiratory or aesthetic impacts. Sulfur dioxide also contributes to the formation of acid rain, secondary particulate matter, and smog. Volatile organic compounds (VOCs) originate from paints and solvents used for printing, painting, dry-cleaning, industrial cleaning and other applications. They contribute to the formation of secondary particulate matter and ozone.

Besides regulating these pollutants, the EPA has established air quality standards for secondary particulate matter. However, the EPA has not yet proposed specific regulations to limit emissions that form these particles.

A complex issue faced by We Energies and operators of other large air emissions sources is the array of technical and regulatory issues under the EPA’s New Source Review (NSR) regulations. A key question under these rules is what constitutes routine maintenance of a power plant and what constitutes a major modification that would come under the NSR rules. We Energies signed a proposed consent decree (EPA agreement) in early 2003 with the EPA, U.S. Department of Justice and the State of Michigan to resolve NSR uncertainties. Under the agreement, We Energies will reduce SO₂ and NO_x emissions by more than 65 percent from its coal-fueled power plants in Wisconsin and Michigan. (For more information on this issue, see the *Environmental Compliance* section of this report.)

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Emission Summaries

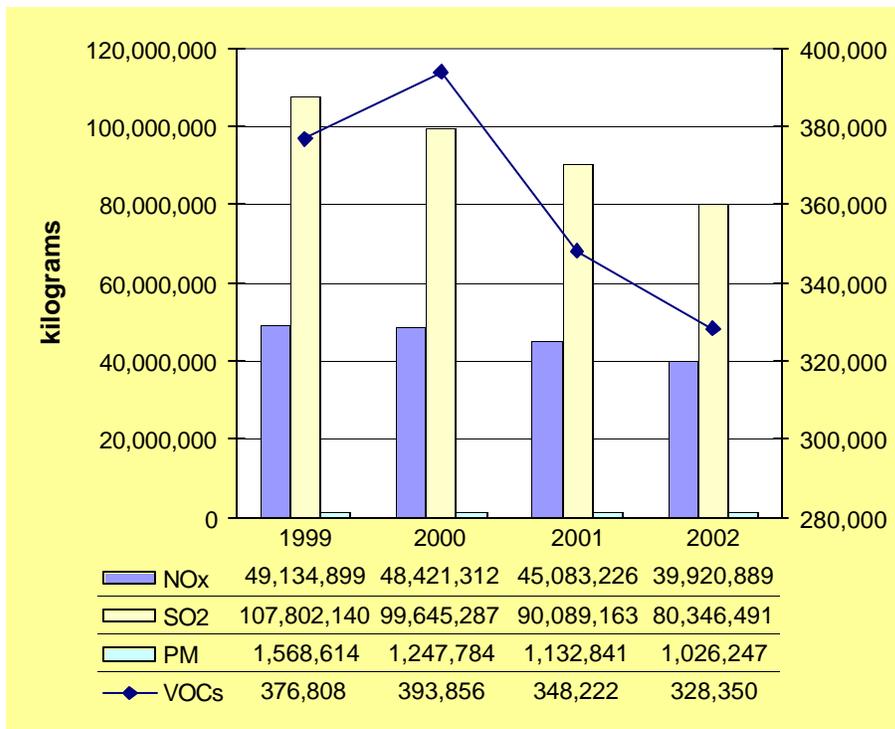
The tables and charts below summarize emissions of NO_x, primary particulate matter, SO₂, and volatile organic compounds (VOCs) from 1999 through 2002 from We Energies, Minergy and Sta-Rite Industries (Wisconsin facility only). Data for the Wisvest power plants in Connecticut were included in our 2001 Performance Report but are not included here because WEC sold those plants during 2002.

Changes in fuel and emission controls by We Energies reduced both the total emissions and the emission rates for SO₂ and NO_x during 2002. Purchasing a lower sulfur content coal for the Oak Creek Power Plant (OCPP) was the most significant factor that reduced SO₂ emissions by the company. Installation of low NO_x burners and neural network boiler combustion control systems were the primary factors that reduced NO_x emissions. The new boiler combustion control systems also contributed to reduced VOCs by enhancing the coal combustion process in the boilers.

Overall utilization of Minergy's glass aggregate plant increased during 2002, and this is reflected in the increased mass of NO_x emissions. The plant modified its fuel mix, using less natural gas and substituting an equivalent energy value from coal. This was complemented by the installation of a scrubber in May 2001, and this reduced both the overall mass and rate of SO₂ emissions. A collateral benefit of the scrubber was a lower rate of particulate emissions.

Sta-Rite's manufacturing plant in Delavan, Wisconsin uses natural gas for heating, curing ovens for powder coating, drying ovens, chemical heating, and tank molding and curing. These activities release some compounds classified as hazardous air pollutants. Other compounds are released during parts washing and drying processes. Whenever possible, Sta-Rite strives to substitute compounds and change processes to minimize these emissions. The plant complies with both WDNR and EPA emission control and annual reporting requirements.

We Energies Air Emissions, 1999-2002



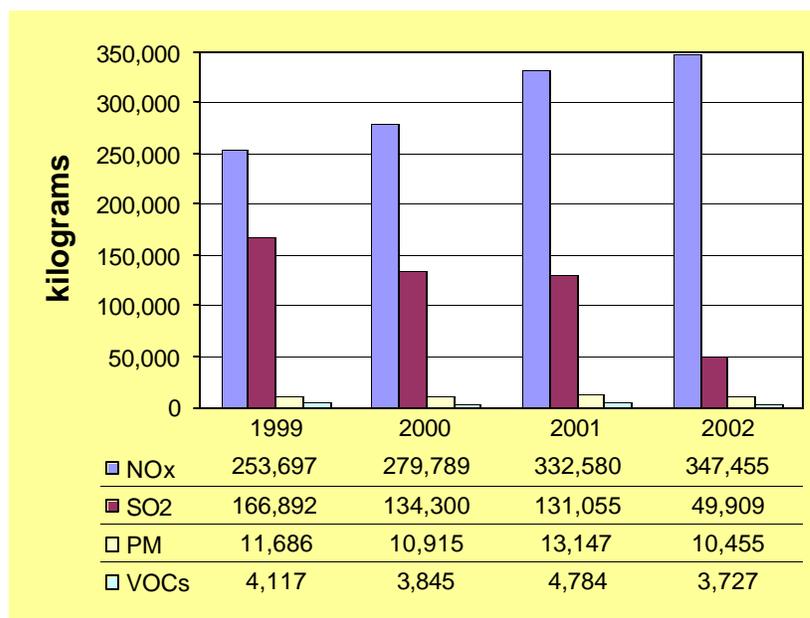
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We Energies Air Emissions Rates, 1999-2002

Year	Emission	megawatt-hours ¹	kg/MWhr
2002	NO _x	18,513,197	2.16
	PM		0.055
	SO ₂		4.34
	VOCs		0.018
2001	NO _x	19,711,520	2.29
	PM		0.06
	SO ₂		4.57
	VOCs		0.02
2000	NO _x	20,999,179	2.31
	PM		0.06
	SO ₂		4.75
	VOCs		0.02
1999	NO _x	20,345,393	2.42
	PM		0.08
	SO ₂		5.30
	VOCs		0.02
Four Year Average	NO_x	19,892,322	2.29
	PM		0.06
	SO₂		4.75
	VOCs		0.02

1. Net megawatt-hours from We Energies fossil fueled generation. kg/MWhr is that amount of emissions on a normalized basis per unit of generation.

Minergy Air Emissions, 1999-2002



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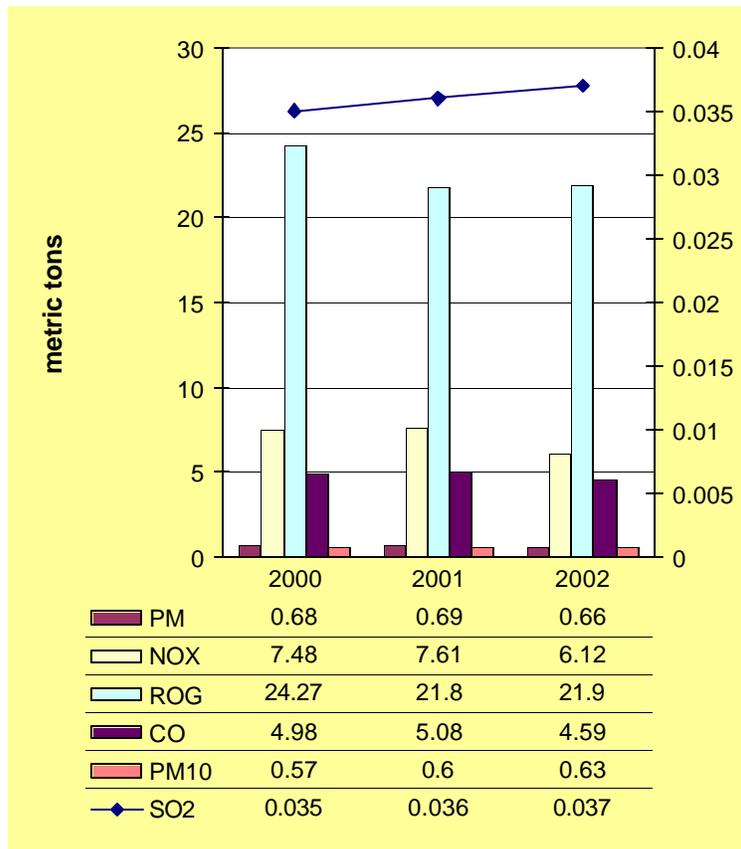
Minergy Air Emissions, 1999-2002

Year	Emission	megawatt-hours ¹	kg/MWhr
2002	NO _x	124,817	2.78
	PM		0.08
	SO ₂		0.40
	VOCs		0.03
2001	NO _x	120,678	2.76
	PM		0.11
	SO ₂		1.09
	VOCs		0.04
2000	NO _x	106,281	2.63
	PM		0.10
	SO ₂		1.26
	VOCs		0.04
1999	NO _x	101,180	2.51
	PM		0.12
	SO ₂		1.65
	VOCs		0.04
Four Year Average	NO_x	113,239	2.64
	PM		0.11
	SO₂		1.32
	VOCs		0.04

1. The Minergy Glass Aggregate Plant megawatt-hours include the electricity generated directly by the plant and the electric value equivalent of the steam sent to an adjacent paper mill.

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Sta-Rite, Delavan Air Emissions, 2000-2002



1. Higher emission values for the 2002 calendar year reflect differences in characterizing in-plant emission sources and subsequent calculations based on discussions with the WDNR.
2. ROG = Reactive organic gases that are released from painting, coating and heat treating operations.

Wisvest’s Calumet electric generating facility near Chicago was completed and became available during 2002. It operated a very limited number of hours during the year, and consequently the emissions from this gas turbine facility were minimal and are not presented in this report. Emissions data will be reported in future years as this facility begins to operate on a regular basis.

Greenhouse Gases

For information on our emissions of greenhouse gases and WEC’s programs to reduce them, see the “Greenhouse Gases” section of this report.

Mercury

Mercury is naturally present in trace amounts in coal and crude oil. The refining process removes most of the mercury in crude oil. However, when coal is burned, small amounts of the mercury are released and can be carried long distances in the atmosphere, for up to a year, before they fall back to the Earth. Depending on the form of the mercury emitted by coal-fueled power plants (one or more of three forms: elemental, oxidized, particle-bound), the mercury deposited in some lakes is converted to an organic form (primarily methyl-mercury) and can accumulate in fish. Recent studies estimate that less than five percent of mercury deposited in Wisconsin’s waters comes from all the coal-burning

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facilities in the state, including from the We Energies system. This means that less than one percent of the mercury in Wisconsin's fish population comes from We Energies' power plants.

To reduce the amount of mercury entering the environment, in 2001 the WDNR proposed new mercury emission limits for coal-fueled power plants and other large mercury emitters in Wisconsin. The WDNR issued final rules in early 2003. These new limits are currently under review by the Wisconsin Legislature. Meanwhile, the EPA is developing a federal mercury emission standard for all coal-fueled power plants. The EPA expects to propose rules by December 2003 and adopt final rules by December 2004. WEC believes reasonable controls to reduce mercury emissions are appropriate, especially as part of an integrated air quality strategy that also reduces SO₂, NO_x and greenhouse gases. We Energies supports air regulations that help protect human health and ecosystems while maintaining low-cost, safe and reliable electric service. Consequently, in September 2002 We Energies voluntarily committed to reduce its mercury emissions by 50 percent during the next ten years under the Multi-Emission Cooperative Agreement (MECA) with the WDNR.

We Energies also continued its collaboration with the U.S. Department of Energy (DOE), EPA, Electric Power Research Institute (EPRI) and ADA-Environmental Services (ADA-ES) to evaluate a variety of mercury control technologies including sorbent injection at our Pleasant Prairie Power Plant (P4). This testing is critical because control measures for power plants such as P4 that burn low-sulfur, western coals are likely to be problematic. Initial results announced in January 2002 indicated that activated carbon injection at plants such as P4 can reduce mercury emissions by 60 to 70 percent under some conditions. However, the activated carbon renders the fly ash unsuitable for use in concrete. Almost all of P4's fly ash is currently sold for use in concrete.

In 2002, We Energies was informed that its proposal to the DOE to conduct a full-scale demonstration project utilizing EPRI's patented TOXECON mercury removal process at our Presque Isle Power Plant in Michigan was selected. This is a \$50 million project as part of the company's participation in the Clean Coal Initiative. Negotiations for a final agreement among DOE, We Energies and other partners on the project are proceeding. Formal work on this project is expected to start in 2004. This project aims to integrate power plant combustion and emission control processes in order to:

- Demonstrate mercury emissions reductions as high as 90 percent.
- Develop a reliable Continuous Emissions Monitoring System (CEMS) for mercury.
- Collect particulate matter more efficiently, especially during "upset" conditions.
- Determine whether sorbent injection can reduce SO₂ emissions by 70 percent while also optimizing control of NO_x emissions.
- Recover at least 90 percent of mercury captured in ash.
- Beneficially use 100 percent of the coal combustion products.

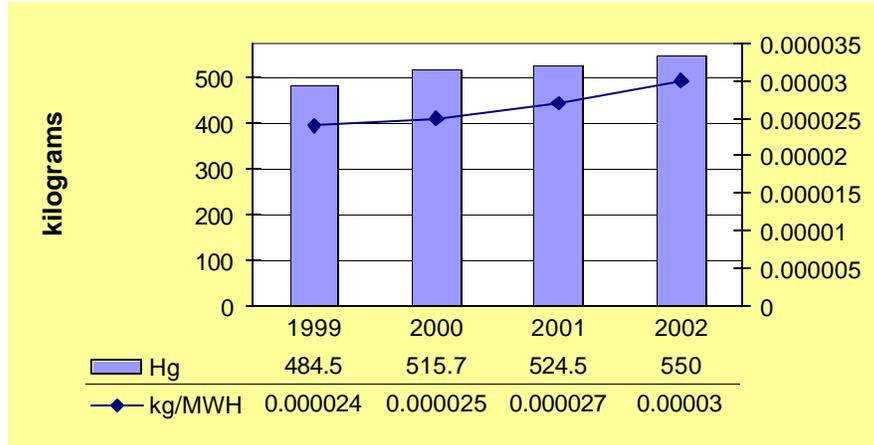
In addition to all this, We Energies continued during 2002 to research other mercury control technologies and advocate reasonable regulatory approaches to reducing mercury emissions from power plants.

During 2002, both the total mass and emission rate of mercury by We Energies increased. The Oak Creek Power Plant (OCPP) switched to 100 percent very low sulfur coal from the Powder River Basin in Wyoming. In previous years, OCPP burned a blend of low sulfur western coal and higher sulfur eastern coal. This new low sulfur coal resulted in lower SO₂ emissions; however, the retention of mercury in the ash declined from approximately 79 percent to 27 percent. Consequently, the air emission fraction of mercury increased. The 2002 increase in air emissions of mercury is not indicative of long-term commitments by the company. In September 2002, We Energies signed the

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Multi-Emission Cooperative Agreement which included a commitment to reduce mercury air emissions from its fleet of coal fueled power plants by 50 percent within 10 years.

We Energies Mercury Emissions, 1999-2002



NOTE: Net megawatt-hours from our fossil fueled generating stations.

Minergy's Glass Aggregate Facility in Neenah, Wisconsin, emitted 4.45 kg of mercury to the atmosphere during 2002. Sta-Rite's Delavan facility emitted no mercury during 2002.

Toxics Release Inventory Air Releases

We Energies has submitted Toxics Release Inventory (TRI) reports to the U.S. Environmental Protection Agency (EPA) since July 1999, the first year electric utilities were required to submit such information under §313 of the Emergency Planning and Community Right-to-Know Act. While there are about 650 chemicals on the EPA's TRI list, the company's power plants only releases to the air about 14 of the listed chemicals, chiefly hydrochloric and sulfuric acid and hydrogen fluoride.

We Energies' annual reported TRI releases to the air have decreased from more than 3 million kilograms in 1999 to about 1.3 million kilograms in 2002, mainly because the company changed the kind of coal burned at certain power plants and because these emissions are now measured more accurately. The total air emissions previously reported for 2000 and 2001 have been updated in the diagram and table below for We Energies, having changed slightly from the 2001 WEC Performance Report due to corrections in emissions factors for one compound for some of the plants. In general, certain TRI releases fluctuate based on the chemical composition of the coal burned. We Energies is taking steps to further reduce TRI air emissions and provide more accurate emissions estimates. They include:

- Upgrading electrostatic precipitators to capture finer particulate emissions
- Installing fabric filter baghouses
- Improving continuous emission monitoring systems
- Enhancing fuel sampling and analysis
- Enhancing stack emissions testing.

Wisconsin Energy Corporation's Minergy facility's primary TRI emissions are hydrochloric acid and hydrogen fluoride from fossil fuel combustion, sludge drying and aggregate production processes. Its overall TRI emissions have decreased during the past four years.

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Minergy TRI Releases to Air, 1999-2002 (kilograms)

	2002	2001	2000	1999
TRI Air Releases	5,425	39,251	32,414	87,570

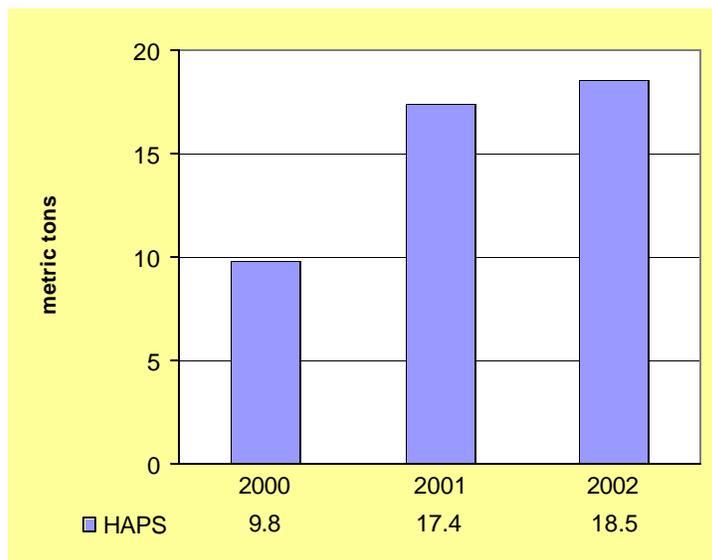
Although the Sta-Rite, Delavan facility did not have any reportable TRI releases in 2002, it did have reportable emissions of trichloroethylene (TCE) in 2001.

For information on TRI releases to land and water, see the “Waste Management” and “Water Effluents” sections of this report.

Hazardous Air Pollutants Releases

Sta-Rite's Delavan manufacturing facility released several regulated hazardous air pollutants (HAPS) in 2002. These emissions originate from the evaporation of solvents, paints, coatings and chemicals in powder coat curing ovens, drying ovens, parts washers and tank molding processes. HAPS are regulated by state and federal agencies, and Sta-Rite reported annual emissions to the WDNR. The Sta-Rite facility is in compliance with all state and federal requirements. Emission of HAPS from the Delavan facility fluctuate from year to year based on production demand, forecasted sales, demand for specific product or introduction of new products. Sta-Rite is actively exploring the use of an ultrasonic welding process and a modification in painting operations. If adopted, these changes would significantly reduce of use of materials that contribute to HAPS emissions.

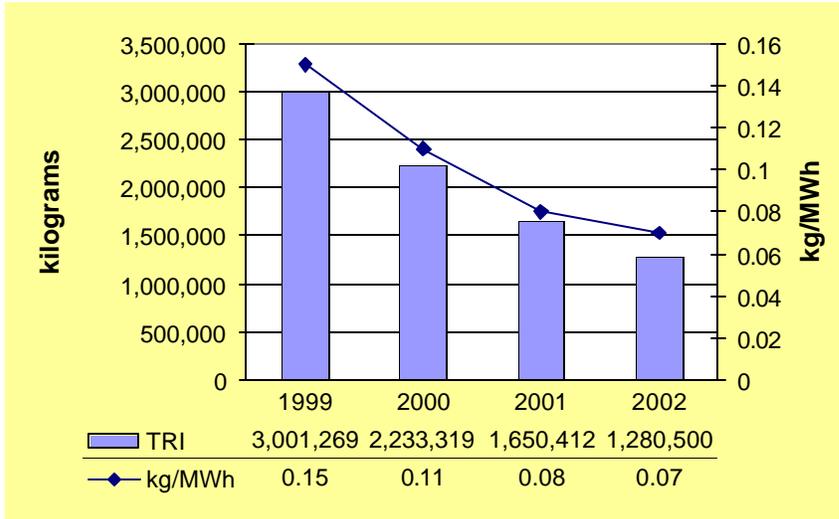
Sta-Rite, Delavan Hazardous Air Pollutants, 2000-2002



1. The levels of HAPS are in compliance with state and federal regulations.
2. Includes all HAPS reported above the 45 kg regulatory reporting requirement

2002 PERFORMANCE REPORT

We Energies TRI Air Emissions, 1999-2002



NOTE: We Energies TRI air releases include: hydrochloric and sulfuric acid, hydrogen fluoride; benzo(ghi)perylene; and barium, chromium, copper, lead, manganese, mercury, nickel, polycyclic-aromatic, thallium, vanadium and zinc compounds.

Integrated Air Quality Strategy

WEC and its subsidiaries follow an integrated, multi-emission air quality strategy to address the many air quality issues (acid rain, climate change, mercury, ozone non-attainment, regional haze, New Source Review) that confront electric utilities and manufacturers. The corporation has taken a proactive and collaborative approach to reduce air emissions.

In June 2000, We Energies and the WDNR, in collaboration with state, regional and national environmental groups, submitted the first multi-emission proposal under the EPA's Project XL (eXcellence & Leadership) Pilot Program. The EPA did not act on this proposal, so in November 2001, the proposal was re-submitted under the WDNR's Environmental Cooperative Agreement Pilot Program. The resulting Multi-Emission Cooperative Agreement (MECA) was signed on September 30, 2002 and voluntarily commits We Energies to significant reductions in emissions from its Wisconsin coal-fueled power plants over the next 10 years.

In April 2003, We Energies signed a proposed consent decree with the EPA, United States Department of Justice, and the State of Michigan that will address the company's New Source Review uncertainty and will reduce emissions at the Wisconsin and Michigan coal-fueled power plants. Specifically, under these two agreements, We Energies will reduce:

- SO₂ and NO_x emissions more than 65 percent
- Mercury emissions by 50 percent.

We Energies will achieve these reductions by investing in emission control equipment, changing its fuel mix, and re-powering some existing power plants. Capital improvements will include the installation of selective catalytic reactor (SCR) systems, flue gas desulfurization units (scrubbers) and other advanced control technologies. These reductions will decrease the company's contributions to ground-level ozone, secondary particulate matter, regional haze, acid rain, and mercury deposition. We Energies also will participate in the WDNR's Voluntary Emissions Reduction Registry for greenhouse gases and other air emissions. This comprehensive and integrated approach will enable the company to proceed confidently with plans to maintain and improve the efficiency of its power plants, while continuing to improve air quality. We Energies plans to spend approximately \$600

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million in capital improvements and an additional \$30 to \$50 million per year to operate and maintain the equipment. These expenditures are consistent with the *Power the Future* proposal to invest \$1.3 billion to upgrade We Energies existing power plants.

We Energies also has supported innovative regulatory approaches with two related initiatives in Wisconsin and Michigan. Beginning in 1998, the Presque Isle Power Plant in Marquette, Michigan, participated in the MDEQ's Clean Corporate Citizen (C3) program. Participation in this program allowed We Energies to reduce the regulatory decision time necessary to make air quality and other system improvements. This has included expedited review times for the testing of new technologies, including the TOXECON mercury demonstration project. As a result of the consent agreement with the EPA described above, We Energies participation in the C3 program ended in July 2003.

In February 2001, the Pleasant Prairie Power Plant (P4) became the first facility to participate in the WDNR's Environmental Cooperative Agreement Pilot Program. This agreement has increased regulatory efficiency and has served as a model for both the MECA and subsequent innovation agreements between the WDNR and other companies. One unique aspect of the P4 agreement is the company's regulatory approval to recover ash from former landfills for energy recovery as a boiler fuel and production of new coal combustion products for beneficial use. During 2002, We Energies was recognized for the P4 Agreement, receiving both the *Business Friend of the Environment Award* and the *Governor's Award for Excellence in Environmental Performance*. (Additional information on this aspect of the P4 agreement is described in the "Recovered and Recycled Materials" section.) In both the P4 and Multi-Emission Cooperative Agreements, We Energies has committed to measurable environmental performance improvements, pollution prevention, implementation of ISO14001-based environmental management systems, and stakeholder involvement in return for the opportunity to implement regulatory and technological innovations.

Power the Future

We Energies' multi-emission reduction strategy directly supports WEC's \$7 billion, 10-year *Power the Future* plan. By using a diverse mix of fuels, including coal, the company can reduce the environmental impact of generating electricity and provide reliable, cost-effective power to its customers. The *Power the Future* plan will allow We Energies to:

- Begin to retire old, less efficient coal-fueled power plants and replace that generation with newer, more efficient power plants.
- Maintain fuel diversity with investments in advanced coal power plants and natural gas combined-cycle power plants.
- Increase the company's investment in renewable energy, demand-side management and carbon mitigation.
- Invest \$1.3 billion in upgrades to existing plants to reduce system-wide emissions.

See the "Greenhouse Gases" and "Renewable Energy and Energy Efficiency" sections of this report for more information.

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ENVIRONMENTAL PERFORMANCE

Energy Use

Direct and Indirect Energy Use

Wisconsin Energy Corporation (WEC) uses coal, natural gas, No. 2 fuel-oil, petroleum coke, propane and nuclear fuel to generate electricity at power plants owned and operated by We Energies and Minergy. We Energies also generates electricity from water, wind, biomass and other renewable energy sources. Sta-Rite uses natural gas for heating and for manufacturing processes. (For more information, see the “Renewable Energy and Energy Efficiency” section of this report.)

We Energies’ Milwaukee County, Oak Creek, Pleasant Prairie, Port Washington, Presque Isle, and Valley power plants used 41.4 million metric tons of coal from 1999 to 2002. The plants used a combination of low-sulfur (sub-bituminous and bituminous) coal from the western United States and bituminous coal from the eastern United States. During 2002, about 46 percent of the coal was burned at Pleasant Prairie Power Plant (the largest coal-fueled power plant in Wisconsin) and 28 percent at Oak Creek.

Pleasant Prairie Power Plant continued to burn as a fuel, high-carbon fly and bottom ash from the Milwaukee County, Port Washington, and Valley power plants. In 2002, the plant reburned more than 111,480 metric tons of newly produced ash along with more than 8,200 metric tons of ash recovered from the company’s landfills in Caledonia and Waukesha, Wisconsin. For more information on coal ash recovery and reburn, see the “Recovered and Recycled Materials” section of this report.

Natural gas usage at the We Energies Concord, Germantown, and Paris generating stations decreased from 44 million therms (1 therm equals 100,000 Btu) in 1999 to slightly less than 19 million therms in 2002. This was primarily because of efficiency upgrades, less need for their use as supplemental generation to meet peak demand in the summer, and the increasing cost of natural gas, which makes these units less economical to operate.

The Point Beach Nuclear Plant used from 16,630 to 19,106 kilograms of uranium fuel per year between 1999 and 2002.

The Valley and Presque Isle power plants supplement their coal with petroleum coke. The plants used 121,179 metric tons of “pet coke” in 1999, 135,652 metric tons in 2000, 135,823 metric tons in 2001, and 134,087 metric tons in 2002. Utilization of pet coke will be discontinued in order for the company to achieve future environmental performance goals. The Oak Creek, Port Washington and Valley power plants also have the capability to use small amounts of propane as a back-up fuel for start-up and stabilization. We Energies’ combustion turbine plants also use minor amounts of No. 2 fuel oil during required testing or during natural gas curtailments.

Propane Use by We Energies Plants (liters), 1999-2002

	2002	2001	2000	1999
Propane	23,591	66,718	177,274	113,705

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Summary of We Energies Fuel Usage to Generate Electricity, 1999-2002

Fuel	Power Plant	2002	2001	2000	1999
Coal (metric tons)	Bridgeport ¹	NA	846,163	699,272	0
	Milwaukee Co.	47,878	46,059	48,435	50,873
	Oak Creek	2,739,423	2,888,818	3,099,804	2,726,982
	Pleasant Prairie	4,508,999	4,756,257	4,783,185	4,944,385
	Port Washington	362,304	459,128	581,530	429,760
	Presque Isle	1,582,614	1,632,175	1,724,086	1,600,845
	Valley	661,439	638,989	625,907	573,401
Total		9,902,657	11,267,589	11,562,219	10,326,246
Natural Gas (therms)	Concord	5,482,920	6,149,032	12,895,276	20,476,023
	Germantown ²	4,441,990	4,032,344	4,527,386	0
	New Haven ³	NA	1,737,200	114,130	1,049,390
	Paris	8,999,640	10,072,265	16,870,939	24,803,923
Total		18,924,550	21,990,841	34,407,731	46,329,336
Nuclear Fuel ⁴ (kg)	Point Beach	19,106	18,958	17,138	16,630
Total		19,106	18,958	17,138	16,630
Oil (Nos. 2 & 6) (liters)	Bridgeport	NA	23,144,704	28,637,761	236,449,410
	Concord	68,501	17,468	4,986,650	2,794,965
	Germantown	2,377,741	6,321,484	12,412,306	19,219,057
	New Haven	NA	453,996,294	435,207,593	330,768,218
	Paris	2,897,519	3,963	4,699,899	489,401
Total		5,343,760	483,483,913	485,944,209	589,721,051
Jet A Fuel (liters)	Bridgeport	NA	116,080	59,522	118,870
Total		NA	116,080	59,522	118,870

1. The Bridgeport, Connecticut plant was sold to PSEG in 2002; information on its performance can be found at www.pseg.com.
2. Germantown Generating Station Unit 5 did not become operational until 2000.
3. The New Haven, Connecticut plant was sold to PSEG in 2002; information on its performance can be found at www.pseg.com.
4. The amount of nuclear fuel used is the total mass of uranium consumed in each 18-month operating cycle spread over the previous 18 months. This assumes the mass of uranium consumed is the original mass of uranium contained in the fuel assemblies most recently discharged from the reactor core as spent fuel. For more information, see the "Waste Management" section of this report.

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We Energies Average Fuel Mix Used to Generate Electricity (percent), 1999-2002

Fuel	Standard			Energy for Tomorrow ^{®1}			Regional Average ³		
	2002	2001	2000	2002	2001	2000	2002	2001	2000
Coal	67.1	68.1	69.2				70.7	70.7	71.3
Nuclear	27.5	26.8	24.8				22.6	22.6	22.7
Gas	4.2	3.3	4.1				4.7	4.7	3.8
Oil	<0.1	0.1	0.3				0.6	0.6	0.8
Renewable Fuels									
Biofuel									
Biomass	<0.1	<0.1					0.1	0.1	0.2
Hydro ²	0.2	1.1	1.1	7.9	7.5	3.0	0.6	0.6	0.5
Landfill gas	<0.1	0.4		75.0	74.7				
Solar									
Solid waste incineration	<0.1	<0.1	0.4			90.5	0.2	0.2	0.3
Wind	0.3	0.1		17.1	17.8	6.5		<0.1	
Wood	<0.1	<0.1					0.4	0.4	0.5
Renewable Fuels Total	0.6	0.6	0.4	100	100	100	0.7	0.8	1.0

1. For more information on We Energies' Energy for Tomorrow green-pricing program, see the "Renewable Energy and Energy Efficiency" section of this report.
2. Hydroelectric sources used for We Energies Energy for Tomorrow renewable power program are small hydro facilities not owned by We Energies.
3. We Energies data include a regional average from the states of Illinois, Indiana, Michigan, Ohio and Wisconsin representing the fuel mix of power purchased from other suppliers. The actual fuel mix of purchased power, which accounts for 8 percent of the company's supply, cannot be accurately determined.

Trains, lake vessels and trucks transport coal from mines in the states of Colorado, Kentucky, Pennsylvania and Wyoming to We Energies' coal-fueled power plants. The type of coal the company uses is determined by balancing environmental impacts, the costs to customers, and the design parameters of the boilers. The location of coal sources that have the necessary characteristics dictate the shipping distances. For information on the route, trips and amount of fuel burned to deliver the coal to We Energies plants, see the table below.

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We Energies Estimated Average Fuel Used in Coal Delivery, 2002

Plant	Mine	Delivery Route (No. of Trips)	Mode ¹	Distance / Trip (km)	Fuel Delivered (metric tons) + Btu Content	Fuel Used ² (liters) + Btu Content	Fuel Efficiency Btu Ratio
Milwaukee County	E. Kentucky (various)	E. Kentucky to Conneaut, Ohio (5)	Train	724	61,380	196,235	34.16
		Conneaut, Ohio to Port of Milwaukee (3)	Ship	1,171	61,380	1,090,195	
		Port of Milwaukee to Plant (2,031)	Truck	24	52,975	48,128	
					Total 1.67E+12	4.89E+10	
Oak Creek	N. Antelope	Gillette, Wyoming to Plant (212)	Train	1,894	3,150,649	19,407,488	78.79
					Total 5.60E+13	7.11E+11	
Pleasant Prairie	Gillette Area (various)	Gillette, Wyoming to Plant (350)	Train	1,921	4,977,289	29,715,541	77.62
					Total 8.4E+13	1.09E+12	
Port Washington	Mine 84	Greene Co., Pa., to Ashtabulah, Ohio (42)	Train	274	352,807	395,377	71.59
		Ashtabulah, Ohio to Plant (28)	Ship	1,121	370,852	3,308,440	
					Total 9.72E+12	1.36E+11	
Presque Isle (Units 1-6)	Colorado (various)	Paonia, Colorado to Chicago, Illinois (71)	Train	2,333	652,182	6,881,100	31.70
	Pet Coke	E. Chicago, Indiana to Chicago, Ill. (2,600)	Truck	16	56,160	34,008	
		Chicago, Illinois to Plant (41)	Ship	922	751,370	8,857,836	
					Total 1.83E+13	5.78E+11	
Presque Isle (Units 7-9)	Antelope	Gillette, Wyoming to Superior, Wis. (36)	Train	1,915	1,266,104	13,843,965	18.43
	Spring Creek	Sheridan, Wyoming to Superior, Wis. (30)	Train	1,662	939,965	10,826,244	
		Superior, Wisconsin to Plant (17)	Ship	418	1,147,037	6,105,093	
					Total 2.08E+13	1.13E+12	
Valley	Colorado (various)	Paonia, Colorado to Chicago, Illinois (57)	Train	2,333	626,607	6,542,685	47.53
	Pet Coke	E. Chicago, Indiana to Chicago, Ill. (4,226)	Truck	16	114,234	69,182	
	E. Kentucky (various)	E. Kentucky to Conneaut, Ohio	Train	724	19,645	65,412	
	Transfer tons	Chicago, Illinois to Milwaukee, Wisconsin	Ship	137	761,559	3,987,919	
	Transfer tons	Lake Erie ports to Milwaukee, WI	Ship	1,171	19,645	272,549	
	Transfer tons	Milwaukee, Wisconsin to Plant	Barge	3	727,369	100,957	
					Total 1.92E+13	4.04E+11	

1. Assumed 2.12 kilometers per liter for trucking
2. Assumed that No. 2 fuel oil is used by all modes of transport

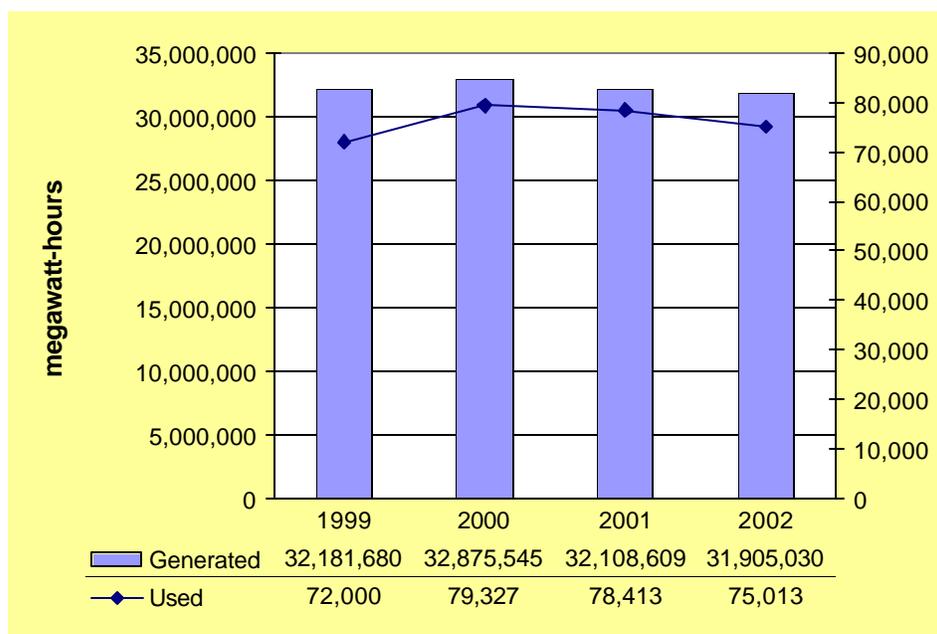
The Minergy subsidiary's glass aggregate process involves two steps. First, wet sludge at 40 to 45 percent solids must be dried to 90 percent solids. This dried sludge is super-heated to oxidize the volatile organic portion of the sludge. In the process, the mineral portion is melted, vitrified, and cooled into a glass aggregate. The oxidation and vitrification processes co-fire the sludge with natural gas to heat the boilers to about 1370°C. Excess steam from these processes is then recycled as a heat source in the drying process, is recovered in a turbine generator to produce electricity, and is sent to a neighboring paper mill for its processes. From 1999 to 2002, the plant processed about 1,040,055 metric tons of paper mill sludge. The process used coal and natural gas as supplemental fuels. Minergy also uses a minor amount (less than one percent of total energy use) of diesel fuel, natural gas and propane in material handling equipment and for space heating.

Generation and Consumption

While WEC generates electricity at its power plants, it also uses electricity (like its customers) at its corporate headquarters and at numerous service centers and offices in its service territories. The table below summarizes the electric energy generated by We Energies and Minergy and used internally and by these companies' customers.

2002 PERFORMANCE REPORT

We Energies' Electric Energy Generation and Consumption, 1999-2002



We Energies' Electric Energy Generation and Consumption (megawatt hours)¹, 1999-2002

	2002	2001	2000	1999
Electric Generation				
Steam ²	18,855,733	20,131,193	21,255,493	20,560,033
Nuclear	7,980,080	8,045,072	7,659,374	7,060,422
Hydro-Conventional	446,296	353,904	350,288	395,681
Hydro-Pumped Storage	-	-	-	-
Other ³	275,759	166,867	302,193	382,816
Net Generation	27,557,868	28,697,036	29,567,348	28,398,952
Purchased Generation	4,315,709	3,427,670	3,275,359	3,763,910
Net Exchanges	103,453	2,705		(320)
Net Transmission	(72,000)	(18,802)	(13,350)	(14,400)
Total	31,905,030	32,108,609	32,875,545	32,181,680
Electric Sales (Retail)				
Sales to Ultimate Customers	27,723,451	27,123,225	27,562,755	26,877,396
Use by Company ⁴	75,013	78,413	79,327	72,000
Electric Losses	1,615,890	1,603,008	1,645,539	1,696,158
Total	31,905,030	32,108,609	32,875,545	32,181,680

1. As reported in FERC Form 1.

2. This includes generation at the company's six coal fueled power plants, plus that portion of the Edgewater 5 plant owned by We Energies.

3. Includes generation resulting from natural gas, fuel oil and propane at all of the company's power plants.

4. Use by company only, excluding power plant use.

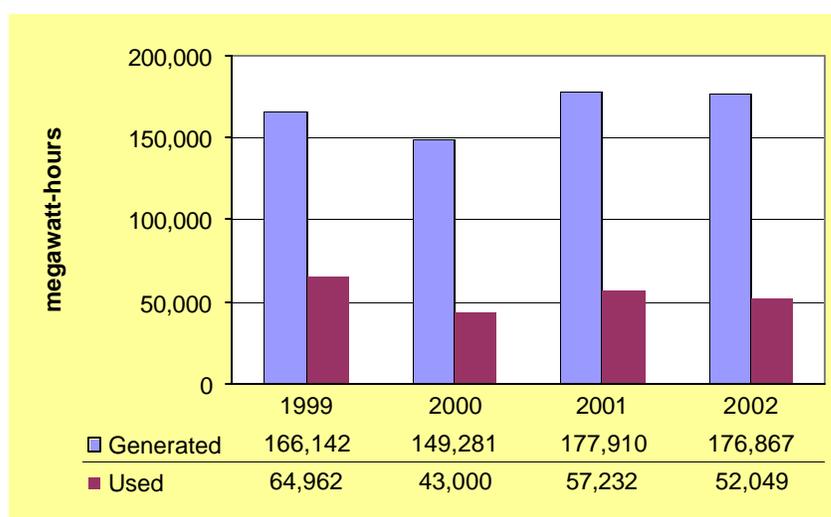
2002 PERFORMANCE REPORT

We Energies' Gas Energy Account (millions therms)¹, 1999-2002

	2002	2001	2000	1999
Customer Class				
Residential	817.1	756.3	803.8	769.4
Commercial/Industrial	463.1	427.7	462.1	445.8
Interruptible	29.4	25.8	35.2	45.3
Total Retail	1,309.6	1,209.8	1,301.1	1,260.5
Transported Gas	811.7	787.4	897.1	903.7
Total Deliveries	2,121.3	1,997.2	2,198.2	2,164.2

1. As reported in SEC Form 10-K.

Minergy Electric Energy Generation and Consumption, 1999-2002



Minergy Energy Generation and Consumption (megawatt hours), 1999-2002

	2002	2001	2000	1999
Energy Generation¹	176,867	177,910	149,281	166,142
Total	176,867	177,910	149,281	166,142
Energy Sales				
Electric ²	30,064	29,383	21,488	5,596
Steam ³	94,754	91,295	84,793	95,584
Use by company ⁴	52,049	57,232	43,000	64,962
Total	176,867	177,910	149,281	166,142

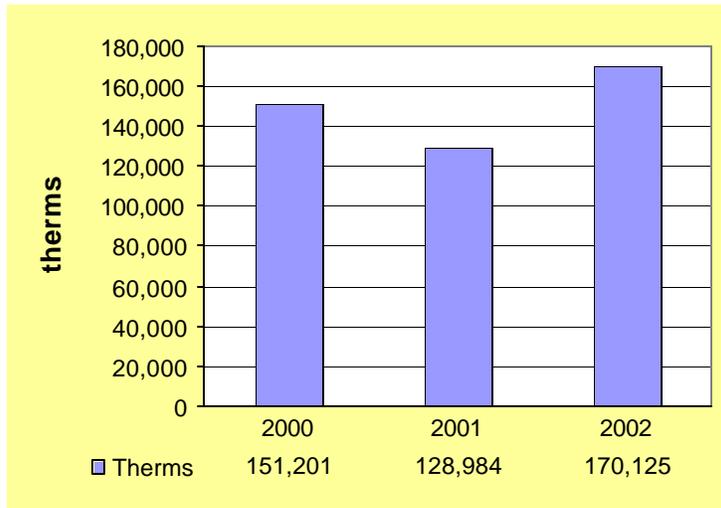
1. The Minergy Glass Aggregate Plant megawatt-hours include the electric value equivalent of the steam sent to a nearby paper mill and of the steam used internally.
2. Electric energy generated by the Glass Aggregate Plant that is sold to Alliant Energy Corp.
3. Net steam energy sold to a nearby paper mill. Because some of the steam generated at the Glass Aggregate plant is used internally for various plant operations, the net energy generation and total energy sales do not equal each other.
4. A portion of the steam generated at the Glass Aggregate Plant is used internally for various plant operations.

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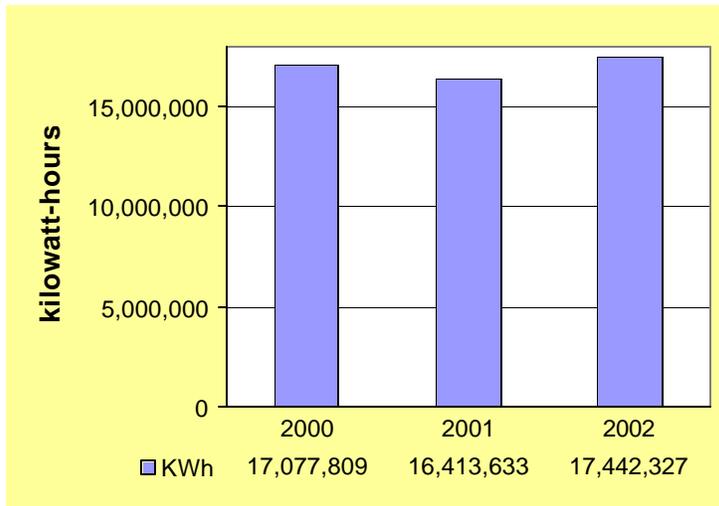
Manufacturing Energy Use

The Sta-Rite manufacturing facility in Delavan, Wisconsin uses natural gas and electricity in various production processes. The amount of energy used in a given year depends on the plant's total production and on the mix of products manufactured (some processes use more or less energy than others). Natural gas is also used for heating the plant and consequently weather variability also affects fuel use. Because energy is a cost of production, the Sta-Rite plant seeks to optimize energy use and continually seeks new approaches to conserve.

Sta-Rite, Delavan Natural Gas Use, 2000-2002



Sta-Rite, Delavan Electricity Use, 2000-2002



2002 PERFORMANCE REPORT

ENVIRONMENTAL PERFORMANCE

Environmental Compliance

Compliance Assurance

In 2001, Wisconsin Energy Corporation (WEC) implemented its corporate environmental compliance assurance program. This program, a key component of our overall environmental strategy, uses a risk-based approach on potential environmental exposures to determine the necessary frequency of facility audits.

The program follows the ASTM Standard E2107-00 (Standard Practice for Environmental Regulatory Compliance Audits) to review all corporate facilities and to continually assure, enhance and manage compliance with all applicable environmental regulations. The standard addresses responsibilities, auditor qualifications, audit processes, record management and audit report preparation. All audit results and recommendations are reviewed by in-house legal counsel.

During 2002, comprehensive multi-media audits were completed at one of We Energies' six coal-fueled power plants, three combustion turbine facilities, one partially owned coal-fueled power plant, a We Energies ash landfill and a We Energies service center. Audits also have been completed at four service centers and a hydroelectric dam owned by Edison Sault Electric Company, a subsidiary of Wisconsin Energy Corporation. The audits have revealed no major environmental compliance concerns; minor issues related to air, waste and water regulations have been identified and corrected at individual facilities. The audits also identified opportunities continual improvement. Audits have now been completed for all We Energies plants and major facilities, and will continue on a scheduled basis.

One of the commitments by We Energies as part of its two voluntary Environmental Cooperative Agreements with the Wisconsin Department of Natural Resources (WDNR) was to perform baseline compliance reviews of all Wisconsin coal-fueled generating facilities and report the findings to the agency. The first review had been performed at the Pleasant Prairie Power Plant in 2001. Reviews were conducted at the other Wisconsin generating facilities commencing with the signing of the Multi-Emission Cooperative Agreement in September 2002. Annual reviews under these agreements will be continued.

WEC has a commitment to audit all Wisconsin Energy operations in a timely fashion. The WEC audit schedule is reviewed annually and revised as necessary to meet changing regulatory requirements and the needs of operating facilities.

Reportable Events

Below is a summary of WEC's reportable events, incidents, and fines for non-compliance with applicable environmental regulations during 2002.

Clean Air Act. WEC did not violate any federal environmental regulations enforced by the U.S. Environmental Protection Agency (EPA) during the reporting period. However, in late 2002, We Energies received a supplemental request for information from the EPA regional office under Section 114(a) of the Clean Air Act. This request supplemented a request for information that was received in December 2000 and responded to in February 2001. The EPA sought to determine whether the company's emission sources were complying with the state implementation plans, applicable provisions of the New Source Performance Standards under 40 CFR Part 60 and other Clean Air Act requirements. The information request was similar to those issued by the EPA to numerous electric utility companies over the past few years.

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In response to the second request from the EPA, We Energies approached the agency in January 2003 to discuss issues surrounding maintenance activities at the generating units and shared goals for achieving emission reductions. On April 29, 2003 Wisconsin Electric Power Company and the EPA entered into an agreement (consent decree) that will result in significant air emission reductions at the company's coal-fueled facilities. In July 2003, the State of Michigan Department of Environmental Quality joined in the agreement. These reductions, which will build on what was voluntarily agreed to between the company and the WDNR in September 2002 as part of the Multi-Emission Cooperative Agreement (MECA), will reduce nitrogen oxide and sulfur dioxide emissions system wide by 65 percent below 2000 levels. The company maintains that it has been, and remains in compliance with the Clean Air Act. However, ambiguity in the regulations has made it challenging to plan routine maintenance at power plants. The agreement announced in April 2003 will eliminate this ambiguity. Total expenditures to make plant emission control improvements will be approximately \$600 million. In addition, the company also agreed to a \$3.2 million civil forfeiture. At the time of preparing this report the final agreement had not been entered by the federal court. Additional information regarding the MECA and air quality initiatives can be found in the "Air Quality" section of this report.

Point Beach Nuclear Plant. The We Energies Point Beach Nuclear Plant in Manitowoc County, Wisconsin, received a Notice of Violation on May 3, 2002 from the (WDNR) because wastewater bypassed the designated sample point and outfall on two occasions. Both bypasses occurred under unique circumstances; one involving a pipe failure and the other involving a valve mis-alignment. Plant staff investigated the causes and implemented corrective action. The WDNR stated in a letter dated June 4, 2002, that no further enforcement was necessary because of the corrective action taken.

Oak Creek Power Plant. The We Energies Oak Creek Power Plant in Milwaukee County, Wisconsin, received a Notice of Violation on August 27, 2002 from the EPA for administrative documentation items under the Resource Conservation Resource Act (RCRA). All documentation was completed and the EPA stated in a letter dated October 1, 2002 that no further action was necessary.

Oak Creek Landfills. We Energies received a Notice of Non-Compliance on November 5, 2002 from the WDNR for items that We Energies had been communicating to the agency for some time. We Energies provided a plan to the agency to address the issues and continues to work directly with the WDNR.

Presque Isle Landfill. The We Energies Presque Isle Power Plant in Marquette County, Michigan, received a Letter of Warning from the MDEQ on December 23, 2002 for violations of requirements that the unloading of solid waste be continuously supervised and fugitive dust be controlled. We Energies met with the MDEQ staff and explained the corrective measures it had taken. The MDEQ was satisfied with the actions taken and required no further action.

Sta-Rite, Delavan. In December 2002, Sta-Rite's Delavan facility received a notice of violation from the Walworth County Metropolitan Sewerage District (WALCOMET) for the discharge of "clean water" from the facility's cooling system. The notice arose from a malfunction of the cooling tower system that allowed once-through cooling water to be discharged to the sanitary sewer, a violation of the plant's discharge permit. The facility performed follow up testing, conducted an engineering modification, and requested a revision of the discharge permit. Sta-Rite is waiting for the WDNR to complete the permit revision.

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In July 2001, Sta-Rite exceeded the zinc limit in wastewater discharged to WALCOMET. Follow up sampling and preventive action were performed, and the company paid a \$200 fine to the sewerage district.

Sta-Rite received a notice of non-compliance from the WDNR in January 2000 as a result of a solid waste inspection conducted in December 1999. The Delavan facility addressed five separate labeling and miscellaneous administrative issues. No fines were assessed. (Because this is the first year of reporting for Sta-Rite, actions that occurred during the four previous years are also being presented in this report.)

Reportable Exceedances. In the event of an equipment upset or other condition leading to an exceedance of permit or regulatory limits, WEC companies are required to report certain exceedance or release events within a short time period, usually 24 hours. During 2002, We Energies reported the following exceedances to the regulatory agencies:

- 41 opacity (air)
- 1 nitrogen oxide (air)
- 1 total residual chlorine (water)
- 2 bypasses (water)
- 4 total suspended solids (water)
- 13 spills (water, land).

Fines. Wisconsin Energy Corporation was not assessed any monetary penalties for non-compliance in 2002.

Legal Actions

Giddings & Lewis/West Allis. In 1996, Giddings & Lewis, LLC, and the City of West Allis brought suit against We Energies, alleging that 26,000 tons of oxide box waste residues had been placed by our company at two sites in 1959 during construction of an electric transmission line. The plaintiffs alleged that the residue, a by-product of the manufactured gas plant process, originated from the former Racine Gas Co. No injuries, illnesses or deaths have been associated with the residue. The case went to trial in July 1999, and a jury found in favor of the plaintiffs, awarding them \$4.5 million for clean-up and damage to property, plus \$100 million in punitive damages. In September 2001, the Wisconsin Court of Appeals overturned the punitive damages award and ordered a new trial to address the punitive damages issue. During 2002, We Energies settled all claims in this action and paid the parties \$17.3 million as a final settlement.

Columbia Propane. In 1999, Wisconsin Gas was sued by Columbia Propane for an estimated \$5 million in clean up costs related to a manufactured gas plant site in Marshfield, Wisconsin. Wisconsin Gas previously had acquired the assets of People's Gas and later sold this site to Columbia Propane. This case was resolved during the first half of 2003 by the Wisconsin Supreme Court's affirmation of the trial court's dismissal of the lawsuit against Wisconsin Gas.

Davis Chemical Company Site Notification. WICOR Industries was notified in 2001 by the State of California that it was named as a potentially responsible party for the release of hazardous substances from the Davis Chemical Company site in Los Angeles. It is alleged that the Park manufacturing facility in Long Beach previously had sent materials for treatment at the Davis Chemical site while it operated between 1949 and 1990. No resolution of this claim has occurred.

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Muskego Landfill. On January 2, 2001, a lawsuit commenced in the Circuit Court of Milwaukee County against Waste Management of Wisconsin, Inc., Wisconsin Electric Power Company and others alleging environmental toxic torts emanating from the Muskego landfill. The Muskego landfill was operated by Waste Management and was classified as an EPA Superfund site. The plaintiffs, who are adjacent landowners to the site, are alleging that the defendants are liable on various theories for groundwater contamination. In 1996, Wisconsin Electric had entered into a buyout agreement as a de minimus party with Waste Management concerning groundwater contamination at the site. Waste Management has agreed to indemnify and defend Wisconsin Electric in this action. Subsequently, the plaintiffs agreed to dismiss Wisconsin Electric from the action and did so effective September 30, 2002.

Additional information on legal actions of an environmental nature are presented in WEC's annual 10-K filing.

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ENVIRONMENTAL PERFORMANCE

Environmental Expenses and Research

The corporate mission of Wisconsin Energy Corporation (WEC) includes a commitment to the environment. As part of that commitment, the corporation continually invests in environmental control technologies and research to protect human health and the environment. These investments in research and development enable WEC not only to meet numerous environmental regulations, but also to pursue 1,800 megawatts of advanced coal generation as part of its *Power the Future* plan.

The following tables summarize the most recent investments in environmental control technologies at We Energies power plants.

We Energies Capital Expenses for Environmental Protection Facilities, (U.S. dollars)¹, 1999-2002

Classification	2002	2001	2000	1999
	Net ²	Net ²	Net	Net
Air Pollution Control Facilities	\$27,924,602	\$39,948,609	\$19,026,964	\$19,863,915
Aesthetic Costs	\$1,023,897	\$19,060,524	\$27,932,543	\$27,541,423
Water Pollution Control Facilities	\$956,199	\$3,861,149	\$1,536,544	\$392,051
Solid Waste Disposal Costs	\$6,221,126	\$1,741,369	\$3,677,726	\$2,375,086
Noise Abatement Equipment	\$2,091,235	0	\$55,390	\$42,669
Additional Plant Capacity	\$18,152,128	\$1,645,108	\$1,666,365	\$1,635,907
Miscellaneous	\$164,195	\$559,840	\$191,863	0
Total	\$56,533,382	\$66,816,599	\$54,087,395	\$51,851,051
Construction Work In Progress	\$96,479,523	\$42,438,123	\$11,651,301	\$11,091,597

- As reported in FERC Form 1. Environmental protection facilities are defined as any building, structure, equipment, facility, or improvement designed and constructed solely for control, reduction, prevention or abatement of discharges or releases into the environment of gaseous, liquid, or solid substances, heat or noise, or for the control, reduction, prevention, or abatement of any other adverse impact on the environment.
- Annual costs for environmental protection facilities is equal to the equipment additions net the equipment retirements and adjustments.

We Energies Operating and Maintenance Expenses for Environmental Protection Facilities (U.S. dollars)¹ 1999-2002

Classification	2002 ²	2001	2000	1999
Depreciation	Not available	\$39,944,902	\$36,391,916	\$33,287,487
Labor, Maintenance, Materials, & Supplies	NA	\$7,013,042	\$3,133,795	\$3,208,103
Fuel Related Costs	NA	0	0	0
Operation of Facilities	NA	\$5,150,298	\$5,399,193	\$5,520,943
Fly Ash & Sulfur Sludge Removal	NA	\$17,454,719	\$18,448,053	\$14,905,546
Difference in Cost of Environmentally Clean Fuels	NA	0	0	0
Replacement Power Costs	NA	\$2,851,635	\$2,204,607	\$2,045,875
Taxes & Fees	NA	0	0	0
Administrative & General	NA	\$2,467,538	\$1,345,416	\$1,187,366
Other	NA	0	0	\$5,232
Total	NA	\$74,882,134	\$66,922,980	\$60,160,552

- As reported in FERC Form 1. These expenses are incurred with the use of environmental protection equipment, facilities, and programs – the cost of which is reported above.
- Accounting procedures and the required data for FERC Form 1 have changed. Data for 2002 is not available in the same format as prior years. Summary data on environmental expenses are contained in the corporation's 10-K and 10-Q forms.

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Besides We Energies' investment in environmental control technologies, the company supports focused research through the Electric Power Research Institute (EPRI) and others to develop new, more effective control solutions. From 1999 to 2002, the majority of this research has focused on:

- Developing controls for air toxics, especially mercury
- Understanding the formation and health effects of fine particulate matter in the atmosphere
- Developing new uses for coal combustion products.

For the last four years, including 2002, We Energies has invested more than \$800,000 in EPRI's Environmental Research Program alone. The company reinforced that commitment in May 2002 when We Energies announced that it would continue to support EPRI's environmental science research program for the next three years. The EPRI research and other programs include:

Aerosol Research and Inhalation Epidemiology Study (ARIES). EPRI and Southern Company, with significant support from We Energies and other collaborators, launched this detailed monitoring and epidemiological study in 1998 to characterize the linkages between the components of particulate matter (PM_{2.5} – particles smaller than 25 microns in diameter) and adverse health effects. This research is on-going.

Aquatics Lab. Over the past 25 years, our Edison Sault Electric Company subsidiary has sponsored an aquatic ecology research laboratory at its hydroelectric plant for students pursuing degrees in fish and wildlife management at Lake Superior State University. The lab conducts research on the St. Mary's River, and raises Atlantic salmon for the river system.

Mercury Control. In 2002, We Energies continued its collaboration with the U.S. Department of Energy, U.S. Environmental Protection Agency, EPRI and ADA-Environmental Services in testing sorbent injection at the Pleasant Prairie Power Plant to control mercury emissions. This project, the nation's first full-scale test of sorbent injection at a power plant that burns western sub-bituminous coal, is a key component of We Energies mercury research and control program. In addition, the company has sponsored research to characterize the type of mercury emitted, where it is deposited and whether it may affect reproduction in Wisconsin's loon population.

Coal Combustion Products Utilization. We Energies has been funding innovative research for many years in this area, focusing on the company's long-term goal to use all coal combustion by-products produced by its power plants. Collaborative projects with the University of Wisconsin-Milwaukee and other area universities have also helped maintain and advance engineering and materials programs at those institutions. Recent years' expenditures have helped We Energies meet its goal and have resulted in several patented processes.

The table below summarizes We Energies' investment in EPRI Tailored Collaboration environmental research alone during the past four years. (We Energies also supports additional research and development for these and other aspects of its business.) This is a conservative estimate of total expenditures because the figures do not include We Energies' labor costs or expenses.

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We Energies Environmental Research, Development & Demonstration Activity Expenses

Description of EPRI Environmental Project	2002	2001	2000	1999
Ash Utilization				
Ash Alloy Project (with DOE, UWM)	\$0	\$101,135	\$ 100,000	\$100,000
Miscellaneous Ash Utilization studies	154,400	100,800	98,000	87,600
Fine particulate matter				
ARIES	0	0	75,000	100,000
Characterization of organics	0	17,000	0	0
Characterization of Midwest composition	0	100,000	100,000	100,000
CHARIES (Chicago version of ARIES)	50,000			
Particulate matter model testing	0	20,000	0	0
Global Climate Change				
MIT Climate Project	100,000	100,000	0	0
Groundwater remediation				
Effectiveness at landfills	80,000	100,000	100,000	150,000
Presque Isle Power Plant project	0	0	0	10,000
Mercury				
Effect of Selective Catalytic Reduction on mercury speciation	40,000	40,000	20,000	0
Mercury Deposition Modeling Study	31,700			
Mercury ICR stack sampling	0	0	71,100	127,000
Mercury in loons study (CATCAMP)	0	69,000	77,600	60,000
Pleasant Prairie-EPRI MERCAP	160,000			
Pleasant Prairie Power Plant removal demo	0	54,600	134,400	0
Pleasant Prairie Power Plant mercury control feasibility study	0	0	178,000	0
Miscellaneous				
Advanced CEM technologies	0	0	0	55,400
Emissions trading	0	0	0	80,000
Fish By-pass (with Alden Research Labs)	0	10,000	0	0
Integrated Environmental Controls	0	30,000	158,000	0
Manufactured Gas Plant site remediation	60,000	123,000	31,000	0
Peregrine Falcons	0	0	7,100	6,900
Point Beach Power Plant hydrodynamic measurements	0	19,700	0	0
Presque Isle Power Plant dioxin measurements	0	0	0	28,000
Wind monitoring	0	0	0	45,000
Total	\$676,100	\$885,235	\$1,150,200	\$949,900

The Sta-Rite Industries plant in Delavan, Wisconsin, performs its research into environmentally sound processes almost exclusively in-house using the talents of its own employees. Once a process or technology is discovered and researched, Sta-Rite calls on outside expertise if necessary to implement its findings. An example of this research is the work conducted with a regional consultant in performing one of the nation's first full-scale heated-soil vapor-extraction system. This project has supported efforts to demonstrate this innovative technique and advance its use for soil remediation.

Sta-Rite has also developed site-specific waste minimization procedures for recycling and minimizing the use of chemicals and natural resources, resulting in emissions reduction and waste minimization from its manufacturing operations. Sta-Rite uses cooling towers in the plastic mold injection operation to reduce water usage. The company has installed ultra filters on part washers, which helps reduce the amount of chemicals used in this process. Sta-Rite also recycles and reuses in house the water based coolant used in machining operations. The coolant is returned from the individual machining centers to a central coolant-recycling center where the coolant is filtered and cleaned. The coolant is then available for reuse in the machining center. Sta-Rite has switched from

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mineral spirits to isopropyl alcohol in the final preparation of labeling stainless steel submersible pumps. In the filament winding operation of the water system tanks, Sta-Rite uses an aqueous based solvent replacement where feasible, minimizing the use of acetone.

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ENVIRONMENTAL PERFORMANCE

Greenhouse Gases

Greenhouse gases trap solar energy and make life on Earth possible. However, it also is possible that increases in emissions of heat-trapping gases may alter global climate patterns. That is why Wisconsin Energy Corporation (WEC) believes it is appropriate to create regulatory and institutional mechanisms to stabilize, and then reduce, greenhouse gas emissions. The corporation continues to support flexible, market-based strategies to curb greenhouse gas emissions, such as international emissions trading, joint implementation projects and credit for early action.

Emissions and Reductions

WEC's fossil-fueled power plants, owned and operated by its We Energies and Minergy, are the corporation's primary sources of greenhouse gases. Lesser amounts come from the corporation's manufacturing facilities operated by WICOR Industries. WEC facilities release mainly carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O), but also small amounts of hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆). Power plants operated by WEC subsidiaries emit significant amounts of greenhouse gases from combustion of fossil fuels, but the companies have been taking voluntary actions since the early 1990s to reduce these emissions. The two tables below summarize greenhouse gas emissions and reductions for We Energies plants from 1999 to 2002.

We Energies Greenhouse Gas Emissions, 1999-2002

Year	Gas	metric tons	GWP ¹	CO ₂ Equivalents (metric tons)	megawatt-hours ²	ton/MWhr
2002	CO ₂	19,642,557	1	19,642,557	18,512,927	1.061
	CH ₄	201	23	4,623		0.00025
	N ₂ O	149	296	44,104		0.00238
				19,691,284		1.064
2001	CO ₂	20,763,038	1	20,763,038	19,711,055	1.053
	CH ₄	210	23	4,830		0.00025
	N ₂ O	156	296	46,176		0.00234
				20,814,044		1.056
2000	CO ₂	21,992,580	1	21,992,580	20,998,406	1.047
	CH ₄	223	23	5,129		0.00024
	N ₂ O	163	296	48,248		0.00230
				22,045,957		1.050
1999	CO ₂	21,046,871	1	21,046,871	20,343,416	1.035
	CH ₄	213	23	4,899		0.00024
	N ₂ O	155	296	45,880		0.00226
				21,097,650		1.037
Total				83,648,935	79,565,804	1.051

1. Global Warming Potential (GWP) compares the abilities of different greenhouse gases to trap heat in the atmosphere. They are based on the radiative efficiency (heat absorbing ability) of each gas relative to that of carbon dioxide, as well as the decay rate of each gas (the amount removed from the atmosphere over a given number of years) relative to that of carbon dioxide. From the Third Assessment Report of the Intergovernmental Panel on Climate Change.
2. Net megawatt-hours from We Energies' fossil fueled generation. Emissions from the company's portion of the Edgewater 5 plant are not included.

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We Energies Greenhouse Gas Reductions, 1999-2002¹

Year	Gas	metric tons	GWP	CO ₂ Equivalents (metric tons)	megawatt- hours ²	ton /MWhr
2002	CO ₂	3,667,366	1	3,692,094	18,512,927	0.199
2001	CO ₂	3,851,292	1	3,851,292	19,711,055	0.195
2000	CO ₂	4,253,994	1	4,253,994	20,998,406	0.203
1999	CO ₂	3,999,770	1	3,999,770	20,343,416	0.197
Total				15,797,150	79,565,804	0.199

1. As reported in the U.S. Department of Energy 1605(b) Climate Challenge program.

2. Net megawatt-hours from our fossil fueled generation.

We Energies' net greenhouse gas intensity (metric tons/MWh) fluctuates from year to year depending on the amounts and type of fossil fuels burned and the efficiency of our generating units. This intensity increased slightly from 1999 to 2002. Total greenhouse gas emissions decreased by about 7 percent, while generation decreased by 9 percent due to reduced electricity demand from weather-related and economic conditions. Emission reductions decreased by approximately 8 percent due primarily to the amortization of both a portion of We Energies' demand-side activity investments and a large increment of carbon sequestration associated with avoided deforestation in Belize, Central America.

Currently, the quantity of greenhouse gas emissions from We Energies' facilities is directly related to the amount of time the company's fossil-fueled generating units operate and the individual plant capacity factors. Operation of these units is primarily influenced by the availability of We Energies' non-emitting Point Beach Nuclear Plant and by customers' demand for electricity. Those factors, in turn are significantly affected by both economic conditions and weather. We Energies' emissions in future years will continue to be influenced by these factors, as well as by several actions planned or underway as part of the *Power the Future* plan, including;

- Retiring the Port Washington Power Plant and other units
- Adding natural gas combined cycle units at Port Washington
- Potentially adding the proposed Elm Road Generating Station coal-based units
- Increasing our investment in energy efficiency and conservation
- Maintaining and increasing the company's non-emitting generation, including the addition of over 200 megawatts of wind generation, potentially re-licensing Point Beach Nuclear Plant, and increasing customer participation in the Energy for TomorrowTM program.

Our Minergy subsidiary operates as a net reducer of greenhouse gas emissions. The Glass Aggregate Plant recovers and recycles steam heat from its processes. The steam generates power for the glass aggregate production process and is sold to a nearby paper mill for its power needs, replacing several natural gas fueled combustion turbines previously used at the mills, thus offsetting greenhouse gas emissions. While the plant's combustion of fuels for its production process produces CO₂, at least the same amount of greenhouse gases would be released if paper mills had to produce their own steam. The plant also reduces greenhouse gas emissions by using paper mill sludge that otherwise would decompose in landfills, releasing CH₄. During 2002, the Minergy facility used less natural gas and increased its use of coal. This reduced the cost of steam to the adjoining paper mill, allowing it to remain competitive. However, the burning of more coal also increased CO₂ emissions. The table below summarizes Minergy's greenhouse gas emissions and offsets from 1999 to 2002.

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Minergy Glass Aggregate Plant Greenhouse Gas Emissions, 1999-2002

Year	Gas	metric tons	GWP	CO ₂ Equivalents (metric tons)	megawatt-hours ¹	metric ton /MWhr
2002	CO ₂	93,755	1	93,755	124,817	0.751
2001	CO ₂	73,207	1	73,207	120,678	0.607
2000	CO ₂	64,507	1	64,507	106,281	0.607
1999	CO ₂	61,388	1	61,388	101,180	0.607
Total				292,857	452,956	0.647

1. The Minergy Glass Aggregate Plant megawatt-hours include the electricity generated and used directly by the plant and the electric value equivalent of the steam sent to and used by a nearby paper mill.

Minergy Glass Aggregate Plant Greenhouse Gas Offsets, 1999-2002

Year	Gas	metric tons	GWP	CO ₂ Equivalents (metric tons)	megawatt-hours	metric ton /MWhr
2002	CO ₂	157,980	1	157,980	124,817	1.266
	CH ₄	26,348	23	606,004		4.855
	763,984					6.121
2001	CO ₂	191,422	1	191,422	120,678	1.586
	CH ₄	39,498	23	908,454		7.528
	1,099,876					9.114
2000	CO ₂	167,872	1	167,872	106,281	1.579
	CH ₄	35,109	23	807,507		7.598
	975,379					9.177
1999	CO ₂	170,467	1	170,467	101,180	1.685
	CH ₄	39,270	23	903,210		8.927
	1,073,677					10.612
Total				3,912,916	452,956	8.639

The table below lists net greenhouse gas emissions from energy facilities at We Energies and Minergy from 1999 to 2002.

We Energies and Minergy Net Greenhouse Gas Emissions (metric tons CO₂ equivalents), 1999-2002

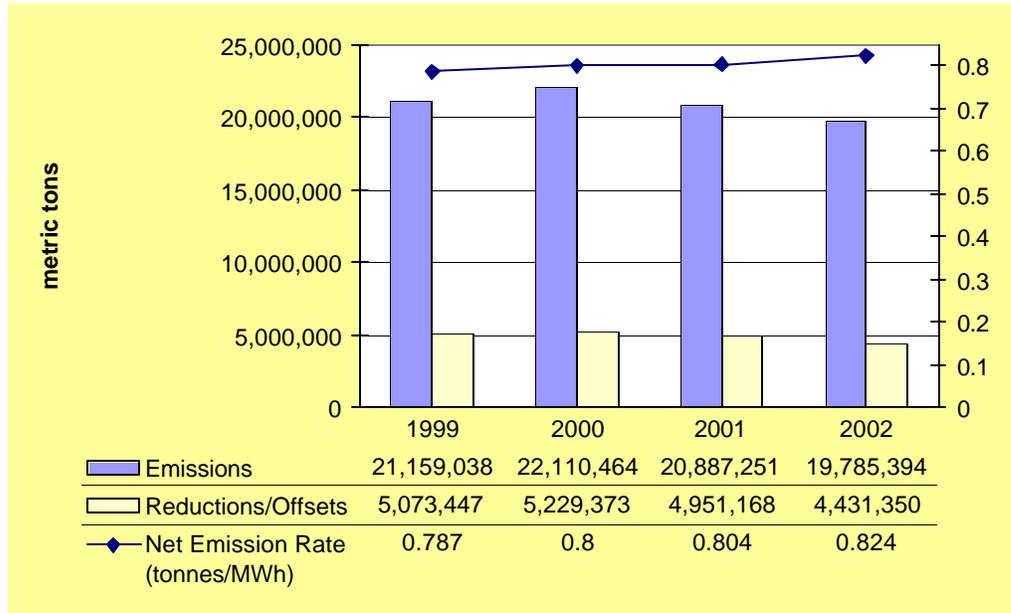
Emissions	2002	2001	2000	1999
Minergy	93,755	73,207	64,507	61,388
We Energies	19,691,284	20,814,044	22,045,957	21,097,650
Total	19,785,039	20,887,251	22,110,464	21,159,038

Reductions/Offsets				
Minergy	763,984	1,099,876	975,379	1,073,677
We Energies	3,692,094	3,851,292	4,253,994	3,999,770
Total	4,456,078	4,951,168	5,229,373	5,073,447

Net Emissions (tonne)	15,328,961	15,936,083	16,881,091	16,085,591
megawatt-hours	18,637,744	19,831,733	21,104,687	20,444,596
Net Emission Rate (metric ton/MWhr)	0.822	0.804	0.800	0.787

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Net Greenhouse Gases from Energy Production, 1999-2002



The Sta-Rite manufacturing facility in Delavan, Wisconsin, uses natural gas for space heating and for product drying and heat curing. The fuel combustion and production processes release CO₂, and CH₄. The plant has no specific reduction or offset programs other than optimizing production processes and fuel use. The Delavan facility has averaged approximately 1,000 metric tons of CO₂-equivalent emissions per year during the past three years.

Sta-Rite, Delavan Greenhouse Gas Emissions, 2000-2002

Year	Gas	Metric Tons	GWP	CO ₂ Equivalents (metric tons)
2002	CO ₂	1,034	1	1,034
	CH ₄	0.0022	23	0.046
		1,034		1,034
2001	CO ₂	1,034	1	1,034
	CH ₄	0.000005	23	0.0001
		1,034		1,034
2000	CO ₂	1,034	1	1,034
	CH ₄	0	23	0
		1,034		1,034
Total				3,102

Addressing Greenhouse Gas Emissions

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

- Conducting a system-wide inventory of emissions from We Energies power plants and other facilities, and emission reductions at these facilities and other activities to reduce greenhouse gas emissions
- Assessing current emissions and projecting emission trends in order to establish a baseline and plan future reduction activities

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- Calculating and publicly reporting greenhouse gas emissions, emission reductions, and offsets resulting from specialized projects.

From a broader perspective, WEC has taken early strategic steps to address greenhouse gas emissions. These include:

- 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 a proactive approach to working with governmental agencies and other groups to address greenhouse gas emissions (See the following subsection.)
- Making the corporation's chief environmental officer responsible for reporting greenhouse gas emissions to the chief executive officer (CEO) and the Board of Directors
- Actively participating in numerous national, state and local initiatives to address climate change issues, such as the EPA’s Climate Leaders program, the Pew Center on Global Climate Change’s Business Environmental Leadership Council, and the CERES dialogue on climate change
- Assigning its CEO a high profile role in public discourse on this issue and using the company’s efforts as examples.

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

Emission Reduction Initiatives

Since the early 1990s, We Energies has taken a series of voluntary actions to reduce greenhouse gas emissions.

Climate Leaders. We Energies joined the EPA’s Climate Leaders program in 2002, committing to set greenhouse gas reduction goal and annually report greenhouse gas emissions. The company is continuing to work with the U.S. Environmental Protection Agency (EPA) to establish our greenhouse emissions inventory.

Power the Future. Over the next decade, WEC proposes to build five new power plants with a total capacity of 2,800 megawatts. The *Power the Future* plan will retire older, less efficient, coal-fueled generating units and replace them with new units that use state-of-the-art emissions and combustion technologies. The new natural gas turbines and advanced coal units would reduce CO₂ equivalent emissions on a metric ton-per-megawatt-hour basis. The plan also devotes nearly \$10 million to additional carbon sequestration and mitigation efforts, provides \$20 million for energy efficiency improvements, and increases our renewable generating portfolio to 5 percent of our total energy mix – more than double the 2.2 percent required by Wisconsin laws. All of these activities would help reduce emissions of greenhouse gases from WEC’s electricity generation.

Renewable Energy. We Energies generates or purchases more than 140 megawatts of renewable energy. The company’s Energy For Tomorrow™ renewable energy program is one of the largest and most successful of its kind in the United States and was one of the first to be accredited by the Center for Resource Solutions. The program allows customers to choose to have a percentage of their electricity generated from renewable resources and pay a slightly higher rate on their monthly electric bill to offset the incremental cost of generating electricity from renewable resources. These customers directly support development of more renewable resources that produce minimal or no emissions. Renewable energy sold through this program reduces greenhouse gas emissions by about one metric ton of carbon dioxide per megawatt-hour of energy, for a total of approximately 1.5 million metric tons from 1999 to 2002. During 2002, Energy for Tomorrow™ sales directly reduced 141,828 metric

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tons of carbon dioxide emissions. For information on our renewable-based energy, see the “Renewable Energy and Energy Efficiency” section of this report.

Wisconsin Voluntary Emission Reduction Registry. The Wisconsin Department of Natural Resources is developing and will administer a system designed to register reductions of greenhouse gas and other air emissions that are made voluntarily. The registry will ensure that voluntary emission reductions are publicly recognized and are considered under future mandatory federal or state emissions reduction programs. We Energies supports this initiative and is an active participant in the registry’s development.

Pew Center on Global Climate Change. WEC participates in the activities of the Pew Center’s Business Environmental Leadership Council. The Center’s objective is to find market-based solutions to global climate change and to inform policy discussions and development.

U.S. Department of Energy Climate Challenge Program. The *Climate Challenge* is a voluntary program started by the electric utility industry and the U.S. Department of Energy as part of the national response to the 1992 Rio Earth Summit Treaty and the U.N. Framework Convention on Climate Change. Since 1995, We Energies has reported greenhouse gas emission reductions of more than 31 million metric tons under this program. We Energies achieved the reductions by:

- Increasing the energy efficiency of the its fossil-fueled power plants and distribution system
- Increasing low- and non-emitting generation (e.g., renewables)
- Helping customers to reduce their demand for energy
- Partnering with others in joint implementation projects overseas (see below)
- Establishing forestry carbon sequestration projects
- Beneficially using power plant ash (see the “Waste Management” section of this report for more information)
- Using and promoting natural gas vehicles.

U.S. Initiative on Joint Implementation Pilot Program (USIJI). This flexible, non-regulatory program encourages private-sector investment in technologies that reduce or sequester greenhouse gas emissions in developing countries. In 1994, We Energies developed two of the first seven USIJI projects.

The Rio Bravo Carbon Sequestration Pilot Project – the first of its kind – is a partnership between We Energies, other energy companies and three non-profit organizations: Programme for Belize, The Nature Conservancy and UtiliTree Carbon Company. Partners invested \$5.6 million to purchase endangered moist sub-tropical broadleaf forest land that was threatened by imminent conversion to intensive agriculture. The carbon sequestration and sustainable forestry management program being implemented on the 105,219 ha Rio Bravo Conservation and Management Area in Belize is expected to reduce, avoid and mitigate 2.4 million metric tons of carbon over 40 years. For more information on the Rio Bravo project, see the “Natural Habitats and Biodiversity” section of this report.

The Decin Repowering Project – another of the first USIJI projects – is a partnership coordinated by the Center for Clean Air Policy with the City of Decin in the Czech Republic. We Energies joined two other energy companies to replace inefficient, highly polluting lignite coal-fueled 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 has reduced nearly 8,000 metric tons of carbon dioxide emissions per year since 1997.

SF₆ Emissions Reduction Partnership for Electric Power Systems. Sulfur hexafluoride (SF₆) is used in electrical equipment including circuit breakers, substations, and electric switchgear. In 1999,

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We Energies joined the EPA's SF₆ Emissions Reduction Partnership to voluntarily reduce emissions of this gas. The company has committed to reducing SF₆ emissions to less than five percent of its equipment's nameplate capacity. By the end of 2002, We Energies reduced annual emissions of SF₆ by nearly 95 percent, or to 2.3 percent of total capacity.

SF₆ Emissions Reduction Partnership Performance, 1999-2002

Year	SF ₆ Nameplate Capacity (kg)	5 Percent Goal	Actual Emissions (kg)	Goal Met	CO ₂ Equivalent Emissions (metric tons)
2002	3,868	193	89	Yes	2,220
2001	3,868	193	161	Yes	4,440
2000	12,785	639	1,141	No	24,420
1999	11,200	560	1,036	No	22,200

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Environmental Performance

Natural Habitats and Biodiversity

Wisconsin Energy Corporation (WEC) and its subsidiaries believe it is important to sustain and enhance biodiversity and sensitive natural habitats. The corporation uses a variety of sound conservation ecology practices to manage for multiple uses (aesthetics, biodiversity, cultural resources, forestry, recreation, water quality, and wildlife) on lands it owns. While it is essential to demonstrate leadership by being good stewards of resources entrusted to us, the corporation also supports stewardship efforts that reach beyond corporate properties, and across state and national borders.

Biodiversity: Lands

About 80 percent of land owned by We Energies (some 26,000 ha) is located near the company's hydroelectric dams in the Menominee River watershed in northeastern Wisconsin and Michigan's Upper Peninsula. This land, known as Wilderness Shores, is generally undeveloped except for the dams, power generation and transmission equipment, a few roads (mostly gravel), and low-impact recreation areas with primitive campsites, privies, and boat launches.

This company-owned land is mostly forested with many forest plant communities represented, including high-quality swamp wetlands. Overall biodiversity is high as represented by the number and variety of plant and animal species present. While all of these lands are managed based on dynamic management plans prepared by professional staff and reviewed by federal and state natural resource agency staff, some receive special attention because of their high biodiversity and other natural values. These special natural areas include:

- 1,438 hectares (ha) in the Sturgeon River Gorge Wilderness area within the Ottawa National Forest in Michigan's Baraga and Houghton Counties
- 716 ha in the Spread Eagle Barrens State Natural Area in Florence County, Wisconsin
- 1,854 ha contiguous with and managed similarly to the Menominee River Natural Resources Area in Marinette County, Wisconsin, and Menominee County, Michigan

In 1996, We Energies collaboratively negotiated the first-of-its-kind Wilderness Shores Settlement Agreement with the Michigan Department of Natural Resources, Michigan Hydro Relicensing Coalition, U.S. National Park Service, River Alliance of Wisconsin, U.S. Fish and Wildlife Service, and the Wisconsin Department of Natural Resources. The long-term agreement, approved by the Federal Energy Regulatory Commission in 2001, minimizes the cost and contentiousness of licensing eight of the company's hydroelectric projects (Big Quinnesec Falls, Hemlock Falls, Kingsford, Lower Paint, Michigamme Falls, Peavy Falls, Twin Falls, and Way) with a total electrical generation of 60 megawatts. Provisions of the agreement, which provide numerous environmental benefits, include:

- **Shoreline protection.** 483 kilometers (km) of shoreline are protected from development. A no-cut corridor along the shore maintains a natural appearance by providing a vegetated buffer along the water.
- **Land management.** 9,713 ha of forest land are retained for public recreational use, of which 1,619 ha are designated for management to encourage biodiversity and old-growth forest.
- **Funding for improvements.** We Energies contributes \$145,000 annually (in 1996 dollars, adjusted for inflation from the base year of the agreement) to fund local projects that improve local fisheries, provide land protection, or provide other environmental benefits. In 2002, funds were directed toward completing a fish creel survey at the Way Dam project by the Michigan Department of Natural Resources.

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We Energies also owns or manages land around its power plants (about 1,000 ha) and transmission lands (about 1,200 ha). Power plant lands directly support the production of electricity and serve as buffers to those operations. Buffer lands often are leased for agriculture. The remaining lands owned by We Energies are categorized into 15 land uses. There were no major changes in natural habitats on any of these lands during the past three years (2000–2002).

Beyond its own property, We Energies spearheaded the development of two forest carbon sequestration projects (combined value of \$5.6 million) in the Rio Bravo Conservation and Management Area of northwestern Belize, Central America. Partners included three non-profit organizations (UtiliTree Carbon Company, The Nature Conservancy, Programme for Belize) and other United States and Canadian electric utility and oil companies. This investment allowed the purchase of 14,200 ha of endangered moist sub-tropical broadleaf forest, Bajo wetlands, and pine savanna that are now owned and managed by Programme for Belize. The land, which is in the biologically and culturally significant Mayan forest region, is part of a major biological corridor that is key to biodiversity conservation in Central America. The area is home to a number of endangered animals and contains forest cover types protected nowhere else in Belize. Without this action, much of the purchased land would have been cleared for intensive cultivation of beans, maize, and rice, with the resulting loss of biomass and soil carbon. The project is expected to reduce, avoid, and mitigate some 2.4 million metric tons of carbon over 40 years. Land protection efforts alone will account for 1.95 million metric tons of carbon benefit. The remaining carbon benefit comes through sustainable forest management practices. Specific carbon sequestration measures include:

- Provision of undisturbed buffer areas and protection zones.
- Sustainable logging with silvicultural prescriptions designed to augment forest biomass between cutting cycles.
- Reduction of carbon release in timber operations through reduced-impact harvesting techniques.
- Improved recovery rates of usable timber from harvested trees.
- Promotion of more durable wood products.

Since these carbon emissions know no national boundaries, this voluntary investment in Belize pays environmental dividends worldwide. The project also has brought numerous and important secondary environmental benefits.

WEC (often operating through the WEC Foundation) routinely makes other financial contributions to organizations devoted to preserving and protecting lands and waters for future generations. These funds help a variety of non-profit organizations add to and enhance through wise stewardship the natural features in areas where our subsidiaries operate. Recipients also use these contributions to provide educational materials and information on biodiversity and the many issues that pose serious threats to biodiversity.

Biodiversity: Impacts

The generation and distribution of energy and production of manufactured products can affect the environment in many ways, but neither WEC's professional staff nor outside agencies have found any sign that the corporation's activities and operations harm or significantly change natural habitats and biodiversity. WEC uses effective controls to limit emissions and discharges, meeting and often exceeding government regulations.

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Protected and Sensitive Areas: Operations

We Energies operates an electrical and natural gas distribution system, above ground and underground, throughout its service territories in Wisconsin and Michigan. Edison Sault Electric (ESE) operates electric distribution systems in Michigan's Upper Peninsula. Some of these facilities cross potentially sensitive habitats like wetlands, grasslands, savannas, and forests. Many of these lands have no special designation, but some are protected and managed for their natural resource values.

When WEC companies consider locations or routes for new facilities or when operating companies maintain and upgrade existing facilities, staff members make a special effort to avoid potentially sensitive areas and care for the surrounding environment. Where the companies cannot avoid these areas, they strive to minimize ecological, social, and cultural impacts. When appropriate, environmental staff coordinate with governmental natural resource agencies. The corporation also invites the public to become involved in planning these activities.

As a result of feedback from the Wisconsin Department of Natural Resources (WDNR), Wisconsin Wetlands Association, landowners and other interested parties in 2002, We Energies embarked on developing a new approach to the siting and installation of gas pipelines. A consensus methodology will help the company more rigorously examine forests and other habitats, reduce the impacts caused by crossing wetlands and streams, avoid sensitive lands, and restore soil productivity in agricultural land. We Energies expects to use this more robust siting and construction protocol during the installation of the 55 km Ixonia lateral and the 27 km Port Washington lateral during 2003 and 2004.

Edison Sault Electric, with its service territory in Michigan, is involved in similar activities. In addition to overhead electric distribution lines, ESE provides service to Mackinac Island by way of an underwater electric cable. The company makes special efforts to avoid potential habitat disturbance in the waters of Lake Huron.

Wispark is especially careful when its land developments may touch sensitive and protected areas. For example, the plan for Wispark's largest development, Lakeview Corporate Park, in southeast Wisconsin's Kenosha County, protects sensitive wetlands and considers the effects of surface water drainage, earth moving, landscaping, and other activities on biodiversity and any nearby natural areas, including the neighboring Des Plaines River watershed and wetland corridor. Such environmental considerations are integrated fully into development codes for all Wispark projects. Wispark also has incorporated recent changes in Wisconsin's stormwater regulations into site planning and construction.

Minergy facilities are located within an industrial park in Winneconne, Wisconsin, and on a closed landfill in Neenah, Wisconsin. Minergy, too, takes special care in any work involving protected and sensitive areas.

The Sta-Rite Industries manufacturing complex in Delavan, Wisconsin, covers 28 ha and forms a buffer zone between the southeastern edge of the city and Interstate 43. While the land does not offer unique habitat, about two-thirds of it is landscaped to maintain an open suburban park-like appearance. This also provides an area for stormwater infiltration. Part of this property also is rented to others for agricultural production.

Protected and Sensitive Areas: Impacts

None of WEC's activities affect world heritage sites or biosphere reserves. The World Conservation Union (IUCN) recognizes six categories of protected areas. Key areas are described below where the

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corporation has had direct, positive impacts. The corporation is unaware of any negative effects it has had on these areas.

Category 1. Strict nature reserve/wilderness protection areas managed mainly for science or wilderness protection, and protected areas managed primarily for wilderness protection.

Sturgeon River Wilderness, Marquette County, Michigan. Owned by We Energies, this forested tract lies in the Ottawa National Forest and is part of the Sturgeon River Gorge Wilderness area. The North Country National Scenic Trail crosses another nearby We Energies-owned parcel along the Sturgeon River. The company's land management policy, which calls for no timber harvesting, ensures preservation of these lands in a natural condition.

Category 2. National parks.

No impacts.

Category 3. National monuments.

No impacts.

Category 4. Habitat/species management areas.

Rio Bravo Conservation and Management Area, Belize, Central America. We Energies funds this forest protection and management project in northwestern Belize to increase carbon sequestration in several ecosystems, such as sub-tropical broadleaf forest and Bajo wetlands. Through a successful fire-management program, additional carbon is stored in an extensive, fire-prone, pine savanna ecosystem, which is important for its diversity of plant species and habitats for birds and other wildlife.

Spread Eagle Barrens, Florence County, Wisconsin. We Energies uses prescribed burning to restore and perpetuate a rare bracken grassland barrens ecosystem on company-owned land being permanently preserved within the Spread Eagle Barrens State Natural Area. The company is using timber harvesting followed by fire to expand the barrens.

Bain Station Prairie, Kenosha County, Wisconsin. Prescribed fires, mowing, and brushing are helping We Energies restore and enhance this small, protected, We Energies-owned wet-mesic prairie, which harbors rare plants such as the prairie white-fringed orchid.

Wetland Restoration Areas, Manitowoc and Ozaukee Counties, Wisconsin. We Energies used various techniques to restore and create 12 small marshes on land it owns in these two eastern Wisconsin counties. The parcels are being protected and managed for wildlife, biodiversity, and water management benefits.

Des Plaines River Conservancy, Kenosha County, Wisconsin. Through a land donation, We Energies and Wispark ensured that restored wetland, prairie, and savanna communities in this watershed were protected from development and that restoration activities were initiated.

Category 5. Protected landscapes.

Rio Bravo Conservation and Management Area, Belize, Central America. Funding from We Energies allowed the purchase and protection of highly diverse, sub-tropical, moist broadleaf forestland and Bajo wetlands that would have been cleared for intensive agriculture.

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Spread Eagle Barrens, Florence County, Wisconsin. We Energies has protected this bracken grassland with associated forests and wetlands for its high aesthetic and ecological value. It is now one of the largest landscape-scale natural areas in Wisconsin. We Energies developed and maintains a Geographic Information System (GIS) of this area as well as for all of the lands included in Wilderness Shores.

Wilderness Shores, Marinette and Florence Counties, Wisconsin, and Dickinson, Iron, and Menominee Counties, Michigan. This landscape surrounds We Energies' hydroelectric facilities. Its mostly forested landscape provides ecological value and aesthetic and recreational opportunities.

Fumee Lake Natural Area, Dickinson County, Michigan. We Energies helped the county purchase this undisturbed, biodiversity-rich lake and forest complex, where opportunities for passive recreation abound. Company staff assists in annual monitoring of the breeding bird population.

Kenosha Sand Dunes, Kenosha County, Wisconsin. We Energies donated this rare ecosystem – the only dunes in a 120-km stretch of western Lake Michigan shoreline – to The Nature Conservancy in 1993. It is now part of the state's protected system of natural areas.

Category 6. Managed resource protected areas.

Rio Bravo Conservation and Management Area, Belize, Central America. Funding from We Energies enabled Programme for Belize to start a sustainable forestry program and explore other sustainable products (medicinal plants and their extracts, orchid culture, nut propagation), while caring for biodiversity within this protected area.

Wilderness Shores, Marinette and Florence Counties, Wisconsin, and Dickinson, Iron, and Menominee Counties, Michigan. A key feature of We Energies' hydroelectric operations is managing a sustainable forestry program on surrounding lands while safeguarding wildlife, aesthetics, biodiversity, water resources, and other natural resource attributes.

Ulao Creek Watershed, Ozaukee County, Wisconsin. As the largest landowner and by protecting sizable grasslands, wetlands, and woodlands in the watershed, We Energies plays a key role in the Ulao Creek Partnership. The Partnership is devoted to protecting Ulao Creek, an irreplaceable natural resource in a rapidly urbanizing area in southeastern Wisconsin.

Protecting and Restoring Native Ecosystems and Lands

Spread Eagle Barrens. A few years ago, We Energies donated a permanent easement to the State of Wisconsin for 716 ha of land in Florence County that helped create the 3,440 ha Spread Eagle Barrens State Natural Area. This rare but degraded ecosystem, unique among all barrens areas in Wisconsin, is being restored, actively managed, and protected for its natural value, public use and appreciation – scientific and aesthetic – by the Wisconsin Department of Natural Resources and We Energies. The company remains an active partner in using adaptive management techniques, such as fire and timber harvest, to restore native species and to enrich the area's biological, cultural, and recreational richness.

Ulao Creek. Historic land management drastically changed Ulao Creek in Ozaukee County, Wisconsin, destroying protective wetlands, promoting sedimentation, and turning life-sustaining feeder streams into drainage ditches. Today, the Ulao Creek Partnership helps protect and improve water quality and natural habitats in the creek's watershed. As the watershed's largest landowner, We

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Energies led efforts to help the creek once again support healthy fish populations and enhance area homes, farms, businesses, and properties.

Ashmun Bay Park. In September 2000, Edison Sault Electric sold this 20 ha property to the City of Sault Ste. Marie, Michigan at fair market value. (Twenty-five percent of the income from the property sale was donated to the Traverse Bay Nature Conservancy.) The land is located on a 1.6 km frontage of the St. Mary's River, directly upstream from the Soo Locks and within a kilometer from downtown Sault Ste. Marie, the city will now manage this property in perpetuity as a park and recreation area.

Aquatic Research Center. Edison Sault Electric provides space and resources for an aquatic research center at its hydroelectric facility in Sault Ste. Marie, Michigan. Working with Lake Superior State University and the Michigan Department of Natural Resources (MDNR), this facility provides a learning experience for the university's staff and students, and serves as a hatchery and rearing facility for Atlantic salmon, lake sturgeon, and brook trout. Approximately 40,000 to 60,000 Atlantic salmon fingerlings are released from the facility into Lake Michigan and Lake Huron each year.

Bird Conservation. In 2001, We Energies was the first corporation to endorse the Wisconsin Bird Conservation Initiative. Now, more than 125 groups are working on a long-term comprehensive plan to conserve all native birds in all habitats in Wisconsin. Priority goes to species and native ecosystems in greatest need of protection, recovery, and enhancement. Company staff are playing a leadership role in directing this initiative.

Bald Eagle . We Energies incorporates a Bald Eagle Protection Plan into all of its land management plans. The plan protects nesting eagles from disturbance, protects super-canopy trees that may provide future nesting sites, and offers a financial incentive to the general public to locate and report nesting sites on company lands. This program has supported the recovery of the bald eagle, leading to a recommendation for its removal from the Federal Endangered Species List.

Osprey. We Energies and Edison Sault Electric have been helping restore osprey populations for more than a decade. In the 1980s, as ospreys increasingly used the companies' various electrical structures for their nests, We Energies and Edison Sault began to construct taller (and presumably better) alternative nesting structures for the birds nearby. This prevents the sticks that fall from their nests from causing electrical service interruption and reduces the risk of a bird being electrocuted. Company crews continue to erect poles and nesting platforms. Today, ospreys use more than 25 platforms erected by We Energies and Edison Sault Electric in Wisconsin and Michigan's Upper Peninsula.

Peregrine Falcon. Since the late 1980s, We Energies has supported reintroduction of the peregrine falcon in Wisconsin. This bird was extirpated from the eastern United States more than 30 years ago. By 2002, peregrines were nesting in four of five nest boxes at our coal-fueled power plants. A multi-year study sponsored by We Energies and recently completed by the Electric Power Research Institute determined that peregrine falcons that live and rear young in nest boxes attached to power plant exhaust stacks run no additional health risks compared to captive birds living at the Iowa-based Raptor Resource Project. In addition to the nest boxes, we supported peregrine recovery by modifying some operations at the company's plants, and by devoting staff time and financial resources to a variety of research and educational activities. We Energies also funded production of an award-winning video, *A Passage To Survival: The History of the Peregrine Falcon in Wisconsin*. Although the peregrine is still on Wisconsin's endangered species list, the recovery program assisted in its removal from the Federal Endangered Species List.

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Prairie White-Fringed Orchid. The federally endangered eastern prairie white-fringed orchid was once common in Wisconsin's wet prairies. We Energies is helping it recover. On a company-owned site (Bain Station Prairie, Kenosha County, Wisconsin) where the orchid once grew, We Energies is mowing and using prescribed fire to clear woody vegetation and promote re-growth of native plants, including the orchid.

Walleye. In 2002, Edison Sault Electric continued to lease 8 ha of company-owned land to the Sault Area Sportsman Club to develop a walleye rearing pond. Walleye fingerlings raised at the facility are to be placed in the nearby St. Mary's River and surrounding inland lakes.

Invasive Species. We Energies supports several activities aimed at controlling invasive plants and animals. For example, the company installed a copper ion generator system at the Oak Creek Power Plant in Oak Creek, Wisconsin, with approval from the U.S. Environmental Protection Agency, to help control the spread of the zebra mussel in Lake Michigan. The system is projected to save We Energies more than \$470,000 over 20 years by reducing maintenance costs and eliminating the use of expensive and hazardous chemicals such as sodium hypochlorite and sodium bisulfite. In addition to controlling the spread of the zebra mussel, this system earned We Energies the Governor's Award for Excellence in Hazardous Waste Reduction in 1999. We Energies also takes measures to eradicate invasive plants such as buckthorn, Eurasian water milfoil, garlic mustard, and purple loosestrife. The company contributes to help other agencies and groups to produce educational materials about invasive species and the serious threats they pose to biodiversity.

Threatened Species. The table below lists numbers of IUCN 2000 Red List threatened species that may live in areas where We Energies and Edison Sault Electric operate. The companies know of no adverse effects to any of these species caused by company activities.

IUCN 2000 Red List Threatened Species in Service Territory

Category	No. of Species
Mammals	1
Birds	1
Reptiles/Amphibians	3
Fish	1
Mussels	8
Dragonflies/Damselflies	4
Crustaceans	1
Beetles	1
Mayflies	1
Terrestrial Mollusks	1

Restoring and Redeveloping Urban Properties

WEC is active in remediating degraded areas and protecting and restoring native ecosystems and species in such areas. These diverse programs highlight the corporation's involvement.

Brownfields. Many former industrial sites sit vacant in areas that WEC companies serve. Often these sites, called brownfields, are known or suspected to be contaminated. Many lie in central urban areas. We Energies' southeastern Wisconsin service area has the largest number of brownfields in the state. The strength of WEC's companies inherently depends on the economic and environmental strength – the quality of life – of the people, neighborhoods, and cities in which they operate and serve. Hence, since 1995, WEC has applied smart growth principles to investigate, remediate and redevelop brownfields and to minimize development of open spaces, called greenfields. These initiatives over the past 15 years have included:

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- Renovating and preserving WEC's corporate headquarters, the Public Service Building, in downtown Milwaukee, Wisconsin. The building is now listed on the National Register of Historic Places
- Converting We Energies' former Wells Street Power Plant in downtown Milwaukee into the Milwaukee Repertory Theater for performing arts
- Working in a joint venture between our Wispark subsidiary and Northeast Milwaukee Industrial Development Corp. to redevelop a former 13.76 ha automotive plant into the Riverworks Industrial Center
- Redeveloping We Energies' former Lakeside Power Plant property on the shore of Lake Michigan in Milwaukee for a corporate headquarters and housing
- Investing \$5.4 million in the clean up of We Energies' former Commerce Street Power Plant and redeveloping it into Time Warner Cable's regional headquarters along the Milwaukee River near downtown Milwaukee
- Redeveloping a former 12.14 ha ash landfill site for industrial use and green space in St. Francis, Wisconsin
- Remediating a site in downtown Racine, Wisconsin, and redeveloping it into the Racine Gaslight Pointe, which includes housing, a lakefront hotel and restaurants.

WEC supports efforts to redevelop the Menomonee River Valley, once the industrial heartland of Milwaukee and the current home of We Energies Valley Power Plant. We Energies sponsored and initiated workshops and discussions for several disparate interest groups (business and property owners, local and state government, community organizations and others) to discuss Menomonee Valley redevelopment. These efforts supported the Menomonee Valley Land Use Plan that helped win a Sustainable Development Challenge Grant from the U.S. Environmental Protection Agency (EPA) in 1999. The grant will support efforts to create an ecological-industrial park in the Menomonee River Valley corridor. To implement the plan and meet the challenge grant from the EPA, We Energies is funding the non-profit, 501(c)(3) Menomonee Valley Partners, Inc., to manage the redevelopment of the Milwaukee Business Improvement District, which was formed to encompass and guide the Menomonee Valley.

Wispark also focuses much of its work on redeveloping sites. In the past three years, Wispark has supported the redevelopment of the Library Hill area in Milwaukee into apartments and retail shops. Wispark has several on-going redevelopment initiatives in downtown Milwaukee, including:

- Refurbishing the buildings that house the regional headquarters of Sak's Inc., and the Boston Store (a major downtown retailer) into new office and retail space. This will retain 650 office jobs and 150 retail jobs, while also adding 74 new residential apartments.
- Redeveloping the Matthews Building into office space, including the Wispark and We Power headquarters.

More information on the social and economic impacts of Wispark appears in the "Economic and Community Development" section of this report.

Grassland Development. For decades, We Energies landfilled its coal combustion products from its power plants. Although the company now uses most of the ash for beneficial products, landfills still operate. The company now manages these sites to create grasslands, which have disappeared in much of southeastern Wisconsin. These sites, in Caledonia, Grafton and Pleasant Prairie, Wisconsin, previously were used as cropland. They now host a variety of uncommon grassland birds.

Manufactured Gas Plants (MGP). From the early 1800s until the first natural gas pipeline reached Wisconsin around 1950, gas was manufactured by heating coal in ovens. The process also produced tars and oils that generally were sold as raw materials to other industries. When these operations

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ended, the equipment was removed, and the sites were cleaned using the technology that existed at the time. We Energies has voluntarily invested more than \$30 million during the past 10 years to investigate and remediate 14 former manufactured gas plant sites where coal tar or other by-product residues remain. This helps support community redevelopment and revitalization, enhancing urban land use and property values. We Energies has conducted remediation and monitoring efforts on these sites:

- **Appleton, Wisconsin.** In 2002, We Energies excavated and disposed of 544 metric tons of potentially coal-tar-contaminated sediments from the Fox River next to the MGP site. We Energies also sent to the WDNR a Site Investigation Report and a Remedial Action Options Report recommending plans to clean up the site using thermal desorption, soil solidification, and chemical oxidation.
- **Burlington, Wisconsin.** In 2002, We Energies completed a full-scale chemical oxidation of the 0.8 ha site by injecting 770,250 liters of 50 percent hydrogen peroxide. We installed a temporary dam, then excavated 7,487 metric tons of riverbank soils and sediments and replaced it with clean material. Portions of the site were used to reconstruct sections of Calumet Street and State Highway 142 and to build a new bridge across the Fox River. The remainder of the site will be made available for other city redevelopment.
- **Fort Atkinson, Wisconsin.** In 2002, We Energies sent the WDNR a Case Summary and Close-out Request documenting the thermal treatment process used during 2001 to clean 20,141 metric tons of soil. The WDNR granted conditional closure of the site.
- **Kenosha, Wisconsin.** In 2000, We Energies excavated and properly disposed of 7,893 metric tons of soil. In 2001, the company excavated and thermally treated (at the Fort Atkinson site) approximately 2,000 tons of soil that remained in the gasholder foundation. During 2002, the company monitored groundwater to assess the effects of remediation on groundwater. The City of Kenosha will make the site available for redevelopment in the future.
- **Milwaukee, Wisconsin.** We Energies spent \$8 million to clean up 2.55 ha (three city blocks) in Milwaukee's historic Third Ward by thermally treating 81,647 metric tons of soil. The work was completed and the site sold in 2000. Two developers are now constructing mixed commercial and residential buildings with an estimated value of more than \$60 million. Additional parcels at the site are being renovated for college facilities and open green space. A Site-Wide Groundwater Investigation and Remedial Options Report was completed and sent to WDNR in January 2003.
- **Waukesha, Wisconsin.** In 2002, We Energies monitored groundwater to assess the effects of the thermal treatment of 5,463 metric tons of soil during 2001. This site will be made available for purchase and future redevelopment.
- **Racine, Wisconsin.** During 2002, We Energies made modifications and replacements to several subsurface groundwater extraction wells to help improve performance of the site's hydraulic gradient control system.
- **Neenah, Wisconsin.** In 2002, We Energies shared in the investigation of a former MGP site now owned by a third party. A site investigation report sent to the WDNR showed soil and groundwater contamination from the former MGP site, as well as leaking underground storage tanks from former gas stations on and next to the property. The company is presently working with the existing owner and the WDNR in developing a remediation plan.

Delavan Well Field Remediation. Chemicals released in the 1950s, 1960s and 1970s from the Sta-Rite Industries Delavan site eventually migrated through the soil to groundwater and contaminated the City of Delavan's Well No. 4. Starting in the late 1980s, Sta-Rite worked with the WDNR, EPA, and the city on a remedial action plan. During the 1990s, the company used an innovative heated-soil-vapor extraction process to recover the chemical contaminants. Since then, a groundwater extraction system has controlled any minor residual materials. Water extracted by this system is treated in an aeration system, and up to 1.9 million liters of treated water per day is discharged to Turtle Creek.

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St. Francis Property Restoration. From the 1920s to the early 1980s We Energies operated the Lakeside Power Plant in the village of St. Francis, Wisconsin. While the plant was removed after it closed, some residual coal remained at the site. In July 2002, the company announced plans to remove more than 13,600 metric tons of coal for combustion at the Oak Creek Power Plant. Removal of this material will allow the site to be redeveloped for residential, commercial, open space or other uses.

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Recovered and Recycled Materials

Wisconsin Energy Corporation (WEC) uses recovered and recycled materials in its operations wherever possible to reduce the use of raw materials, natural resources and energy, and to reduce the lifecycle (economic and environmental) costs of operations.

We Energies promotes these initiatives within and outside the company. We Energies developed and revised its specifications for construction materials to increase recycled material content. The company also takes part in associations and university research on innovative recycling technologies that could be applied by other electric utilities, general industry and communities. The company funds and works with programs and organizations that focus on recovered and recycled materials such as:

- Wisconsin Green Building Alliance
- American Coal Ash Association
- Utility Solid Waste Activity Group
- Electric Power Research Institute (EPRI)
- University of Wisconsin – Milwaukee Center for By-Product Utilization.

Sta-Rite industries actively seeks to minimize waste generation during its manufacturing processes. Almost all of the scrap production material is recovered for reuse either on or off site. Some molded product components are constructed of materials recovered within the Delavan, Wisconsin facility.

Beneficial Use of Coal Combustion Products

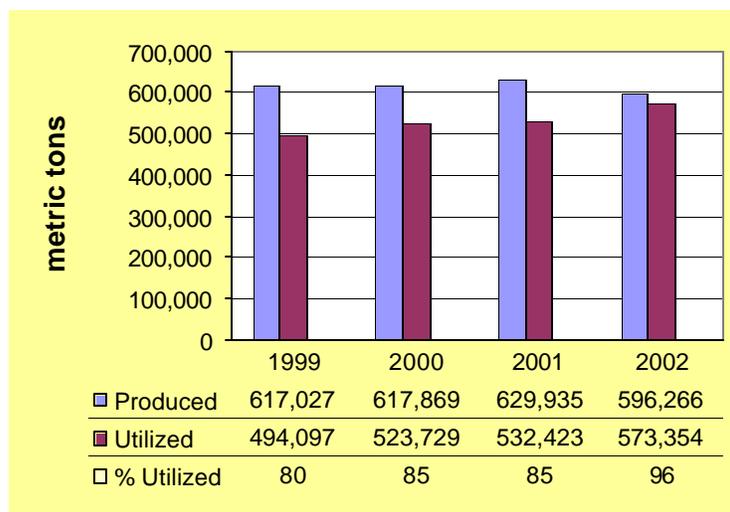
We Energies' coal-fueled power plants produce two types of coal combustion products, bottom ash (coarse material that drops to the bottom of coal boilers) and fly ash (fine ash captured from power plant electrostatic precipitators and baghouses). In 2002, the company beneficially used 96 percent of these combustion products systemwide (versus a national average rate of 31.5 percent in 2001).

Because of the success of We Energies program to recover and reburn ash previously buried in landfills, the company actually utilized 105 percent of 2002 ash production from its five coal plants in Wisconsin. In the past four years, We Energies has utilized more than two million metric tons of coal combustion products. Most of it is sold as construction materials, generating revenue that helps keep electric rates competitive. This also avoids the cost of landfilling and the long-term use of valuable land for this purpose.

We Energies fly ash is a valuable product used by the construction industry throughout the Midwest and in Ontario. It is used as an alternative to cement in making high quality concrete and portland cement. Fly ash also is used to stabilize construction soils and liquid wastes, such as sewage sludge. The beneficial use of fly ash reduces greenhouse gas emissions by displacing production of conventional cement and lime. And because of its high performance and value, products made with fly ash provide contractors with widely accepted "green" building materials. We Energies continues to commercialize an economical way to use fly ash as a self-cementing binder for the cold, in-place recycling of asphalt pavement. Bottom ash is also a valued commodity, used as an alternative to sand, gravel and crushed stone in road and building construction.

Although the concrete and cement market remains the leading application for We Energies' products, new and promising technologies continue to be developed. We Energies maintains a proactive research and development program to use coal combustion products as the company anticipates new air emission control technologies and strategies that will generate new and larger quantities of byproduct.

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**We Energies Combustion Products Produced and Utilized
1999-2002****Coal Ash Reburn**

We Energies uses innovative processes to recover residual energy from high-carbon ash by blending it with coal at its power plants. The company began reburning ash at the Pleasant Prairie Power Plant in January 2000 and expanded reburning to ash recovered from landfills in February 2001 after receiving additional approvals under Wisconsin's first Environmental Cooperative Agreement signed with the Wisconsin Department of Natural Resources (WDNR). The process can use dry high-carbon fly ash directly from the company's older power plants. The process also can use moist high-carbon ash from We Energies power plants, stockpiles, existing landfills, or remediation projects. In July 2002, the company extended reburning to the Presque Isle Power Plant in Marquette, Michigan, where the plant blends high-carbon bottom ash with coal. Reburning enables We Energies to landfill less ash and recover valuable land for redevelopment, all without increasing power plant emissions. In addition, ash that is burned in the company's process yields a high quality fly ash that can be sold as an ingredient in concrete.

In 2002, Pleasant Prairie burned 110,909 metric tons of high-carbon ash produced by We Energies' Valley, Port Washington and Milwaukee County power plants. This ash reburn process (U.S. Patent No. 5,992,336) saved 77,893 cubic meters of landfill space. At the same time, the reburn process avoided the purchase of 535 railroad car loads of coal, or approximately 55,900 tons of purchased fuel. Presque Isle burned 5,225 metric tons of high-carbon bottom ash, saving 3,670 cubic meters of landfill space. This avoided the purchase of 1,100 tons of coal, or the equivalent of approximately 10 rail road cars of coal.

During 2002, Pleasant Prairie also used a proprietary process (U.S. Patent pending) to burn 8,203 metric tons of ash recovered from We Energies landfills. This process eventually will enable landfill sites to be redeveloped for more valuable uses.

We Energies continued to promote this technology to other utilities in 2002 by presenting at more than ten industry conferences, including international conferences in France and Spain. Ash recovery and reburn is an important strategy for achieving We Energies' goal to utilize 100 percent of its coal combustion products, conserve existing landfill capacity, and to avoid building new landfills.

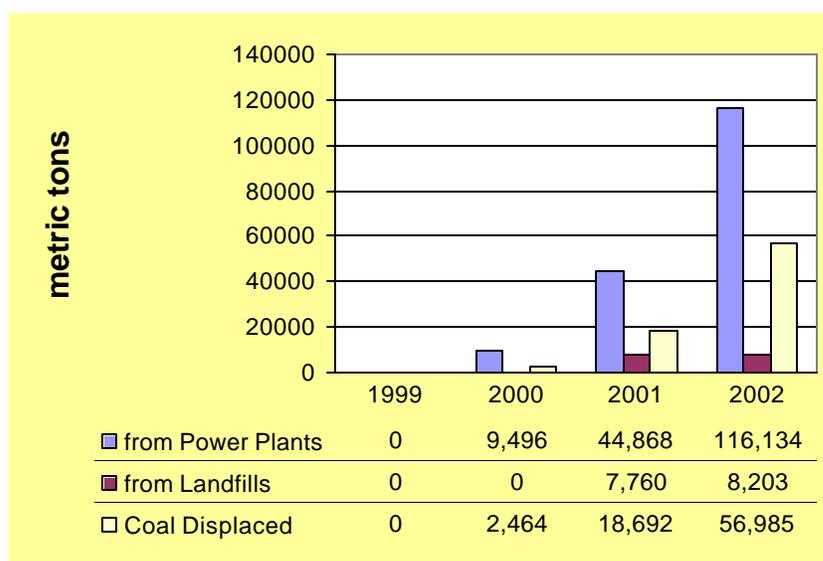
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Coal Ash Recovery

We Energies also recovers landfilled ash for sale as a construction material. Under the Environmental Cooperative Agreement and Wisconsin regulations for the beneficial use of industrial byproducts, the company recovered 20,117 metric tons (14,128 cubic meters) of coal ash from the Pleasant Prairie Power Plant landfill and sold it as a base material to replace stone or gravel under roads, parking lots and buildings. This conserves natural resources such as sand and stone that would otherwise be mined and transported, conserving energy, and extending the life of the company’s licensed landfills.

For more information on We Energies beneficial use of coal combustion products, see the “Waste Management” section of this report. For information on the company’s coal use, see the “Energy” section. For more on corporate brownfields initiatives, see the “Natural Habitats and Biodiversity” section of this report.

We Energies Coal Ash Reburn, 1999-2002¹



1. Data in this graph has been updated from the 2001 Performance Report to conform with redefined categories. Coal ash reburn was initiated in 2000.

Paper Mill Sludge

Wisconsin Energy Corporation’s Minergy subsidiary uses innovative technology to dry, melt and convert sludge from paper mills in Wisconsin’s Fox River Valley to glass aggregate, which is sold to the construction industry for blasting grit, abrasives, roofing shingle granules and other uses. Since 1999, the Minergy Glass Aggregate plant in Neenah, Wisconsin, has processed more than one million metric tons of sludge that otherwise would have required about four hectares per year to bury in a landfill. There it would decompose and release greenhouse gases. The Minergy technology is important to the paper industry, which expects to generate more paper sludge as paper production and recycling grow. The plant has capacity to process all the paper mill sludge produced in Winnebago County, Wisconsin, a key paper-making area. Paper sludge accounts for more than two-thirds of the county’s solid waste stream. The Minergy plant to date has yielded 151,989 metric tons of aggregate, replacing the extraction and processing of other natural resources to make construction materials.

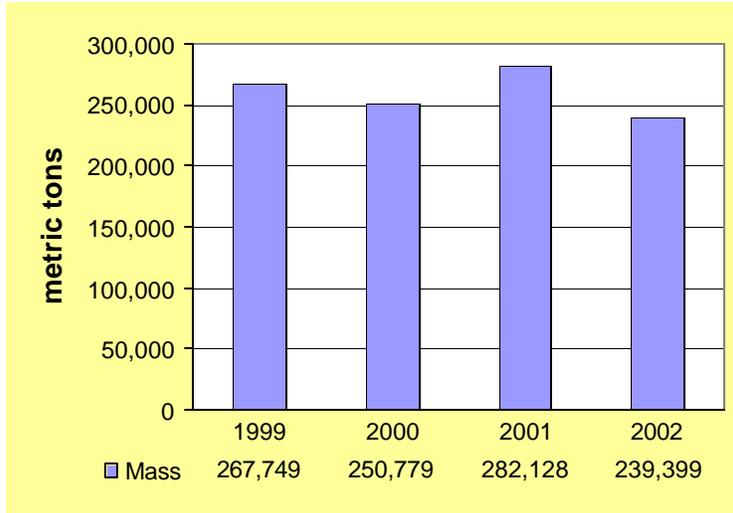
In addition, Minergy’s drying process converts water in the sludge to steam, condenses it, and sends it to the local wastewater utility for treatment. This water would otherwise go with the sludge to the

2002 PERFORMANCE REPORT

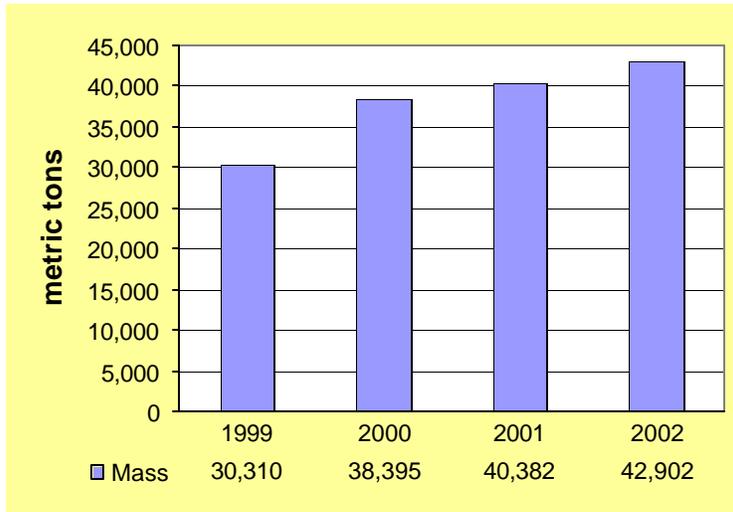
landfill. Minergy recycled 132,261 cubic meters of wastewater in 1999, 155,543 cubic meters in 2000, 138,259 cubic meters in 2001, and 147,615 cubic meters in 2002.

The company continues to study how its technology can be used to address other solid waste challenges in an economic and environmentally beneficial manner.

Minergy Paper Mill Sludge Processed, 1999-2002



Minergy Glass Aggregate Produced

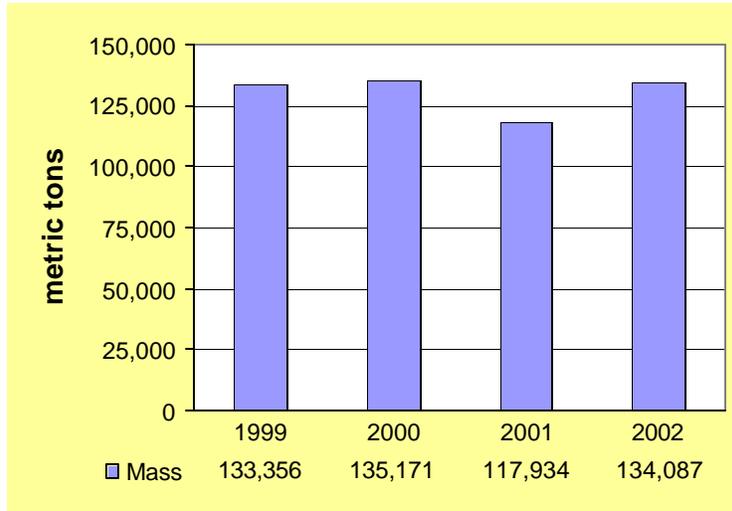


Petroleum Coke

We Energies uses 5 to 10 percent petroleum coke as fuel in some of its coal-fueled power plants. Petroleum coke is a byproduct of oil refining that, if not burned as fuel, would be buried in landfills. World production of petroleum coke has increased by more than 40 percent since the early 1990s, in part because oil refineries must remove more impurities to make cleaner-burning gasoline and diesel fuel that meets air-quality regulations. We Energies has used petroleum coke in its Valley and Presque Isle Power Plants. Use of petroleum coke will be discontinued after 2003 to support the company's long-term environmental performance goals.

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We Energies Petroleum Coke Utilization, 1999-2002



Manufacturing Recovery, Recycling and Waste Minimization

Sta-Rite Industries manufacturing plant in Delavan, Wisconsin, has taken several steps to either reduce production of wastes (i.e., waste minimization), or to recover and recycle many of the process by-products. Specific steps include:

- Adopting dry powder coating technology in the 1970s, replacing solvent-based paints and thus reducing emissions of volatile organic compounds (VOC), a potential contributor to ozone formation.
- Testing the potential of ultrasonic welding techniques to reduce solvents used in plastic parts assembly.
- Recycling coolant materials.
- Using soybean-based materials, such as Plastisol, in manufacturing air bladders for water pressure tanks.
- Recycling Plastisol scrap for manufacture of highway marker cones.
- Replacing almost all brass products containing lead with silica brass or stainless steel.
- Phasing out mercury switches in pumps.
- Capturing and reusing polycarbonate and polypropylene resins for injection-molded products.
- Eliminating solvent degreasing of cast-iron products by switching to a water-based parts washing system.
- Collecting and recycling batteries, light ballasts, cardboard, plastic, computer equipment, toner cartridges, aluminum and wood.
- Limiting use of brominated plastics to specialty uses where fire retardant characteristics are critical.

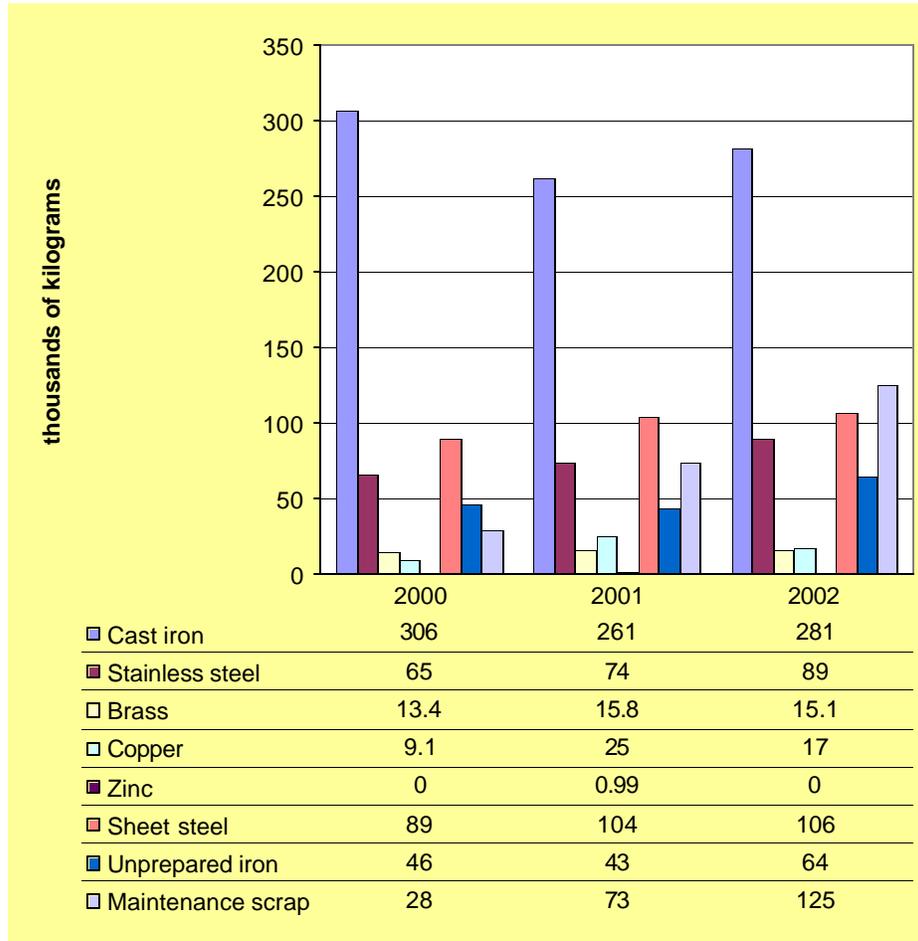
About 20 percent of the plastic parts used in the manufacturing process allow recycled regrind materials to be used, and on average, 10 percent of the material used in those parts is regrind. Two to three percent of plastic resin used is recycled internally.

The Delavan facility also has reduced water consumption by using cooling towers instead of once-through cooling systems. In 2002, this saved 136 million liters of water that otherwise would have been withdrawn from local surface or groundwater sources.

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In manufacturing pumps, Sta-Rite takes all possible steps to minimize production of scrap metals. When it is generated, all scrap metal is collected and shipped to specialty recyclers. During 2002, the company recycled more than 675,000 kg of scrap metal. Some 35 percent of materials in the company's castings (primarily scrap iron) are recycled.

Sta-Rite, Delavan Recycled Metals, 2000-2002



The company also collects and recycles oil filters from process equipment, light bulbs, and oil absorbent rags and pads. The rags and pads are sent to qualified vendors who clean them and capture the oil for energy recovery or reuse. The cleaned materials are returned to Sta-Rite. This avoids the landfilling of oily waste.

Sta-Rite, Delavan Recycled Used Oil (liters), 2000-2002

	2002	2001	2000
Recycled Use Oil	20,212	30,053	18,168

Sta-Rite, Delavan Recycled Light Bulbs (number of bulbs), 2002-2002

	2002	2001	2000
Light Bulbs Recycled	1050	800	1608

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Sta-Rite, Delavan Recycled Oil Absorbent (kilograms), 2000-2002

	2002	2001	2000
Oil Absorbent Recycled	4,763	3,810	748

Sta-Rite, Delavan Recycled Use of Recycled Plastic Resins (kilograms)¹, 2000-2002

	2002	2001	2000
Recycled Resins	181,400	158,750	136,000

¹ 2000 and 2001 figures are estimated

More information about non-recycled waste streams generated by We Energies, Minergy, Sta-Rite, Delavan and other operating groups can be found in the "Waste Management" section of this report.

Other Initiatives

We Energies has several other on-going programs to increase use of recovered and recycled materials:

Scrap Metal. We Energies aggressively recycles metal goods such as copper and aluminum wire, electrical cable, steel pipe, specialty boiler metals, structural steel and shipping containers. The company uses these materials in routine operation and maintenance, such as distribution line upgrades and power plant construction projects. During the past three years, We Energies has sold more than \$2.4 million in scrap metal, including more than \$2.2 million in valuable non-ferrous metals (such as copper and aluminum). In the past two years, through its Supply Chain auditing and certification program, We Energies has worked with its recycling partners to look downstream at the final disposition of these metals to make sure they are being managed in a responsible manner. The table below reflects the amount of material sold. Data was not available for 1999 and 2000.

We Energies Scrap Metal Sales (kilograms), 2000-2002

Metal	2002	2001
Ferrous	2,883,524	4,119,890
Non-Ferrous	1,245,376	1,619,541
Total	4,128,900	5,739,431

Surplus Assets. In the past three years, We Energies has donated more than \$220,000 of surplus furniture, vehicles, office and telecommunications equipment, environmental monitoring instruments, and other items to community groups and other organizations in its service territory.

We Energies Surplus Assets Donations, 1999-2002

Year	Donations
2002	\$ 52,180
2001	37,400
2000	139,850
1999	45,000
Total	\$274,430

Specific types of donations by We Energies to groups include:

- Vehicles. City of Gillett, Wisconsin Technical College and charitable organizations in Wisconsin's Fox Valley area
- Vehicle parts. Ranch Community Services, Menomonee Falls, Wisconsin
- Cell phones. Call to Protect charitable group and the First Lego League in Wisconsin
- Radio equipment. Manitowoc County, Wisconsin Sheriff Department
- Paint spray booth. Lawrence University, Appleton, Wisconsin.

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Antifreeze. By capturing and recycling used antifreeze on site, the Presque Isle Power Plant in Marquette, Michigan, is a pioneer in using recycled antifreeze in large yard equipment. This initiative avoids the purchase and disposal of 1,230 liters of antifreeze per year. The practice is being expanded to We Energies' other plants. In fleet services where it is not practical to recycle on site, used antifreeze is recycled through certified, contracted vendors.

Computers . We Energies, Sta-Rite Industries and Edison Sault Electric either recycle or sell their used computers and ancillary equipment. Recyclers are inspected and must become certified before We Energies will use their services. Contributions are also made to non-profit organizations and schools when possible.

Toner Cartridges. We Energies works with a regional supplier (audited for compliance assurance) that uses a unique process to recover and reuse plastic and metal toner cartridges from printers. Since 1999, We Energies has recycled more than 6,000 cartridges – more than 11 metric tons of material that otherwise would be landfilled. This has saved more than \$170,000 annually in purchase and landfill costs.

We Energies Toner Cartridges Recycled (metric tons), 1999-2002

Year	Quantity	Mass
2002	2,583	4.70
2001	2,526	4.60
2000	2,114	3.80
1999	1,786	3.25
Total	9,009	16.35

Paper and Production Inks. We Energies uses water-based inks and recycled paper (at least 10 percent post-consumer fiber) for customer bills, inserts, and envelopes. The company's internal print shop buys paper with at least 30 percent post-consumer fiber, and continues to expand the use of recycled paper in copiers and printers. We Energies also works with suppliers to identify and use a wide range of office products made with recycled paper, metals and plastics.

Paper and wood products. We Energies contracts with a regional fiber recycler to collect and market our used paper and corrugated cardboard. The company collects the materials in labeled containers at all of its facilities. Employees have separate paper recycling containers at their workstations and are encouraged to recycle. We Energies also reuses and recycles wood pallets and shipping crates to the fullest extent possible. A regional contractor typically receives one semi-truck load of wood and surplus pallets per month for recycling. Pallets that cannot be reused are shredded for landscaping mulch. In the past four years, We Energies has recycled more than 1.844 million kilograms of paper and cardboard. Collected paper is recycled and managed by a qualified, local contractor.

In the past three years, Edison Sault Electric has recycled more than 5,600 kilograms of paper products, or almost half the paper it buys. Collected paper is recycled and managed by a qualified, local community contractor.

Edison Sault Electric Company Paper Used and Recycled (kilograms), 1999-2002

Year	Purchased	Recycled
2002	4,296	2,345
2001	3,854	1,995
2000	4,247	1,834
1999	3,840	1,786
Total	16,237	7,960

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Cleaning Solvents. For years, We Energies has been replacing petroleum-based, chlorinated solvents with recycled, non-chlorinated solvents for parts and equipment cleaning at power plants and distribution centers. In 2002, the company changed its parts washer service contractor and eliminated the hazardous waste classification of the used parts washer solvent. This has reduced hazardous waste by more than 1,000 kg from 2001.

Meters and Transformers. We Energies repairs, rebuilds and reuses electric and gas meters and electric transformers taken out of service. Units that cannot be reused are sold or scrapped to certified suppliers. The materials in the scrapped units are recycled.

Wood Mulch. We Energies prunes trees along its distribution system to maintain safe and reliable utility services. The cut materials are shredded and chipped and the wood mulch is made available to customers free of charge.

Recycled Concrete and Asphalt. We Energies' plants, service centers and electrical substations have paved surfaces and use concrete building materials. Also, the company's gas and electrical distribution system run under numerous concrete and asphalt streets and highways. Construction and maintenance work often requires demolition of concrete and asphalt. We Energies continues to explore better ways to recycle these materials. Examples include:

- The company recycles concrete by crushing it for use as a backfill and base material for our own construction projects, or for distribution to contractors and local recyclers. We Energies generally specifies concrete with a 30 percent minimum fly ash cement replacement.
- We Energies developed a cold-in-place recycled asphalt process that uses self-cementing fly ash from the company's power plants, mixed with crushed asphalt and water, to make a strong, structural base material for road and parking lot construction. The company promotes this process to engineers, developers, contractors and transportation agencies throughout the upper Midwest. For new construction, We Energies has begun to specify asphalt with higher recycled material content.

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Environmental Performance

Renewable Energy and Energy Efficiency

Wisconsin Energy Corporation (WEC) has a long history of pursuing ways to increase the use of renewable energy and maximize energy efficiency.

Renewable Energy

We Energies produces or purchases more than 140 megawatts of renewable energy capacity from a variety of sources inside and outside Wisconsin. Some of it is used for the company's Energy For Tomorrow™ residential and commercial renewable energy program. Much of the remainder is used to satisfy the state Renewable Portfolio Standard requirement in Wisconsin (see more below).

Energy for Tomorrow™ Renewable Energy Program

In 2002, for the third year in a row, We Energies' Energy For Tomorrow renewable energy program was one of only five renewable energy programs in the U.S. certified by the Center for Resource Solutions. Launched in 1996, the market-based program gives We Energies customers the choice of having 25, 50, or 100 percent of their electricity generated from renewable energy resources. They pay a slightly higher rate on their monthly electric bill to offset the incremental cost of generating electricity from renewable energy resources. During 1999-2002, an average of 10,586 customers (residential and commercial) enrolled in the program, purchasing 33,595 megawatt-hours of electricity annually. This has made Energy For Tomorrow one of the largest and most successful programs of its kind in the nation as ranked by the U.S. Department of Energy's National Renewable Energy Laboratory. The renewable energy sold through Energy for Tomorrow in 2002 came from:

- We Energies wind turbines in the Town of Byron, Wisconsin (9 percent)
- The Badger Wind facility in Montfort, Wisconsin (8 percent)
- Small hydroelectric plants in Wisconsin owned by Cedarburg Hydroelectric Corp., Rock River Power & Light, and North East Wisconsin Hydro (8 percent)
- Three Waste Management, Inc. landfill gas facilities in southeastern Wisconsin (75 percent).

For more information, see the "Energy Use" section of this report.

We Energies Energy for Tomorrow™ Program Customers and Energy Use (megawatt-hours), 1999-2002

Year	Minimum Customers	Maximum Customers	Average Customers	Energy Use
2002 ¹	10,340	10,919	10,571	35,161
2001	10,288	10,686	10,487	33,360
2000	10,288	12,804	11,546	35,262
1999	8,151	11,301	9,726	32,162
Total				135,945

¹ The 2002 energy use includes 197 megawatt hours utilized by We Energies facilities.

Biomass. Biomass (organic matter such as switchgrass, wood, other vegetation and animal and municipal wastes) can be converted to energy. Wood and other plant material can be burned directly as a fuel. Animal and municipal wastes decompose to produce methane (a greenhouse gas with a global warming potential 23 times greater than carbon dioxide), which can be captured, compressed, and burned to make steam or electricity. Since 1999, We Energies has purchased 29 megawatts of electrical capacity from three landfill gas facilities in southeastern Wisconsin, owned and operated by Waste Management, Inc. Since June 2001, We Energies has purchased 750 kilowatts of capacity from the state's first agricultural waste bio-gas digester facility, owned and operated by Ag Environmental Solutions, LLC, at the Tinedale

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Farms of Wrightstown, Wisconsin. And We Energies also has contracted to purchase 200 kilowatts of capacity from a bio-gas digester facility at the Maple Leaf Farms facility in Franksville, Wisconsin.

Hydroelectric power. We Energies' 14 hydroelectric plants on the Brule, Fox, Menominee, Michigamme, Paint, Pine and Sturgeon rivers in central and northeast Wisconsin and Michigan's Upper Peninsula have a combined 90 megawatt capacity. Eight were recently re-licensed under the Wilderness Shores Settlement Agreement (see the "Natural Habitats and Biodiversity" section for more information).

We Energies Hydroelectric Power Generation (megawatt-hours), 1999-2002

	2002	2001	2000	1999
Hydroelectric generation	446,296	353,905	350,288	395,681

Edison Sault Electric's hydroelectric plant, on the headwaters of the St. Mary's River in Sault Ste. Marie, Michigan, has a 27 megawatt capacity and has provided, on average, 210,000 megawatt-hours per year. Edison Sault Electric also has a long-term contract with the U.S. Government to purchase all of the excess power (about 17 megawatts and 160,000 megawatt-hours per year) produced by the U.S. Corps of Engineers hydroelectric plant in the Soo Locks in Sault Ste. Marie.

Edison Sault Electric and We Energies Hydroelectric Projects

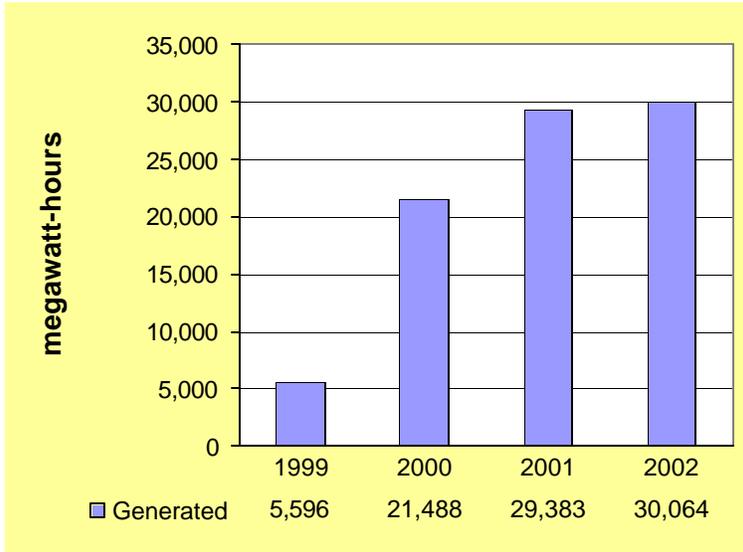
Facility	River	Capacity (megawatts)
Appleton	Fox	2.0
Big Quinnesec Falls	Menominee	20.5
Brule	Brule	6.6
Chalk Hill	Menominee	7.0
Edison Sault Electric	St. Mary's	27.0
Hemlock Falls	Michigamme	2.6
Kingsford	Menominee	6.0
Lower Paint	Paint	0.1
Michigamme Falls	Michigamme	9.4
Peavy Falls	Michigamme	16.0
Pine	Pine	4.0
Sturgeon ¹	Sturgeon	0.8
Twin Falls	Menominee	6.2
U.S. Corps of Eng. ²	St. Mary's	17.0
Way Dam	Michigamme	2.0
White Rapids	Menominee	7.8
Total		135

- As part of the Wilderness Shores Settlement Agreement approved by the Federal Energy Regulatory Commission, We Energies is removing the Sturgeon dam and restoring the Sturgeon River Gorge to a natural condition. This multi-year restoration project will allow more than 16 hectares of previously submerged land to revert back to seasonally flooded wetlands and deciduous floodplain forests that dominated the area before 1924, when the dam was built.
- Purchased power agreement with the U.S. Government.

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Minergy Glass Aggregate Plant. Minergy uses the wood fiber biomass in paper mill sludge to generate 6.5 megawatts of electricity. The total electric generation by the Minergy plant (in megawatt hours) has increased each of the past four years as the total throughput of biomass and plant efficiencies have increased.

Minergy Renewable Energy Generation, 1999-2002



Solar power. We Energies uses limited amounts of solar photovoltaic cells in our renewable energy mix. Currently, these facilities include systems the company donated in 1999 to the Milwaukee County Zoo (800 watts), in 1999 to the Schlitz Audubon Nature Center in Bayside, Wisconsin (400 watts), in 2001 to the University of Wisconsin-Milwaukee (168 watts), and in 2002 to the Schlitz Audubon Nature Center (10 kilowatts).

Wind power. In June 1999, We Energies began operating two wind turbines in the Town of Byron near Fond du Lac, Wisconsin, that provide a combined 1.32 megawatts of capacity, enough for about 360 homes. In a typical year, the turbines produce more than 3,000 megawatt-hours of electricity. They are specially designed and sited to make optimum use of Wisconsin's relatively low wind speeds, while minimizing harm to migrating birds and other wildlife. Since 2001, We Energies also purchases 25.5 megawatts from the 30-megawatt Badger Wind facility owned and operated by FPL Energy in Montfort, Wisconsin. In December 2002, We Energies issued a Request for Proposals soliciting developers to build a minimum of 200 megawatts of wind generation. The company is seeking contract commitments of at least 20 years. Factors in this evaluation will include use of existing transmission systems and minimization of impacts on communities and natural systems. We Energies will select a qualified project (or projects) in 2003.

Renewable Energy Mandate and Renewable Portfolio Standard

In 1998, Wisconsin adopted through Act 204 a renewable energy capacity requirement to have 50 megawatts of new renewable energy on-line in Wisconsin by year-end 2000. We Energies met its 27 megawatt requirement through its purchase of wind generation from FPL Energy in Montfort Wind Farms in southwestern Wisconsin and from other renewable energy sources.

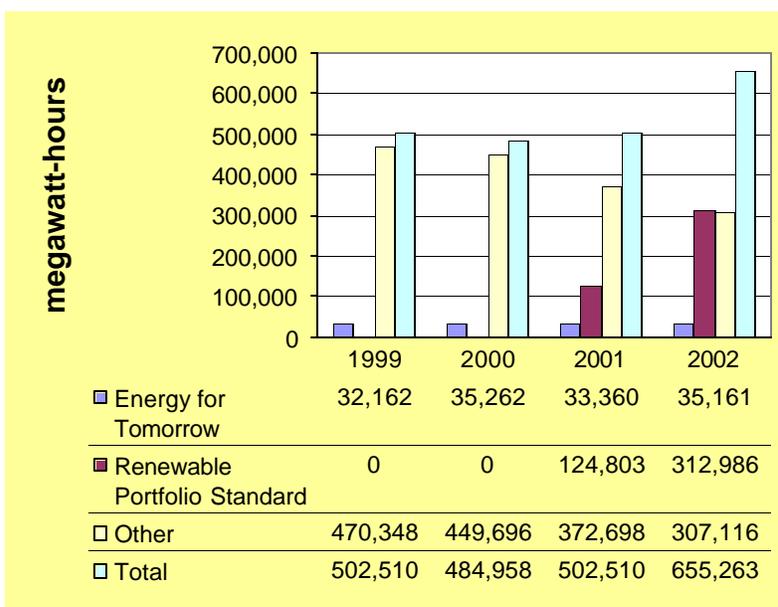
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In February 2000, Wisconsin adopted the Renewable Portfolio Standard (RPS) legislation that requires state utilities to provide an increasing amount of energy sold to retail customers from renewable energy sources – from 0.5 percent in 2001 to 2.2 percent by 2011. In May 2000, We Energies was the first utility in the state to propose a new renewable energy project targeted at meeting the requirements.

We Energies generated and purchased renewable energy to meet both the RPS requirement and the needs of our Energy for Tomorrow™ customers. The amount of energy supplied to We Energies customers to meet the requirements of the RPS, Energy for Tomorrow and renewable energy that does not qualify for the RPS is shown in the chart below. The RPS limits the amount of hydroelectric generated energy that qualifies for inclusion in the RPS; this energy appears in the **Other** designation in the chart.

The second chart below shows the amount of renewable energy generated and purchased by We Energies.

We Energies Renewable Energy, 1999-2002



Summary of We Energies Renewable Energy Generated and Purchased (megawatt hours), 1999-2002

Source	2002	2001	2000	1999
Generated	449,562	359,039	353,317	397,097
Purchased	205,701	169,107	131,641	105,413
Total	655,263	528,146	484,958	502,510

Renewable Energy Collaborative

During 2001, as part of WEC's *Power the Future* plan, We Energies announced a commitment to increase renewable energy over the next 10 years. The target is to have five percent of retail electric sales come from renewable energy sources by 2011, and WEC proposes to spend an additional \$60 million over ten years (subject to approval from the Public Service Commission of Wisconsin) to reach the target. We Energies formed a Renewable Energy Collaborative with the American Wind Energy Association, the Citizens' Utility Board, Customers First! Coalition, RENEW Wisconsin, Sixteenth Street Community Health Center, Wisconsin Energy Conservation Corporation, and the Midwest Renewable Energy Association to guide the company's work toward this commitment.

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Energy Efficiency

We Energies has worked consistently to help customers use energy more efficiently and use less power during times of peak demand, such as at the height of the air conditioning season. Since the late 1980s, energy efficiency programs have reduced the company's peak demand by more than 500 megawatts. Programs included upgrades to lighting in commercial facilities and payments to residential customers who turned in almost 460,000 old, inefficient freezers, refrigerators and air conditioners for recycling.

State, national, and world events are once again making energy efficiency a high priority. Oil and natural gas prices have risen dramatically. Electric generation and transmission capacity concerns and environmental awareness are increasing. All these factors heighten the importance of energy efficiency.

Energy efficiency improves reliability, reduces peak time power costs, and reduces energy usage and greenhouse gas emissions, benefiting customers through reduced capital, operating and fuel costs.

Working with Wisconsin Focus on Energy (see below), We Energies offers programs and services that help energy customers improve energy efficiency in their homes, buildings and factories. Programs offer a full range of customer technologies and services tied to energy use. The company provides information on purchasing energy efficient equipment, and on designing new homes and buildings, consequently providing economic and environmental benefits.

Wisconsin Focus on Energy. This public-private partnership is a coordinated group of programs under the Wisconsin Department of Administration. The program provides citizens and businesses with technical assistance and information on energy management in a manner that makes energy choices yield the most value for their money while protecting the environment. The program is funded by a surcharge on gas and electric bills and through direct utility contributions. A major share of the money goes towards weatherization and energy efficiency programs. We Energies provided \$4.3 million to the state for the program in 2000, \$28.9 million in 2001, and \$35.6 million in 2002 from the surcharge and direct payments by the company.

Energy Center of Wisconsin. We Energies supports the Energy Center of Wisconsin, which sponsors and conducts research on the efficient use and management of energy. The center develops and demonstrates new energy-efficiency advances and transfers the results to Wisconsin energy service providers and consumers.

Weatherization and Other Services. We Energies' home weatherization and other energy efficiency services for low-income residents continue to pay dividends in efficiency while helping customers more easily afford the energy they need. We Energies directly provided low income weatherization services to our customers during 2002, the last year this service was provided. Beginning in 2003, these services are provided through Wisconsin Focus on Energy. The table below summarizes results for 2001 and 2002.

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We Energies Low-Income Weatherization Program, 2001-2002

	2002		2001	
	Gas	Electric	Gas	Electric
Households served	1,727	1,463	2,025	1,505
Measures installed	8,445	13,303	9,217	12,726
Therms saved	1,013,689	N/A	1,165,932	N/A
Megawatt-hours saved	N/A	1,589	N/A	1,637

We Energies Energy Efficiency Initiatives (dollars), 1999-2002

Initiative	2002	2001	2000	1999
<i>Wisconsin Focus on Energy</i> program	\$35,594,257	\$28,900,000	\$ 4,300,000	\$0
Energy Center of Wisconsin dues + Low-income Weatherization + Energy Efficiency Programs	2,728,500	9,522,707	12,705,855	20,511,634
Total	\$38,322,757	\$38,422,707	\$17,005,855	\$20,511,634

Other Energy Efficiency Programs. We Energies, in partnership with *Wisconsin Focus on Energy*, developed an enhanced Targeted Home Performance (THP) Pilot Program with Energy Star in 2002 for rollout in 2003. Focus on Energy will administer the program that will work with limited income customers (150 to 200 percent of the federal poverty guidelines) who historically have not been eligible for state and federal weatherization programs. Studies show that these customers have homes with significant energy saving opportunities but rarely can afford to pay for the improvements. Under the THP, eligible customers will receive a home energy assessment and follow-up installation of a comprehensive list of qualifying energy efficiency improvements. The customers will save money and enjoy safer, more comfortable homes. We Energies plans to provide additional funding to Focus on Energy by covering the costs of the customer contribution and the costs of electronically commutated motors (ECM) in high-efficiency furnaces. This pilot program will be offered in southeastern Wisconsin and in the Fox Valley area south of Green Bay.

The Energy Building Code Collaborative (EBCC) was formed in the fall of 2002 to enhance energy efficiency in Wisconsin. The collaborative is reviewing the energy efficiency aspects of Wisconsin's residential, commercial and rental unit codes and will propose technically feasible, economically justified and environmentally beneficial changes to the codes. WEC's *Power the Future* (PTF) plan includes an increased emphasis on and commitment to energy conservation. As part of WEC's *Power the Future* initiative, the EBCC was formed to help the company develop projects beyond the scope of the state-mandated public benefits activities encouraging the efficient use of energy.

Load Management

We Energies offers several business and residential load management options in which customers receive electricity rate discounts or other incentives in return for reducing load on short notice during high-demand periods. For example, residential customers receive a credit on their bill for allowing us to turn off their air conditioners for varying periods during times of peak demand. The programs have the potential to reduce peak demand by more than 400 megawatts on a given day. Basic load management programs include:

Mine Contracts. Contracts with several large iron mines in Michigan's Upper Peninsula allow We Energies to ask these customers to reduce load at times of high system demand.

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Energy Buy-Back Load Management Programs. These programs provide customer incentives to help We Energies avoid buying high-priced electricity on the spot market. Customers in effect sell power back to We Energies during times when market supplies are short. The programs are:

- **Dollars for Power.** This program is for commercial and industrial customers who can sell back at least 50 kilowatts of capacity. The customer has the choice of contracting for a pre-established price of \$0.40, \$0.80 or \$1.25 per kilowatt-hour.
- **Power Market Incentives (PMI).** Commercial and industrial customers who can sell back at least 500 kilowatts of load, at We Energies request, are paid market-based prices. Customers decide if they wish to participate when an event is called and then commit to a specific load reduction. Once We Energies accepts a customer's offer, the customer is required to meet that load reduction commitment or is subject to penalty charges.
- **PMI-Pool.** Customers or marketers who can combine sites can establish a PMI-Pool that has the same features and benefits of Power Market Incentives. A pool operator manages the participating sites (minimum load reduction of 100 kilowatts per account). Each contract for a pool is required to commit a minimum 500 kilowatts of load reduction.

Residential Program. Energy Partners is a residential central air conditioning, direct load control program. A small remote controlled device installed near the central air conditioning compressor can turn the unit off any day between noon and 11 p.m. from May 15 through September 15. Customers can choose one of the following options:

- **\$50 in bill credits.** Central air conditioners may be cycled off for up to six hours a day.
- **\$40 in bill credits.** Air conditioners may be cycled off for up to four hours a day.
- **\$12 in bill credits.** Air conditioners may be cycled off for 45 minutes, operate for 15 minutes and continue this cycle up to 8 hours a day.

Traditional Load Management Programs. These commercial and industrial programs offer the greatest discounts, but they can require customers to reduce load on short notice during high-demand periods. Customers with greater operational flexibility and risk tolerance benefit most. These programs are:

- **Interruptible.** Primary rate industrial customers with a minimum load reduction of 1,000 kilowatts are eligible for this program. In exchange for about a 30 percent annual discount, customers allow We Energies to remotely interrupt electric load if capacity becomes tight. While We Energies provides as much notice as possible, the company has the ability to interrupt load without warning during a peak capacity situation. If system energy prices on the spot market are high, an economic interruption may be called. Customers maintain control over their electric load during economic interruptions by either curtailing load or buying through the interruption at market rates.
- **Curtable.** For an annual savings of up to 15 percent, businesses agree to shed load – with a minimum one-hour notice – when electric supplies are tight. Customers determine what load to curtail. To participate, primary rate customers must have a minimum of 500 kilowatts and general secondary rate customers are required to have a minimum of 100 kilowatts to curtail. As with the Interruptible rate, penalties apply if commitments are not met, and customers may choose to curtail or buy energy at a predetermined market price during an economic curtailment.
- **Energy Cooperative.** The Energy Cooperative rate is a lower risk option that provides an incentive for a group of commercial/industrial customers to participate in a load reduction plan. Customers are paid a base incentive for each month from April to September when the load is available for reduction. In addition, a performance incentive is paid during curtailment periods when the demand peak is held at or below the contract agreement. A non-compliance penalty is applied if the contract terms are not met.

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Spills

Wisconsin Energy Corporation (WEC) maintains programs to avoid spills and accidental releases to the environment. Facilities with fuel, chemical and wastewater tanks must maintain both structural controls (containment and liners) and institutional controls (spill prevention control and countermeasures plans and employee training). Regulations require periodic testing or inspection of these systems. Where a potential hazard may exist to employees or surrounding properties, WEC facilities develop preventive and emergency action plans with local and state regulatory officials. These are reviewed and updated periodically.

Even with effective planning and prevention, releases sometimes occur. WEC regards all spills as serious events. Corporate policy is to take corrective and preventive action immediately, in accordance with state and federal regulations, even if that means facilities must stop operations. Beyond immediate clean-up, long-term corrective actions may include policy and procedural changes, equipment modifications and training.

We Energies' movement toward formal environmental management systems will strengthen our existing programs designed to achieve a goal of zero reportable spills. The chart below describes the spills We Energies reported during 2002 to the Wisconsin Department of Natural Resources and the Michigan Department of Environmental Quality. In all instances, company personnel promptly controlled or removed the spilled material. We Energies' follow-up on such incidents includes a root-cause analysis and preventive actions to reduce the potential for future events. Some minor spills, including some reported below, occur due to accidents by people who are not employees. The most frequent are vehicular accidents, storm damage and weather related incidents involving company poles and distribution transformers.

Neither Minergy nor Sta-Rite, Delavan had any reportable spills or releases during 2002. The Sta-Rite plant in Delavan, Wisconsin continues to perform remediation on a release of chemicals that occurred at its facility before the 1980s. This is described in the "Natural Habitats and Biodiversity" section of this report.

Spills that occurred before 2002 were presented in the 2001 WEC Performance Report.

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We Energies Reportable Spills¹

Year	Location	Substance Involved	Quantity (liters)	Corrective Action ¹
2002	Menomonee River – Milwaukee	Cable oil	379	Affected river area surrounded with oil booms, oil skimmed from river and contaminated oil removed and bio treated.
	Silver Spring Substation	Transformer oil	<189	Remediation of historic oil leakage at retired substation. Oil-contaminated soil removed and bio-treated.
	Private Property	Mercury	<1	Spill contractor called. Collected free mercury and decontaminated concrete floor.
	Winnebago Service Center	Diesel fuel	570-760	Spill contractor called. Collected free product and excavated contaminated soil for disposal.
	Private Property	Transformer oil	19	Transformer replaced. Spill contractor called. Solid surfaces pressure washed, oil contaminated soil removed for bio-treatment.
	North Service Center	Transformer oil	Unknown	Transformer replaced and oil-contaminated soil removed and bio-treated.
	Private Property	Transformer oil	151	Free oil collected and oil-contaminated soil removed and bio-treated.
	Milwaukee County Power Plant	Sodium hypochlorite	380-470	Storm drains flushed. Chemical material collected in sumps
	Port Washington Power Plant	Transformer oil, diesel fuel	Unknown	Contamination discovered as part of site assessment process. Remedial action conducted.
	Summit Substation	Transformer oil	Unknown	Remediation of historic oil leakage and transformer replacement at active substation. Oil-contaminated soil removed and bio-treated.
	Port Washington Power Plant	Oil	Trace amount	Oil sheen observed on water surface at discharge point. Boom installed to contain sheen.
	Valley Power Plant	Low pH water	930	Water neutralized in the city sewer.
	Point Beach Nuclear Plant	Hydrazine	Unknown small quantity	Sump isolated and water collected. Drummed water neutralized before disposal.
	Valley Power Plant	Sodium bisulfite	6,246	Recovery not possible. Plant cooling water discharge monitored.
	Lakeside Right-of-Way, Wisconsin	Kerosene	~20	Excavated, recovered and properly disposed contaminated soil.
	Private Property, Hartford, Wisconsin	Transformer Oil	174	Excavated, recovered and bio-treated soil.
	Winnebago Service Center, Appleton	Diesel Fuel	757	Excavated, recovered and bio-treated soil.
	Private Property, Milwaukee	Transformer Oil	38-45	Excavated, recovered and bio-treated soil.
	Private Property, Milwaukee	Transformer Oil	45-49	Excavated, recovered and bio-treated soil.
	Private Property, Fort Atkinson	Transformer Oil	~57	Excavated, recovered and bio-treated soil. Washed solid surfaces.
Point Beach Nuclear Plant	Ethylene Glycol	38	Recovery not possible. Plant cooling water discharge monitored.	

1. We Energies corrective actions were conducted in accordance with internal company policies and procedures. Detailed follow-up documentation of these actions was provided to the Wisconsin Department of Natural Resources and the Michigan Department of Environmental Quality. No further action was requested.

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Transportation

Wisconsin Energy Corporation (WEC) is committed to reducing the environmental impact of business travel and other transportation related to business activities. We accomplish this by:

- Using local suppliers for materials and services whenever it is consistent with prudent business practices, thereby reducing the distance from which materials and services are provided
- Minimizing landfilling of coal combustion products
- Locating facilities to minimize transportation distances for materials
- Incorporating lower-emission, alternate-fueled vehicles in service fleets
- Supporting programs that encourage employees to carpool or ride public transportation to work.

Coal Combustion Products

We Energies beneficially used 96 percent of its coal combustion products (fly ash and bottom ash) in 2002. Among other benefits, this reduces the truckloads of ash taken to landfills and reduces the diesel fuel for equipment to place, compact and maintain the landfills. Most of We Energies' coal combustion products are used by the local construction industry, replacing cement and stone typically hauled from more distant sources. Though truck numbers remain fairly constant, actual net trucking mileage by the local construction industry is reduced substantially. We Energies continues to make and explore changes to reduce transportation impacts. For example, in 2002, a contractor purchased new trailers exclusively to haul 50 percent more dry fly ash per truckload from We Energies' Valley and Port Washington Power plants. The company's coal ash reburn and other utilization programs also reduce the need to transport and mine coal.

We Energies Truck Use for Coal Combustion Products Utilization and Landfilling, (number of truck loads used), 1999-2002

Truck Use		1999	2000	2001	2002
For Utilization	Bottom Ash	5,450	6,311	5,738	6,880
	Fly Ash	16,893	17,301	17,001	17,724
For Landfilling	Bottom Ash	886	280	322	17
	Fly Ash	7,707	6,764	6,318	3,730
Total Truck Use		30,936	30,656	29,379	28,352

Commuter Choice Programs

We Energies seeks to minimize vehicle emissions related to employees' daily commutes to work. The company's commuting programs, designed mainly to help the more than 1,500 employees who work in the company's downtown Milwaukee headquarters, provide several alternatives to driving to work alone. More than 300 employees take advantage of these programs.

Bicycling. In 2002, We Energies continued its bicycle commuting program, holding three "Bike to Work" days and a commuter challenge in which 50 employees participated. Those employees rode a total of 34,145 kilometers in 1,564 employee-days biked from May 1 through October. Bike commutes averaged 13.6 miles per day. Also in 2002, the company placed more secure bike racks at some facilities.

Bus transit. To help reduce traffic congestion and vehicular emissions, We Energies allows employees who live in Milwaukee or Ozaukee counties to pay for bus transit coupons with pre-tax dollars or to buy company-subsidized transit value passes. For bus pass costs, employees pay \$17 per month and the company pays \$22. Employees who live outside of these counties can receive \$24 per month toward coach service to Milwaukee. Some 265 employees participated in the program during

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2002. Employees who ride the bus, but occasionally need a car, also may park for free, two days per month in the company parking structure.

Car pools. We Energies' employees who car pool with at least one other person receive preference for spaces in the company parking structure. Three-person car pools get free parking. Car poolers receive two parking passes per month for days on which they must use their own cars for business or personal errands.

To encourage employees to try carpooling and transit, the company guarantees that those who give up company parking spaces to try other options can get their spaces back if the new arrangements do not work for them.

We Energies Commuter Choice Programs (number of participants), 1999-2000

Commuter Choice Program		2002	2001	2000	1999
Bicycling	Bike to Work Days	3	2	NA	NA
	Commuter Challenge	50	29	NA	NA
Bus	Coupons	95	66	81	81
	Value Pass	149	99	60	60
Carpools	(3+ person)	25	35	56	56
	(2 person)	56	58	70	70
	(outlying) ¹	54	48	18	18
Total Commuter Participants		432	335	285	243

1. Outlying carpoolers commute to We Energies facilities not located in downtown Milwaukee, Wisconsin.

Facility location

The Minergy Glass Aggregate plant, which processes paper mill sludge, is centrally located among the area's primary paper sludge generators. By contrast, landfills that previously received the sludge were located in rural areas remote from the manufacturers in Wisconsin's Fox River Valley. As a result, since the Minergy plant was built, trucking distances for paper sludge have been significantly reduced. A 1995 traffic survey showed that the Minergy plant would reduce sludge hauling distances by an average of 33 kilometers per truckload. This yields an estimated total truck travel savings of 1.8 million kilometers from 1999 to 2002 (see table below).

Minergy Glass Aggregate Plant Reduction in Sludge Hauling Distance (kilometers), 1999-2002

	2002	2001	2000	1999
Hauling Reduction ¹	660,387	618,532	695,853	591,697

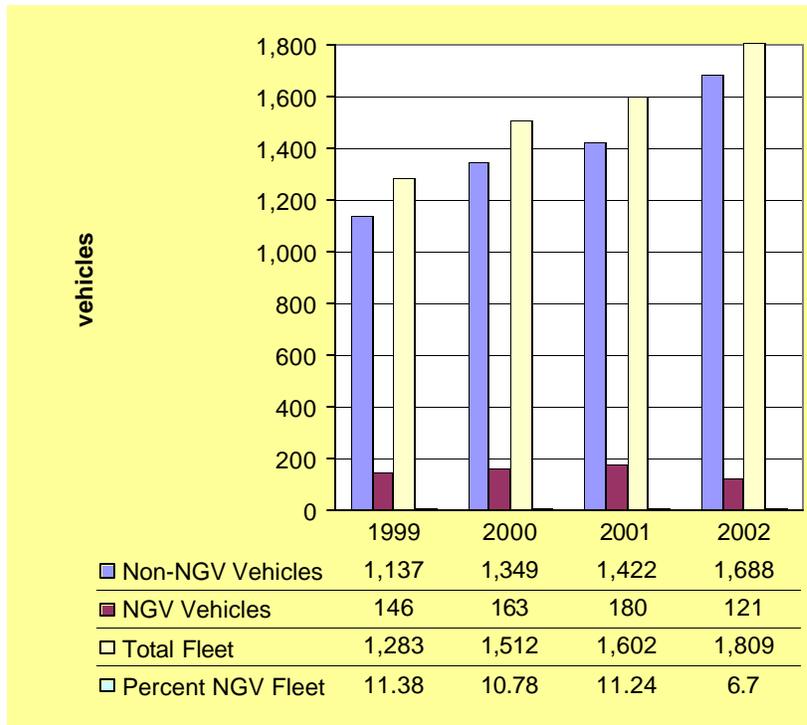
1. Data above reflects corrections of the data presented in the 2001 Performance Report.

Natural Gas Vehicles

We Energies uses compressed natural gas in its fleet to meet the 1992 Energy Policy Act's requirements (alternative fuel providers that operate fleets of 20 or more vehicles in specific areas of the country must operate a portion of their fleet with qualifying vehicles). From 1999 to 2002, We Energies has operated the largest natural gas vehicle (NGV) fleet in Wisconsin – approximately seven percent of the company's on-road fleet consists of NGVs. We Energies used more than 134,750 gasoline equivalent liters of natural gas (based on Btu content) in 2002.

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We Energies Fleet Composition, 1999-2002

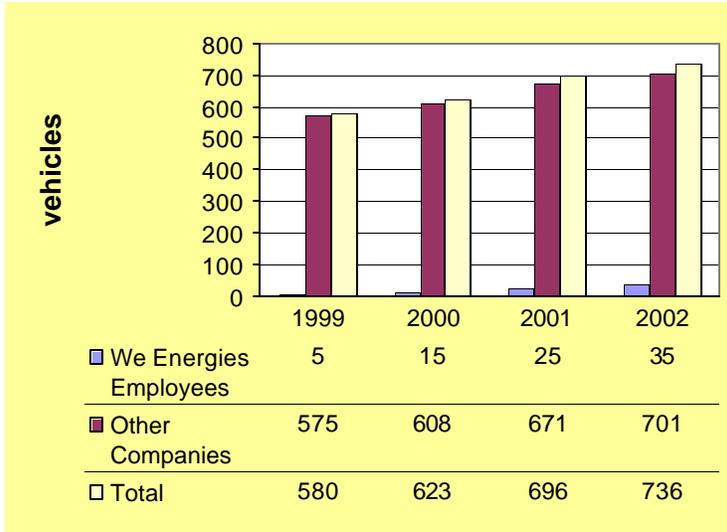


Using grants from the U.S. Department of Energy administered by the Wisconsin State Office of Energy, We Energies also helps government agencies, businesses and individuals purchase or lease Certified Low Emission Vehicles. We Energies works with Wisconsin Clean Cities-Southeast Area, Inc., a trade organization that promotes the alternative fuels industry. Clean Cities reports that We Energies is responsible for placing more than 600 NGVs on Wisconsin's roads from 1999-2002 (see below). Among these are NGVs leased and driven by We Energies employees (who can park for free at the company's downtown headquarters). Because these vehicles typically cost more than equivalent gasoline-powered vehicles, We Energies pays the incremental cost of the employees' NGVs. In return, We Energies owns the Energy Policy Act and Clean Fuel Fleet credits for these vehicles. This commitment to using cleaner-burning natural gas in vehicles was recognized in 1999 when several national environmental organizations and regulatory bodies honored We Energies with the "Wisconsin Alternative Fuel Vehicle Leadership Award."

Edison Sault Electric uses three NGVs in its service fleet. There are no publicly available CNG stations in the company's service territory.

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NGVs on Road through We Energies Programs, 1999-2002



NOTE: Data provided by Wisconsin Clean Cities-Southeast Area, Inc.

To support the introduction of more NGVs to Wisconsin, We Energies has helped develop a network of natural gas fueling stations across the state. Eight stations are located at We Energies facilities. There are now 15 public CNG refueling stations in Wisconsin, 14 of them in the company's service territory. These stations dispensed more than 4,163,953 gasoline equivalent liters of compressed natural gas in 2002.

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Environmental Performance

Waste Management

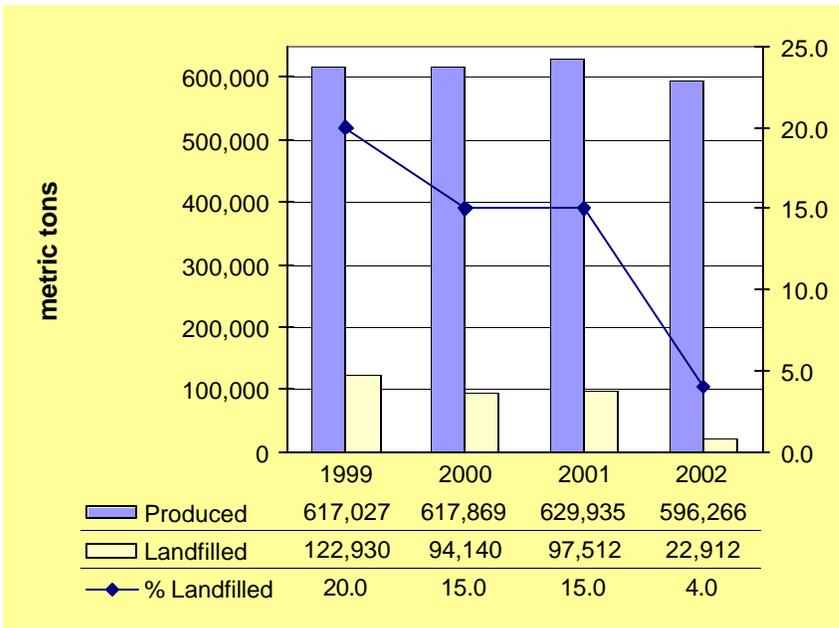
Wisconsin Energy Corporation (WEC) has established programs to minimize waste, reuse materials, use by-products, and recycle materials. The corporation continues to explore how to keep waste to a minimum. When facilities must dispose of waste, it is done responsibly, in compliance with applicable regulations, and in a manner that minimizes environmental risks. For more information on materials recycled and reused in WEC operations, see the “Recovered and Recycled Materials” section of this report.

Bottom Ash and Fly Ash Landfills

Ever since We Energies started burning coal in the early 1900s, its coal-fueled power plants have produced bottom ash (coarse material that drops to the bottom of coal boilers) and fly ash (fine ash captured from power plant electrostatic precipitators and bag houses). By finding beneficial uses for this ash, the company has steadily reduced the amounts sent to landfills. In 2002, We Energies landfilled only 23,000 tons of ash, or just 4 percent of the amount produced. We Energies placed this ash in four company-owned, state licensed landfills in the Town of Marquette, Michigan; and the Town of Caledonia, the Town of Grafton, and the Village of Pleasant Prairie in Wisconsin. We Energies monitors the performance of these landfills, and has procedures to protect groundwater, control dust and limit truck traffic. During 2002, the company began construction of a new ash landfill, We Energies’ first in eleven years, adjacent to the company’s existing landfill in Michigan. We Energies anticipates this will be the last landfill the company builds. The company’s overall goal is to sell all of its ash for beneficial uses and products, and not build any more landfills.

For information on how We Energies uses power plant ash, see the “Recycled and Recovered Materials” section of this report.

We Energies Coal Ash Produced and Landfilled, 1999-2002



NOTE: Data includes fly ash and bottom ash recovered from landfills. See the “Recovered and Recycled Materials” section of this report for more information.

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In the past four years, the Minergy Glass Aggregate plant in Neenah, Wisconsin, has sent about 8,300 metric tons of fly ash to the Winnebago County landfill. However, over that same period, the plant has eliminated the landfilling of more than one million metric tons of paper mill sludge by converting it to energy and a glass aggregate product. If Minergy succeeds in finding a beneficial use for the ash, the plant will become nearly a zero-waste facility. For information on the amount of paper mill sludge recycled (and waste reduced) by the Minergy Glass Aggregate Plant, see the “Recovered and Recycled Materials” section of this report.

Minergy Glass Aggregate Plant Landfilled Fly Ash (metric tons), 1999-2002

	2002	2001	2000	1999
Total Landfilled	4,606	3,710	2,636	2,022

Solid Waste

WEC’s solid waste includes non-recyclable office trash and other materials that cannot be recycled or reused. At present, most WEC facilities do not measure the amount of solid waste they generate, but it is corporate policy that all subsidiaries and facilities seek ways to reduce its production. As part of that effort, We Energies periodically examines solid waste generation and disposal at each of its facilities during routine audits, and then works with staff to identify ways to reduce waste and manage it better. These audits have helped We Energies reduce waste volume and disposal costs. More important, these audits have enabled We Energies to identify and focus on minor waste streams that could be reduced (by using substitutes) or recycled. Environmental awareness and solid waste management training programs for We Energies employees have reinforced these changes. For example, paper and cardboard recycling at We Energies corporate offices in Milwaukee has enabled switching from a 30 cubic yard waste compactor to four 2-yard waste containers. In 2002, We Energies recycled more than 429,000 kg of paper and cardboard.

The Sta-Rites Industries plant in Delavan, Wisconsin generates several waste streams that must be landfilled. The most significant wastes include filament wound waste from tank manufacturing, plastic resin scrap that does not meet specifications for re-use or recycling, and mixed solid waste (nonhazardous slag, filters, sludge and other general trash). Because of the costs of waste materials and off site disposal, Sta-Rite continually seeks new methods to reduce the initial production of waste or scrap material. The quantity of waste produced is a function of production levels, process efficiencies, quality controls, and changes in manufacturing processes.

Sta-Rite, Delavan Solid Non-Hazardous Waste (cubic meters), 2000-2002

Year	2002	2001	2000
Mixed solid waste	46	43	31
Asbestos	8	0	0
Filament wound waste	336	275	310
Plastic resin	23	92	31
Total	413	510	372

Hazardous Waste

We Energies, Sta-Rite Industries, and Edison Sault Electric Company all generate hazardous waste regulated by the Resource Conservation and Recovery Act (RCRA). Such wastes include solids (or semi-solids), liquids, or contained gases that have the following characteristics:

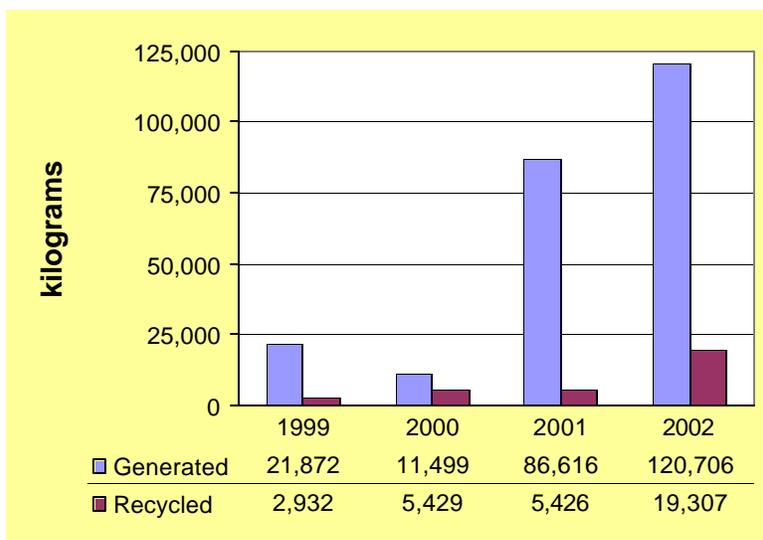
- **Ignitable.** Having a flash point of less than 60°C.
- **Corrosive.** Having a pH of less than 2 or higher than 12.5.
- **Reactive.** Having the capacity to actively react with water to form explosive mixtures or toxic gases.

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- **Toxic.** Materials containing trace concentrations of eight metals or 32 organic compounds specifically identified by the U.S. Environmental Protection Agency (EPA) as being toxic.
- **Listed materials.** Chemicals identified by the EPA, Wisconsin Department of Natural Resources, or the Michigan Department of Environmental Quality as being hazardous.

Since the passage of RCRA in 1976, We Energies' overall generation of hazardous waste has declined. Over the past four years, We Energies has recycled more than 30 percent of its hazardous waste (paints, solvents, alcohol, contaminated lubricants). We Energies minimizes the purchase of hazardous materials and of materials that have the potential to produce hazardous waste through reactions with other substances. The company sometimes generates hazardous waste during special property clean-up and remediation projects. In 2002, 79 percent (more than 95,000 kg) of the hazardous waste was produced during these pro-active, voluntary clean-ups and special projects. Sources of this hazardous waste included manufactured gas plant (MGP) site remediation program activities (7,361 kg), property acquisition and remediation (11,508 kg), firearms practice range maintenance (61,654 kg), and a chemical storage tank replacement and removal (14,790 kg). Consequently, while the overall volume of hazardous waste generated by We Energies increased in 2002 above previous years, the majority of this material was the result of pro-active projects to address past contamination of sites now under company ownership.

We Energies Hazardous Waste Generated, 1999-2002



NOTE: Includes hazardous waste from coal and nuclear power plants and electric and gas distribution operations. Charting waste generated per megawatt-hour is not included as it is misleading; all hazardous waste generation is not necessarily a function of electric generation.

NOTE: In 2002, 79 percent (95,313 kg) of We Energies' waste was produced by the voluntary remedial action of one of the companies former manufactured gas plants and special projects.

During 2002, Edison Sault Electric Company (ESE) reviewed its waste management practices, including activities that may result in the generation of hazardous wastes. Key improvements included recycling of antifreeze and used oil, switching to water-based parts cleaners, and improving procedures for collecting and managing used electronic and lighting equipment. All ESE facilities are now either small quantity or conditionally exempt small quantity generators of hazardous waste. The company continues to dispose of

PCB-containing (more than 50 to less than 500 parts per million) equipment as it is brought in for service. All transformers with PCB concentrations greater than 500 ppm already have been removed.

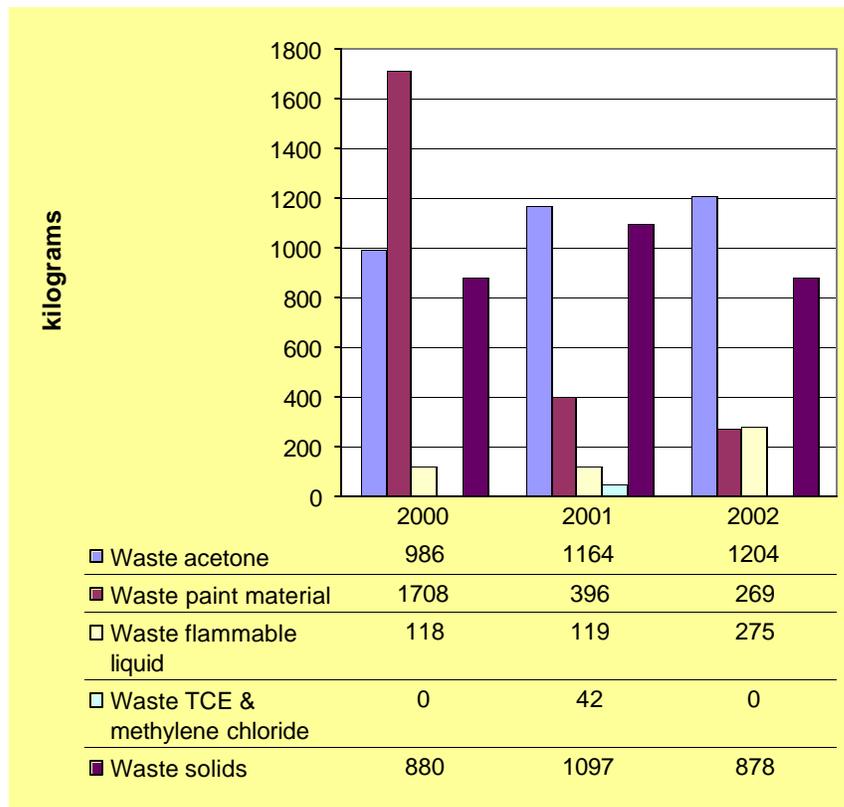
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Other devices that contained PCB oil, like breakers, regulators and capacitors, have been refilled with non-PCB oil.

We Energies has conducted a similar voluntary program to reduce the presence of PCB-containing transformers in its generation and distribution systems.

The Sta-Rite, Delavan manufacturing facility creates hazardous waste streams during parts molding, cleaning, and painting. During 2002, the plant generated 2,626 kg of hazardous waste, or approximately 30 percent less than in 2000. More information on waste minimization activities by Sta-Rite appears in the “Recovered and Recycled Materials” section of this report.

Sta-Rite, Delavan Hazardous Waste Streams, 2000-2002



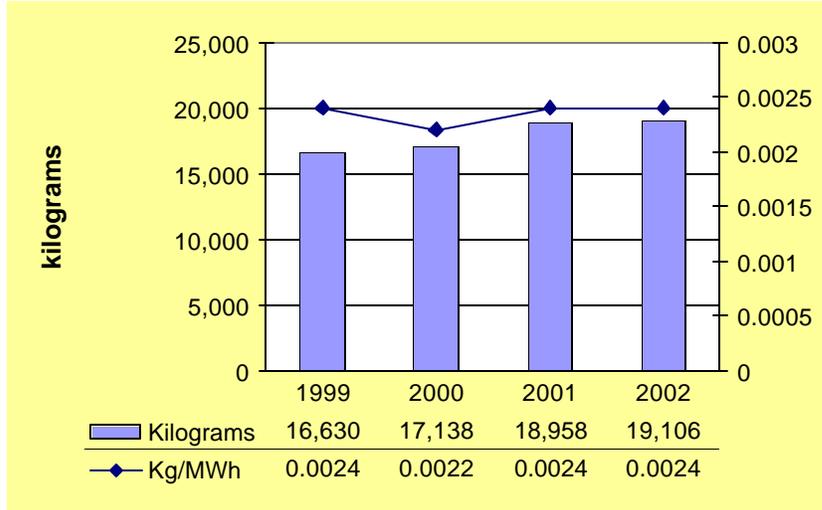
NOTE: Data presented for three years; this is the first year of reporting by Sta-Rite Delavan. Data represent wastes shipped off site. Heat value of waste acetone, paint and flammable liquids were captured during off-site incineration

Nuclear Spent Fuel

We Energies’ Point Beach Nuclear Plant generates, on average, 0.0024 kilograms of radioactive spent fuel per megawatt-hour per year. Upon removal from the nuclear reactor, spent fuel is stored in a specially designed water-filled pool inside the plant. As new waste is placed in the pool, older spent fuel assemblies are removed from the pool and placed in dry storage in 103-metric ton steel and reinforced concrete casks in a secure outdoor location on the plant property. The ultimate destination for the spent fuel will be the national repository at Yucca Mountain, Nevada, scheduled to open in 2010.

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We Energies Nuclear Spent Fuel, 1999-2002



Toxics Release Inventory Land Releases

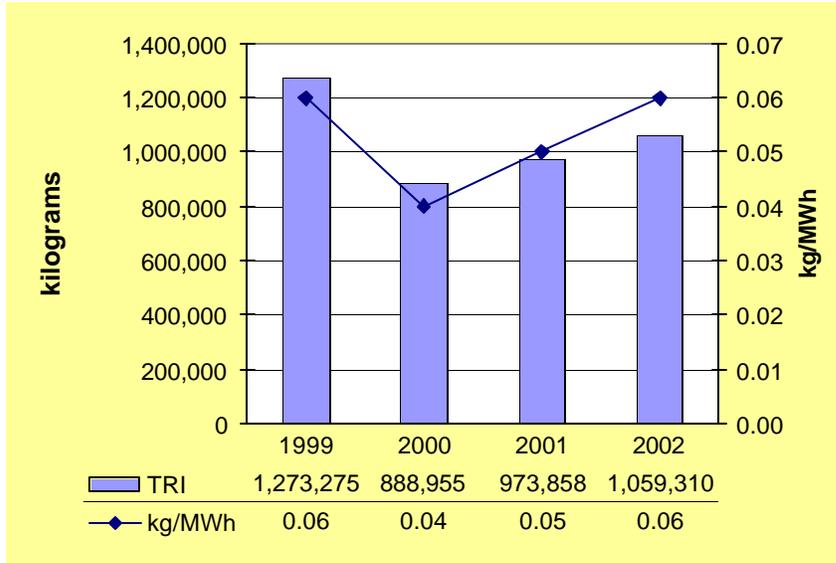
We Energies has submitted Toxics Release Inventory (TRI) reports to the U.S. Environmental Protection Agency (EPA) since July 1999, the first year electric utilities were required to submit such information under §313 of the Emergency Planning and Community Right-to-Know Act. While there are about 650 chemicals on the EPA’s TRI list, the company releases only twelve of the listed chemicals to land.

We Energies’ TRI releases to land have ranged from 880,000 kilograms per year to 1.2 million kilograms per year, almost all of it related to fly ash and bottom ash. These quantities fluctuate based on the chemical composition of the coal the company uses and how the coal ash is utilized. The amounts include some of the 95 percent of the ash that We Energies beneficially uses. TRI reporting requirements for releases to land are subject to interpretation. We Energies follows a conservative approach and chooses to report use of coal ash on land, even though the material typically is tied up in road and building construction, and is used in conformance with the State of Wisconsin beneficial use rules NR538. The TRI-listed substances in the ash exist in very low concentrations, many near levels that occur naturally in soil. The main TRI reportable substances in the ash are barium, manganese and vanadium compounds.

For information on the company’s TRI releases to air and water, see the “Air Emissions” and “Water Effluents” sections of this report.

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We Energies TRI Land Emissions, 1999-2002



NOTE: We Energies TRI land releases include: benzo(g,h,i)perylene; and, barium, chromium, copper, lead, manganese, mercury, nickel, polycyclic-aromatic, thallium, vanadium and zinc compounds.

Other Wastes

WEC disposes of various other wastes after reusing and recycling to the greatest extent practical.

Batteries. We Energies works with a regional supplier (audited for compliance assurance) to recycle all lead acid, metal hydroxide, and nickel-cadmium batteries. The company also recently launched a program to have more than 250,000 alkaline batteries (AA, AAA, C, D, 9-volt) recycled and burned as a fuel additive by a certified supplier.

Circuit boards. Printed circuit boards from equipment in We Energies plants and offices contain lead solder, copper and other metals that must be managed responsibly. We Energies began collecting used and scrap circuit boards for recycling several years ago. In 2001, the company began tracking the management of these materials. In that year, We Energies shipped more than 176 kilograms of circuit boards to a certified supplier for metal recovery and proper disposal. This program has continued in 2002.

Electric transformers. We Energies retires many older transformers during upgrades to its distribution system. Transformers that are not rebuilt are sold for scrap value. Occasionally, some are sold to other companies for reuse.

We Energies Electric Transformer Sales (U.S. dollars), 1999-2002

	2002	2001	2000	1999	Total
Sales	\$143,255	\$159,820	\$170,873	\$123,543	\$454,236

Lighting fixtures. Fluorescent and incandescent lamps contain recoverable glass and metal and traces of mercury and lead; lighting ballasts often contain poly-chlorinated bi-phenyls (PCBs). We Energies recycles all its fluorescent and incandescent lamps, including bulbs removed through street lighting service contracts. In 2000 and 2001, the company sent more than 95,513 lamps to a certified recycler and shipped more than 280 kilograms of PCBs to a certified disposal facility.

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Mercury. Some metering, monitoring and measuring instruments from We Energies' older power plants contain mercury. The company has been aggressively replacing these devices for more than a decade in order to eliminate all mercury-containing materials in our power plants. Over the past three years, We Energies has shipped more than 640 kilograms of mercury-containing items to a qualified recycling facility.

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ENVIRONMENTAL PERFORMANCE

Water Effluents

Wisconsin Energy Corporation's (WEC) primary discharges to water consist of cooling water used by its coal-, natural gas- and nuclear-fueled power plants. All We Energies power plants have National Pollutant Discharge Elimination System (NPDES) permits issued by the Wisconsin Department of Natural Resources and the Michigan Department of Environmental Quality that govern the discharge of non-contact cooling water, treated wastewaters from plant processes and, in the case of Point Beach Nuclear Plant, effluent from a sewage treatment facility. The NPDES permits use several chemical indicators to monitor the performance of the waste water treatment systems, specifically the pH (acidity/alkalinity) of the water, total suspended solids (TSS), and oil and grease (O&G) concentrations. Total residual chlorine, copper, aluminum, and phosphorus are also monitored in some of the power plant discharges. Whole effluent toxicity testing also is required at some plants to ensure that the effluent does not harm aquatic life in the receiving water.

Plant staff also monitor temperatures on the intake and discharge ends of the plant since water temperature can affect aquatic life. Comprehensive studies at these plants have demonstrated that our warm water discharges do not significantly affect aquatic organism biodiversity. The Valley and Milwaukee County cogeneration plants, which supply steam heat to much of downtown Milwaukee and the Milwaukee County Medical Complex, respectively, also discharge steam condensate (very pure, but warm water) to storm sewer systems. Except for very occasional minor exceedances, We Energies' power plants have consistently complied with all NPDES permit requirements. See the "Environmental Compliance" section for more information. For more information on water use and watershed impacts, see the "Water Use" section.

Below is a summary of We Energies' effluent discharges to surface waters from 1999 to 2002.

We Energies Power Plant Thermal Effluents (millions BTU / day), 1999-2002

Power Plant	Watershed	Heat Discharge (mmBTU)			
		2002	2001	2000	1999
Concord ¹	Rock River	NA	NA	NA	NA
Germantown ¹	Menomonee River	NA	NA	NA	NA
Milwaukee Co. ²	Menomonee River	NA	NA	NA	NA
Oak Creek	Lake Michigan	66928	80560	86,841	82,314
Paris ¹	Des Plaines River	NA	NA	NA	NA
Pleasant Prairie ³	Lake Michigan	426	493	465	514
Port Washington	Lake Michigan	23156	21752	26,967	19,452
Point Beach ⁴	Lake Michigan	141114	151936	140,860	130,676
Presque Isle	Lake Superior	34,998	44945	45,516	40,008
Valley	Menomonee River	23,156	23299	20,840	18,698

1. Concord, Germantown and Paris generating stations have discharges of small quantities and of short duration, therefore no thermal discharge information is available.
2. Milwaukee County Power Plant came under Wisconsin's NPDES general permit system for the first time in 2002. Although quarterly temperature readings are required for the one small process waste water stream that is discharged under the permit, heat discharge calculations are not required. Therefore, thermal data is not available.
3. Pleasant Prairie Power Plant has wet cooling towers, therefore much of the waste heat is dissipated into the air. The plant discharges on average, 500 mmBTU per day to the air.
4. The Point Beach Power Plant thermal discharges are higher than the others because all residual heat associated with power generation at a nuclear power plant is released to the environment through cooling water, whereas fossil-fueled power plants release some heat with combustion gases.

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We Energies Power Plant pH Values, 1999-2002¹

		pH Value							
		2002		2001		2000		1999	
		Min	Max	Min	Max	Min	Max	Min	Max
Concord	Rock River	6.8	7.7	7.4	7.5	7.5	7.9	7.7	7.8
Germantown ⁴	Menomonee River	7.0	7.6	7.0	7.8	7.7	8.1	NA	NA
Milwaukee Co. ³	Menomonee River	NR	NR	NR	NR	NR	NR	NR	NR
Oak Creek	Lake Michigan	8.0	8.5	8.0	8.6	8.0	8.5	8.0	8.4
Oak Creek (Treatment Facility)	Lake Michigan	7.0	9.0	6.7	8.7	6.7	8.7	6.6	8.6
Paris ⁴	Des Plaines River	7.7	9.0	7.2	8.8	NA	NA	NA	NA
Pleasant Prairie (Coal Pile Runoff)	Lake Michigan	7.2	8.4	7.7	8.6	7.3	8.6	7.4	8.5
Pleasant Prairie (Metal Cleaning Waste)	Lake Michigan	7.0	8.4	7.3	8.3	7.2	8.6	7.8	8.5
Pleasant Prairie (Low Volume Waste)	Lake Michigan	7.6	8.8	7.5	8.8	7.3	8.8	7.8	8.8
Port Washington	Lake Michigan	6.7	8.7	6.6	8.3	7.1	8.8	7.0	8.8
Port Washington (Treatment Facility) ²	Lake Michigan	7.0	8.6	6.1	8.7	6.9	9.2	6.5	9.0
Point Beach (Unit 1)	Lake Michigan	7.8	8.4	7.6	8.4	8.0	8.5	8.0	8.4
Point Beach (Unit 2)	Lake Michigan	8.0	8.4	7.8	8.4	7.8	8.5	7.9	8.5
Presque Isle ⁵	Lake Superior	7.7	8.5	6.6	8.3	7.1	8.8	7.0	8.8
Valley	Menomonee River	7.2	8.3	7.3	8.4	7.0	8.2	7.2	8.3

1. pH is monitored daily, weekly or monthly and reported in monthly discharge monitoring reports under the National Pollutant Discharge Elimination System permit. The pH limits are a minimum of 6.0 and a maximum of 9.0.
2. Port Washington Power Plant treatment facility had one pH exceedance in 2000.
3. Milwaukee County permit does not require pH monitoring.
4. Germantown has no data prior to July 2000 and Paris has no data prior to 2001 because pH monitoring was not required until the current permits were issued for those facilities
5. Presque Isle Power Plant pH limits are a minimum of 6.5 and a maximum of 9.0

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We Energies Power Plant Total Suspended Solids (milligrams / liter)¹, 1999-2002

		Total Suspended Solids (mg/l)							
		2002		2001		2000		1999	
		Ave	Max	Ave	Max	Ave	Max	Ave	Max
Concord	Rock River	NA	NA	NA	NA	NA	NA	NA	NA
Germantown	Menomonee River	NA	NA	NA	NA	NA	NA	NA	NA
Milwaukee Co.	Menomonee River	NA	NA	NA	NA	NA	NA	NA	NA
Oak Creek (Treatment Facility)	Lake Michigan	4	22	5	20	5	37	6	81
Paris ²	Des Plaines River	26	67	2	2	NA	NA	NA	NA
Pleasant Prairie ³ (Coal Pile Runoff)	Lake Michigan	12	20	14	20	15	52	8	17
Pleasant Prairie (Metal Cleaning Waste)	Lake Michigan	4	11	6	24	5	11	5	16
Pleasant Prairie ⁴ (Low Volume Waste)	Lake Michigan	20	119	15	75	18	108	18	58
Port Washington (Treatment Facility)	Lake Michigan	4	29	5	19	7	30	5	15
Port Washington ⁵ (Demineralizer)	Lake Michigan	3	105	3	56	2	11	2	21
Point Beach ⁶ (Demineralizer)	Lake Michigan	2	32	3	241	3	59	10	57
Point Beach ⁷ (Sewage Treatment)	Lake Michigan	15	26	13	35	13	26	12	33
Point Beach ⁸ Process wastewater	Lake Michigan	24	669	11	42	9	28	9	23
Presque Isle ⁹	Lake Superior	1	9	10	615	1	8	3	79
Valley ¹⁰ (Treatment Facility)	Menomonee River	10	55	10	145	9	76	10	163

- TSS is monitored daily, weekly or monthly and reported in monthly discharge monitoring reports under the National Pollutant Discharge Elimination System permit. The TSS limits are a monthly average of 30 milligrams per liter and a daily maximum of 100 milligrams per liter, except coal pile runoff that has a daily limit of 50 mg/l and filter backwash with a limit of 40 mg/l. Some of the outfalls also have lbs./day limitations.
- The Paris CT Plant filter backwash discharge had one exceedance of the daily maximum limit of 40 mg/l in 2002.
- The Pleasant Prairie Power Plant coal pile runoff basin had one exceedance in May 2000.
- The Pleasant Prairie Power Plant low volume waste basin had one exceedance of the lbs./day limit in 1999, one exceedance of the daily maximum concentration limit in 2000, and one exceedance of the daily maximum concentration limit in 2002.
- The Port Washington Power Plant demineralizer discharge had one exceedance of the daily maximum limit in 2002.
- The Point Beach Power Plant demineralizer exceeded both the daily maximum and the monthly average limit in May 2001. The monthly average in May 2001 was 31 mg/l.
- The Point Beach Power Plant sewage treatment system discharge exceeded the weekly average twice in June 2001, resulting in the monthly average limit exceedance. The weekly averages were 51 and 55 mg/l, just above the limit of 45 mg/l. These exceedances were a result of a new treatment system starting up in 2001.
- The Point Beach process wastewater effluent exceeded the daily maximum limit once in 2002 when an out-of-service multi-media gravity filter overflowed. This resulted in the monthly average also being exceeded.
- On June 11, 2001, heavy rainfall and consequent storm water runoff caused sloughing of the eastern coal pile, overloading the wastewater treatment system storage tanks and clarifier with coal fines – causing two TSS limit exceedances.
- The Valley Power Plant treatment facility had one daily maximum limit exceedance in 1999 and two in 2001.

Oil and grease (O&G) monitoring is required for most power plant process water discharges. The frequency of monitoring varies from weekly to quarterly, and the results are reported on the discharge monitoring reports as required by the NPDES permits for individual facilities. Typically, the O&G limits are a monthly average of 15 milligrams per liter and a daily maximum of 20 milligrams per liter. Some of the facilities have mass limits in addition to the concentration limits.

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O&G results for We Energies' power plants are usually less than the detection limit, which varies from 1 to 5 milligrams per liter. From 1999 through 2002, the maximum O&G values at We Energies power plants were as follows:

- Concord Generating Station 3 mg/l
- Germantown Power Plant 8 mg/l
- Milwaukee County Power Plant O&G monitoring not required
- Oak Creek Power Plant 2 mg/l (for 2000-2002)
- Paris Generating Station 1 mg/l
- Pleasant Prairie Power Plant 5 mg/l
- Point Beach Nuclear Plant 1 mg/l
- Port Washington Power Plant 2 mg/l
- Presque Isle Power Plant 1.6 mg/l
- Valley Power Plant 3 mg/l.

Some of We Energies' power plants use chlorination to keep their cooling and service water systems from being fouled by algae and other aquatic growth. Those facilities' NPDES permits require monitoring for total residual chlorine (TRC) in their cooling water discharges. Except for a few minor instances, the plants meet their permit requirements.

The TRC concentration is monitored daily when chlorinating, and the results are reported in monthly discharge monitoring reports in accordance with the NPDES permits. The limit for TRC is 0.200 milligrams per liter when chlorine is discharged for 160 minutes per day (or less) and 0.038 milligrams per liter for days when chlorine is discharged for more than 160 minutes. The facilities that use chlorination are Valley Power Plant, Pleasant Prairie Power Plant, Point Beach Nuclear Plant, and Presque Isle Power Plant. With the exception of Presque Isle Power Plant, TRC results at We Energies facilities are typically less than the detection level, which varies from 0.010 to 0.020 milligrams per liter, because these facilities can dechlorinate the effluent prior to discharge. Point Beach Nuclear Plant had one TRC exceedance (0.470 mg/l) in 1999 when a check valve failed. PIPP does not dechlorinate, as the chlorine demand in its cooling system is such that the TRC concentrations are below the limit by the time of discharge. The TRC concentration at Presque Isle Power Plant averaged from 0.063 to 0.118 milligrams per liter (depending on the outfall and year) from 1999 to 2002. The plant exceeded its daily average TRC limit of 0.200 milligrams per liter and its single sample limit of 0.300 milligrams per liter once in 2002 with a TRC concentration of 0.933 milligrams per liter. This exceedance was caused by a valve misalignment combined with a sodium hypochlorite injection system engineering problem that has since been corrected.

We Energies' Oak Creek Power Plant installed a copper ion generator in 1999 to control invasive zebra mussels in its cooling system. Point Beach Nuclear Plant installed a similar system in late 2001. These plants must collect and analyze monthly samples to measure recoverable copper and aluminum in the water. Almost all the aluminum in the water is simply what occurs naturally in Lake Michigan. From 2000 to 2002, the average total recoverable copper from the Oak Creek Power Plant was 0.005 milligrams per liter and the average total recoverable aluminum was 0.180 milligrams per liter. The average copper and aluminum concentrations in the intake water (from Lake Michigan) at the Oak Creek Power Plant were 0.003 and 0.194 milligrams per liter, respectively. The average total recoverable copper and aluminum from the Point Beach Nuclear Plant from September, 2001 through 2002 were 0.0034 and 0.211 milligrams per liter, respectively. The average concentrations in the intake water (from Lake Michigan) at the Point Beach Nuclear Plant were 0.0031 and 0.164 milligrams per liter, respectively. Both the copper and aluminum concentrations in the cooling water discharge are well below levels allowed by Wisconsin water quality standards.

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Total phosphorus is monitored at Pleasant Prairie Power Plant, as required by the NPDES permit for the facility. The plant consistently is below the 1.0 milligram per liter limit in the permit.

Whole effluent toxicity testing involves sending a representative sample of effluent along with a sample of the receiving water to a certified laboratory for testing both acute and chronic toxicity. During the testing, two species of aquatic organisms are exposed to various dilutions of effluent for a specified time period to predict whether the effluent may cause harm to them. We Energies' facilities passed all toxicity testing from 1999 to 2002.

Besides installing a copper ion generator, Point Beach Nuclear Plant made other modifications between 1999 and 2002 that positively affected the plant's water intake and discharge. The primary modifications include installation of a reverse osmosis unit, wastewater treatment system modification and upgrade, and cooling water intake structure modification. Installation of the reverse osmosis unit has had a direct benefit of reducing water treatment chemical use at the plant and a secondary benefit of reducing subsequent wastewater treatment. The intake structure modification reduced the approach velocity of the water entering the structure. This measure could reduce fish impingement rates.

As part of new licenses issued by the Federal Energy Regulatory Commission, 12 We Energies' hydroelectric plants (Big Quinnesec Falls, Brule, Chalk Hill, Hemlock, Kingsford, Lower Paint, Michigamme Falls, Peavy Falls, Pine, Twin Falls, Way, White Rapids) are required to maintain state water standards for temperature and dissolved oxygen (DO) downstream of each dam. Studies conducted by We Energies during the recent relicensing process (see more on the Wilderness Shores Settlement Agreement in the "Biodiversity and Natural Habitats" section) demonstrated that all but three plants (Michigamme Falls, Peavy Falls, Way) met the 5.0 milligram per liter DO standard 100 percent of the time. The low DO problem at Michigamme Falls was addressed in 2002 with the installation of a new turbine generator and increased minimum flows; continued monitoring in 2003 is planned to ensure that the problem has been resolved. Plans are being developed to address the problems at the other two dams. The licenses also require We Energies to periodically measure sediment levels and analyze fish for contaminants that may accumulate in the sediments retained by the dams. Temperature and DO data from the most recent studies at our hydro plants are summarized below. (Not all facilities are monitored for the same parameters every year, and therefore the following data may not appear as consecutive years.)

2002 PERFORMANCE REPORT

We Energies Big Quinnebec Hydroelectric Station Water Quality Summary (2001)

Month	Upstream Temperature ¹ (°C)				Downstream Temperature (°C)			
	No. ²	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	719	13.8	18.5	24.4
July	-	-	-	-	744	21.0	22.9	25.3
Aug.	-	-	-	-	411	21.3	23.2	26.6
Sept.	-	-	-	-	720	13.8	18.1	21.3

Month	Upstream DO (ppm)				Downstream DO (ppm)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	719	7.0	8.6	9.9
July	-	-	-	-	744	6.6	7.4	8.4
Aug.	-	-	-	-	411	6.5	7.4	8.2
Sept.	-	-	-	-	720	7.6	8.6	10.0

Month	Upstream DO (% saturation)				Downstream DO (% saturation)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	719	82.6	92.9	100.0
July	-	-	-	-	744	76.8	88.3	100.8
Aug.	-	-	-	-	411	77.4	88.1	96.3
Sept.	-	-	-	-	720	84.5	92.2	98.7

1. Upstream measurements were taken in the Kingsford Hydroelectric Plant tailrace.

2. Number of observations taken during study.

We Energies Big Quinnebec Hydroelectric Station Water Quality Summary (2002)

Month	Upstream Temperature ¹ (°C)				Downstream Temperature (°C)			
	No. ²	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	15.5	18.7	24.1
July	-	-	-	-	744	23.2	24.7	25.8
Aug.	-	-	-	-	744	20.6	22.5	24.9
Sept.	-	-	-	-	720	13.9	19.3	22.1

Month	Upstream DO (ppm)				Downstream DO (ppm)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	7.2	8.9	10.0
July	-	-	-	-	744	5.7	6.9	7.9
Aug.	-	-	-	-	744	6.4	7.4	8.9
Sept.	-	-	-	-	720	6.8	7.8	9.4

Month	Upstream DO (% saturation)				Downstream DO (% saturation)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	84.3	96.4	105.3
July	-	-	-	-	744	68.4	82.7	94.2
Aug.	-	-	-	-	744	72.6	84.7	99.1
Sept.	-	-	-	-	720	66.7	84.3	94.2

1. Upstream measurements were taken in the Kingsford Hydroelectric Plant tailrace.

2. Number of observations taken during study.

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We Energies Brule Hydroelectric Station Water Quality Summary (1998)

Month	Upstream Temperature (°C)				Downstream Temperature (°C)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	531	9.8	16.3	25.6	720	13.4	17.7	23.8
July	744	15.1	20.6	27.5	744	20.5	22.2	24.4
Aug.	744	13.7	19.6	24.9	744	20.9	21.6	22.9
Sept.	720	8.4	15.7	22.1	519	17.3	19.0	21.3

Month	Upstream DO (ppm)				Downstream DO (ppm)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	531	7.4	9.2	11.0	720	6.3	7.9	9.1
July	744	6.5	8.2	9.7	744	5.5	6.6	7.7
Aug.	744	6.4	8.2	9.8	744	5.9	7.0	7.9
Sept.	720	6.9	9.1	11.7	519	5.7	7.3	8.4

Month	Upstream DO (% saturation)				Downstream DO (% saturation)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	531	83	95	111	720	73	84	95
July	744	77	94	116	744	66	78	91
Aug.	744	72	91	112	744	68	81	95
Sept.	720	78	94	114	519	62	82	94

We Energies Brule Hydroelectric Station Water Quality Summary (2002)

Month	Upstream Temperature (°C)				Downstream Temperature (°C)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	720	10.8	18.0	26.9	720	15.7	18.4	23.6
July	744	16.8	22.3	28.8	744	22.5	24.1	25.8
Aug.	744	14.5	19.2	24.4	744	19.2	21.0	24.3
Sept.	720	8.4	15.3	23.3	720	11.9	18.0	21.8

Month	Upstream DO (ppm)				Downstream DO (ppm)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	720	6.9	8.7	10.5	720	6.5	7.8	8.8
July	744	5.7	7.9	10.6	744	5.6	6.3	7.2
Aug.	744	6.6	8.2	10.3	744	5.8	6.9	7.9
Sept.	720	6.8	9.1	10.9	720	7.0	7.9	9.7

Month	Upstream DO (% saturation)				Downstream DO (% saturation)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	720	83.5	93.6	106.8	720	76.1	84.7	95.7
July	744	68.7	92.3	123.1	744	66.9	75.8	85.9
Aug.	744	72.2	88.6	112.0	744	65.5	77.8	86.2
Sept.	720	73.8	89.6	109.8	720	76.5	82.9	92.4

2002 PERFORMANCE REPORT

We Energies Chalk Hill/White Rapids Hydroelectric Stations Water Quality Summary (2000)¹

Month	Upstream Temperature (°C)				Downstream Temperature (°C)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
May	744	11.5	16.1	20.3	744	12.7	16.4	19.7
June	720	15.2	19.5	23.0	720	17.1	19.9	22.3
July	743	18.7	22.0	25.5	744	20.3	22.2	25.1
Aug.	535	19.3	22.4	24.8	744	20.7	22.7	24.5
Sept.	720	12.1	16.7	23.6	720	13.6	17.4	23.0
Month	Upstream DO (ppm)				Downstream DO (ppm)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
May	744	7.8	9.3	11.2	744	7.4	9.0	10.4
June	720	7.2	8.2	9.8	720	7.4	8.5	10.1
July	743	6.1	7.7	9.3	744	7.2	7.9	9.4
Aug.	535	6.7	8.0	9.9	744	7.3	7.9	8.9
Sept.	720	7.6	9.1	11.1	720	6.6	8.5	9.5
Month	Upstream DO (% saturation)				Downstream DO (% saturation)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
May	744	83	97	119	744	80	94	106
June	720	80	92	110	720	80	96	115
July	743	74	92	109	744	81	92	116
Aug.	535	79	95	120	744	84	94	104
Sept.	720	86	95	112	720	66	91	98

1. Upstream measures taken from a site upstream of Chalk Hill and downstream measurements taken in the White Rapids tailrace.

We Energies Kingsford Hydroelectric Station Water Quality Summary (2001)

Month	Upstream Temperature ¹ (°C)				Downstream Temperature (°C)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	13.6	18.6	24.8
July	-	-	-	-	593	20.7	22.7	25.8
Aug.	-	-	-	-	619	20.7	22.5	26.8
Sept.	-	-	-	-	716	13.6	17.9	21.4
Month	Upstream DO (ppm)				Downstream DO (ppm)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	7.5	8.5	9.5
July	-	-	-	-	593	7.0	7.6	8.5
Aug.	-	-	-	-	619	7.0	7.8	9.1
Sept.	-	-	-	-	716	7.0	8.3	9.3
Month	Upstream DO (% saturation)				Downstream DO (% saturation)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	87.4	92.2	104.1
July	-	-	-	-	593	82.5	90.0	102.6
Aug.	-	-	-	-	619	82.9	92.1	107.3
Sept.	-	-	-	-	716	78.6	88.5	96.9

1. Upstream measurements were taken at the Twin Falls Plant tailrace.

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We Energies Kingsford Hydroelectric Station Water Quality Summary (2002)

Month	Upstream Temperature ¹ (°C)				Downstream Temperature (°C)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	15.0	18.7	23.8
July	-	-	-	-	744	22.9	24.6	26.1
Aug.	-	-	-	-	744	20.3	22.4	24.8
Sept.	-	-	-	-	720	13.8	19.1	22.5
Month	Upstream DO (ppm)				Downstream DO (ppm)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	7.4	8.5	9.3
July	-	-	-	-	744	6.4	7.2	8.0
Aug.	-	-	-	-	744	6.8	7.6	8.4
Sept.	-	-	-	-	720	7.6	8.3	10.2
Month	Upstream DO (% saturation)				Downstream DO (% saturation)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	86.8	92.6	99.4
July	-	-	-	-	744	77.7	86.5	95.4
Aug.	-	-	-	-	744	78.0	86.5	94.4
Sept.	-	-	-	-	720	83.6	88.6	103.3

1. Upstream measurements were taken at the Twin Falls Plant tailrace.

We Energies Michigamme Falls Hydroelectric Station Water Quality Summary (2001)

Month	Upstream Temperature ¹ (°C)				Downstream Temperature (°C)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	688	13.6	17.2	23.2
July	-	-	-	-	735	18.8	21.1	25.9
Aug.	-	-	-	-	744	17.3	21.6	27.7
Sept.	-	-	-	-	684	10.9	17.5	23.0
Month	Upstream DO (ppm)				Downstream DO (ppm)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	688	5.1	7.7	10.2
July	-	-	-	-	735	4.4	6.3	8.8
Aug.	-	-	-	-	744	3.5	5.7	9.2
Sept.	-	-	-	-	684	4.1	7.1	12.9
Month	Upstream DO (% saturation)				Downstream DO (% saturation)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	688	56.2	81.1	104.8
July	-	-	-	-	735	48.5	72.1	102.7
Aug.	-	-	-	-	744	41.5	65.8	109.7
Sept.	-	-	-	-	684	43.0	75.2	140.3

1. No upstream measurements were taken at the Michigamme Falls Hydroelectric Plant.

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We Energies Michigamme Falls Hydroelectric Station Water Quality Summary (2002)

Month	Upstream Temperature ¹ (°C)				Downstream Temperature (°C)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	14.1	17.7	21.0
July	-	-	-	-	744	20.8	22.8	24.5
Aug.	-	-	-	-	719	20.9	22.2	23.9
Sept.	-	-	-	-	607	15.3	19.2	22.4
Month	Upstream DO (ppm)				Downstream DO (ppm)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	6.7	8.0	9.8
July	-	-	-	-	744	4.8	6.3	7.9
Aug.	-	-	-	-	719	5.1	6.5	7.2
Sept.	-	-	-	-	607	6.5	7.6	9.8
Month	Upstream DO (% saturation)				Downstream DO (% saturation)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	75.0	84.1	102.9
July	-	-	-	-	744	56.4	73.4	91.6
Aug.	-	-	-	-	719	59.4	73.9	82.0
Sept.	-	-	-	-	607	72.2	81.5	101.3

1. No upstream measurements were taken at the Michigamme Falls Hydroelectric Plant.

We Energies Peavy Falls Hydroelectric Station Water Quality Summary (2001)

Month	Upstream Temperature ¹ (°C)				Downstream Temperature (°C)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	13.9	17.0	22.5
July	-	-	-	-	744	18.4	21.0	24.9
Aug.	-	-	-	-	744	20.2	21.8	25.0
Sept.	-	-	-	-	720	13.6	17.9	20.8
Month	Upstream DO (ppm)				Downstream DO (ppm)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	4.2	7.9	9.4
July	-	-	-	-	744	4.4	6.1	8.1
Aug.	-	-	-	-	744	2.6	5.5	7.6
Sept.	-	-	-	-	720	3.9	6.6	8.9
Month	Upstream DO (% saturation)				Downstream DO (% saturation)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	46.0	82.6	99.5
July	-	-	-	-	744	47.4	70.1	94.7
Aug.	-	-	-	-	744	29.2	63.9	88.2
Sept.	-	-	-	-	720	43.7	71.1	88.8

1. No upstream measurements were taken at the Peavy Falls Hydroelectric Plant.

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We Energies Peavy Falls Hydroelectric Station Water Quality Summary (2002)

Month	Upstream Temperature ¹ (°C)				Downstream Temperature (°C)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	12.4	16.7	21.4
July	-	-	-	-	744	18.8	22.2	25.4
Aug.	-	-	-	-	744	20.3	21.8	23.9
Sept.	-	-	-	-	720	14.7	19.1	22.2
Month	Upstream DO (ppm)				Downstream DO (ppm)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	6.7	8.2	9.7
July	-	-	-	-	744	3.2	5.8	8.3
Aug.	-	-	-	-	744	3.0	5.0	7.1
Sept.	-	-	-	-	720	3.3	6.0	9.6
Month	Upstream DO (% saturation)				Downstream DO (% saturation)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	72.5	85.5	101.8
July	-	-	-	-	744	36.7	67.0	100.6
Aug.	-	-	-	-	744	33.7	62.4	79.6
Sept.	-	-	-	-	720	36.2	64.5	98.8

1. No upstream measurements were taken at the Peavy Falls Hydroelectric Plant.

We Energies Pine Hydroelectric Station Water Quality Summary (1997)

Month	Upstream Temperature ¹ (°C)				Downstream Temperature (°C)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
May	-	-	-	-	723	5.4	10.5	15.5
June	-	-	-	-	719	15.2	19.5	24.8
July	-	-	-	-	739	16.5	21.2	25.3
Aug.	-	-	-	-	744	15.1	19.1	24.1
Sept.	-	-	-	-	720	13.2	15.6	18.3
Oct.	-	-	-	-	744	1.8	8.7	15.6
Month	Upstream DO (ppm)				Downstream DO (ppm)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
May	-	-	-	-	723	8.4	10.4	12.4
June	-	-	-	-	719	6.8	7.9	9.2
July	-	-	-	-	739	6.2	7.3	8.6
Aug.	-	-	-	-	744	6.4	7.5	9.2
Sept.	-	-	-	-	720	8.3	9.3	10.0
Oct.	-	-	-	-	744	8.1	10.5	12.9
Month	Upstream DO (% saturation)				Downstream DO (% saturation)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
May	-	-	-	-	723	86.0	95.9	102.8
June	-	-	-	-	719	75.7	88.1	96.5
July	-	-	-	-	739	71.7	84.0	95.3
Aug.	-	-	-	-	744	70.5	82.1	94.9
Sept.	-	-	-	-	720	82.7	94.9	99.4
Oct.	-	-	-	-	744	77.5	90.0	97.7

1. No upstream measurements were taken at the Pine Hydroelectric Plant.

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We Energies Pine Hydroelectric Station Water Quality Summary (2002)

Month	Upstream Temperature ¹ (°C)				Downstream Temperature (°C)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
May	-	-	-	-	744	6.0	10.7	20.3
June	-	-	-	-	720	13.9	18.9	25.2
July	-	-	-	-	744	21.3	24.1	27.9
Aug.	-	-	-	-	744	18.5	21.1	24.6
Sept.	-	-	-	-	720	10.5	17.2	22.7
Oct.	-	-	-	-	744	1.9	6.8	14.2

Month	Upstream DO (ppm)				Downstream DO (ppm)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
May	-	-	-	-	744	8.2	10.5	11.9
June	-	-	-	-	720	6.6	8.1	9.2
July	-	-	-	-	744	5.9	6.9	7.5
Aug.	-	-	-	-	744	5.6	7.0	8.2
Sept.	-	-	-	-	720	5.6	7.8	9.7
Oct.	-	-	-	-	744	8.8	10.9	12.7

Month	Upstream DO (% saturation)				Downstream DO (% saturation)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
May	-	-	-	-	744	84.2	93.5	103.1
June	-	-	-	-	720	78.4	88.4	94.7
July	-	-	-	-	744	70.8	83.0	91.7
Aug.	-	-	-	-	744	62.6	79.1	88.2
Sept.	-	-	-	-	720	59.1	79.8	87.1
Oct.	-	-	-	-	744	84.5	89.0	93.1

1. No upstream measurements were taken at the Pine Hydroelectric Plant.

We Energies Twin Falls Hydroelectric Station Water Quality Summary (2001)

Month	Upstream Temperature ¹ (°C)				Downstream Temperature (°C)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	15.9	16.1	16.2
July	-	-	-	-	744	20.8	22.6	25.5
Aug.	-	-	-	-	744	21.2	22.9	26.2
Sept.	-	-	-	-	578	13.8	18.8	21.4

Month	Upstream DO (ppm)				Downstream DO (ppm)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	6.8	8.1	9.3
July	-	-	-	-	744	5.8	7.2	8.1
Aug.	-	-	-	-	744	6.0	7.0	8.1
Sept.	-	-	-	-	578	6.3	7.7	9.8

Month	Upstream DO (% saturation)				Downstream DO (% saturation)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	91.2	92.0	92.6
July	-	-	-	-	744	67.4	84.4	98.4
Aug.	-	-	-	-	744	69.3	82.5	95.6
Sept.	-	-	-	-	578	68.5	83.5	97.7

1. No upstream measurements were taken at the Twin Falls Hydroelectric Plant.

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We Energies Twin Falls Hydroelectric Station Water Quality Summary (2002)

Month	Upstream Temperature ¹ (°C)				Downstream Temperature (°C)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	14.9	18.4	23.7
July	-	-	-	-	559	22.8	24.4	25.7
Aug.	-	-	-	-	564	20.6	22.1	24.0
Sept.	-	-	-	-	693	14.3	19.3	22.8

Month	Upstream DO (ppm)				Downstream DO (ppm)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	6.3	7.7	9.3
July	-	-	-	-	559	5.0	6.6	7.9
Aug.	-	-	-	-	564	5.6	6.8	7.5
Sept.	-	-	-	-	693	6.4	7.8	9.9

Month	Upstream DO (% saturation)				Downstream DO (% saturation)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	720	68.7	83.1	98.6
July	-	-	-	-	559	60.1	48.9	94.4
Aug.	-	-	-	-	564	62.3	77.2	85.1
Sept.	-	-	-	-	693	70.8	83.6	100.2

1. No upstream measurements were taken at the Twin Falls Hydroelectric Plant.

We Energies Way Hydroelectric Station Water Quality Summary (2001)

Month	Upstream Temperature ¹ (°C)				Downstream Temperature (°C)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	648	9.9	14.9	17.6
July	-	-	-	-	730	16.7	18.6	20.2
Aug.	-	-	-	-	721	18.9	20.1	21.4
Sept.	-	-	-	-	710	13.3	17.5	20.2

Month	Upstream DO (ppm)				Downstream DO (ppm)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	648	5.2	7.1	9.1
July	-	-	-	-	730	1.0	4.1	7.8
Aug.	-	-	-	-	721	0.8	2.5	8.4
Sept.	-	-	-	-	710	0.0	5.3	8.1

Month	Upstream DO (% saturation)				Downstream DO (% saturation)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-
Aug.	-	-	-	-	-	-	-	-
Sept.	-	-	-	-	-	-	-	-

1. No upstream measurements were taken at the Way Hydroelectric Plant.

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We Energies Way Hydroelectric Station Water Quality Summary (2002)

Month	Upstream Temperature ¹ (°C)				Downstream Temperature (°C)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	583	8.9	13.5	16.6
July	-	-	-	-	677	15.5	18.0	21.8
Aug.	-	-	-	-	404	19.3	21.0	22.0
Sept.	-	-	-	-	480	13.8	18.9	21.8

Month	Upstream DO (ppm)				Downstream DO (ppm)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	583	4.8	6.5	8.4
July	-	-	-	-	677	0.1	2.1	4.5
Aug.	-	-	-	-	404	1.4	2.9	6.3
Sept.	-	-	-	-	480	3.6	6.4	8.0

Month	Upstream DO (% saturation)				Downstream DO (% saturation)			
	No.	Min.	Mean	Max	No.	Min.	Mean	Max
June	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-
Aug.	-	-	-	-	-	-	-	-
Sept.	-	-	-	-	-	-	-	-

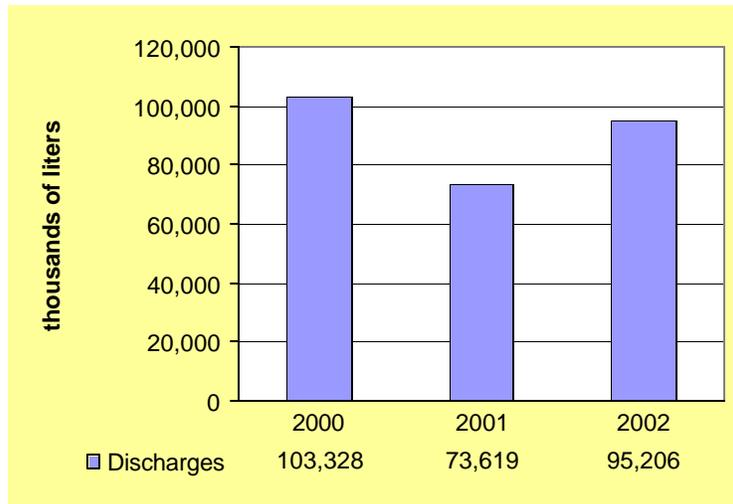
2. No upstream measurements were taken at the Way Hydroelectric Plant.

Minergy's Glass Aggregate Plant recovers and recycles water in the plant (See the "Recovered and Recycled Materials" section). Sanitary wastewaters are routed to the City of Neenah's public treatment system.

Sta-Rite Industries' Delavan, Wisconsin, manufacturing facility discharges plant wastewaters to the Walworth County Metropolitan Sewerage District (WALCOMET). The plant has a permit issued by WALCOMET that requires effluent monitoring and limits the concentration of certain chemicals and materials used in manufacturing processes. Wastewater volume and characteristics vary according to production levels and the types of processes used within each manufacturing line. Stormwater discharges from the site enter the Delavan municipal stormwater drainage system, eventually flowing to Turtle Creek, a tributary of the Rock River. Sta-Rite employs best management practices of material storage, parking lot management and other site activities to minimize material loading to stormwater draining the site.

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Sta-Rite, Delavan Wastewater Discharges, 2000-2002



1 Only three years of data are shown for Sta-Rite, Delavan as this is the first year of performance reporting for this site.

Edison Sault Electric generates minor volumes of sanitary and facility cleaning wastewater at its headquarters and four service centers. No formal pollutant discharge permits are issued by the Michigan Department of Environmental Quality for these facilities.

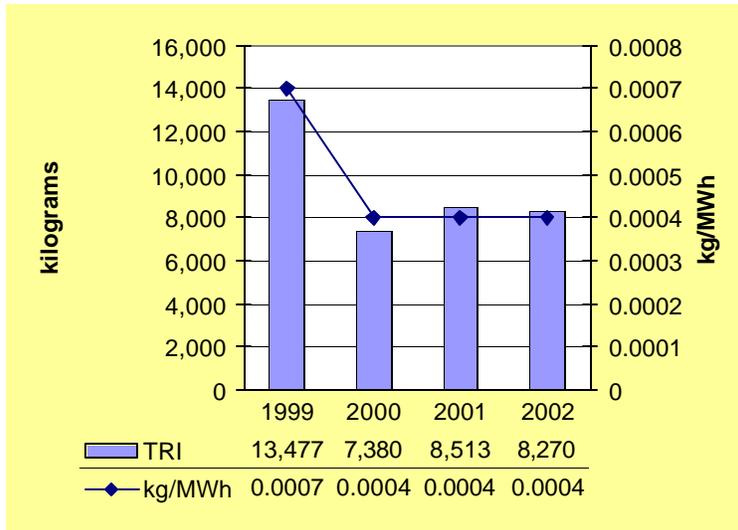
Toxics Release Inventory Water Releases

We Energies has submitted Toxics Release Inventory (TRI) reports to the U.S. Environmental Protection Agency (EPA) since July 1999, the first year electric utilities were required to submit such information under §313 of the Emergency Planning and Community Right-to-Know Act. While there are about 650 chemicals on the EPA's TRI list, the company releases only about ten of the listed chemicals to water.

We Energies' TRI releases to water decreased from more than 13,000 kilograms per year to less than 8,300 kilograms per year between 1999 and 2002 because of waste minimization and changes in effluent flow rates at some power plants. One example is a change in the grade of sodium hydroxide used in our boiler water treatment processes that contains significantly less mercury. The main TRI reportable water releases are metal compounds. For information on the company's TRI releases to air and land, see the "Air Emissions" and "Waste Management" sections of this report.

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We Energies TRI Water Emissions, 1999-2002



NOTE: We Energies TRI water releases include benzo(ghi)perylene and compounds of barium, chromium, copper, lead, manganese, mercury, nickel, thallium, and zinc.

Neither Minergy nor Sta-Rite Industries Delavan, Wisconsin, facility had any reportable TRI releases to water during 2002 or prior years.

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ENVIRONMENTAL PERFORMANCE

Water Use

Wisconsin Energy Corporation (WEC) uses large amounts of surface water mainly because the corporation's primary energy company, We Energies, needs water to cool its six coal-fueled and one nuclear power plant. Each power plant (except Milwaukee County) draws water from a lake or river, passes it through a heat exchanger to condense the steam used to turn the generating turbines, and returns the water to its source. The water is essentially unchanged except that it is slightly warmer. More than 99.9 percent of the water we use in this way goes back to the water bodies from which it is drawn. Based on extensive studies, this cooling water has minimal impact on aquatic ecosystems. Certain species of fish can be injured or killed if drawn into We Energies' cooling water systems. To address this problem, WEC has spent millions of dollars over the past decade to develop fish protection systems. For more information on our thermal and other water discharges, see the "Water Effluents" section of this report. The table below summarizes cooling water usage at the company's power plants.

We Energies Power Plant Water Use (million liters)¹, 1999-2002

Power Plant	Water Source	2002	2001	2000	1999
Concord ⁴	Well	NA	NA	NA	NA
Germantown ⁴	Well	NA	NA	NA	NA
Milwaukee Co. ²	Municipal	NA	NA	NA	NA
Oak Creek	Lake Michigan	1,183,660	1,171,063	1,209,341	1,115,365
Paris ⁴	Well	NA	NA	NA	NA
Pleasant Prairie ³	Lake Michigan	17,010	19667	18668	17464
Point Beach	Lake Michigan	1,028,369	1,040,027	1,056,221	1,029,825
Port Washington	Lake Michigan	341,157	391,760	538,903	442,882
Presque Isle	Lake Superior	317,164	334,850	339,612	331,958
Valley ²	Menomonee River	190,756	193,942	192,231	183,165

1. No meters measure the water intake amounts to our power plants; with the exception of Pleasant Prairie Power Plant, water use is assumed to be equal to the amount discharged into the water bodies. The above totals are the sum of the cooling and process water discharged.
2. The Valley and Milwaukee County power plants are co-generation facilities. Valley supplies steam to buildings in downtown Milwaukee; the Milwaukee County plant supplies steam to a campus of eight county-owned buildings known as the Milwaukee County Medical Complex. Both plants also discharge some clean steam condensate into local storm sewers.
3. The Pleasant Prairie Power Plant evaporates some of its cooling water via two wet cooling towers and releases the remainder through discharge pipes.
4. Concord, Germantown, and Paris have very small volumes of cooling tower water releases to the water bodies listed above. This discharge is intermittent, or of short duration, and only occurs from May to September each year.

We Energies also "uses" water at 14 hydroelectric power plants on rivers in Wisconsin and Michigan's Upper Peninsula. Under licenses granted by the Federal Energy Regulatory Commission and its predecessor, the Federal Power Commission, We Energies is required to operate these plants so as to maintain state water quality standards for downstream temperature and dissolved oxygen. Except for occasional difficulty in maintaining dissolved oxygen levels at three of the dams, the company's hydroelectric facilities met the standards 100 percent of the time. For more information on these water quality standards, see the "Water Effluents" section of this report.

Our Edison Sault Electric subsidiary's hydroelectric plant operates on the St. Mary's River between the U.S. and Canadian border. The plant directs water from a canal that opens into the extreme east end of Lake Superior's Ashmun and Whitefish Bays near Sault Ste. Marie, Michigan, and discharges the water into the St. Mary's River.

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For more information about We Energies' hydroelectric plants, see the "Renewable Energy" section of this report.

The Minergy Glass Aggregate Plant in Neenah, Wisconsin, uses municipal water as makeup for cooling towers that cool equipment and processes. Minergy's water use is listed below.

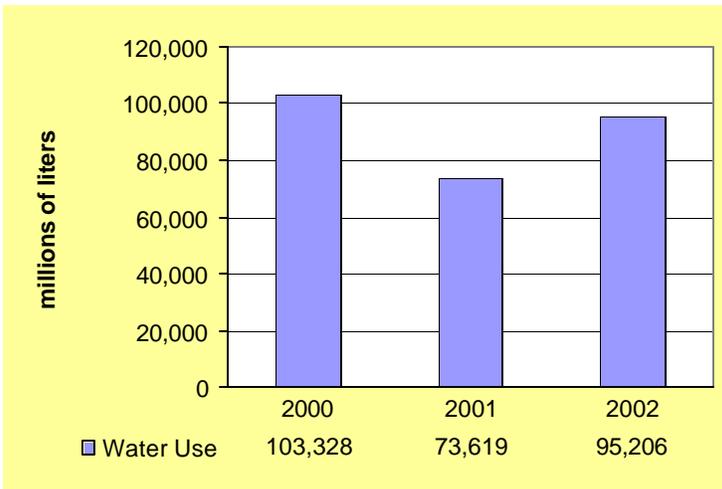
Minergy Glass Aggregate Plant Water Use (million liters)¹, 1999-2002

Plant	Water Source	2002	2001	2000	1999
Glass Aggregate	Municipal	33.8	36.3	44.5	45.3

1. The data for 1999 to 2001 has been corrected from that presented in the 2001 Performance Report.

Sta-Rite's Delavan manufacturing plant uses water from the City of Delavan for parts washing, test stands for pumps, rotary casting, vibratory cleaners, process cooling and other purposes. The plant continually seeks to minimize water use. Overall water use varies with total production and the mix of products manufactured.

Sta-Rite, Delavan Water Use, 2000-2002



For future reports, WEC is seeking ways to measure other consumptive uses of water, such as watering coal piles to minimize dust.

Watersheds

WEC's primary impact on watersheds is its use of cooling water for its power plants. Because cooling water and other process waters are returned essentially unchanged, impacts to watersheds are minimal and well within state and federal standards. We Energies' cooling water intake structures may need to be modified after 2004 when the U.S. Environmental Protection Agency plans to implement regulations to enhance protection of fish and aquatic life. The company's current on-shore and off-shore water intake systems have been previously studied and meet existing state and federal standards.

We Energies' Presque Isle Power Plant withdraws and discharges its cooling water and treated wastewater into Lake Superior. Lake Superior is the largest of the Great Lakes, the second largest lake in the world (82,100 square kilometers), and generally considered the most pristine of the Great Lakes. The plant returns 99.93 percent of the cooling water withdrawn. The quality of the water returned to the lake is better than required by the State of Michigan and the federal Great Lakes Water

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Quality Initiative. The heat in the cooling water discharges are within the plant's state permit discharge limits.

We Energies' Oak Creek, Pleasant Prairie, Point Beach and Port Washington power plants draw cooling water from Lake Michigan (57,800 square kilometers), second largest of the Great Lakes. Oak Creek, Point Beach and Port Washington use open cycle cooling and have impacts similar to those described for Presque Isle Power Plant. Because of its distance from Lake Michigan (8 km), Pleasant Prairie Power Plant uses mechanical draft cooling towers to reject heat to the atmosphere from the cooling towers through a wet evaporative cooling process. The two cooling towers release 37.8 million to 56.8 million liters of water per day to the atmosphere. The volume of cooling water piped back to Lake Michigan per day ranges from 11.3 million liters to 18.9 million liters. The intake water withdrawal and ultimate heat discharge to the lake are about one percent of open-cycle cooling. By contrast, the estimated average natural evaporation rate from Lake Michigan is in excess of 94.6 trillion liters per day.

Valley Power Plant withdraws water from the Menomonee River, a short distance upstream of its confluence with Lake Michigan. The plant uses open cycle cooling and discharges water to the South Menomonee Canal, which feeds back into the Menomonee River. The plant affects the river and Milwaukee Harbor more than the other power plants affect Lake Michigan proper. Still, the effects are minimal and comply with federal and state requirements.

With the exception of Point Beach Nuclear Plant, all of these power plants have the potential to affect water bodies through the discharge of air emissions, such as sulfur dioxide and mercury. We Energies continues to study these impacts and possible control technologies for mercury and other air emissions at the company's power plants. For more information on the company's mercury control initiatives, see the "Air Emissions" section of this report.

Most of We Energies' hydroelectric plants are located in the Menominee River Basin (the river forms a portion of the border between Wisconsin and Michigan's Upper Peninsula). This land is characterized by hardwood forests and wetland-dominated stream headwaters. These power plants may affect fish populations. Our Brule and Pine hydro facilities already have fish protection systems to reduce fish entrainment. The company is working with state and federal resource agencies, including the U.S. Fish and Wildlife Service, to address fish protection at the remaining hydroelectric plants. Upstream passage for lake sturgeon also is being investigated at two plants. These needs represent significant financial and technical challenges, since fish protection and fish passage technologies developed for hydro plants in other regions of the United States for other species (such as salmon in the Pacific Northwest) may not be effective for the species present in the Menominee River Basin. As part of the Wilderness Shores Settlement Agreement to relicense several of these hydro plants, We Energies agreed to normalize the stream flows starting in 2002 by limiting peaking operations and increasing water flows during non-peak demand hours. These actions will enhance the "quality of life" in the rivers downstream of these projects by providing aquatic species greater opportunity to reproduce and complete their life cycles.

We Energies' three combustion turbine (CT) plants in southeastern Wisconsin take water from on-site wells for plant cooling and for nitrogen oxide (NO_x) emission control. The primary water use for these plants involves evaporative water loss from wet cooling towers used to remove waste heat from refrigeration systems. The refrigeration systems produce ice during periods of off-peak electrical demand. During warm weather, ice water stored in large storage tanks is circulated through coils placed across the intake air ducts for the combustion turbines. When the intake air flows past the coils, the air is cooled (cooler air is denser), maintaining the capacity of the combustion turbines during periods of peak summertime electrical demand. Water also is needed for NO_x control. Purified

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groundwater is injected into the combustion process to reduce flame temperatures to levels needed to minimize NO_x production. The water used for NO_x control is lost to the atmosphere.

The Germantown CT plant lies in the Menomonee River watershed (not the same as the Menominee River Basin along the Wisconsin-Michigan border). The Paris CT plant is within the Des Plaines River watershed, and the Concord CT plant is located within the Rock River watershed. By virtue of their design and generally rural locations, these natural gas-based plants have no adverse impacts on these watersheds, including the groundwater aquifers.

The Edison Sault Electric Company hydroelectric plant is one of several facilities that pass water from Lake Superior downstream to Lake Michigan and the remaining Great Lakes. Water releases between the lakes is rigidly controlled by the International Lake Superior Board of Control, under the supervision of the International Joint Commission. The Edison Sault Electric Company plant currently is provided a monthly allocation of water for generation through a U.S.-Canada agreement. In April 2002, the International Joint Commission extended the authority for ESE to conduct peaking and ponding operations in the St. Mary's River. However, the Commission also imposed certain required increases in weekend water flows in order to increase downstream water levels due to the falling levels of the Great Lakes. These new restrictions will reduce the use of water for power generation during times of peak electrical demand, thus requiring power to be generated by other non-renewable and more expensive energy sources.

2002 PERFORMANCE REPORT

SOCIAL PERFORMANCE

Employment

Wisconsin Energy Corporation (WEC) believes that the talent, knowledge and enthusiasm of its employees are key factors contributing to the corporation's success. To further those aims, WEC has set a goal to become the employer of choice wherever it operates. WEC seeks to provide a safe, secure workplace with opportunities for growth, challenge and reward. The corporation supports this goal with policies and programs to ensure a diverse work force, fair labor practices, community education and cultural welfare.

Net Job Creation and Turnover

The corporation recruits from a variety of sources: minority and majority newspapers, trade journals, professional recruiters, job fairs, and local university and high school programs such as co-op and intern programs and Inroads, a mentoring organization that helps foster the professional development of minorities. These programs have given the corporation better access to a larger pool of diverse candidates. The corporation continues to face a challenge of attracting and retaining women and minorities.

In 2002, We Energies established an Organizational Development function to address skill development and the challenges of a diminishing, aging work force. Its charge is to develop a company-wide program for succession planning. The attrition rate went from 4 percent in 1999 to 7 percent in 2000-2001, mainly because of retirements and the acquisition of WICOR Inc. in 2000. In 2002 the attrition rate went back to 4 percent. Executives and work teams are targeting training and workflow management toward work areas expecting large numbers of retirements over the next five years.

Employment at WEC is shown in the following table:

WEC Employee Count 2002

	Full Time Employees		Part Time Employees		Total Employees	Total Employees		Total Employees	Represented by labor Agreement
	Reg	Temp	Reg.	Temp		Domestic	Foreign		
Wisconsin Electric	4976	72	121	3	5172	5172	-	5172	3560
Wisconsin Gas	687	0	59	-	746	746	-	746	597
Edison Sault	67	-	2	-	69	69	-	69	48
WEC Holding Co.	9	-	1	-	10	10	-	10	-
Wisvest	19	-	0	-	19	19	-	19	-
Wispark	12	-	-	-	12	12	-	12	-
Minergy	41	-	-	-	41	41	-	41	-
Northern Tree Service	10	0	-	-	10	10	-	10	-
WICOR Industries	2971	155	30	-	3156	2540	616	3156	-
We Power	23	-	-	-	23	23	-	23	-
WEC Total	8815	227	213	3	9258	8642	616	9258	4205

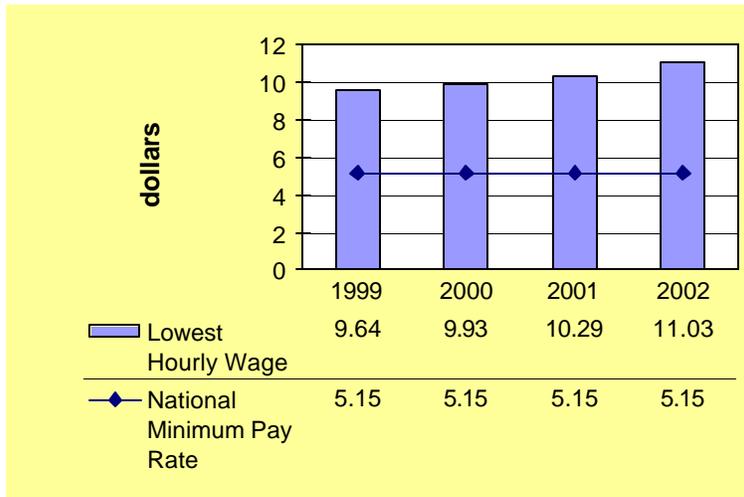
*Data includes full-time and part-time regular and seasonal employees.

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Wages and Benefits

The retention rate for workers with high levels of experience and expertise remains high at WEC. The corporation maintains wages, benefits and pension plans competitive with local and national markets and rewards employees for their accomplishments. In addition to highly competitive starting wages, the corporation offers incentive opportunities for management and stock options for key management employees. In general, represented employees at the utility subsidiaries are compensated at the local markets for similar work. Over the last three years, the corporation's lowest wages were nearly double the National Minimum Wage of \$5.15 (see the table below for the We Energies).

We Energies Pay Compensation, 1999-2002



Every October, We Energies employees can choose from benefit options offered by the company. The company offers health and dental insurance, life and accident insurance, vision care discounts, prescription drugs, long-term disability, and an option to purchase additional vacation time. Pre-tax healthcare and dependent care saving accounts are also offered. The cost of the company's benefit plans for 2002 accounted for about 32 percent of annual payroll.

We Energies offers flexible work hours, 10 annual holidays, vacation and sick leave, cellular telephone discounts, a personal computer purchase plan, retirement savings plan, and tuition reimbursement. We Energies provides a paid-time-off program, including Family Medical Leave. All employees are eligible for a cash-balance pension plan to which the company contributes 5 percent of annual salary. The company also contributes an investment credit of at least 4 percent of salary, which may be increased based on financial results.

The Employee Mutual Benefit Association (EMBA) is a fraternal organization offering sickness and accident insurance (Plan 5). The EMBA manages many of the social and recreational programs for employee and retiree participation. EMBA also manages the major United Way and United Performing Arts Fund drives. We Energies' employees give to an emergency fund which is used to provide loans or grants to employees facing financial hardship due to unforeseen circumstances.

WEC supports employee education by offering tuition reimbursement to full- and part-time employees and by supporting participation in seminars and conferences. The WEC daughters and sons scholarships are given to eligible college-bound children of WEC employees and retirees who are selected based on pre-established criteria. The We Energies training council promotes continuous skill enhancement through a variety of targeted training programs for management and represented

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employees. Recording of this training is decentralized, however, and it is not possible to aggregate the information for this report.

The Sta-Rite Industries business in Delavan, Wisconsin, had more than 1,000 full-time employees in 2002. Their turnover rate was 25.9 percent for 2002, 22.3 percent for 2001, and 30.3 percent for 2000. In March 2002, Sta-Rite's Hammond, Indiana, facility was closed, and as a result four administrative jobs were created at the Delavan location. These turnover rates are consistent with those in the manufacturing industry.

In April 2002, Sta-Rite purchased Aermotor Pumps of Conway, Arkansas. In July of the same year, the facility was closed and production was moved to the Delavan facility. With that move, 19 production and seven administrative jobs were created at Delavan.

Sta-Rite's average wage for the lowest full-time labor grade was \$9.44 for 2002, versus \$9.66 in 2001 and 2000. Company benefits include; medical insurance, dental insurance, life insurance, accidental death and dismemberment insurance (AD&D), dependent life insurance, voluntary supplemental AD&D insurance, voluntary permanent life insurance, short-term disability, long-term disability, 401K, pension plan, flexible spending accounts, profit sharing, business travel accident insurance, paid vacation, bereavement pay, jury duty/reserve training pay, educational assistance, credit union, and the Sta-Rite Social Club, which promotes employee involvement in social and recreational activities.

Sta-Rite Industries offers an Educational Assistance Program that encourages employees to further their education and training and develop skills that enhance personal growth. Sta-Rite also offers Professional Skills Development training conducted by internal and external resources.

Edison Sault Electric Company has 69 employees. Employees are offered health and pension benefit programs. They are eligible for tuition reimbursement. Scholarship eligibility is available through WEC. The Company maintains a workout facility for employees at the hydroelectric plant.

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Labor/Management Relations

Union Representation

Wisconsin Energy Corporation's (WEC) utility companies work to build and maintain collaborative relationships with unions and their members. The corporation strives to communicate and consult early, often, and openly with union leaders on business matters that may affect represented employees. Each bargaining unit holds labor-management meetings to discuss and resolve general issues. Negotiations are conducted in traditional formats using formal proposals. The goal is to reach settlements before contracts expire.

Labor unions represent 4,157 of 5,918 We Energies' employees (70 percent). Listed below are the labor unions that represent We Energies employees:

- **Local 2150, International Brotherhood of Electrical Workers (IBEW), 2,779 employees.** Represents employees in field, plant, nuclear, maintenance, office, technical and clerical functions in various areas of Wisconsin and Michigan.
- **Local 510, IBEW, 161 employees.** Represents office and plant (operations, maintenance, supply and electrical) employees at the Presque Isle Power Plant in Marquette, Michigan.
- **Local 317, International Union of Operating Engineers (IUOE), 486 employees.** Represents fossil fuel plant operations and maintenance employees, as well as maintenance employees in downtown Milwaukee.
- **Local 7-0018 PACE, 212 employees.** Represents employees in gas, water, metering and supply in Milwaukee, Wisconsin, and other portions of southeastern Wisconsin.
- **Local 7-0018-1 PACE, 247 employees.** Represents employees in certain office, clerical and customer service functions in southeastern Wisconsin.
- **Local 7-0018-2 PACE, 10 employees.** Represents employees in maintenance functions in southeastern Wisconsin.
- **Local 7-0111, Paper, Allied Chemical & Energy Workers (PACE), 66 employees.** Represents employees in gas, maintenance, metering, supply, customer service, office and technical functions in Lake Geneva, Wisconsin, and surrounding areas, and Prairie du Chien, Wisconsin.
- **Local 12005, United Steel Workers of America (U.S.W.A.), 196 employees.** Represents employees in gas, maintenance, supply and metering functions in southern Wisconsin counties.

At Edison Sault Electric Company, **48 employees** are represented by **Local 13547, U.S.W.A.**

Complaint, Grievance and Appeal Practices

We Energies has employee disciplinary action and appeals processes. Union members have the right to have a representative present at any company interview that the employee believes may lead to disciplinary action. There are specific grievance and complaint procedures. Appeals processes are built into these procedures to ensure that employees receive a full and fair hearing and have every opportunity to present their case. Both represented and non-represented employees may file complaints and appeals to the Manager-Work Force Diversity/EO Planning, the Human Resources Equal Employment Opportunity (EEO) Consultant, or the company's Chairman and CEO. This ensures a confidential, fair and impartial review of the complaint. In compliance with the law and the EEO Policy, the company takes action against discriminatory or retaliatory actions that are proven to occur following a complaint or grievance procedure. At the Edison Sault Electric Company, employee input on procedures is formally sought at monthly operations meetings and at an annual "all hands" meeting. The company relies on mediation through the Federal Mediation & Conciliation Service (FMCS).

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Labor and Management Forums

The unions and senior leadership of We Energies are committed to building and maintaining an informed and constructive union and management relationship. In 1995, both parties decided to focus on fostering a collaborative relationship. Joint Governance, as it was named, was designed to involve union leaders and employees in discussions about all aspects of the company. In 2002, the corporate level committee met and refocused these efforts on information exchange and issue consultation.

Meetings of the Labor and Management Forum (formerly known as the Corporate Governance Committee) are a means of sharing information and establishing corporate oversight for various significant initiatives, such as the Joint Health Care Committee and items affecting multiple union groups. The forum also supports training of supervisors and union stewards through sponsorship of interest-based problem solving techniques.

Sta-Rite believes that treating everyone fairly and honestly can sustain good relations between management and employees. Any employee who has a complaint is encouraged to tell his or her immediate supervisor or manager about it. They address and resolve the problem promptly, if possible. An employee who does not feel a problem has been resolved or who does not feel he/she can discuss the problem with the immediate supervisor or manager, may discuss the concerns in private with the Human Resource Manager, who will promptly investigate and resolve the issue.

Employee involvement is a basic part of the Sta-Rite culture. Sta-Rite frequently uses employee focus groups to help formulate new programs and policies. The company also uses cross-functional employee teams to develop or modify work processes to improve efficiency and lower costs.

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SOCIAL PERFORMANCE

Health and Safety

Wisconsin Energy Corporation (WEC) is concerned with the health and safety of its customers and employees alike.

Public Safety

WEC is committed to educating the public about the potential hazards of its energy systems and products. At We Energies personnel work closely with the news media to enlist their help in educating the public about safe practices. This is especially useful after storm and other incidents that can expose people to dangerous, potentially life-threatening situations involving company equipment or services.

In places where the public may come in contact with company facilities, such as substations, transformers, pipelines and meters, personnel post warning signs and labels. For example, "Mr. Ouch" labels warn people, especially children, to stay away from electrical equipment. Personnel regularly inspect all signs and labels to ensure that they remain in place and in good, readable condition.

We Energies provides emergency first responder safety training for local police and fire departments.

We Energies promotes safety to targeted audiences (children, adults, employees, and others) as well as to the general public. Events include:

- "Safety Days" in communities
- Electric safety presentations to school children
- National Theater for Children safety plays at area grade schools
- Contractor meetings to promote safe work practices around power lines, underground electrical cable and buried gas pipelines (40 such meetings were held in 2002)
- "Energy Park" at the Wisconsin State Fair, where some 100,000 adults and children learn about electric and natural gas safety through literature, demonstrations and a children's play
- Lineman's and Gas Operators' rodeos.

The company publishes and distributes a number of safety materials. All customers receive safety materials through bill inserts at least once a year. New customers get a packet of safety information when they open an account. (Please refer to the "Public Relations" section for a complete listing of safety communications programs.)

At Sta-Rite, the development and testing laboratory located in Delavan, has been formally assessed by independent third-parties such as Underwriters Laboratories, Inc. and CSA International to allow Sta-Rite to perform the same safety testing and evaluations as these agencies in accordance with their standards. The lab is reassessed every year.

Sta-Rite sales literature indicates products that have been formally evaluated by independent third-party safety testing laboratories, signifying that the product has met nationally and internationally recognized safety standards. Certification logos appear on the product.

Instruction manuals contain pictograms and safety warnings on the proper use of products. Company personnel examine products directly out of production daily to ensure that they are consistently assembled and packaged properly, carry all necessary markings and warnings, and include the necessary operating and installation instructions.

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Sta-Rite had one product recall in the past three years. In 2000, there was a recall of 29,000 battery chargers used in battery back-up sump pump systems. These chargers were used in Flotec's model number FP2000DCC-02 or 2P667B and Sears model number 390.306062.

Sta-Rite's Technical Publishing Department is involved with product safety at several levels. The technical writers are members of the Sta-Rite Product Safety Team and participate in regular product safety audits that review all aspects of the total product, including user interface, assembly, packaging, labeling and owner's manuals. The safety team and the audit committees are comprised of employees from different functional areas. The writers attend classes at the University of Wisconsin-Madison where they learn how to write clear, effective warnings and instructions. The writers use ANSI standards in writing and laying out warnings for product manuals and labels. Every manual starts with a safety section and uses warnings throughout where applicable. Manuals refer to the National Electrical Code (NEC) and Canadian Electrical Code (CEC) as needed.

In 1997, Sta-Rite published a consumer safety booklet, *Playing it Safe with Pools and Spas*. The booklet has been updated and reprinted several times and has more than 135,000 copies in print. It is distributed free to consumers and dealers/distributors, and at trade shows. The department also participates in consumer focus groups to learn more about Sta-Rite products. Information from these groups is used to improve product and instruction manuals.

Edison Sault Electric Company is initiating an Eyes and Ears Public Safety program for the general public and in the local schools. Company personnel also work with the Boy Scouts on public safety programs.

Employee Safety

We Energies is committed to providing safe workplaces through training for all employees, accident follow-up and investigation, physical plant alterations to correct potentially unsafe conditions, attention to ergonomic issues, and more. On-site medical facilities in the main office are staffed by four occupational health nurses. Employees play an important role in the company's safety processes. Among key safety initiatives at We Energies:

- The Labor and Management Council meets monthly to discuss safety and other corporate issues.
- Safety Teams of represented and management employees meet regularly to discuss safety issues affecting work groups. These teams also develop an annual Safety Action Plan for the business unit.
- A Joint Union/Management Safety Study Committee addresses common safety issues, makes safety recommendations, addresses accident investigations and policies, and provides a forum for group problem solving. The committee is open to participants from all labor unions.
- Employees from all labor unions get actively involved in local and regional employee safety issues. The safety teams have a strong focus on the safety, health, and welfare of their members and the general public.
- A team of represented and management employees has been trained to study and evaluate the ergonomic impact of work performed in the field. This study has been nationally recognized in the energy industry.
- A new unsafe condition/near-miss reporting procedure has been implemented, using represented employees on company sites as the main contacts.
- The company promotes ongoing safety awareness through internal publications, safety meetings, and a Health and Safety web site.
- The company uses investigative tools, such as Tap Root, to investigate, analyze, correct and communicate improvement of safety performance.

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A core belief of Sta-Rite Industries is that employee health and safety is as important as all other facets of the company's business. Sta-Rite will not knowingly expose any employee to unsafe or unhealthy conditions. The company strives to eliminate all accidents and to actively involve employees in the safety process.

Every employee shares the responsibility of providing a safe work environment. Each is responsible for following safety rules and procedures in which he/she is trained. An employee who thinks his/her workplace is unsafe or who feels his/her safety concern may go un-addressed is asked to contact the Human Resources Department. A number of employees are licensed emergency medical technicians (EMTs) and in case of injury or illness may be called to provide first-aid. A number of employees are also certified in first-aid and CPR.

Employees are instructed to report all injuries, even if minor, to their supervisor within 24 hours. Employees fill out an employee accident report form and turn it in to their supervisor or the Human Resources Department. Any injury that requires more than first-aid must be reported before treatment with a physician begins. Supervisors must complete an Accident Investigation Report, indicating the cause of the accident and the corrective action plan to prevent future occurrences. Both reports are reviewed by the Safety and Loss Control Supervisor, who then proceeds with corrective action.

Sta-Rite's Safety Committee consists of production employees, manufacturing management, the Human Resources Manager and Plant Manager and is chaired by the Safety and Loss Control Supervisor. The committee meets monthly to discuss safety concerns and possible remedies. The committee also conducts a safety audit of a different work cell typically each month.

Sta-Rite is committed to offering a safe work environment for all employees. Each of these programs is provided to promote health and safety:

- Safety Committee
- Employee Assistance Program (EAP)
- Employee Safety Training Programs
- Employee Exposure Testing

In addition, in cases of ergonomic concerns, Sta-Rite supplies the necessary equipment to reduce the risk of injury.

Edison Sault Electric Company also places a high priority on employee safety. The company has a contract with the Michigan Electric Cooperative Program that conducts quarterly safety programs. Safety Committee meetings are also held quarterly with represented and management employees. The meeting minutes are posted for the benefit of other employees. Each employee has a safety manual. In 2003, field employees began receiving a safety checklist before each job. Because 80 percent of the company's reportable injuries occur among linemen, the company works closely with an area physician on ergonomics. Lost time for injuries is minimal. Unscheduled time off is 4.25 percent for represented employees and 2.75 percent for management.

Ergonomics Initiatives

We Energies strives to provide ergonomically sound workplaces and to protect employees against repetitive-motion injuries. The company pioneered the use of benchmarking to find ergonomic solutions for tasks in the utility industry, where workers are at high risk of musculoskeletal disease. Major universities conduct scientific studies with ergonomics teams of the company's workers, funded by outside sources with in-kind contributions from the company.

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The Electric Power Research Institute's *EPRI Ergonomics Handbook for the Electric Power Industry: Overhead Distribution Line Worker Intervention*, published in late 2001, was largely written by the We Energies ergonomics teams under the direction of Dr. Richard Marklin of Marquette University. It has received wide acclaim and interest. It is the first of several such handbooks. Several improved work processes of the first few studied tasks in two separate underground studies have been delivered to EPRI members. Full publication of their new handbooks will occur in 2004-2005. We Energies won the EPRI Environmental Delivery and Applications Research Champion award for its success in the overhead study and the subsequent implementation progress. The company was also recognized by the EPRI Innovators for work completed in 2002. The company received The Environmental & Applications Research award in March, 2003 for these efforts.

We Energies has trained more than 150 employees to serve on seven ergonomics teams that study and evaluate the ergonomic impacts of tasks in plants, offices, and the field. The various business units are using these findings to train their personnel in the context of improving overall safety behaviors and the safety culture. The approach is to emphasize injury prevention. The Distribution Operations and Corporate Health and Safety departments sponsor national presentations by team members of the company's ergonomics process, studies, and implementation progress in order to share best practices with the industry.

Standard Injury, Lost Day & Absentee Rates

We Energies field operations employees receive intensive training in safety policies and procedures and use appropriate safety equipment. The company has maintained a strong standard of safety within the energy industry. Reportable employee OSHA cases are summarized below.

We Energies Safety Statistics, 1999-2002

	2002	2001*	2000	1999
OSHA cases	255	285	276	295
OSHA rates	4.48	4.98	5.26	5.50
Lost time injury cases	61	69	45	62
Lost time rates (per 100 employees)	1.06 (0 fatalities)	1.20 (1 fatality)	0.86 (0 fatalities)	1.20 (0 fatalities)

*2001 includes impact of integration of Wisconsin Electric Power Company and Wisconsin Gas Company following acquisition of WICOR by WEC.

Edison Sault Electric Company Safety Statistics, 1999-2002

	2002	2001	2000	1999
OSHA cases	9	7	10	12
OSHA rates	15.00	11.20	15.40	18.30
Lost time injury cases	5	4	1	6
Lost time rates (per 100 employees)	8.32 (0 fatalities)	6.50 (0 fatalities)	1.00 (0 fatalities)	9.20 (0 fatalities)

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Sta-Rite, Delavan Safety Statistics, 2000-2002

	2002	2001	2000
OSHA cases	52	49	61
OSHA rates	5.09	5.09	6.20
Lost time injury cases	13	14	20
Lost time rates (per 100 employees)	1.24 (0 fatalities)	1.36 (0 fatalities)	1.98 (0 fatalities)

Policy and Programs on HIV/AIDS

At least once a year, We Energies, Edison Sault Electric Company and Sta-Rite, Delavan employees who may encounter blood-borne pathogens on the job (such as HIV and hepatitis) receive comprehensive training to help them minimize or avoid exposure. We Energies, Edison Sault Electric Company and Sta-Rite, Delavan comply with the OSHA Blood-Borne Pathogen Standard.

Employee Health

WEC believes health and safety go hand-in-hand in ensuring a productive workforce. The company provides tools to help employees improve or maintain their personal health and effectiveness, although ultimately employees are accountable for their own behavior. Health requires active involvement and personal commitment. We Energies strives to create a supportive environment that provides access to reliable information and fosters good decision making. We Energies' Health Enhancement Initiative (HEI) provides information, education and motivation to employees who are establishing a new health habit for the first time or are committed to sustaining one.

We Energies offers a variety of resources, including the popular and effective Lifestyle Rewards incentive program which rewards employees for positive health behaviors. In 2002, more than 3,100 employees registered, and 72 percent of those who completed the program achieved the Gold Level award. The Gold Level indicates an employee completed all of the program activities. Such employees received a monthly payment totaling \$300 over the year to support their continued efforts. An evaluation of the program's effectiveness, as measured by change in medical self-insured claims and productivity costs over a three-year period, showed a return on investment (ROI) of \$1.60 for every dollar spent on the program. This is evidenced in reduced claims and absenteeism. The evaluation found that continuous HEI participants have fewer risks of serious illness and present fewer medical claims than those who take part sporadically or never. As such, the challenge is to engage new participants and bring previous participants back. An advisory team of key stakeholders from management and labor across the organization helps promote, enhance and evaluate the program. Information can be found on the intranet site, at the Health Resource Library collection, at-work presentations, and in newsletter mailings.

Other than Lifestyle Rewards, which requires registration, most HEI programming is directed to all employees. In addition to those previously mentioned, programs include:

- Disease management program (covering seven conditions: coronary artery, diabetes, congestive heart failure, asthma, hypertension, chronic obstructive pulmonary disease and depression) available to all employees covered by the company health insurance plan
- Health management mailings from the health plan
- Family healthcare insurance programs that offer many options to promote healthy lifestyles
- *Well Workplace Newsletter*, which provides personal wellness tips
- A 24-hour Employee Assistance Program, offering confidential help with drug, alcohol, mental, and other family and personal issues
- Fitness classes (step aerobics, yoga, Stretch'N'Strengthen) and six fitness centers available to employees and their families

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- Company-wide motivational programs (4 to 8 weeks) that focus on practicing specific healthy behaviors (typically 500 to 800 participants each)
- Special events (run/walk sponsorships, Weight Watchers At Work, Employee Health & Fitness Day activities, community volunteerism).

In 2002, We Energies received the Wellness Council of America's Silver Well Workplace Award for its outstanding health promotion at work. The company won the Bronze awards in 1999 through 2001.

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Diversity

Wisconsin Energy Corporation (WEC) encourages development of a diverse work force by fostering inclusion and equal opportunity. A number of initiatives promote the contributions of a diverse work force, educate employees about diversity issues, and make WEC an attractive employer for persons of diverse backgrounds.

Policies and Initiatives

Policies cover equal employment opportunity and affirmative action for minorities, women, veterans, and individuals with disabilities. A corporate policy prohibiting harassment ensures that employees work in a respectful environment that values their contributions. Each policy includes a complaint/filing procedure for employees or applicants who believe they have been harassed or discriminated against in violation of WEC policies. At We Energies, diversity initiatives include:

- A Diversity Strategic Plan in which leveraging and managing diversity is incorporated into business objectives and key performance areas. Measures and accountabilities are monitored at the highest levels of corporation management
- An award-winning Corporate Diversity Network, responsible for developing the corporation's diversity goals and performance indicators; developing training programs and evaluation; and directing diversity activities, communications, and a Consulting Pairs® program to help resolve conflicts and enhance cultural change
- Employee network groups: African American Network, Asian Pacific American Network, Gay and Lesbian Organization, Latinos Unidos Council, Women's Development Network
- A team initiative, begun in 2002, to increase the number of women and minorities in the Lead Mechanic position
- Continuing work on improving overall diversity, with support from Milwaukee Area Technical College.

Education

We Energies held a week-long diversity summit during 2002 to expand employees' knowledge of different cultures and the challenges companies face in attracting and retaining good employees. We Energies also conducts diversity training and education workshops for employees throughout the year.

Promotion and Recruitment

Minorities and women have been hired or promoted into key positions at We Energies. Of 247 officials and managers positions, 19 percent are held by women and 10 percent by minorities. Throughout We Energies, 31 percent of employees are women and 13 percent are minorities. Eight members of the WEC Board of Directors' are men and one is a woman. The woman and two other board members are African-American; the remaining six are Caucasian.

Recruitment challenges include efforts to recruit and promote women and minorities at manager-level positions, recruit at operations outside large metropolitan areas where demographics do not include high minority populations, and attract women to non-traditional jobs.

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We Energies works with the Inroads program to encourage and support the development of minority college students. The company also participates in an annual “Women in Hard Hats” event to encourage women to consider non-traditional jobs. Also in development is a new program aligned with “Women in Hard Hats” to educate people of all ages about employment opportunities in the energy utility industry. The company works with high schools and technical schools to inform students about the potential for careers at We Energies.

At Sta-Rite, Delavan, of 95 officials and managerial positions, 13 percent are held by women, and 4 percent by minorities. Sta-Rite adheres to a strict policy of non-discrimination. The company prohibits discrimination because of age, race, creed, color, disability, sex, national origin, ancestry, marital status, sexual orientation, political affiliation, service in the armed forces, records of arrest or conviction or other protected condition of class. Sta-Rite complies with federal and state anti-discrimination laws and will not retaliate against an employee who opposes allegedly illegal employment practices or brings them to the attention of Sta-Rite management or authorities. Sta-Rite states in employment advertising that it is an EEO employer.

Supplier Diversity

The Wisconsin Energy Corporation (WEC) Supplier Diversity Initiative (SDI) is a proactive, corporate-wide effort to create access, ensure and increase procurement/business opportunities and utilization of minority and women-owned businesses through the purchase of products and services. The SDI supports all of WEC in the development of strategic plan goals and objectives pertaining to minority and women-owned business utilization and development.

To demonstrate strong support and commitment to minority- and women-owned, small businesses and the corporation's various stakeholders in the civic, political, business and economic communities served, WEC's Corporate Supplier Diversity Steering Committee developed a Supplier Diversity Initiative Corporate Policy Statement. The Policy Statement is approved by the Chairman and CEO of WEC.

To further ensure that the corporate SDI objectives and efforts are expanded and communicated throughout the corporation, WEC created the position of Director, Supplier Diversity Initiative. This position directs the corporation's strategic goals and objectives to increase procurement/business opportunities and utilization with minority and women-owned businesses. The Director of the Supplier Diversity Initiative is responsible for the administration, development, communication, strategic planning, reporting, and implementation of the activities of WEC's SDI as well as:

- Developing new and innovative means to utilize minority-owned, women-owned and small businesses.
- Creating a quality process for all parties and monitoring and reporting activities.
- Proactively managing/supporting the business relationships with minority and women business advocacy groups and other stakeholders.
- Performing compliance audits and submitting reports to local, state and federal government agencies, such as the Small Business Administration and General Service Administration.

WEC strongly believes that supporting and investing in all areas where the corporation does business contributes to corporate value-added and customer service strategies. Today's shareholders and stakeholders look favorably at corporations that are inclusive in their business, economic and community support and outreach. By integrating supplier diversity into the business planning and strategies of the corporation, WEC can ensure that all segments of Southeastern Wisconsin benefit from the corporation's efforts, support and commitment.

WISCONSIN ENERGY CORPORATION
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Society

Political Lobbying and Contributions

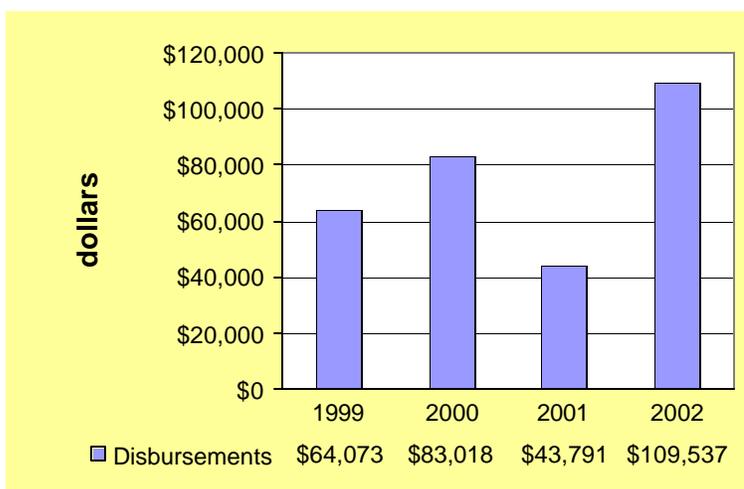
Wisconsin Energy Corporation (WEC) advocates on behalf of its customers, shareholders, and employees for safe, reliable, and affordable energy before local, state, and federal elected officials and government agencies. WEC maintains governmental and regulatory relations offices in Madison, Wisconsin, and Lansing, Michigan as well as Washington, D.C. The corporation also hires contract lobbyists and works with lobbying organizations to assist in advocacy activities. WEC also has several political action committees (PACs). WEC PAC's are registered with their regulating governments (state or federal) and authorized by elections laws to collect voluntary contributions from employees who choose to participate. The money, in turn, is pooled and used to support candidates running for federal, state, and local offices. Contributions are limited in amount by law. All WEC PACs are administered by a committee that combines appointed and elected members. The various committees makes the decisions on how and where dollars are spent.

PAC contributions and lobbying expenditures are reported below:

WEC PAC Disbursements 1999-2002

Organization	2002	2001	2000	1999
Wisconsin Energy Corporation Political Action Committee (WEPAC - a federal PAC)	\$12,750	\$9,500	\$19,750	\$25,202
Better Government Committee (BGC -- a state PAC)	25,700	5,150	4,475	8,500
Michigan Political Action Committee (MIPAC -- a state PAC)	11,098	2,816	7,050	525
Personal Contribution Account (PCA Conduit – a state PAC)	59,989	26,325	51,743	29,846
Total	\$109,537	\$43,791	\$83,018	\$64,073

WEC PAC Disbursements, 1999-2002



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WEC Lobbying Activities and Expenditures Summary, 1999-2002

	2002	2001	1999 & 2000
Lobbying Hours State & Federal	3,079	3,695	6,420
Lobbying Expenditures State & Federal	\$1,000,314	\$866,602	\$1,035,256

Consumer Privacy

Consumer privacy is critical to the ethical and professional conduct of WEC's businesses. Customer information records are confidential and are used strictly for business purposes. Employees with access to systems that provide access to customer information must sign a "Use of Customer Information Policy." The corporation's Code of Ethics also requires that "No employee shall obtain access to or use any sensitive company information for any purpose other than the performance of that employee's assigned duties."

Bribery and Corruption

Wisconsin Energy Corporation's Code of Business Conduct addresses situations that could lead to corruption, bribery and other improper or illegal behavior on the part of employees. The code covers conflicts of interest, corporate information, political contributions, acquisition of real or personal property, financial records, hospitality to public officials, work environment, and communication with management, the board of directors, auditors and others.

The Sta-Rite Antitrust Compliance Policy states: "All Sta-Rite personnel are prohibited from participating in any form of commercial bribery. More specifically, in connection with Sta-Rite's purchase or sale of goods, or the appointment of distributors, all Sta-Rite personnel are prohibited from:

- Accepting anything of value from another party as a commission, brokerage or other compensation, or receiving a personal discount in lieu thereof.
- Paying anything of value to another party as a commission, brokerage or other compensation or granting a discount in lieu thereof."

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Community Investment

Wisconsin Energy Corporation (WEC) has a long history of investing in the communities in which its employees live and work.

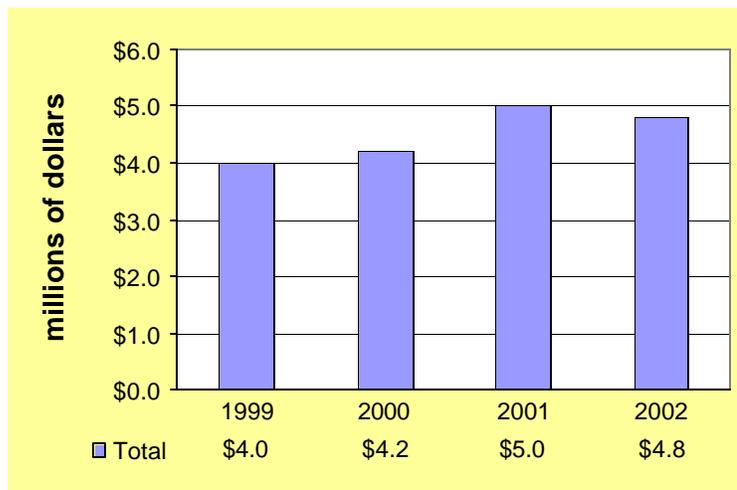
The WEC Foundation supports charitable organizations to enhance quality of life and advance WEC business interests. An eight-member board of directors advises the foundation. Nineteen separate employee panels approve and recommend grant amounts.

In 2002, the WEC foundation ranked fourth largest among corporate giving programs in Wisconsin.

The WEC Foundation's strengths include:

- A strategic plan for 2002-2004 that guides the Foundation's budget, investment strategy, priority giving areas, and governance structure
- A well-funded business asset base
- Committed, community-minded employees advising on grant decisions.

WEC Foundation Distributions, 1999-2002



In 2002, the WEC Foundation:

- Invested \$4.8 million back into communities (the foundation has invested more than \$62 million over the past 20 years).
- Gave more than \$1 million to United Way agencies throughout Wisconsin and Upper Michigan.
- Was one of six local corporations whose annual combined corporate and employee gifts to United Way of Greater Milwaukee exceeded \$1 million.
- Gave 1.76 percent of WEC's net pre-tax income. (In 2001, the average giving among United States utilities was 0.3 percent of net pre-tax income).
- Matched more than \$750,000 in employee and retired employee gifts to the arts, environmental initiatives and schools.

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In addition to the foundation, WEC with We Energies and the WEC subsidiaries participates in many events and programs. Examples include:

- Sponsorship of public radio and television programs since 1986
- Lighting up the Milwaukee County Zoo's annual Holiday Night Lights program since 1997
- Aiding medical research by sponsoring the Arthritis Foundation and the American Cancer Society's Daffodil Days since 1998
- Partnership with Milwaukee's Discovery World children's museum (2001 and 2002) to sponsor the "Electro Show," an interactive demonstration of electrical concepts and phenomena
- Partnership with the Milwaukee Art Museum (2002) for sponsorship of the "Leonardo da Vinci and the Splendor of Poland" exhibit

These gifts are estimated at \$1.3 million in 2002. Together, WEC Foundation and We Energies community investments totaled more than \$6 million.

Sta-Rite, Delavan encourages employees to get involved in the community. Many employees serve as members or directors of community organizations including: Walworth Community Action, local school board, and United Way board. Sta-Rite is a major contributor to the United Way of Delavan/Darien, contributing more than 50 percent of the total area fund drive. The company contributes to Habitat for Humanity, Delavan/Darien Optimist Club, Special Olympics, Project Graduation – Delavan High School, the American Cancer Society, and many others.

The employees at Edison Sault Electric Company are active in their communities, and many serve on local boards and committees such as: Alpena Technical College, Lake Superior Advisory Committee for Engineering Programs, Chamber of Commerce and the Vietnam Veterans of America. In 2002 the Company donated \$500,000 to the WEC Foundation. The company also engages in in-kind giving to local schools and churches. A donation of two vehicles was made to the Lake Superior State University Aquatics Research Laboratory.

WEC also donates in-kind gifts of furniture, equipment and vehicles worth more than \$640,000 between 1999 and 2002. These donations are directed to organizations such as schools, social service agencies, food pantries, critical service agencies and minority small business start-ups.

Two key development projects which show our commitment to community investment include:

- Investing \$80 million in Milwaukee and central city redevelopment projects since 1991.
- Investing \$495 million in Wisconsin real estate, including business parks, industrial buildings and mixed-use projects since 1987.

WEC's future goal is to direct charitable contributions to achieve maximum community benefit and business value per dollar invested. The corporation will accomplish this by seeking sustained, consistent commitments integrated with the overall business strategy.

W I S C O N S I N E N E R G Y C O R P O R A T I O N

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Recognition and Awards Received

Wisconsin Energy Corporation (WEC) and its subsidiaries have received a variety of awards for their business, social and environmental accomplishments. These include:

2002

- We Energies was named a **Tree Line USA** award winner for the fourth time in the past five years. The National Arbor Foundation with the National Association of State Foresters recognize utilities that provide a quality tree care program, an annual employee tree care training program, and a tree planting and public education program.
- The Wisconsin Arborist Association recognized *Team Energy*, We Energies' employee volunteer program, for its **2001 Earth Day tree planting project** at Kluge Elementary School in Milwaukee. This project partnered employee volunteers with Greening Milwaukee, the city of Milwaukee forestry division, and Kluge faculty, staff, students and parents for the planting of 27 trees on the school grounds.
- The United States Conferences of Mayors and Waste Management/Recycle America presented We Energies a Certificate of Achievement for recycling 1.5 tons of office materials as part of **Clean Your Files Day 2002**. This activity was part of the company's annual Earth Day celebration.
- The Wisconsin Arborist Association recognized We Energies for its co-sponsorship of **Tour des Trees**, a 600-mile bicycle ride from Minneapolis to Milwaukee in August 2001 to promote awareness and raise funds for urban tree research.
- Wisconsin Energy was one of seven businesses to receive the **Governor's Award for Excellence in Environmental Performance**. WEC was recognized by the Federation of Environmental Technologists for its ash utilization pilot project at Pleasant Prairie Power Plant. This is the second time in four years that WEC has earned the award.
- We Energies received a **Business Friend of the Environment Award** from the Wisconsin Environmental Working Group. One of nine companies honored, We Energies was recognized for its environmental programs at the Pleasant Prairie Power Plant.
- The Environmental Protection Agency named We Energies a **Climate Leader** for the company's commitment to reduce greenhouse gas emissions.
- We Energies received the prestigious **ReliabilityOne** award for superior electric system reliability in 2001 in the Midwest region. The award is given by PA Consulting Group, the industry's largest management consulting firm.
- Sta-Rite received awards from Relay for Life, American Cancer Society, Habitat for Humanity, Arts Council – Walworth County and Special Olympics (1999-2002).

2001

- We Energies was named a **Tree Line USA** utility for the third time by The National Arbor Day Foundation (see above).
- We Energies received the **Wisconsin Partners for Clean Air Recognition Award** from the Wisconsin Department of Natural Resources for its programs supporting cleaner, healthier air in southeastern Wisconsin.
- We Energies won the **Utility Call Center of the Year Award** from *Call Center Magazine* for its Pewaukee Customer Contact Center, Milwaukee Telecollections Center, and Early Intervention Program.

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- We Energies' Pleasant Prairie Power Plant was recognized by the Wisconsin Department of Natural Resources for "commitment to continually achieve better environmental performance" and the plant's participation in Wisconsin's Environmental Cooperative Agreement Program – the first such facility in the state to participate.
- The We Energies Presque Isle Power Plant earned **Clean Corporate Citizen Designation** from the Michigan Department of Environmental Quality for the fourth straight year.
- We Energies' public safety and awareness programs were awarded a "superior" rating by Associated Electric & Gas Insurance Services, Inc.
- The Energy For Tomorrow® renewable energy program was ranked among the **Top Ten Green Pricing Programs** in the country by the U.S. Department of Energy's National Renewable Energy Lab.
- WEC received the **Governor's Award for Excellence in Environmental Performance** from the Federation of Environmental Technologists for coal combustion product utilization and reburn at the We Energies Pleasant Prairie Power Plant.
- We Energies won *Computerworld* magazine's **100 Best Places to Work in Information Technology** award for the fourth straight year.

2000

- The **Orton Spanley Award** from the American Concrete Institute-Wisconsin Chapter went to Bruce Ramme, We Energies principal engineer, for his work on the use of coal combustion products and service to the concrete industry.
- We Energies won *Computerworld* magazine's **100 Best Places to Work in Information Technology** award.
- The Energy For Tomorrow® renewable energy program was ranked among the **Top Ten Green Pricing Programs** in the country by the U.S. Department of Energy's National Renewable Energy Lab.
- The We Energies Presque Isle Power Plant earned **Clean Corporate Citizen Designation** from the Michigan Department of Environmental Quality.

1999

- We Energies received the **Wisconsin Alternative Fuel Vehicle Leadership Award** from the U.S. Department of Energy's Clean Cities Program for its 230 natural gas vehicles and its support of eight public natural gas refueling sites.
- Minergy's Fox Valley Glass Aggregate Plant earned the **Plant of the Year** award from *Power Magazine* for putting high-volume waste streams to beneficial use in generating energy and recyclable materials.
- Minergy's Fox Valley Glass Aggregate Plant was placed on the **Honor Roll of Clean Energy** by RENEW, a leading environmental group, for building a new clean energy source in Wisconsin.
- The We Energies Presque Isle Power Plant earned **Clean Corporate Citizen Designation** from the Michigan Department of Environmental Quality.
- We Energies won *Computerworld* magazine's **100 Best Places to Work in Information Technology** award.
- We Energies was recognized for supporting sturgeon management in the Menominee River by Sturgeon for Tomorrow, Inc., an organization dedicated to assisting Great Lakes fisheries managers in rehabilitating Lake Sturgeon.

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- We Energies received the **Governor's Award for Excellence in Environmental Performance** from the Federation of Environmental Technologists for hazardous waste reduction for copper ion generation project to control zebra mussels at the Oak Creek Power Plant.
- We Energies received the **SF₆ Emission Reduction Partnership Award for Electric Power Systems** from the Director of the U.S. Environmental Protection Agency's Office of Atmospheric Programs.

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Human Rights

Human rights are assured by the Constitution of the United States of America. As an Equal Opportunity employer, WEC abides by all federal, state and local employment laws, rules and regulations.

Evidence of Human Rights in Investment Decisions

WEC does not have a formal policy regarding human rights considerations in non-U.S. investments.

Freedom of Association and Collective Bargaining

Wisconsin Electric Power Company and Wisconsin Gas Company (DBA We Energies) support employees' freedom to choose representatives for collective bargaining and to engage in good faith in collective bargaining with recognized bargaining representatives. We Energies' philosophy has been to remain neutral to union organizing efforts, specifically related to businesses involved in providing electric, natural gas and/or steam energy.

Supply Chain Decisions

Supply Chain has implemented the following policies to ensure We Energies does business with qualified suppliers who share our philosophies:

- **Compliance Certificate.** Suppliers and contractors hired by the company must sign a non-discrimination compliance certificate.
- **Direct Hire Sharing Philosophy.** WEC expects its suppliers to share its belief in the hiring of minorities and female employees.
- **Project Maintenance Agreement.** An agreement by and between We Energies and its contractors performing work, the signatory unions affiliated with the Building and Construction Trades Department of the AFL-CIO and the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America (collectively known as the Union). This agreement applies to power house maintenance, renovation, replacement, repair, rehabilitation, conversion and life extension performed at Oak Creek Power Plant, Port Washington Power Plant and Valley Power Plant. The agreement mandates that work done at these plants will be done with the above unions if the unions have members throughout the area who are competent and qualified to perform the work.
- **Project Labor Agreement.** An agreement by and between Wisconsin Energy and the Milwaukee Building and Construction Trades Council, AFL-CIO, acting as agent and representative of its member unions. This agreement applies to new plant construction at the existing Oak Creek and Port Washington Power Plant sites undertaken as a result of Wisconsin Energy Corporation's *Power the Future* initiative. The purpose of the agreement is to promote efficient construction, provide for peaceful settlement of labor disputes without strikes or lockouts, establish uniform and standard working conditions and establish and maintain harmonious relations among the parties to the agreement.

Prevention of Anti-Competitive Behavior

While there is no specific corporate policy regarding anti-competitive behavior, the WEC Legal Services Department works closely with the corporation's subsidiaries and business units to identify and prevent such behavior. In the state of Wisconsin, We Energies price and service is

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regulated by the Public Service Commission of Wisconsin, and in the state of Michigan, it is regulated by the Michigan Public Service Commission. For Federal jurisdictional business, We Energies and Edison Sault Electric Company are regulated by the Federal Energy Regulatory Commission (FERC).

Sta-Rite Industries' Antitrust Compliance Policy prohibits employees from discussing anything of competitive significance with a competitor, as such discussions can be implied to be a conspiracy to restrain competition. It is Sta-Rite's policy to set its own prices, credit terms, discounts, delivery terms and promotional activities and to make its own decisions on all matters relating to its distributors and vendors, without any understanding or agreement, collaboration, consultation, or exchange of information with any competitor.

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Public Relations

Wisconsin Energy Corporation (WEC) and its subsidiaries work closely with the news media to keep communities and customers informed about the corporation's activities, products and services, and how they can be used wisely and safely. The corporation also works closely and directly with communities to make sure that any concerns raised about any of WEC's operations are taken seriously and addressed responsibly.

Community Activities

Public relations activities take many forms, from working with area schools on energy, environmental and safety education, to providing free classroom literature, to maintaining a Speakers Bureau that makes employees available to speak to community, school, and other groups on a variety of topics of current interest.

We Energies also has an active volunteer program, *Team Energy*, which annually organizes the talents and enthusiasm of thousands of employees to support and contribute to the communities the company serves. *Team Energy's* goals are to position the company to achieve its business goals; to provide focused, simple, and enjoyable activities for employees; and to offer community service projects which align with employees' interests and personal lives.

Team Energy activities are designed to be attractive and easily accessible to employees and their families. Their areas of focus are education, environment, and life enrichment. Education and environment activities match needs and concerns identified by customers. Life enrichment activities reflect employees' wishes to support activities that benefit their own lives, the lives of family and friends, and the communities where they live.

We Energies volunteer activities support such efforts as Habitat for Humanity, Back to School Clothing and Supplies Drive, Special Olympics, Day of Caring, Holiday Giving Tree, Earth Day/Arbor Day, and the Read Across America program in elementary schools. We Energies also has a program to donate office furniture and computer equipment to area schools, organizations and churches in need. Every December, We Energies sponsors the annual Martin Luther King Speech Contest and hosts the final competition at its corporate headquarters.

Many WEC employees serve on community boards and volunteer their time without compensation to support various activities.

Product Information

The key product information provided by We Energies covers safety, customer service, and energy efficiency. These three subjects are covered in customer bill inserts, brochures, Web sites, general advertising, Speakers Bureau presentations, and exhibits. Information required by law or regulation is communicated to customers annually.

Sta-Rite provides numerous manuals and brochures on products articulating installation, use and safety information.

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Advertising

We Energies adheres to standards and voluntary codes of the American Advertising Federation. The company carefully reviews advertising developed for all venues to make sure it is in good taste and adheres to all advertising standards and voluntary codes. We Energies is a member of the Better Business Bureau (BBB) and has applied for BBB certification on its Web site.

Sta-Rite Industries also carefully reviews advertising developed for all venues to make sure it is in good taste and adheres to all advertising standards and voluntary codes.

Customer Satisfaction

Several WEC subsidiaries track customer satisfaction. However, the methodologies and attributes used to track satisfaction differ.

Customer Value Added (CVA) research is the primary means We Energies uses for determining customers' perceptions of products and services. Each quarter, the results are compared to those of other regional utilities. The CVA information helps measure progress in moving toward excellence in customer service. It also enables We Energies leadership to prioritize projects and resources affecting performance based on what the customer identifies as having the greatest value and importance. (The company defines **value** to the customer as a comparison between the **quality** of the products and services and their **price**). In addition, We Energies tracks perceptions of its **image** as a company. The table below shows the overall mean scores for CVA, based on a maximum of 100 points. CVA has declined over the past four years, and the company lags most other utilities in many of the attributes.

We Energies Consumer CVA 1999-2002

	2002	2001	2000	1999
Quality	80	79	82	82
Price	64	59	70	73
Image	76	75	80	81
Value	73	70	76	76

We Energies Business CVA 1999-2002

	2002	2001	2000	1999
Quality	80	79	86	81
Price	65	60	70	71
Image	78	78	79	79
Value	71	69	75	76

We Energies is not satisfied with these results. The company has a number of initiatives under way that should improve customer opinions of its products and services. We Energies also uses transactional tools to track customer satisfaction with specific activities, such as customer experience with the call center, or with restoration services after experiencing electric service disruption.

Edison Sault Electric Company has an 89 percent favorable customer satisfaction rate and only 2.3 percent unfavorable customer satisfaction rate.

Sta-Rite tracks customer satisfaction by measuring two goals:

- Fill order rate of 95 percent. For 2002 the rate was 95.7 percent.
- On-time delivery rate of 95 percent. For 2002 the rate was 71.7 percent.

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Glossary

Biodiversity – The variability among living organisms on the Earth, including the variability within and between species and within and between ecosystems.

Brownfield – A piece of industrial or commercial property that is abandoned or underused and often environmentally contaminated, especially one considered as a potential site for redevelopment.

Carbon Dioxide (CO₂) – A naturally occurring greenhouse gas that also is a by-product of burning fossil fuels and biomass. It is the reference gas against which other greenhouse gases are measured and has a Global Warming Potential of one.

Carbon Monoxide (CO) – An odorless, colorless gas resulting from the incomplete combustion of fuels.

CO₂ Equivalent – Represents the Global Warming Potential of greenhouse gases.

Climate Change – In addition to natural climate variability, there is a view that humans induce changes in the Earth's climate by affecting the Earth's natural atmospheric heat-trapping ability through deforestation and increased concentrations of greenhouse gases.

Cogeneration – A process that converts a fuel into both thermal and electrical energy.

Criteria Air Pollutants – The six pollutants for which national ambient air quality standards (NAAQS) have been established in the United States. They are sulfur dioxide (SO₂), carbon monoxide (CO), nitrogen oxides (NO_x), ozone (O₃), particulate matter (PM) and lead (Pb).

Ecosystem – An ecological community together with its environment, functioning as a unit.

Emissions – Substances discharged into the atmosphere.

Environmental Expenses – Expenses related to the prevention, control, abatement or elimination of environmental pollution and comprised of capital and remediation expenditures and other cash expenses.

Global Climate Change – The view that the Earth's temperature and climates will change, in part, due to emissions of greenhouse gases associated with human activities.

Global Warming Potential (GWP) – GWP compares the ability of each greenhouse gas to trap heat in the atmosphere relative to another gas. One ton of methane has 21 times the GWP of one ton of carbon dioxide over a 100-year period.

Greenhouse Gases – Gases that contribute to the formation of an insulating blanket around the Earth by trapping heat from infrared radiation. These gases occur through both natural and human-influenced processes.

Manufactured Gas Plant (MGP) – Facilities that manufactured gas by heating coal or coke in a generator. The gas was purified, stored in large tanks called gasholders, and distributed to commercial and residential customers for heat and light.

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Megawatt Hour (MWH) – Equivalent to 1000 Kilowatt hours

Methane (CH₄) – A hydrocarbon compound that is the primary component of natural gas. It is a greenhouse gas and is reported separately from the category of gases called volatile organic compounds (VOCs).

Nitrogen Oxides (NO_x) – A general term for nitrogen oxide gases. These are produced by combustion and contribute to the formation of smog and acid rain.

Particulate Matter (PM) – Finely divided liquid and solid material in gaseous emissions that result from combustion or plant processes.

Reactive Organic Gas (ROG) – Reactive organic gases that are often releases from painting, coating and heat treating operations. They are similar to volatile organic compounds.

Sulfur Dioxide (SO₂) – An emission that results primarily from the combustion of sulfur in hydrocarbons and contributes to acid rain and other air-quality problems.

Stakeholders – People that affect or are affected by company operations (including, but not limited to, customers, employees, investors/shareholders, regulators, community and political leaders, and news media).

Vitrified – Converted into glass or a glassy substance by heat and fusion.

Volatile Organic Compounds (VOCs) – Organic compounds, excluding methane and ethane, that contain many hydrocarbons, oxygenated compounds and compounds containing sulfur. VOCs contribute to the formation of ground-level ozone (smog) through reaction with nitrogen oxides and sunlight.

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Acronyms

Acronym	Term
ASTM	American Society of Testing and Materials
C3	Clean Corporate Citizen Program (Michigan)
CAA	Clean Air Act
CEO	Chief Executive Officer
CFR	Code of Federal Regulations
CO ₂	Carbon Dioxide
CWA	Clean Water Act
DO	Dissolved Oxygen
DOE	Department of Energy
EBCC	Energy Building Code Collaborative
EI	Edison Electric Institute (Washington, D.C.)
EPA	Environmental Protection Agency
EPRI	Electric Power Research Institute (Palo Alto, California)
GHG	Greenhouse Gas
HAPS	Hazardous Air Pollutant
ISO	International Organization for Standardization (Geneva, Switzerland)
KWh	Kilowatt Hour
MDEQ	Michigan Department of Environmental Quality
MECA	Multi-Emission Cooperative Agreement (Wisconsin)
MGP	Manufactured Gas Plant
MWhr	Megawatt Hour
NGV	Natural Gas Vehicle
NO _x	Nitrogen Oxides
NPDES	National Pollutant Discharge Elimination System
PM	Particulate Matter
PMI	Power Markets Incentive
RCRA	Resource Conservation and Recovery Act
SEC	Securities and Exchange Commission
SO ₂	Sulfur Dioxide
TRI	Toxic Release Inventory
TRC	Total Residual Chlorine
TSS	Total Suspended Solids
VOC	Volatile Organic Carbon
WEC	Wisconsin Energy Corporation
WDNR	Wisconsin Department of Natural Resources

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Conversion Tables

Use these tables to convert our data from metric units to English units.

Area

To Convert	To	Multiply By
hectares	acres	2.471

Linear Measure

kilometers	miles	0.6214
meters ³	yards ³	1.307951

Mass

kilograms	lbs.	2.2046
kilograms	tons	0.0011
metric tons	kilograms	1000.
metric ton	lbs.	2204.6226
metric ton	tons	1.1023

Temperature

Celsius	Fahrenheit	(°C x 1.8) + 32
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Volume and Liquid

liter	gallon	0.2642
therms	btu	100,000.00