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Introduction

Welcome to the 2003 Wisconsin Energy Corporation (WEC) Performance Report. Many individuals at WEC devoted significant time and effort helping the team prepare this report. WEC expects to use its performance results, stakeholder feedback and industry trends to help establish goals and priorities across the corporation.

Although this report is not presented "in accordance" with the GRI guidelines, the guidelines have helped WEC to look at the corporation holistically over a period of five years, and to raise the level of awareness and understanding among all stakeholders of the critical link between economic, social and environmental performance.

WEC encourages you to read this report and to provide comments and feedback on how it can become, in the fullest and truest sense, a more successful corporation.

Respectfully Submitted,
2003 WEC Performance Report Team:
Steven Bain, Brian Borofka, Juan Carrasquillo, Gary Froehlich, Rick James, Carmel Liberman, Deanna Zewen, Robert Zahn, Judy Ziebell

Vision and Strategy

Gale Klappa
Chairman, President and Chief Executive Officer of Wisconsin Energy Corporation

Wisconsin Energy Corporation (WEC) is committed to conducting its business with the highest levels of integrity, a business value which is the foundation for all of the corporation's decisions and actions.

By any measure, 2003 was a year of solid progress for WEC. The corporation met its financial targets, advanced its primary growth strategy and generated strong total returns for its shareholders, while showing continued progress in environmental and social performance. Moreover, the stage was set for continued growth in 2004 and beyond. The corporation did not meet performance expectations in a number of important areas, including customer satisfaction and employee safety.

To address these and other critical performance areas, WEC has assembled a strong leadership team and committed the corporation and its employees to customer focus, a sense of urgency, financial discipline and personal responsibility for results. Future performance reports will reflect the impact of this commitment.

The cornerstone of WEC's growth strategy – *Power the Future* – continued its forward momentum in 2003. The plan received a big boost in November 2003 when the Public Service Commission of Wisconsin (PSCW) issued a written order approving the construction of two 615-megawatt, coal-fueled generating units at the company's power plant site in Oak Creek, Wisconsin. These units are in addition to the two 545-megawatt natural gas-fueled units at the Port Washington Power Plant that the PSCW approved in 2002. Construction at Port Washington is underway, and the first unit is expected to go online in 2005. When these projects are complete, customers will receive reliable, reasonably priced and environmentally responsible power. Shareholders will also benefit from the increased earnings WEC expects to add once all the new units are operational for a full year.

WEC operates growing electric and natural gas franchises that will be enhanced by implementation of the *Power the Future* plan. As efforts continue to reduce business and financial risk, the company will have the ability to deliver among the best risk-adjusted returns in the energy industry over the next decade.

The principal utility business, We Energies, is investing millions of dollars in cleaner energy to improve environmental performance and reduce the impact of its operations on the air, land and water. We Energies plans to reduce air emissions across its generating system by more than 65 percent by 2013. In addition, the company will have a diversified mix of fuel sources that will best serve the region's needs.

Diversity is also a priority at WEC. In 2003, supplier diversity goals were established across the company. In addition, the board of directors approved the inclusion of workforce diversity initiatives as a key enterprise-wide objective for 2004. This objective highlights the importance of setting the right strategies to attract, hire and promote women and minorities at all levels of the corporation.

WEC continued to have a significant impact on the economic, civic and cultural vitality of the communities it serves. This report highlights numerous examples of how the corporation supports key elements of Wisconsin's diverse economy and its communities.

Understanding that effective corporate governance is an essential driver of shareholder value and a key component of successful companies, WEC has in place appropriate governance structure and management systems to anticipate, plan for and manage company initiatives.

Finally, as this report was being written, the corporation's leadership changed. Richard Abdoo announced his retirement as chairman and chief executive officer effective April 30, 2004. Mr. Abdoo left WEC as a strong company, positioned to continue delivering quality service to future generations. The new management team has the experience, skills and determination to ensure the company's continued success.

Sincerely,

Gale Klappa
Chairman, President and Chief Executive Officer

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, natural gas, steam and water distribution, and other businesses.

As of December 31, 2003, the companies had a total of 8,991 full- and part-time employees; total operating revenues of $4.05 billion; and assets of $10 billion. WEC's common stock is traded on the New York Stock Exchange using the symbol WEC. Of the approximately 118.5 million shares outstanding as of December 31, 2003, about 60 percent are held by institutional investors and 40 percent by individual shareholders.

WEC's principal utility businesses – We Energies and Edison Sault Electric Company – serve more than one million electric customers, nearly one million natural gas customers, more than 2,600 water customers, and some 460 steam customers across service areas located in the state of 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 We Energies' electric customers. The remainder is acquired from independent power producers and other utilities. WEC has equity interest in and 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 the day-to-day operation of 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

In 2003, WEC's non-utility businesses included:

W.E. Power LLC. In November 2001, WEC created this subsidiary to design, construct, own, finance and lease 2,320 MW of new, in-state Wisconsin generating capacity proposed as part of WEC's *Power the Future* plan. W.E. Power will own 2,120 MW, while two unaffiliated partners will own the remaining 200 MW.

WICOR Industries, LLC. The largest portion of the non-utility business, WICOR manufactures pumps, water treatment products and fluid-handling equipment through its subsidiaries Sta-Rite Industries, LLC, SHURflo, LLC and Hypro, LLC. As of December 31, 2003 WICOR had manufacturing, distribution and sales facilities in various countries, and employed 2,952. Products are sold to markets in over 100 countries on six continents. Effective July 31, 2004, WEC closed the sale of WICOR to Pentair, Inc. for $850 million and the assumption of approximately $25 million of debt.

Minergy Corporation. This business specializes in the development and marketing of proprietary technologies designed to convert high volume industrial and municipal wastes into renewable energy and value-added products. Its strategic focus is to license that technology and sell equipment to domestic and foreign operators or industrial/municipal users through its patented GlassPack process as a component of larger scale waste processing solutions. Management believes this licensing strategy will allow Minergy to recognize the economic benefits of its technology with limited capital requirements.

Wispark LLC. This business develops and invests in real estate. From September 2000 through December 31, 2003, Wispark reduced its overall holdings from $373.1 million to $159.5 million. Wispark will maintain its remaining portfolio for investment and potential sale. 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. 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 concentrate efforts on projects such as "infill" redevelopment within existing urban areas, completion of previously initiated, successful business park developments and build-to-suit industrial, office and distribution facilities within business parks it presently owns.

Wisvest Corporation. Wisvest was originally formed to develop, own and operate electric generating facilities and to invest in other energy-related entities. As a result of the change in corporate strategy to focus on the *Power the Future* strategy, Wisvest has discontinued its development activity. WEC has divested, or is in the process of divesting, the majority of Wisvest's assets.

Although WEC followed the 2002 Global Reporting Initiative (GRI) guidelines in completing this report, it is not written "in accordance" as defined by GRI. 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 suppliers. WEC claims only achievements attributable to its direct actions and does not claim any upstream or downstream effects.

2003 PERFORMANCE REPORT

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 WEC 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: general economic conditions, business and competitive conditions in the deregulating and consolidating energy industry, in general and, in particular, in WEC's service territories; availability of WEC's generating facilities; changes in purchased power costs; changes in coal or natural gas prices and supply availability and the ability to recover fuel and purchased power costs; varying weather conditions; risks associated with non-utility diversification; regulatory decisions; obtaining necessary regulatory approvals and investment capital to implement WEC's growth strategy; equity and bond market fluctuations; foreign, governmental, economic and political risks; and other cautionary factors described in the Management's Discussion and Analysis of Financial Condition and Results of Operations in WEC's 10-K for the year ended December 31, 2003, and other factors described in the company's subsequent reports filed with the Securities and Exchange Commission. 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.

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 http://www.wec-performancereport.com.

GOVERNANCE STRUCTURE AND
MANAGEMENT SYSTEMS PERFORMANCE

Structure and Governance

Please see the Corporate Governance website for related documents:
http://www.wisconsinenergy.com/governance/index.htm

Wisconsin Energy Corporation (WEC) is committed to conducting its business with the highest level of integrity, a business value which is the foundation for all of its decisions and actions. Integrity has been a hallmark of WEC since its earliest days of operation and will continue to be the value that is the foundation of its future success.

WEC is acutely aware of its responsibility to have in place the appropriate governance structure and management systems necessary to anticipate, plan for and manage corporate initiatives. For this reason, the corporation has established a governance structure accountable to key stakeholders, as well as policies and management systems that contribute to the efficient and effective operation of the corporation. Effective corporate governance is an essential driver of shareholder value and a key component of successful companies.

Any shareholder wishing to provide recommendations or direction to the WEC board of directors may write to the directors in care of the Corporate Secretary:

Anne K. Klisurich
Vice President and Corporate Secretary
Wisconsin Energy Corporation
231 W. Michigan St.
P.O. Box 2949
Milwaukee, WI 53201

Excellence in Corporate Governance. Governance Metrics International (GMI), a corporate governance research and ratings agency, announced on September 7, 2004, that WEC received the highest possible score in the agency's semi-annual ratings of 2,588 global companies. Twenty-six companies received scores of 10, GMI's highest rating. In February 2004, WEC also earned this distinction -- a perfect 10 -- when GMI rated 2,100 global companies. For additional information regarding corporate governance ratings, please visit the WEC Corporate Governance website at http://www.wisconsinenergy.com/governance/.

Board Declassification. At Wisconsin Energy Corporation's annual meeting on May 5, 2004, the shareholders of WEC approved an amendment to the corporation's bylaws that will require each director to be elected annually. The proposal received the required vote of 80 percent of the outstanding shares. Declassifying the board gives shareholders a stronger voice in evaluating the performance of the directors each year, and is another strong indicator of WEC's commitment to corporate governance practices. Under the previous classified structure, each director was elected to a three-year term, resulting in one-third of the board standing for election each year.

Corporate Governance Guidelines. Since 1996, the WEC board of directors has maintained Corporate Governance Guidelines (the "Guidelines") that provide a framework in which it conducts business. The Guidelines are reviewed annually to ensure that the board is providing effective governance over the affairs of the corporation. 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 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.htm

A copy also may be requested from the Corporate Secretary, Anne K. Klisurich, at the corporation's principal executive offices, 231 W. Michigan St., P.O. Box 2949, Milwaukee, WI 53201.

Independence of the Board. In accordance with the WEC Corporate Governance Guidelines, the board of directors should consist of at least a two-thirds majority of independent directors. As of September 20, 2004, there were 10 directors, including eight independent directors. The board's standards of independence are more comprehensive than the standards established by the New York Stock Exchange. The board annually conducts a formal review of whether its independent directors meet the independence guidelines. The results of the formal review are published 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 or indirectly as a partner, shareholder or officer of an organization that has a relationship with the corporation. To review the standards used in making a determination about "independence," please refer to: http://www.wisconsinenergy.com/governance/independ_board.htm

Using its standards of independence, the board has affirmed that eight of the 10 directors – Dr. Ahearne, Messrs. Bergstrom, Cornog, Culver, Davis, Payne and Stratton, and Ms. Bowles – are independent directors. Messrs. Klappa 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 shareholders qualified individuals who have the skills to successfully perform the role of director. The Corporate Governance Committee evaluates director candidates, including those recommended by shareholders. The criteria for evaluating candidates include:

- Proven integrity
- Mature and independent judgment
- Vision and imagination
- Ability to objectively appraise problems
- 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 career
- Familiarity with national and international issues affecting the corporation's businesses
- Contribution to the board's desired diversity and balance.

In evaluating director candidates, the Corporate Governance Committee reviews potential conflicts of interest, including interlocking directorships and substantial business, civic and/or social relationships with other members of the board that could impair the prospective member's ability to act independently from the other members and management.

Board Evaluation. The board of directors annually evaluates its own collective performance. Each director is asked to rate the performance of the board in areas such as:

- Establishment of appropriate corporate governance practices.
- Providing appropriate oversight for key affairs of the corporation (including its long-range goals, financial and operating performance, customer satisfaction initiatives and strategic plans).
- Providing necessary and timely advice and counsel to the CEO.
- Communicating the board's expectations and concerns to the CEO.
- Identifying threats and opportunities critical to 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.

Evaluation of the Chief Executive Officer (CEO). The board's Compensation Committee, on behalf of the board, annually evaluates the performance of the CEO and reports the results to the board. As part of this practice, the Compensation Committee requests that independent directors provide their opinions to the Compensation Committee chair on the CEO's performance relating to leadership, vision, financial stewardship, strategy development, management development, effective communication to constituencies, and effective representation of the corporation in community and industry affairs. The chair of the Compensation Committee shares the responses with the CEO. The process is also used by the Compensation Committee to determine appropriate compensation for the CEO. This procedure allows the board to evaluate the CEO and to communicate the board's expectations.

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

Except for the Executive Committee and the Nuclear Oversight Committee, all committees are comprised of independent directors. The Executive Committee includes the chairman, president and CEO of the corporation, who is not independent. The Nuclear Oversight Committee includes the We Energies' chief operating officer who is a non-director employee member, and other 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/committee_compositions.htm

For a summary of committee membership, please refer to:
http://www.wisconsinenergy.com/governance/committee_compositions.htm

Committee Evaluations. 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. The committee may adjust its charter, with board approval, based on the results of this evaluation.

Oversight of Legal/Litigation, Regulatory and Environmental Matters. At each of its meetings, the board's Audit and Oversight Committee 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, 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. 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.

Oversight of Risk Assessment and Risk Management. The Finance Committee discusses the corporation's risk assessment and risk management policies, 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 other 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 achievement of business results aligned with the interests of shareholders and customers.

All elements of WEC executive compensation are generally targeted at the fiftieth 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 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.

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

Base Salary. For 2003, 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.

Annual Incentive Compensation. The annual incentive plan provides for annual awards to executives based on achievement of pre-established objectives focused on customers, shareholders and employees. All payments under the plan are at risk; payments are made only if performance goals are achieved; and awards may be less than or greater than targeted amounts based upon actual performance. Based upon a review of competitive practices, 2003 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 discretion to recognize individual performance.

At the Compensation Committee's direction, the annual performance incentive program for 2003 principally focused on the attainment of key financial measures. WEC's 2003 financial performance, in aggregate, met or exceeded the target levels as defined by the Committee, resulting in bonuses that exceeded the target levels.

For 2004, the Compensation Committee set goals for key officers of WEC differently from those set for 2003. The Compensation Committee recognized the effect non-financial measures have on overall performance of the corporation. In addition to financial performance, executives' final awards also will be impacted by performance in three key operational areas: customer satisfaction, safety and diversity. In general, the annual incentive depends upon the financial achievement determined by performance against recurring budget targets for earnings per share and cash flow. Performance against the three operational areas will either increase or decrease final awards by up to 10 percent.

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 shareholders and is designed to link the interests of executives and other key employees to long-term shareholder value. It allows for various types of awards keyed to the performance of WEC's common stock.

In 2003, the committee reviewed the long-term incentive program to ensure its effectiveness in focusing WEC executives on achieving the corporation's long-term objectives. 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 require executive officers of the corporation to own stock with value ranging from 100 to 300 percent of base salary within a five-year period following their appointment.

For 2004, in order to model best practices in the industry, the Compensation Committee modified the long-term incentive program to include a performance share component. With the use of performance shares, the amount of shares ultimately vested depends upon performance against a pre-established target instead of vesting due to the passage of time. This better aligns executive financial interests with those of shareholders and the long-term interests of customers.

Corporate Management. The following is current through September 20, 2004.

WISCONSIN ENERGY CORPORATION BOARD OF DIRECTORS:

To view biographical information visit http://www.wisconsinenergy.com/governance/board_directors.htm

John F. Ahearne
John F. Bergstrom
Barbara L. Bowles
Robert A. Cornog
Curt S. Culver
Willie D. Davis
Gale E. Klappa
Ulice Payne, Jr.
Frederick P. Stratton, Jr.
George E. Wardeberg

WISCONSIN ENERGY CORPORATION OFFICERS:

To view biographical information visit http://www.wisconsinenergy.com/governance/WEC_mgmnt_team.htm

Gale E. Klappa, Chairman, President and Chief Executive Officer
Frederick D. Kuester, Executive Vice President
Allen L. Leverett, Executive Vice President and Chief Financial Officer
Larry Salustro, Executive Vice President and General Counsel
James R. Klauser, Senior Vice President
Kristine A. Rappé, Senior Vice President and Chief Administrative Officer
Anne K. Klisurich, Vice President and Corporate Secretary
Kristine M. Krause, Vice President – Environmental
Walter J. Kunicki, Vice President
Richard J. White, Vice President
Arthur A. Zintek, Vice President
Stephen P. Dickson, Controller
Jeffrey P. West, Treasurer
Keith H. Ecke, Assistant Corporate Secretary
Ralph W. Kane, Assistant Vice President – Tax
Dennis J. Mastricola, Assistant Treasurer
James A. Schubilske, Assistant Treasurer

Code of Business Conduct. The WEC Code of Business Conduct applies to all employees and directors, and it covers WEC and 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. In addition, all employees are required to participate in on-line Code of Business Conduct training. All management employees and directors are required to periodically submit a certification of compliance. The code addresses, among other things, conflicts of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of corporate assets, and compliance with laws, rules and regulations (including insider trading laws).

The WEC Corporate Secretary serves as the Corporate Compliance Officer and is responsible for overseeing and administering the program established to achieve compliance with WEC's Code of Business Conduct. The Code of Business Conduct is posted in the "Governance" section of the corporation's website at: http://www.wisconsinenergy.com/governance/codebusinessconduct.htm. The Code of Business Conduct also is available in print to any shareholder upon request.

Reporting Ethics Violations. As stakeholders of the corporation's success, each employee is obligated to report suspected ethics violations. If a situation arises that seems to raise a question of ethics, employees are encouraged to use the Code of Business Conduct as a reference, speak with their supervisor as appropriate, or contact the WEC Compliance Officer or WEC Corporate Security. Employees also may report possible ethics violations anonymously on a toll-free ethics line established in 2003. WEC prohibits retaliation against employees who report questionable ethical conduct in good faith, provide information or otherwise assist in an investigation, or file, testify, participate in or otherwise assist in any related proceeding of matters brought to the attention of the corporation.

Internal Controls. Section 404(a) of the Sarbanes-Oxley Act of 2002 requires management of WEC to evaluate and report on the adequacy of internal controls over financial reporting. To facilitate this process the corporation is documenting and assessing selected control processes. The purpose of this assessment is to determine if controls are adequate to provide reasonable assurance that published financial statements are reliable and complete. The assessment includes identification of significant accounts supporting the financial statements and mapping these accounts to the processes that impact them. For each process, the transaction flows are documented and internal controls identified. Each control is reviewed to ensure it is designed effectively and tested to ensure it is operating as designed. Deficiencies in controls identified through these reviews are being remediated as they are identified. The results of this assessment will be reported in the corporation's 2004 annual report on Form 10-K. The same report will include, as required by section 404(b) of Sarbanes-Oxley, the external auditor's attestation of and report on management's assessment of WEC's internal controls over financial reporting.

Shareholders' Input. Any shareholder wishing to provide recommendations or direction to the board of directors may write to the directors in care of the Corporate Secretary, Anne K. Klisurich, 231 W. Michigan St., P.O. Box 2949, Milwaukee, WI 53201. The Corporate Secretary will 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. Shareholders wishing to propose director candidates for consideration and recommendation by the Corporate Governance Committee for election at the 2005 Annual Meeting of Shareholders must submit the candidates' names and qualifications to the Corporate Governance Committee via the Corporate Secretary no later than November 1, 2004. The Bylaws state that directors must be shareholders of WEC.

The 2005 Annual Meeting is scheduled to be held on May 5, 2005. Shareholders who intend to have a proposal considered for inclusion in proxy materials for presentation at the 2005 Annual Meeting must submit the proposal to the corporation no later than November 16, 2004. Pursuant to the corporation's bylaws, shareholders who intend to present a proposal at the 2005 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 no earlier than January 25, 2005 (100 days before the May 5, 2005 scheduled date of the Annual Meeting) and no later than February 24, 2005 (70 days before the scheduled date). Correspondence in this regard should be directed to the Corporate Secretary, Anne K. Klisurich, at the Company's principal business office, 231 W. Michigan St., P.O. Box 2949, Milwaukee, Wisconsin 53201.

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 to 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.

WEC typically decides which stakeholder groups to engage, at what level, and 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 communications, media communications, advertising, web sites, corporate intranet site, management/union structures, private meetings and public presentations. Examples follow.

Customers

- We Energies' We Care calls, to ensure customers are satisfied with the company's work.
- Transaction-based customer satisfaction surveys.
- Focus groups used to get feedback on specific issues, especially new initiatives.
- E-mail channel to the corporation via Web sites.
- Regular meetings with community based organizations that can help us reach target audiences, such as low income customers.

Employees

- Annual employee satisfaction survey.
- Internal customer satisfaction surveys for corporate support departments.
- Intranet access to provide feedback, ask questions, make recommendations, etc.

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.
- Shareholder 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 with analysts and portfolio managers hosted by the chairman, president and CEO, the chief financial officer, and other key corporate officers.

Regulators
Subject to the ex parté restrictions imposed by the respective agencies, WEC representatives communicate regularly with the various state and federal organizations that regulate its principal utility business, We Energies. 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 regulatory 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), regulatory affairs at We Energies:

- Maintains regulatory advocacy offices in Madison, Wisconsin; Lansing, Michigan; and Washington, DC, to facilitate prompt and accurate communication on any issues affecting the companies.
- Interacts with commission staff to help build understanding and consensus on a variety of issues affecting the companies.
- Works collaboratively with constituent groups on issues of mutual concern.
- 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 businesses.
- 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 proposals to support business goals.
- Manages all corporate interaction with the agencies to ensure consistency and clarity.

Community and Political Leaders
WEC representatives work with community and political leaders primarily in Wisconsin and Michigan, but also Washington D.C. Many serve on the boards of directors of external organizations and work with them on special committee assignments. Representatives from community organizations have served, at the company’s request, on internal corporate councils. These interactions provide WEC with important guidance and feedback on its programs, policies and initiatives, and help it to better understand the political and community context in which it does business.

News Media
Representatives from the company’s communications department 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’s 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 news media 24 hours a day, every day.
- Writing news releases, arranging interviews and visits, and organizing news conferences.
- 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 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. Also, WEC recognizes employees as an important channel of communication to customers. All messages provided to customers are made available to employees through the corporate 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. Starting in the early 1990s, We Energies took voluntary actions that have reduced GHG emissions. These include joint implementation projects in the Czech Republic and Belize that are expected to reduce carbon emissions by more than two million metric tons over the next 40 years. WEC's *Power the Future* initiative will further reduce the rate of GHG emissions.

WEC's renewable energy program also has reduced GHG emissions. The company encourages others to join this precautionary approach, and supports a voluntary emission reduction registry such as that being developed in the state of Wisconsin.

Similarly, the company's approach to mercury emissions has been to proactively seek reductions. It continues 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. An example is We Energies full scale TOXECON demonstration project to reduce mercury emissions at the company's Presque Isle Power Plant. It also supports reasonable regulations to reduce mercury emissions as part of an integrated air quality strategy.

Participation in Externally Developed Initiatives

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

- Global Reporting Initiative (GRI)
- Governance Metrics International (GMI)
- ISO 14001, an international environmental management systems standard.

WEC embraces the approach outlined by ISO 14001 and has been an industry leader in upgrading its environmental programs to conform to the standard. Because WEC aims 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 the company's desire to integrate environmental issues into its overall business model across all of its operating companies.

We Energies first adopted an ISO 14001-based Environmental Management System (EMS) in 1997 at its Presque Isle Power Plant in Marquette, Michigan. The Pleasant Prairie Power Plant, the largest generating plant in the state of Wisconsin, also has adopted the EMS framework, and other power plants will be implementing 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 the We Energies Web site: http://www.we-energies.com/environment/isoenv.htm.

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

Because WEC's businesses are increasingly complex, and because its customers and communities continue to expect more, it is important that the company continually improve its environmental performance. EMS frameworks help it 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 they 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 Multi-Emission Cooperative Agreement in Wisconsin.

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.

Supply Chain Cost Management Initiative

We Energies manages by using a Total Cost of Ownership (TCO) model. The TCO model is used to establish a basis for making optimal total cost reduction financial decisions, and for tracking implemented cost reduction opportunities. Total Cost of Ownership includes all costs associated with a product, service or capital equipment incurred throughout the supply chain, including design and engineering, planning, procurement, external spend, transportation, material management, payment, installation, maintenance, repair and investment recovery. In 2003, the Supply Chain

department identified three primary initiatives for implementation in 2004. The efforts focused on enhancements to the Sourcing, Logistics and Accounts Payable (A/P) functions. The plan calls for having the Sourcing group realigned to focus on two distinct areas:

- Strategic Sourcing – emphasis on a consistent, disciplined approach and significant cost savings for the company
- Operational Sourcing - emphasis on contract administration and supplier assessment, as well as demand management

We Energies' distribution operations (DO) area implemented a Work Management system. Work Management is a way of capturing, scheduling, tracking, measuring and distributing work, assigning resources and recording information. The new system enhances work planning, resource prioritizing and balancing those resources with DO's workload. An important objective of this DO initiative is to improve its ability to meet customer commitments in the most cost-effective manner.

The logistics redesign will focus on expanding storeroom hours of operation, installing bar coding and establishing central Regional Distribution Centers (RDCs) to improve logistics productivity and reduce inventory related costs.

The A/P area is working to reduce the cost per line item and increase its paid-on-time rate to industry standards. These goals will be reached by centralizing all A/P processes and expanding use of proven technologies, such as imaging.

We Energies addresses supplier environmental performance through 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 the company's suppliers' activities and services.

The We Energies Environmental and Supply Chain departments review suppliers using the ISO 14001 standard for management systems. After the company certifies suppliers, it includes environmental requirements within its contracts with those suppliers, and reviews their performance periodically.

Product and Service Stewardship Initiatives

The company's 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.

Major Changes in Operations or Locations

Significant organizational changes, or announcements, in 2003 and early 2004 included:

- In March 2003, Gale Klappa was appointed President of WEC, reporting to Richard Abdoo, Chairman and CEO.
- In April 2004, Richard Abdoo retired as Chairman and CEO of WEC. Gale Klappa was named Chairman, President and CEO.
- WEC announced that it reached an agreement to sell WICOR Industries, LLC, a manufacturer of water systems, filtration and pool equipment products, to Pentair, Inc. for $850 million. In addition, Pentair assumed approximately $25 million of debt. This transaction closed effective July 31, 2004.
- From September 2000 through December 31, 2003, Wispark reduced its overall holdings from $373.1 million to $159.5 million. Wispark will maintain its remaining portfolio for investment and potential sale.
- As a result of the change in corporate strategy to focus on WEC's *Power the Future* plan, Wisvest discontinued its development activity. WEC has divested, or is in the process of divesting, the majority of Wisvest's assets. In 2003, Wisvest:
  - Completed the sale of its investments in Kaztex Energy Management, Inc. and Blackhawk Energy Services, LLC, strategic energy management services companies.
  - Sold the 500-megawatt (nominal) Siemens Westinghouse advanced technology natural gas Power Island it had originally purchased for potential development.

Status of Environmental Systems Certification

WEC is self-declaring its conformance with the international environmental management system (EMS) standard, ISO 14001, on a facility-by-facility basis.

ECONOMIC PERFORMANCE

Overview

In 2003, Wisconsin Energy Corporation (WEC) delivered solid financial performance as it continued to advance its growth strategy, generate strong total returns for shareholders and set the stage for continued growth. In addition, economic and community development activities continued to focus on the corporation's commitment to urban renewal initiatives.

WEC strengthened its balance sheet, reduced its debt-to-total-capital ratio to 64.5 percent from 66 percent in 2002, and increased its common equity ratio to 35 percent at year-end 2003 from 33.5 percent a year earlier. As the company continued to reduce business and financial risk, it has positioned itself to deliver among the best risk-adjusted returns in the energy industry. During 2003, WEC's total return to shareholders was 36.4 percent, strongly outperforming the Standard & Poor's Electric Index and the Philadelphia Utility Index

WEC reported 2003 net income of $244 million, or $2.06 per share, compared with $167 million, or $1.44 per share, in 2002. Earnings in 2003 included charges of $0.25 per share while 2002 earnings included a $0.79 per share charge, the net effects of asset sales and impairment charges. Excluding the effects of asset sales and impairment charges, adjusted earnings for 2003 were $274 million, or $2.31 per share, compared with $259 million, or $2.23 per share, on the same basis a year earlier. The improved results reflected lower interest costs, improved manufacturing performance and a lower effective tax rate. Operating revenues in 2003 were $4.05 billion compared with $3.74 billion the prior year.

Operating income for the utility segment was $544 million, down $18 million from 2002. Negative factors included unfavorable weather, a rise in fuel, purchased power and benefits costs, higher nuclear costs and costs associated with WEC's *Power the Future* plan. Electric revenues of $2.01 billion were up slightly in 2003, reflecting price increases implemented to recover higher fuel, purchased power and electric transmission costs. Cool weather during the summer of 2003 held down the company's electric sales. Natural gas utility revenues of $1.23 billion also were up as total gas deliveries rose by about 2.5 percent.

WEC's manufacturing segment posted strong performance in 2003. The business achieved revenues of $746 million, up from $685 million in 2002. Manufacturing net income reached $30.8 million, a 28 percent increase from last year, as the business continued to grow its base businesses and penetrate new domestic and international markets.

In February 2004, WEC announced the sale of its manufacturing business to Pentair, Inc. for $850 million plus the assumption of approximately $25 million of third party debt. The sale closed effective July 31, 2004. Selling its manufacturing business allows WEC to focus on its core energy business, reduce debt, largely eliminate the need to issue common stock and repurchase approximately $50 million of its outstanding shares.

Since 2000, WEC has received approximately $1.1 billion from the sale of non-core assets, including $100 million from asset sales in 2003. It has used the proceeds to reduce debt, strengthen its balance sheet and fund growth initiatives, including its *Power the Future* initiative, and repurchase common stock. The Board of Directors approved a common stock repurchase plan which, as amended, authorized WEC to purchase up to $400 million of its shares through the end

of 2004 in the open market. Through December 31, 2003, WEC has bought 13.4 million shares of its stock for approximately $294 million. Currently, the company plans to sell another $200 million of assets between 2004 and 2008, mainly real estate and non-regulated power assets.

WEC's *Power the Future* strategy is intended to meet the region's growing demand for reliable, affordable and environmentally responsible energy while ensuring a diverse fuel mix. The company plans to invest approximately $2.5 billion in new generation at existing sites and to upgrade its energy distribution system and existing generating facilities.

As part of its investment in existing generating facilities, the company has agreed to invest approximately $600 million in facility improvements to reduce emissions from existing power plants by 2013. Also, the company spearheaded legislation, signed into law in March 2004, which authorizes the Public Service Commission of Wisconsin (PSCW) to allow a utility to securitize the portion of customer bills that recovers the cost of certain investments intended to improve the environment. The measure would result in a lower cost to customers when compared to traditional ratemaking. In June 2004, the company filed an application with the PSCW that seeks authority to issue up to $500 million of Environmental Trust Bonds pursuant to this legislation.

The company believes that its *Power the Future* strategy not only will benefit customers, but also will create greater shareholder value. Investors will benefit from the nearly $135 million WEC expects to add to its earnings base once all the new natural gas and coal-fueled units are operational for a full year, expected to be in 2011.

Looking forward, the company plans to build on its solid performance in 2003. Its core utility businesses remain strong and the company is well-positioned for the future as it continues to provide reliable and affordable service to its one million electric customers and more than 990,000 natural gas customers, while delivering value for its shareholders.

ECONOMIC PERFORMANCE

Economic and Community Development

Sustaining and enhancing the economic and community well-being of the areas in which Wisconsin Energy Corporation (WEC) operates is key to its success as a corporation and improves the lives of its employees and customers. It also makes good business sense, as the corporation grows in step with the communities it serves. Consequently, WEC is an active participant in economic and community development activities, with particular emphasis on areas served by its electric and natural gas utility businesses.

Economic Development

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

In May 2000, WEC decided to reduce Wispark's real estate holdings as a means to provide capital for its *Power the Future* initiative, and to reduce debt. Wispark revised its mission from developing select real estate projects, to focusing on projects such as "infill" redevelopment within existing urban areas, completion of previously initiated, successful business park developments and build-to-suit industrial, office and distribution facilities within the business parks it presently owns. Wispark focuses on real estate projects which complement the key business initiatives of WEC's core utility businesses.

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. Investments also have been made in developing or restoring retail and commercial properties.

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

- **Boston Store Building**. The restoration of this historic commercial building has maintained downtown Milwaukee's only department store, helped to retain 650 jobs in Saks Regional Headquarters, and created 74 high-quality residential apartments.
- **Matthews Bros. Building**. Wispark's ownership of portions of the building has allowed this classic office building in Milwaukee's Grand Avenue Mall to be restored. Most floors have been renovated and are partially occupied. Renovation will continue as additional portions of the building are leased.
- **Pabst Brewery Site**. With a joint venture partner, Wispark is working to redevelop this historic former brewery site into a major office, hotel, entertainment, retail and residential complex adjoining the west side of downtown Milwaukee. This project is in the planning stages.
- **Western Publishing Building**. Wispark is a partner in a joint venture to redevelop the former Western Publishing Company corporate offices and production and distribution facilities in Racine, Wisconsin into a multi-use facility.

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

ECONOMIC PERFORMANCE

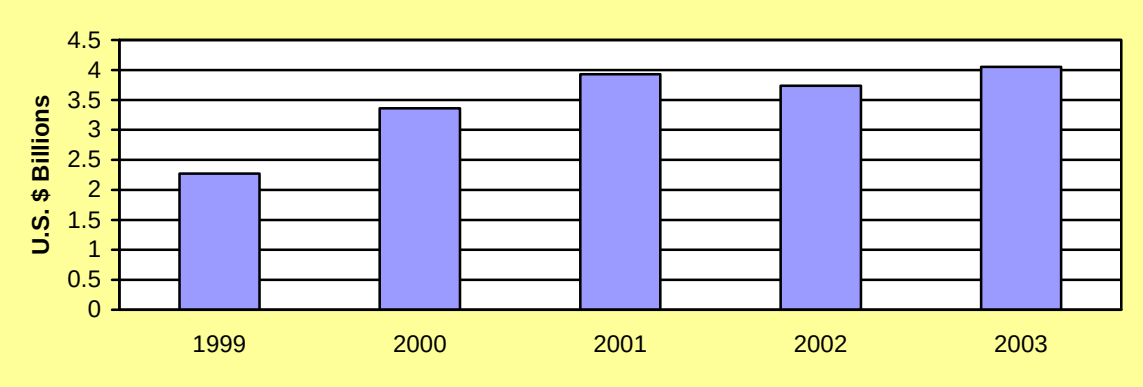
Economic Performance Measures - WEC

The following sections describe the performance of Wisconsin Energy Corporation (WEC) against a variety of financial criteria, including information for WICOR Industries, LLC. Additional financial performance data can be found in the Financial Highlights table at the end of this section and in the data appendix at the end of this report.

Operating Revenues

Total operating revenues for WEC increased by $1.78 billion from 1999 to 2003, primarily because of the acquisition of WICOR, Inc. in 2000. These figures represent electric and natural gas utility sales and worldwide sales of pumps. Between 2002 and 2003, total operating revenues increased from $3.74 billion to $4.05 billion. The improved results reflect higher electric and gas utility revenues and growth in manufacturing sales partly offset by the company's exit from non-core businesses.

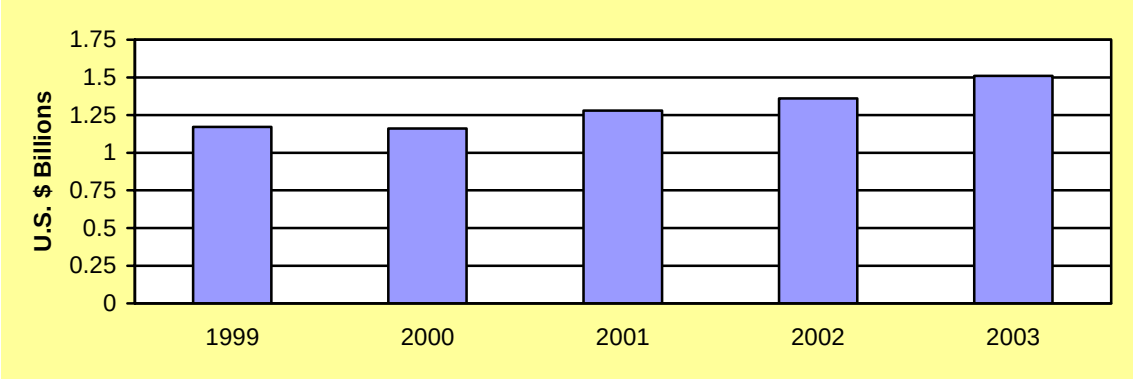
WEC Total Operating Revenues, 1999-2003



Retained Earnings

Due to earnings growth and a reduction in the quarterly dividend that was implemented in 2001, retained earnings have increased 32 percent over the five years ending in 2003.

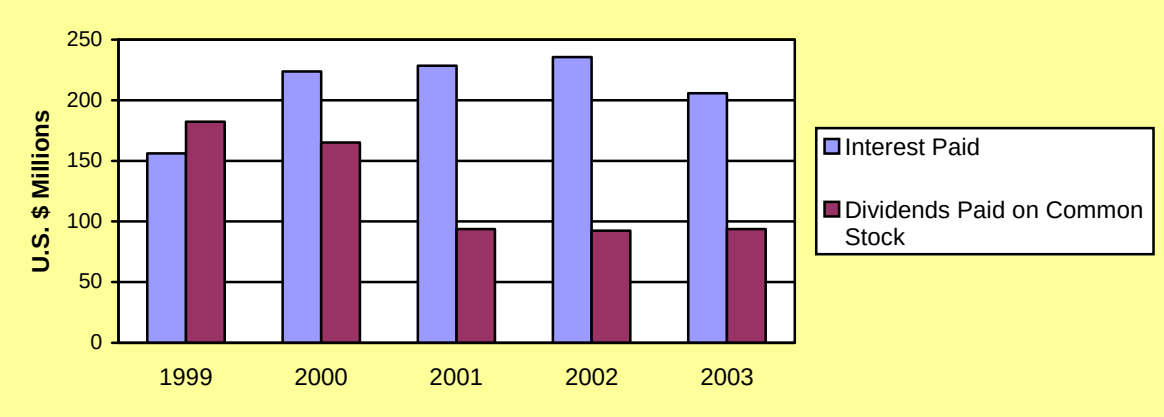
WEC Retained Earnings Balance, 1999-2003



Distributions to Capital Providers

In addition to cash from operations, WEC obtains capital by periodically issuing debt and equity securities. WEC made the following distributions to these capital providers in each year from 1999 to 2003. Interest paid includes financing costs associated with the acquisition of WICOR in April 2000. Interest payments decreased $29.9 million in 2003 due to a combination of reduced average debt levels and lower interest rates. WEC's board of directors voted in early 2004 to increase the quarterly common stock dividend by five percent.

WEC Distributions to Capital Providers, 1999-2003



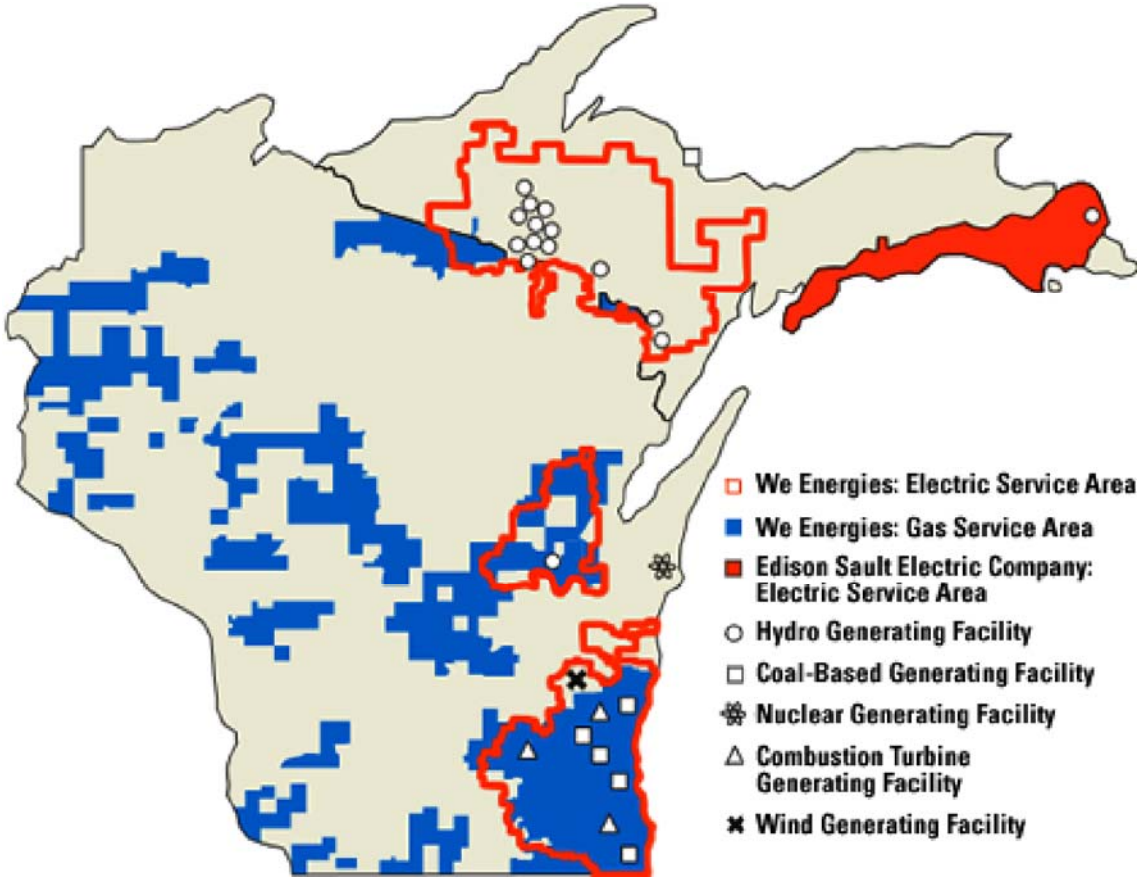
ECONOMIC PERFORMANCE

Economic Performance Measures - Utility

The following information pertains only to the utility operations of WEC (We Energies, the trade name under which Wisconsin Electric Power Company and Wisconsin Gas LLC do business, and Edison Sault Electric Company). The utilities account for more than 80 percent of WEC's total operating revenues. The following includes Wisconsin Gas Company (now Wisconsin Gas LLC) after it was acquired as part of WICOR, Inc. in 2000.

WEC Utility Service Areas, Generation and Other Facilities

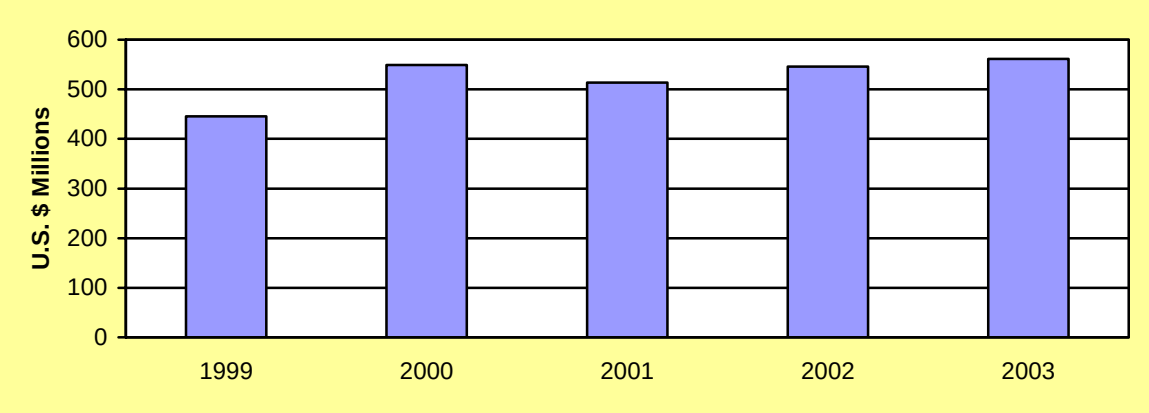
WEC's utilities operate throughout the state of Wisconsin and in the Upper Peninsula of Michigan:



Payroll and Benefits

Following is a summary of wage and benefit costs for the utility operations of WEC – We Energies and Edison Sault Electric Company. In 2003, total utility salaries and wages grew two percent, due almost entirely to an 11 percent increase in employee benefit costs. The 2000 figures include wages and benefits after the April 2000 acquisition of Wisconsin Gas Company. Year 2001 reflects the transfer of 410 employees to Nuclear Management Co. and American Transmission Co.

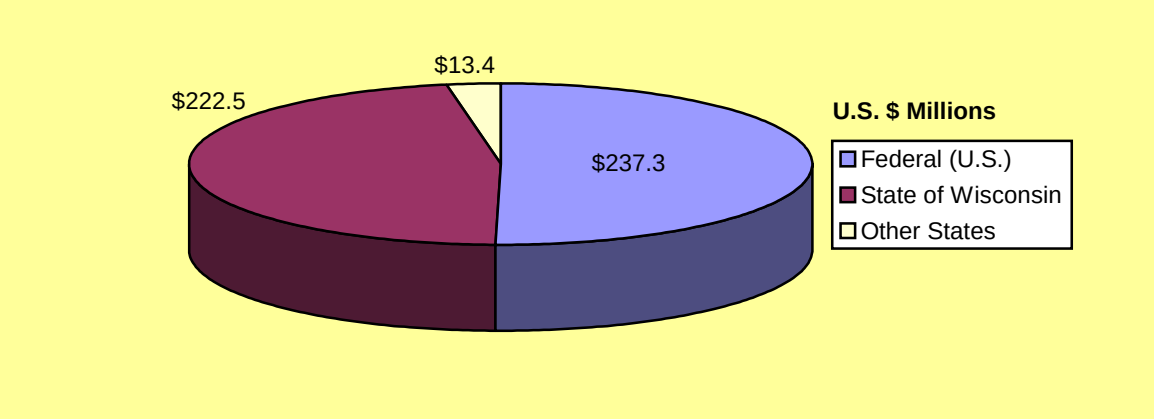
WEC Utility Operations - Summary of Wages & Benefits, 1999-2003



Taxes Paid

WEC's utility operations paid $473.2 million of total taxes during 2003, including income, payroll, sales and other taxes. The graph below provides further information about these tax payments by jurisdiction.

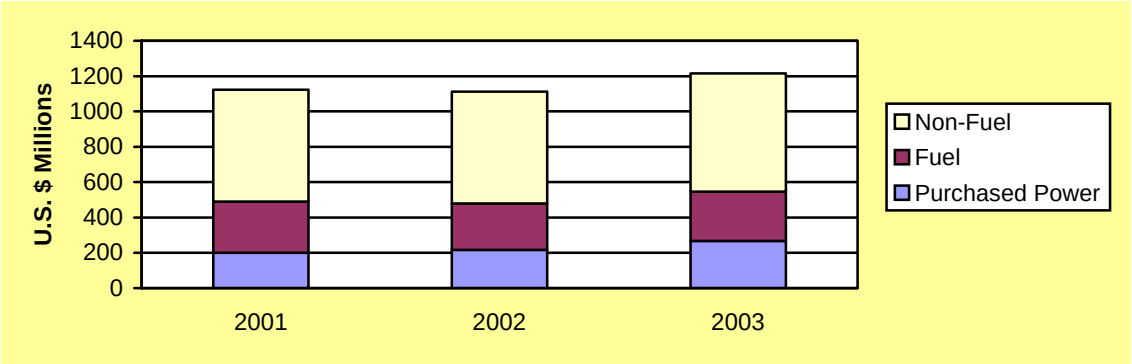
WEC Utility Operations - Summary of 2003 Total Taxes Paid



Cost of Goods, Materials and Services

We Energies spent $1.22 billion to purchase goods, materials and services, including all fuel, purchased power and non-fuel costs. Fuel includes all purchases of coal, natural gas, oil and uranium (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. The following graph shows an overall increase in these costs over the past three years. Information is provided for years following the acquisition of WICOR Industries.

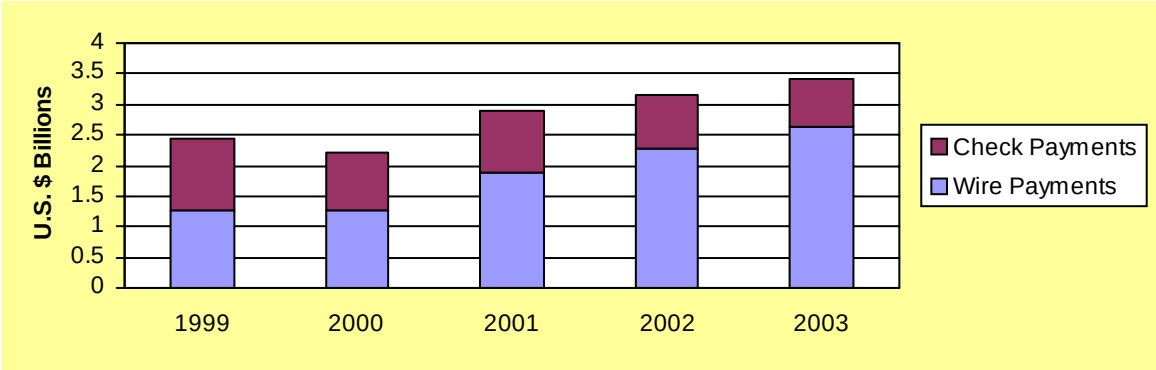
We Energies Cost of Purchased Goods, Materials and Services, 2001-2003*



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

We Energies made total payments of $3.40 billion in 2003, up from $3.17 billion in 2002. Total payments included not only the cost of purchased goods, materials and services, but also all other costs such as capital items, employee wages and benefits, interest, taxes, etc. We Energies' total payments have increased each year over the five year period ended 2003. During this period, wire payments as a percentage of total payments have increased from 52 percent in 1999 to 77 percent in 2003.

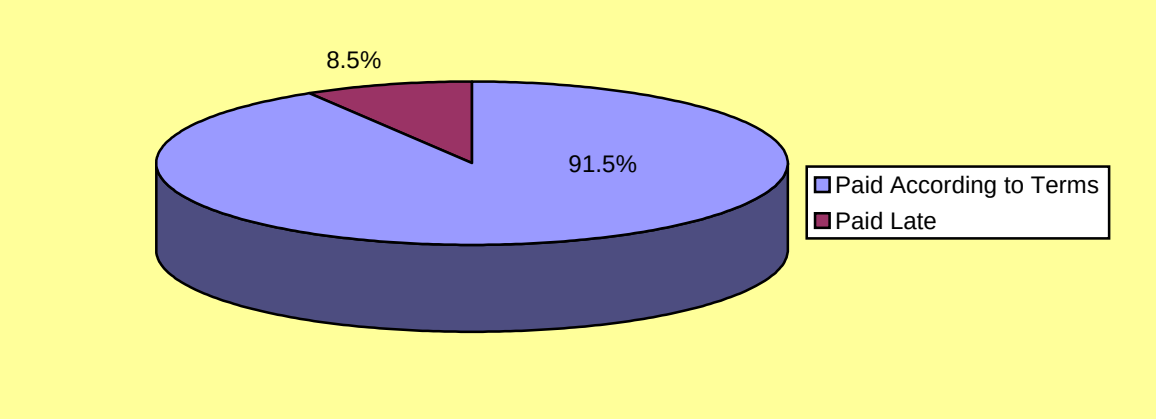
We Energies - Total Payments, 1999-2003



Contract Payment Terms

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 paid 91.5 percent of its invoices according to payment terms during 2003, a figure that has remained constant during the period covered in this report.

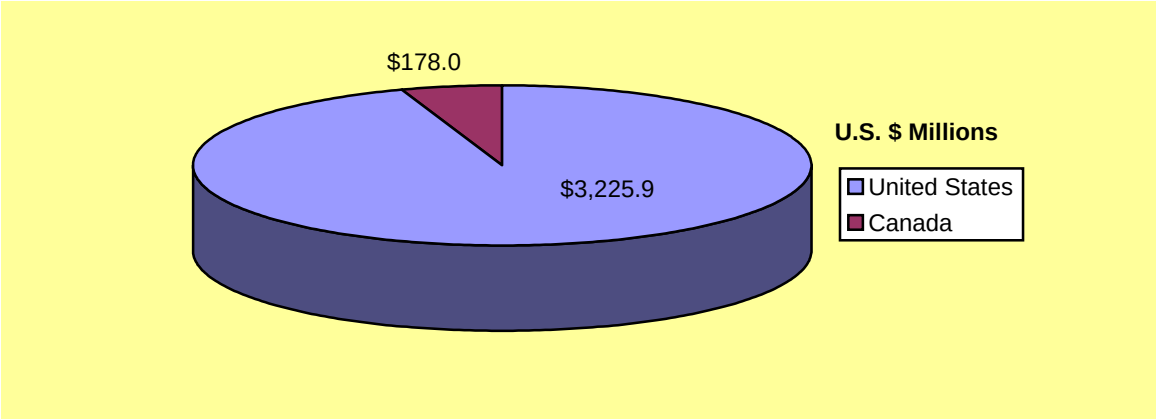
We Energies 2003 Contract Payments



Suppliers

We Energies' suppliers are located predominantly in the United States and Canada. No single supplier represents 10 percent or more of total purchases. Almost 95 percent of all payments made during 2003 were paid within the United States.

We Energies Summary of 2003 Payments to Suppliers by Country



Financial Highlights (a)

The following table summarizes financial results for WEC for 1999 to 2003.

	2003	2002	2001	2000	1999
FINANCIAL DATA					
Operating Revenues by Operating Segment					
Utility energy	$3,263.9	$2,852.1	$2,964.8	$2,556.7	$2,050.2
Manufacturing	746.1	685.2	585.1	382.2	-
Non-utility energy	14.4	167.2	337.3	372.8	193.2
Other	29.9	31.7	41.3	51.0	29.2
Total Operating Revenues	**$4,054.3**	**$3,736.2**	**$3,928.5**	**$3,362.7**	**$2,272.6**
Operating Revenues by Geographic Region					
Domestic	$3,841.4	$3,558.6	$3,788.3	$3,274.6	$2,272.6
International (all manufacturing)	212.9	177.6	140.2	88.1	-
Total Operating Revenues	**$4,054.3**	**$3,736.2**	**$3,928.5**	**$3,362.7**	**$2,272.6**
Gross Margin by Operating Segment					
Utility energy	$1,831.1	$1,780.5	$1,695.9	$1,556.5	$1,417.3
Manufacturing	188.5	172.0	157.1	107.7	-
Non-utility energy	13.1	69.9	115.5	88.7	64.0
Other	29.9	31.6	41.4	51.0	29.2
Total Gross Margin	**$2,062.6**	**$2,054.0**	**$2,009.9**	**$1,803.9**	**$1,510.5**
Operating Income by Operating Segment					
Utility energy	$544.1	$562.1	$534.9	$419.1	$455.2
Manufacturing	66.9	56.2	41.1	32.5	-
Non-utility energy (b)	(61.5)	(132.0)	36.2	1.8	19.7
Other (b)	1.3	(28.3)	(7.3)	(8.5)	1.2
Total Operating Income	**$550.8**	**$458.0**	**$604.9**	**$444.9**	**$476.1**
Net Income by Operating Segment					
Utility energy	$294.1	$295.2	$274.4	$160.0	$216.0
Manufacturing	30.8	24.0	9.7	7.5	-
Non-utility energy (b)	(52.7)	(94.4)	18.7	39.4	2.7
Other (b)	(27.9)	(57.8)	(83.8)	(52.7)	(9.7)
Net Income	**$244.3**	**$167.0**	**$219.0**	**$154.2**	**$209.0**
Cash Provided by Operating Activities	**$623.9**	**$711.3**	**$570.6**	**$461.0**	**$306.9**
Capital Expenditures by Operating Segment					
Utility energy	$455.6	$405.4	$428.7	$400.0	$356.7
Manufacturing	10.4	15.0	27.1	20.3	-
Non-utility energy	163.6	92.7	127.7	107.7	43.0
Other	29.8	43.7	89.0	83.0	118.4
Total Capital Expenditures	**$659.4**	**$556.8**	**$672.5**	**$611.0**	**$518.1**
Income Taxes Paid (Net of Refunds)	**$100.0**	**$90.9**	**$166.8**	**$82.4**	**$114.9**
Assets – End of Year					
Utility energy (c)	$8,315.1	$7,832.2	$7,549.4	$7,685.1	$6,118.0
Manufacturing	937.0	924.5	907.9	850.2	-
Non-utility energy	397.6	348.7	649.0	597.9	640.9
Other	376.0	372.2	347.9	431.5	445.6
Total Assets	**$10,025.7**	**$9,477.6**	**$9,454.2**	**$9,564.7**	**$7,204.5**

2003 PERFORMANCE REPORT

	2003	2002	2001	2000	1999
Capitalization Ratios – End of Year					
Common Equity	35.0%	33.5%	31.4%	31.4%	40.6%
Preferred Stock of Subsidiary	0.5%	0.5%	0.5%	0.5%	0.6%
Long-Term Debt (including current maturities) (d)	55.5%	51.1%	59.7%	46.5%	48.5%
Short-Term Debt	9.0%	14.9%	8.4%	21.6%	10.3%
Total Capitalization	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Debt – End of Year (includes short- and long-term debt, current maturities of long-term debt, and trust preferreds) (d)	**$4,351.4**	**$4,223.9**	**$4,472.0**	**$4,374.2**	**$2,911.2**

Senior Unsecured Debt Ratings – December 31, 2003 (e)	WEC	WE/WG
Moody's	A3	A1
Standard & Poors	BBB+	A-
Fitch	A-	A+

	2003	2002	2001	2000	1999
COMMON EQUITY DATA					
Diluted Earnings per Share of Common Stock (b)	$2.06	$1.44	$1.86	$1.27	$1.79
Return on Average Common Equity	10.8%	8.1%	10.7%	7.5%	10.7%
Dividends per Share of Common Stock	$0.80	$0.80	$0.80	$1.37	$1.56
Payout Ratio (calculated using the annualized current quarterly dividend and EPS for the 12 month period)	38.8%	55.6%	43.0%	63.0%	87.3%
Common Stock Price per Share – End of Year Close	$33.45	$25.20	$22.56	$22.56	$19.25
Price Earnings Ratio	16.2	17.5	12.1	17.8	10.8
Book Value per Share of Common Stock – End of Year	$19.92	$18.44	$17.81	$17.00	$16.89
Average Diluted Common Shares Outstanding (millions)	118.4	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 2002, WEC recorded a $141.5 million asset valuation charge ($92 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). During 2003, WEC recorded net asset valuation charges of $45.6 million ($30 million after tax or $0.25 per diluted share) related to non-utility energy assets.

(c) Effective in 2003, the Company began classifying accumulated non-legal asset retirement obligations and decommissioning costs accrued prior to January 1, 2003 as liabilities on the balance sheet. Previously, such obligations were included in accumulated depreciation. Prior periods have been reclassified to conform for this change.

(d) As a result of a new accounting pronouncement, the Company began classifying its $200 million of trust preferred securities as long-term debt beginning in 2003. Prior periods have been reclassified to conform for this change.

(e) The ratings outlook for WEC, Wisconsin Electric Power Company and Wisconsin Gas LLC are stable as of December 31, 2003.

ENVIRONMENTAL PERFORMANCE

Air Emissions

Power plants and industrial processes that burn fossil fuels emit various substances to the air. The amounts, rates and types of emissions depend on the characteristics of the fuel, combustion system operation and the presence of emission control systems. The principal fossil fuels used by Wisconsin Energy Corporation (WEC) and its subsidiaries are bituminous and sub-bituminous coal, natural gas and fuel oil. (For more information, see the "Energy Use" section of this report.)

WEC's principal utility business, We Energies, is the primary user among WEC companies of fossil energy and operates its power plants in compliance with air quality permits. By using state-of-the-art emission control technologies (baghouses, low nitrogen oxide burners, selective catalytic reactors), We Energies complies with all applicable state and federal limits and continually seeks to reduce air emissions. Similarly, Edison Sault Electric Company and Minergy Corporation (Minergy) comply with all state and federal regulations, and work to minimize emissions by optimizing fuel use and process improvements.

State and federal regulations govern several fossil fuel emissions, including:

- Nitrogen oxides (NO_x)
- Sulfur dioxide (SO_2)
- Particulate matter (PM)
- Volatile organic compounds (VOCs)

The U.S. Environmental Protection Agency (EPA) and state environmental agencies enforce the provisions of the Clean Air Act to attain the National Ambient Air Quality Standards (NAAQS) for these compounds. Standards for each of these compounds are enforced to protect public health (e.g., respiratory impacts) and welfare (e.g., 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).

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. In 2003, We Energies signed a proposed consent decree (EPA agreement) with the EPA, U.S. Department of Justice and the State of Michigan to resolve NSR uncertainties. Under the agreement, We Energies will reduce SO_2 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.)

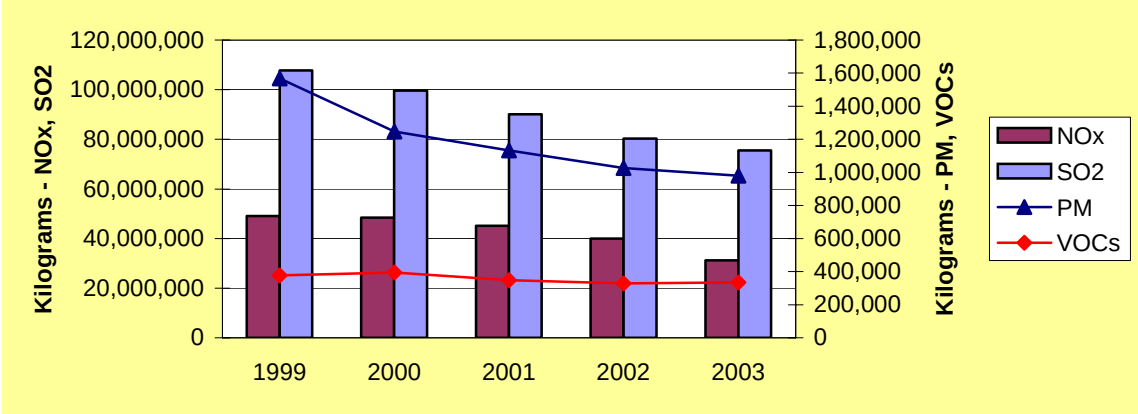
Emission Summaries

The tables and charts below summarize emissions of NO_x, primary particulate matter, SO_2, and VOCs from 1999 through 2003 for We Energies and Minergy.

Changes in fuel and emission controls by We Energies continued to reduce both the total emissions and the emission rates for SO_2, NO_x and particulate matter during 2003. Purchasing a lower sulfur content coal for the Oak Creek Power Plant (OCPP) continued to be the key factor in reducing the company's SO_2 emissions. Installation and initial operation of the selective catalytic reduction (SCR) unit at the Pleasant Prairie Power Plant (P4) was the most significant factor contributing to

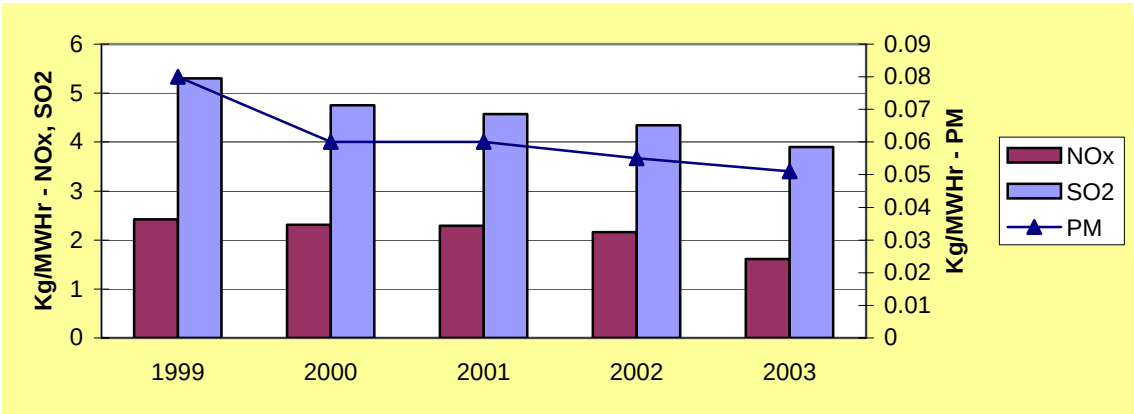
lower overall NO_x emissions. Completed in May 2003, this capital improvement is expected to reduce NO_x emissions in Unit 2 at P4 by 90 percent and represents the first SCR that has been installed on a large electric generating unit in Wisconsin. Installation of low NO_x burners and neural network boiler combustion control systems in other plants also contributed to reduced NO_x emissions. The new boiler combustion control systems also helped lower VOCs by enhancing the coal combustion process in the boilers.

We Energies Air Emissions, 1999-2003



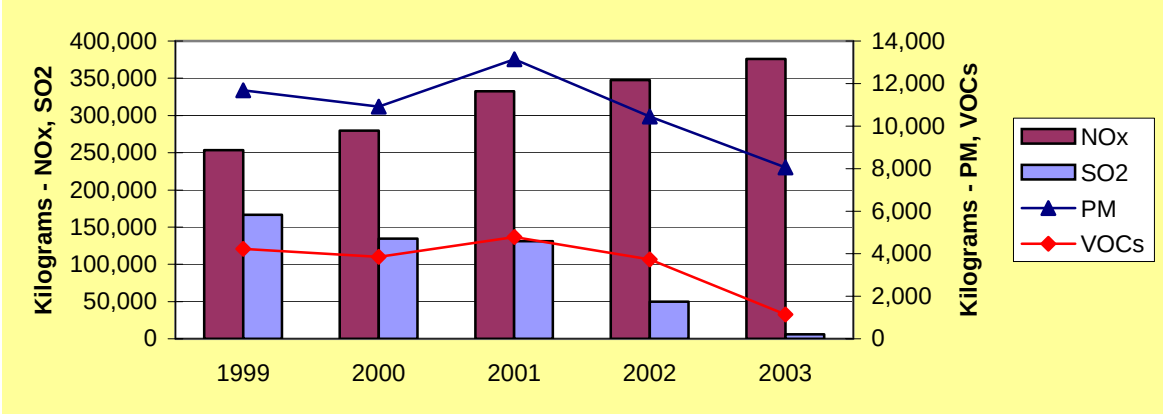
Planning for future emission control systems continued in 2003. We Energies announced a project estimated to cost $325 million for improvements at P4 to further reduce SO_2 and NO_x emissions. This will continue the trend toward lower emission rates for each of these pollutants both at P4 and throughout the We Energies generating system. Groundbreaking on this project occurred in May 2004.

We Energies Air Emission Rates, 1999-2003

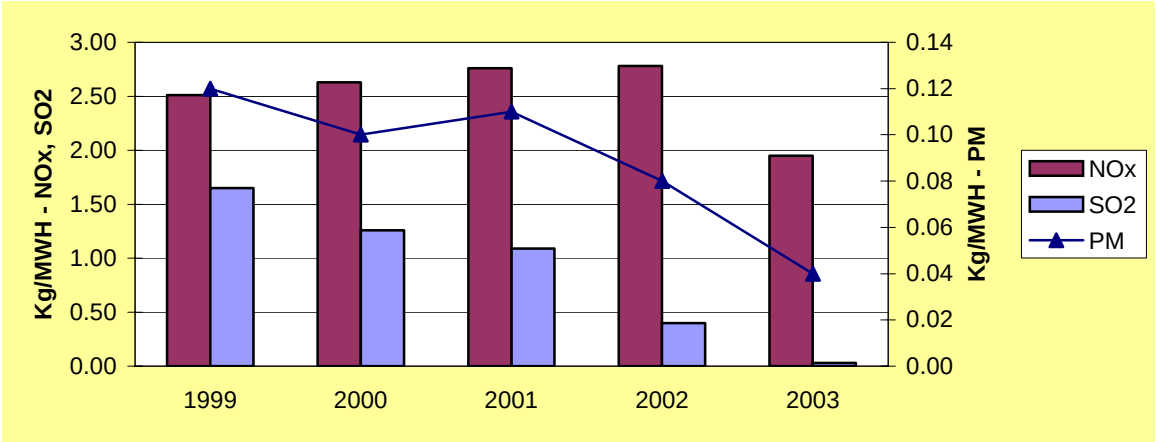


Overall utilization and energy production by Minergy's glass aggregate plant continued to increase during 2003, and is reflected in higher NO_x emissions. However, the rate of NO_x emissions decreased relative to previous years. The plant completed optimization of its modified fuel mix, now using less natural gas and substituting an equivalent energy value from coal. This was complemented by the first full year of scrubber operation that had been installed in May 2002. This reduced both the overall mass and rate of SO_2 and particulate emissions relative to previous years.

Minergy Air Emissions, 1999-2003



Minergy Air Emission Rates, 1999-2003



Wisvest's Calumet gas turbine electric generating facility near Chicago, Illinois continued to operate a very limited number of hours during 2003. Consequently, emissions from the facility were minimal and are not presented in this report.

Greenhouse Gases

For information on 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, 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 the coal-burning facilities in the state, including We Energies' power plants. Considering We Energies' percentage of coal-fuel generation in the state, less than one percent of the mercury in Wisconsin's fish population comes from We Energies' power plants.

There were several developments related to mercury regulation and control during 2003. In December 2003, the EPA released draft air quality regulations designed to significantly reduce emissions of mercury from power plants. This first-ever Utility Mercury Reductions proposal set forth federal rules on mercury that would reduce mercury emissions by approximately 70 percent by 2018. In January 2004, the proposal was published in the Federal Register, which triggered a 60-day public comment period. The EPA subsequently extended the comment period to 120 days.

In addition to the federal mercury regulations, in 2001 the Wisconsin Department of Natural Resources (WDNR) proposed new mercury emission limits for coal-fueled power plants and other large mercury emitters in Wisconsin. The WDNR issued final rules in June 2003, but adoption of the rules was delayed pending resolution of issues raised by the Wisconsin Legislature. In June 2004 the Wisconsin Natural Resources Board approved revisions requested by the Legislature that would require the state's mercury emission control rules for electric utilities to conform to any future federal requirements.

We Energies supports mercury air regulations that help protect human health and ecosystems while maintaining low-cost, reliable electric service. Over the years, the company has pursued a multi-emission strategy that includes a reduction in SO_2, NO_x and greenhouse gases in addition to mercury. This strategy is embodied by the September 2002 Multi-Emission Cooperative Agreement (MECA) with the WDNR whereby We Energies voluntarily committed to reduce its mercury emissions by 50 percent during the next 10 years. This agreement is renewable in 2007.

The U.S. Department of Energy (DOE) awarded $25 million to We Energies as part of a $50 million project to develop an integrated mercury and particulate matter emission control system at the company's Presque Isle Power Plant in Marquette, Michigan. This project is part of the company's participation in the Department of Energy's Clean Coal Initiative. The mercury control technology is called TOXECON. This full-scale research and development project aims to integrate power plant combustion and emission control processes in order to:

- Demonstrate mercury emissions reductions that may be 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 SO_2 emissions by 70 percent while also optimizing control of NO_x emissions.
- Recover mercury captured in ash.
- Beneficially use 100 percent of coal combustion products.

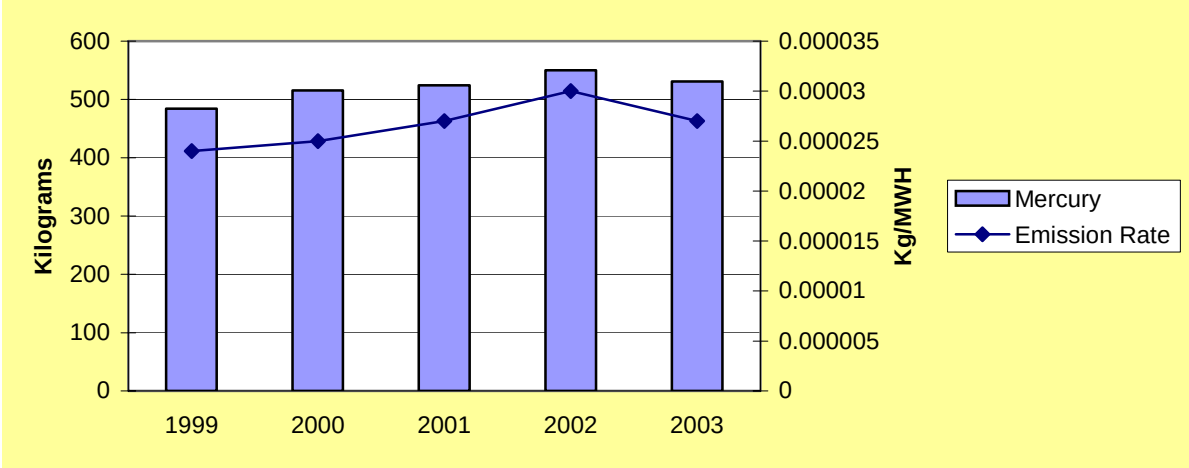
Construction on the TOXECON project is anticipated to start in the latter part of 2004.

We Energies continued its collaboration with the DOE, EPA, Electric Power Research Institute (EPRI) and ADA-Environmental Services (ADA-ES) to evaluate a variety of mercury control technologies at its Pleasant Prairie Power Plant during 2003. Studies continue into 2004.

During 2003, both the total estimated mass and emission rate of mercury to the atmosphere by We Energies decreased slightly from the previous year. Year-to-year variability in this estimate is expected and is due in large part to the mercury levels present in the sources of the coal used by the company. Utilization of 100 percent very low sulfur coal from the Powder River Basin in Wyoming by the Oak Creek Power Plant has decreased SO_2 emissions at this plant, but results in higher mercury emissions to the atmosphere. Overall mercury emissions are expected to decline in future years due to the September 2002 voluntary commitment by We Energies to reduce mercury

emissions from its coal-fueled power plants pursuant to the MECA. The TOXECON project described above is a component of this mercury reduction effort.

We Energies Estimated Mercury Emissions, 1999-2003



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

Minergy's Glass Aggregate Facility emitted an estimated 5.19 kg of mercury to the atmosphere during 2003.

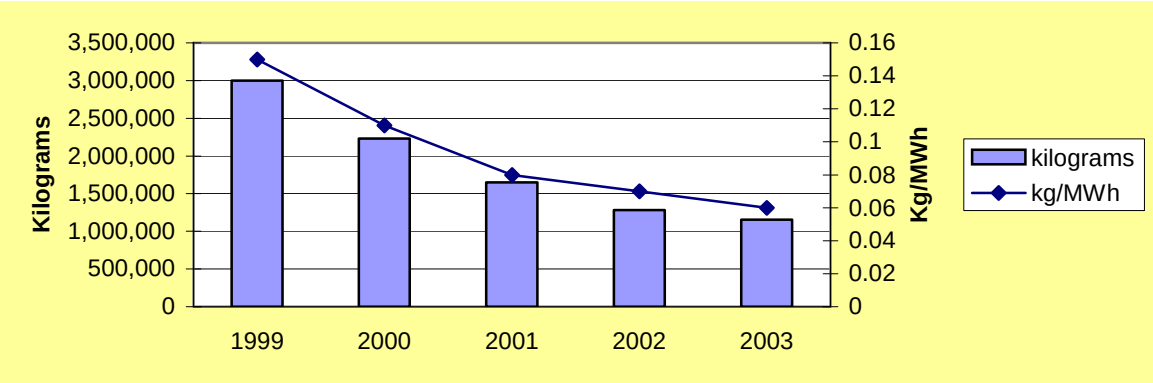
Toxics Release Inventory Air Releases

We Energies has submitted Toxics Release Inventory (TRI) reports annually to the EPA since reporting for this source sector became required in 1999. We Energies' releases to the air decreased by more than 60 percent between 1999 and 2003, mainly because of changes in the amount and type of coal burned at certain power plants. Reported releases for 2003 were the lowest reported to date by the company. TRI releases can fluctuate year-to-year 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 by:

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

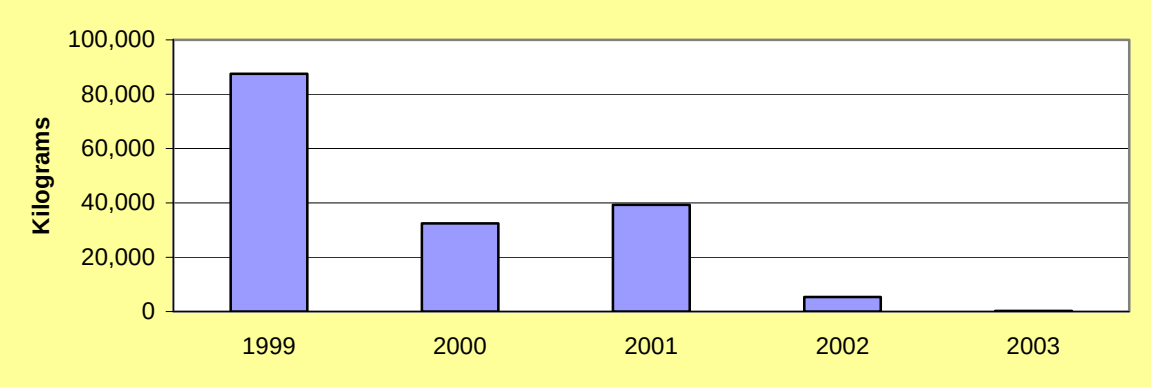
WEC's Minergy facility's primary TRI emissions are hydrochloric acid and hydrogen fluoride from fossil fuel combustion, sludge drying and aggregate production processes. Its overall TRI emissions have decreased during the past four years.

We Energies TRI Air Emissions, 1999-2003



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.

Minergy TRI Releases to Air, 1999-2003



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

Integrated Air Quality Strategy

WEC is implementing key portions of its integrated, multi-emission air quality strategy. A multi-emission approach was identified starting in 2001 as a means to address the many air quality issues (e.g., acid rain, climate change, mercury, ozone non-attainment, regional haze, New Source Review) confronting electric utilities and manufacturers. The corporation has taken a proactive and collaborative approach to reduce air emissions based on the belief that more environmental improvements can be obtained at less cost by implementing a comprehensive emissions control plan. This approach is reflected in We Energies commitments to achieve significant reductions in emissions from its Wisconsin coal-fueled power plants by 2013.

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

- SO_2 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, retiring some older units, and re-powering some existing power plants. Capital improvements will include 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 million in capital improvements related to air quality by 2013. These expenditures are consistent with WEC's *Power the Future* plan to upgrade We Energies' existing power plants.

Power the Future

We Energies' multi-emission reduction strategy directly supports WEC's 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 and demand-side management and carbon mitigation.

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

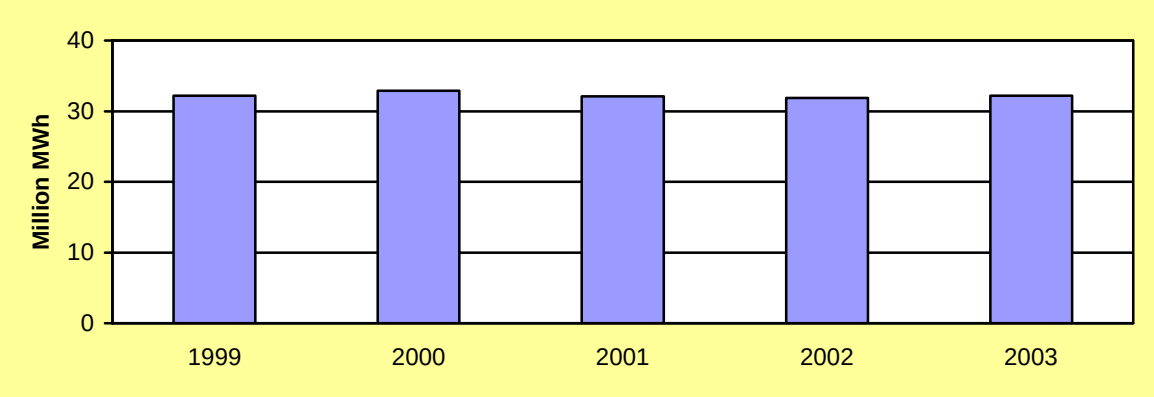
ENVIRONMENTAL PERFORMANCE

Energy Use

Direct and Indirect Energy Use

Wisconsin Energy Corporation (WEC) uses coal, natural gas, No. 2 fuel oil, propane and nuclear fuel to generate electricity at power plants owned and operated by We Energies, Edison Sault Electric Company, Minergy Corporation and Wisvest. We Energies also generates electricity from water, wind, biomass and other renewable energy sources. (For more information, see the "Renewable Energy and Energy Efficiency" section of this report.)

We Energies Total Electric Energy Generation, 1999-2003

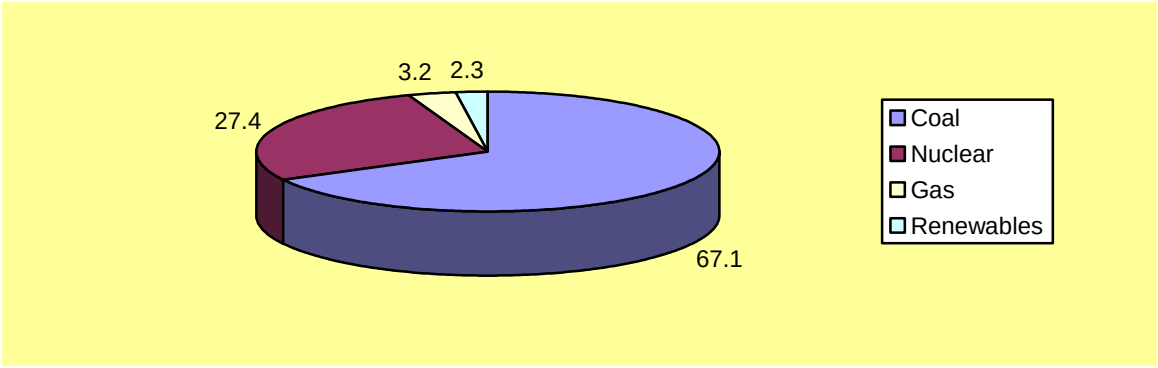


We Energies' Milwaukee County, Oak Creek, Pleasant Prairie, Port Washington, Presque Isle and Valley power plants used 9 million metric tons of coal in 2003. This was comprised of a combination of low-sulfur (sub-bituminous and bituminous) coal from the western United States (primarily the Powder River Basin in Wyoming) and bituminous coal from the eastern U.S. Approximately 46 percent of the coal was consumed at the Pleasant Prairie Power Plant (the largest coal-fueled power plant in Wisconsin) and 30 percent at Oak Creek Power Plant.

Coal is transported to the We Energies and Minergy power plants via train, lake vessel and trucks from mines in Pennsylvania, Kentucky, Colorado and Wyoming. The specific source and quality of the coal used by the companies is determined by a combination of environmental factors (e.g., sulfur, mercury and energy content), costs and the specific operating requirements of each plant's boilers.

Pleasant Prairie Power Plant (P4) continues to burn, as a fuel, high-carbon fly and bottom ash from the Milwaukee County, Port Washington and Valley power plants. During 2003, P4 burned more than 100,000 metric tons of newly produced ash from these facilities, avoiding the placement of this material in landfills, and recovering residual energy from the ash. (For more information on coal ash energy recovery and reburn, see the "Recovered and Recycled Materials" section of this report.)

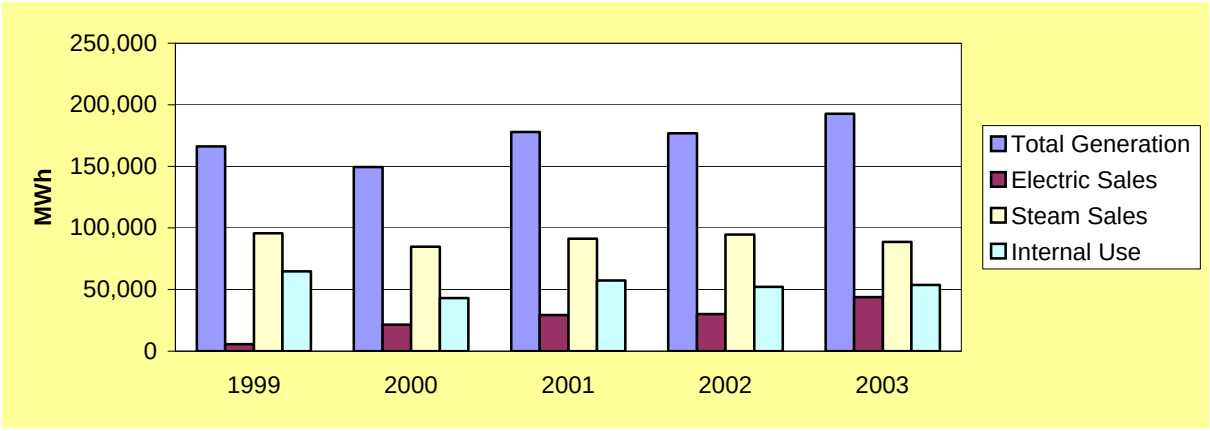
We Energies Fuel Mix, 2003



The Minergy glass aggregate plant in Neenah, Wisconsin uses paper mill sludge as an energy source. Wet paper mill sludge, a wastewater treatment by-product of the paper making process, is received from local paper mills by Minergy. The wet sludge is first dried from approximately 45 percent to 90 percent solids. Then, Minergy co-fires the dried sludge with coal and natural gas to oxidize the organic portion of the sludge and melt the mineral portion at combustion temperatures exceeding 1,400^{0}C. The molten mineral fraction vitrifies and is cooled into a marketable glass aggregate. Combustion gases are routed into a conventional boiler where the energy is subsequently used in the sludge drying process to produce electricity in a turbine generator, or sold as process steam to an adjoining paper mill. From 1999 to 2003, the plant processed approximately 1.3 million metric tons of paper mill sludge. The Minergy plant also uses a minor amount (less than one percent of total energy use) of diesel fuel, natural gas and propane for material handling equipment and space heating.

Total energy generation by Minergy continued to increase during 2003, approaching 200,000 megawatt hours of generation. Steam sales declined in line with the lower demand of the adjoining paper mill.

Minergy Energy Generation and Consumption, 1999-2003



The Point Beach Nuclear Plant uses uranium fuel and each unit is refueled approximately once every 18 months.

Generation and Consumption

Although WEC generates electricity at its power plants, it also uses electricity (like its customers) at its plants, service centers and offices.

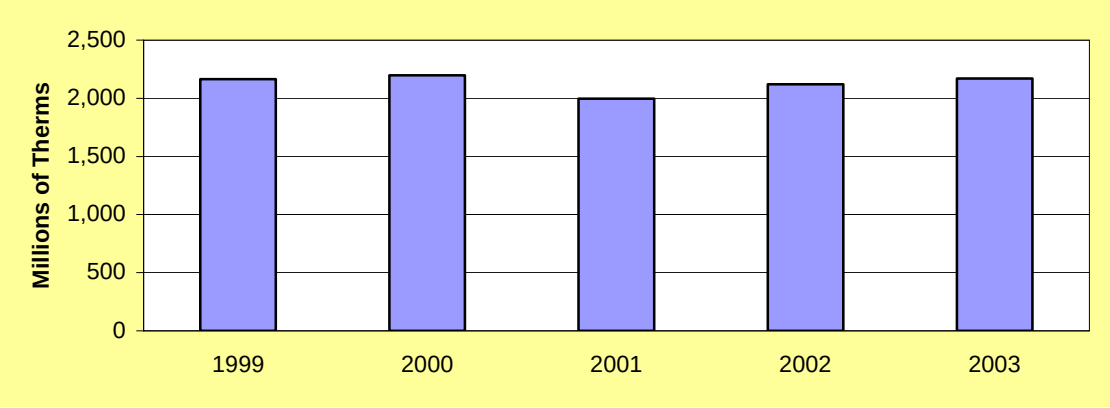
Total energy demand by We Energies' customers reached new all-time highs in 2003. On August 21, 2003, hot summer weather led to record high electric demand on the We Energies and Edison Sault Electric systems, with a peak demand of 6,376 megawatts. This is the highest electric demand the corporation has recorded. Electric usage by the corporation's customers is growing at approximately two percent per year. By 2016, the state of Wisconsin is projected to require an additional 7,000 megawatts of electric capacity. As part of its *Power the Future* program, WEC has proposed building additional generating units within the next decade that will increase the company's total generating capacity by 2,120 megawatts.

An all-time winter electric demand occurred four months later when on December 16, 2003, WEC recorded a peak demand of 4,886 megawatts. While this peak demand may have been largely attributable to weather, WEC estimates that holiday lighting between Thanksgiving and Christmas may add 100-200 megawatts of additional electric demand to the system.

Natural gas deliveries to customers increased for the third year in a row during 2003. This increase in energy demand was a function of a slightly colder winter than the two previous years combined with an improved economy (i.e., more manufacturing natural gas usage).

Both We Energies and Edison Sault Electric Company continue to provide information, both directly and indirectly, to their customers on methods to conserve electricity and natural gas. (Additional information on energy conservation and efficiency programs are contained in the "Renewable Energy and Energy Efficiency" section of this report.)

We Energies Gas Deliveries, 1999-2003



ENVIRONMENTAL PERFORMANCE

Environmental Compliance

Compliance Assurance

Wisconsin Energy Corporation's (WEC) corporate environmental compliance assurance program is a key component of its overall environmental strategy.

During 2003, comprehensive multi-media audits were completed at all of We Energies' six coal-fueled power plants, three combustion turbine facilities, nuclear power plant, a We Energies ash landfill, 10 We Energies service centers, 27 substations and two facilities operated by WEC subsidiaries. The audits revealed one major environmental compliance concern which We Energies self-reported to the U.S. Environmental Protection Agency (EPA). Minor issues related to air, waste and water regulations continue to be identified and corrected at individual facilities. The audits also identified opportunities for continual improvement. The reviews of the power plants and combustion turbines are part of We Energies' voluntary Multi-Emission Environmental Cooperative Agreement with the Wisconsin Department of Natural Resources (WDNR).

WEC has a commitment to audit all of the corporation's 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. The corporation uses a risk-based approach on potential environmental exposures to determine the necessary frequency of facility audits.

Reportable Events

Following is a summary of WEC's reportable events, incidents and fines for non-compliance with applicable environmental regulations during 2003.

Port Washington Power Plant. The We Energies Port Washington Power Plant, Port Washington, Wisconsin received a Letter of Warning from the U.S. Coast Guard on January 3, 2003. A leak in the turbine oil cooler caused a release into Lake Michigan. Port Washington also received a Notice of Violation from the Wisconsin Department of Natural Resources (WDNR) on May 2, 2003 regarding asbestos abatement activities. A meeting occurred with the agency and additional information satisfied agency requirements. No fines were levied.

Pewaukee Central Stores. The We Energies Pewaukee Central Stores in Pewaukee, Wisconsin received two notices of violation from the U.S. Department of Transportation (DOT) on March 27, 2003. The violations were administrative recordkeeping issues involving manifests. The issues were resolved to the DOT's satisfaction. No fines were levied.

Oak Creek Power Plant. We Energies Oak Creek Power Plant in Oak Creek, Wisconsin received a Letter of Warning from the U.S. Coast Guard on May 5, 2003. The warning resulted from an oil leak from plant equipment. The oil was contained and the Coast Guard was satisfied with the response. No fines were levied.

System Control Landfill. The We Energies System Control Landfill in Pewaukee, Wisconsin received a Notice of Non-Compliance on June 26, 2003. The notice was received due to an exceedance of molybdenum in the leachate discharge to the city of Brookfield's wastewater treatment system. The issue was resolved and no fines were levied.

Valley Power Plant. The EPA notified We Energies on July 18, 2003 that its Valley Power Plant in Milwaukee did not hold enough SO_2 allowances to cover its emissions for the 2002 compliance year. The company had to transfer allowances and the EPA required an offset deduction in 2003 allowances. In addition, the company paid a monetary penalty of $90,000.

96th Street Substation. We Energies received a Notice of Non-Compliance from the WDNR on July 30, 2003 for a paperwork discrepancy. The proper paperwork was completed to the agency's satisfaction. No fines were levied.

Root River Substation. We Energies received a Notice of Violation from the U.S. Army Corps of Engineers on December 4, 2003. Fill material was placed in a wetland without the proper permit. The wetland was restored to the satisfaction of the agency. No fines were levied.

Presque Isle Power Plant. We Energies' Presque Isle Power Plant in Marquette, Michigan, received a Notice of Violation from the Michigan Department of Environmental Quality on December 8, 2003 regarding fugitive dusting from a coke breeze storage area maintained for a local company. Preventive measures have been instituted to the agency's satisfaction. No fines were levied.

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 or less. During 2003, We Energies reported the following exceedances to the regulatory agencies:

- 33 opacity (air)
- 4 nitrogen oxide (air)
- 2 bypasses (water)
- 4 total suspended solids (water)
- 1 oil and grease (water)
- 4 reportable events under Chapter 30 program (water)
- 19 spills (water, land)
- 1 upset condition due to the flooding of the Presque Isle Power Plant in Michigan

Fines. WEC was assessed and paid monetary penalties of $90,000 in 2003 for not holding enough SO_2 allowances for the Valley Power Plant. We Energies also agreed to pay a penalty of $3.2 million as part of a negotiated consent decree with the EPA, the U.S. Department of Justice and the State of Michigan, as described below.

Legal Actions

Clean Air Act Consent Decree. 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 was in addition to an information request received in December 2000 and responded to in February 2001. The information request was similar to those issued by the EPA to numerous electric utility companies over the past few years, focusing on past maintenance and replacement projects.

In January 2003, We Energies approached the EPA to discuss issues surrounding maintenance activities at the generating units in question and shared goals for achieving emission reductions. On April 29, 2003, the company entered into an agreement with the EPA (consent decree) that will result in significant air emission reductions at the company's coal-fueled facilities. In July 2003,

the state of Michigan's 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, will reduce nitrogen oxide and sulfur dioxide emissions system-wide by 65 percent below 2000 levels by 2013. 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 eliminates the ambiguity. Total expenditures to make plant emission control improvements will be approximately $600 million. The company also committed to spend up to $25 million on the TOXECON mercury reduction research project. In addition, the company also agreed to a $3.2 million civil forfeiture. A federal court must approve the final agreement. At the time of this report, the final agreement had not been entered by the federal court. (Additional information regarding the Multi-Emission Cooperative Agreement and air quality initiatives can be found in the "Air Quality" section of this report.)

Columbia Propane. In 1999, Wisconsin Gas Company (now Wisconsin Gas LLC) was sued by Columbia Propane for an estimated $5 million in cleanup 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 the site to Columbia Propane. The case was resolved during the first half of 2003 when the Wisconsin Supreme Court affirmed the trial court's dismissal of the lawsuit against Wisconsin Gas.

Additional information on legal actions of an environmental nature is presented in WEC's annual report on Form 10-K and quarterly reports on Form 10-Q filed with the Securities and Exchange Commission.

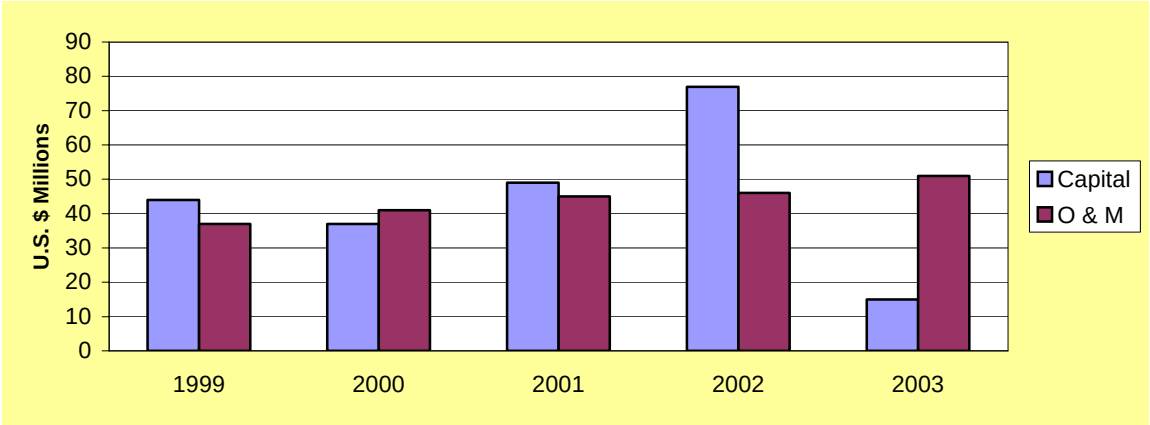
ENVIRONMENTAL PERFORMANCE

Environmental Expenses and Research

Wisconsin Energy Corporation (WEC) continually invests in environmental control technologies and research to protect human health and the environment.

The most significant environmental expenditures are incurred by We Energies. During 2003, total environmental operating and maintenance (O&M) expenses rose to an all-time high of $51 million. This is primarily due to increased operation of enhanced environmental control systems that have been or are being installed or upgraded at the power plants. The state's first selective catalytic reduction (SCR) system became fully operational during 2003 at the Pleasant Prairie Power Plant (P4) in Kenosha County, Wisconsin. While this system is capable of reducing NO_x emissions from Unit 2 at P4, there is an increased cost for chemicals, catalyst material and maintenance to operate the system. Installation of a second SCR at P4 is being initiated in 2004.

We Energies Environmental Capital and O&M Expenses, 1999-2003



Environmental capital expenditures by We Energies in 2003 were approximately $15 million. This is significantly lower than 2002 capital expenditures when the SCR was being installed at P4. Capital expenditures are expected to approximate $105 million during 2004 due to the installation of a second SCR at P4, combined with installation of the state's first flue gas desulfurization (FGD) system at the plant. FGD construction began during 2004 and will continue through 2007.

Capital improvements such as the installation of the second SCR and the FGD at P4, along with continued pollution control improvements at other plants, will increase environmental O&M expenditures during future years. The full extent of the air emission control improvements committed to by We Energies is expected to increase annual environmental O&M.

We Energies continued to invest in research on environmental control technologies, supporting focused research through the Electric Power Research Institute (EPRI) and others to develop new, more effective control solutions. From 1999 to 2003, the majority of this research has focused on:

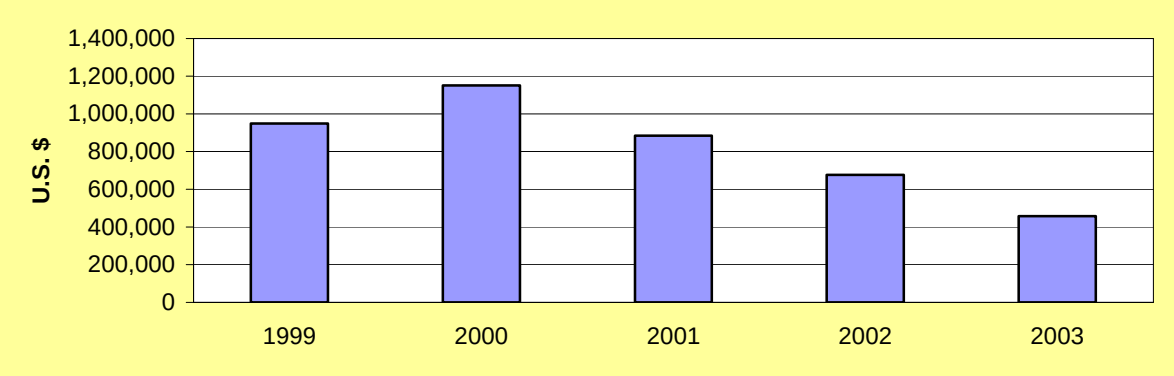
- Developing integrated emission controls for air toxics, especially mercury.
- Understanding the formation and health effects of fine particulate matter in the atmosphere.
- Developing a carbon management plan based on region-specific factors.
- Developing new uses for coal combustion products.

During the last five years, including 2003, We Energies has invested more than $4.1 million in EPRI's Environmental Research Program. In 2003, this investment amounts to nearly $1.4 million when the company's investments in EPRI's Integrated Environmental Controls, Particulate and Opacity Control, Continuous Emission Monitoring, and Combustion By-Product Use Research Areas are included.

We Energies' own environmental research investments in 2003 were approximately $460,000 and included specific research support for several areas, including:

- Ash utilization
- Mercury
- Carbon sequestration
- Fine particulate emissions
- SCR optimization

We Energies Environmental Research Expenditures, 1999-2003



Some of the EPRI and company-sponsored research programs are described in more detail below.

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. Initial findings from this project are scheduled for publication in 2004. In addition, EPRI has been invited to conduct ARIES-like studies in St. Louis, Missouri, and Detroit, Michigan, in cooperation with ongoing U.S. Environmental Protection Agency (EPA) investigations.

Aquatics Lab. Edison Sault Electric Company, a WEC subsidiary, continues to sponsor 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. During 2003, We Energies continued its collaboration with the U.S. Department of Energy (DOE), EPA, EPRI and ADA-Environmental Services in testing various technologies at P4 to control mercury emissions. The P4 research, the 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 and complements the research programs of both EPA and DOE. 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.

In 2003, We Energies and its project collaborators were notified that the company's proposal to the DOE was accepted for funding under the department's Clean Coal Power Initiative. This five-year, $50 million project will evaluate the EPRI-patented TOXECON mercury control concept at We Energies' Presque Isle Power Plant in Marquette, Michigan. The goal of this first full-scale demonstration project will be to capture more than 90 percent of the mercury present in the sub-bituminous coal burned at the plant.

Coal Combustion Products Utilization. We Energies continued funding innovative research focusing on the company's long-term goal to use all coal combustion products produced by its power plants. Collaborative projects with the University of Wisconsin-Milwaukee and other area universities have helped maintain and advance engineering and materials programs at those institutions. These expenditures have helped We Energies meet its goal of achieving 98 percent beneficial use of coal combustion products and have resulted in several patented processes. In June 2004, We Energies was recognized for its innovative approaches to coal combustion products research and utilization when it was awarded the 2004 Edison Award.

ENVIRONMENTAL PERFORMANCE

Greenhouse Gases

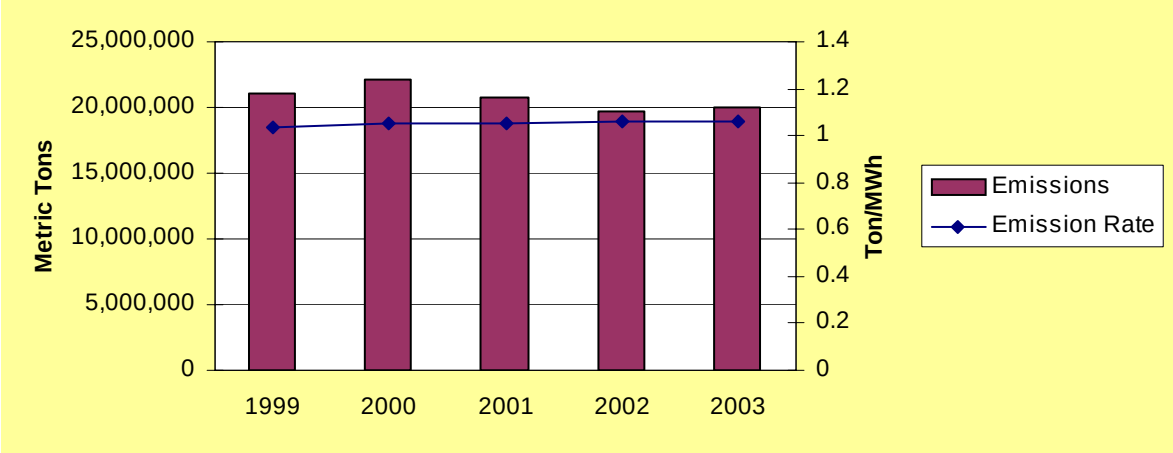
Wisconsin Energy Corporation (WEC) continues to support flexible, market-based strategies to curb greenhouse gas emissions, such as emissions trading, joint implementation projects and credit for early action.

Emissions and Reductions

WEC's fossil-fueled power plants, owned and operated by We Energies and Minergy, are the corporation's primary sources of greenhouse gases. WEC facilities release mainly carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O), as well as small amounts of hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF_6). WEC companies have been taking voluntary action to reduce these emissions since the early 1990s.

We Energies' net greenhouse gas emissions and emission rate (metric tons/MWh) fluctuate from year to year depending on the amounts and types of fossil fuels burned and the efficiency of individual generating units. This intensity increased slightly from 1999 to 2003. Total greenhouse gas emissions decreased by about five percent during 1999-2003 because generation decreased by approximately seven percent due to reduced electricity demand, and the increased use of non-emitting generation sources such as renewables and nuclear helped reduce emissions during the time period.

We Energies Greenhouse Gas Emissions, 1999-2003



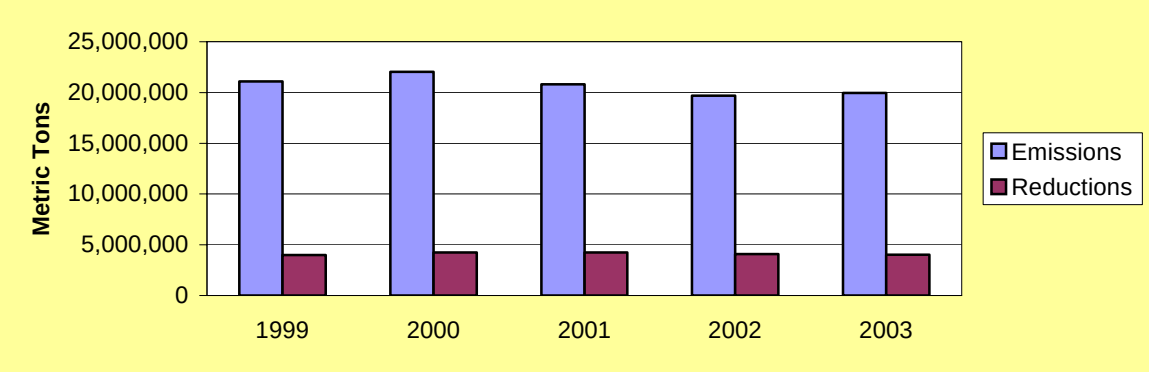
The quantity of greenhouse gas emissions from We Energies' facilities is related directly to the amount of time the company's fossil-fueled generating units operate and the individual plant capacity factors. Operation of these units is influenced primarily by the availability of We Energies' non-emitting Point Beach Nuclear Plant and by customers' demand for electricity. Customer demand depends on 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 WEC's *Power the Future* plan, including:

- Repowering the Port Washington Power Plant with natural gas combined cycle units.
- Adding the Elm Road Generating Station coal-based units.
- Increasing investment in energy efficiency and conservation.

- Maintaining and increasing the company's non-emitting generation, including renewing Point Beach Nuclear Plant's operating license, potentially adding generation from over 200 megawatts of wind capacity, and increasing customer participation in the Energy for Tomorrow® program.

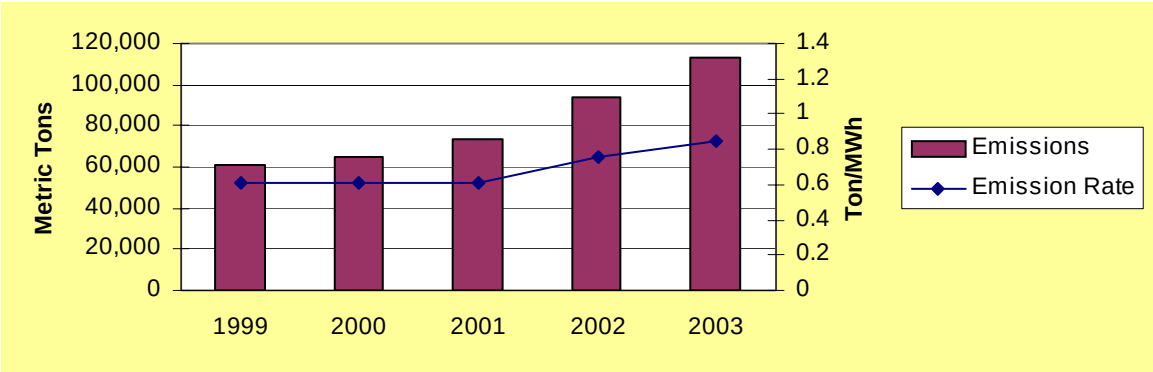
We Energies also continues to undertake appropriate greenhouse gas reduction activities. During 2003, these reductions represented approximately one-fifth of the total greenhouse gas emissions as illustrated by the graph below.

We Energies Greenhouse Gas Emissions and Reductions, 1999-2003



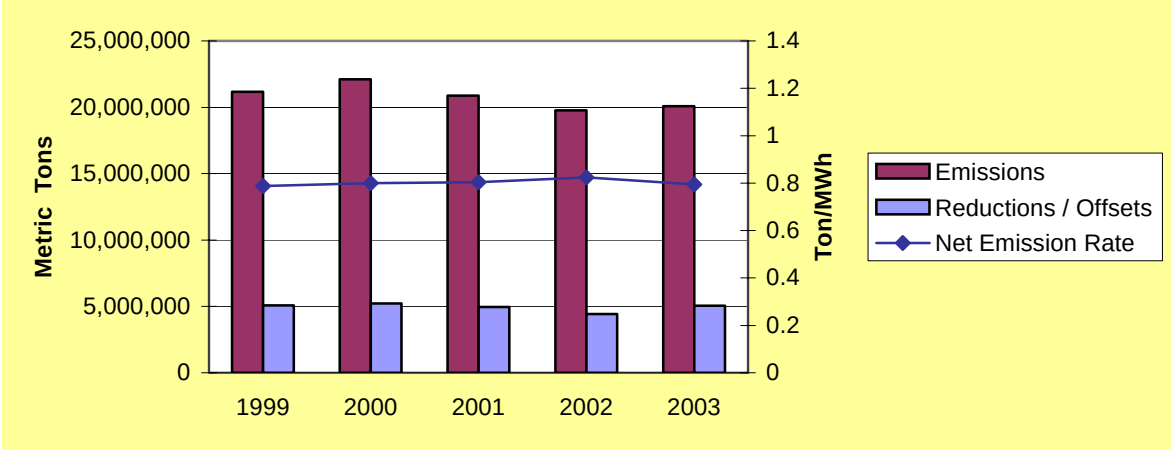
Minergy Corporation's Neenah, Wisconsin facility operates as a net reducer of greenhouse gas emissions. The glass aggregate production facility recovers energy from biomass and recycles steam heat from its processes. The steam generated by the glass aggregate production process is sold to a nearby paper mill for its power needs, replacing several natural gas boilers previously used at the mills, thus offsetting greenhouse gas emissions. While the plant's combustion of fuels for its production process produces CO_2, 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 methane. During 2003, the Minergy facility continued to use more coal. This reduced the cost of steam to the adjoining paper mill, allowing it to remain competitive in the international market. However, burning more coal increased the total mass and rate of Minergy's CO_2 emissions. The carbon emission rate is expected to stabilize as the optimal fuel blend is achieved in the future.

Minergy Greenhouse Gas Emissions, 1999-2003



The overall greenhouse gas emission rate of WEC energy production facilities declined in 2003 from the three previous years. Greenhouse gas reductions and offsets increased to 5.0 million tons during 2003 compared with 4.4 million tons in 2002.

Net Greenhouse Gases from WEC Energy Production, 1999-2003



Emission Reduction Initiatives

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

U.S. Department of Energy (DOE) Climate Challenge Program. The *Climate Challenge* is the DOE's voluntary greenhouse gas reporting program. Since 1995, We Energies has reported greenhouse gas emission reductions of more than 35 million metric tons from energy efficiency, increased use of low- and non-emitting generation (e.g., renewables), partnerships with others in both domestic and overseas projects, beneficial use of power plant ash, and use of natural gas vehicles.

Renewable Energy. We Energies generates or purchases more than 140 megawatts of renewable energy. Renewable energy reduces greenhouse gas emissions by about one metric ton of carbon dioxide per megawatt hour of energy, for a total of approximately 2.7 million metric tons from 1999 through 2003. (For information on renewable-based energy, see the "Renewable Energy and Energy Efficiency" section of this report.)

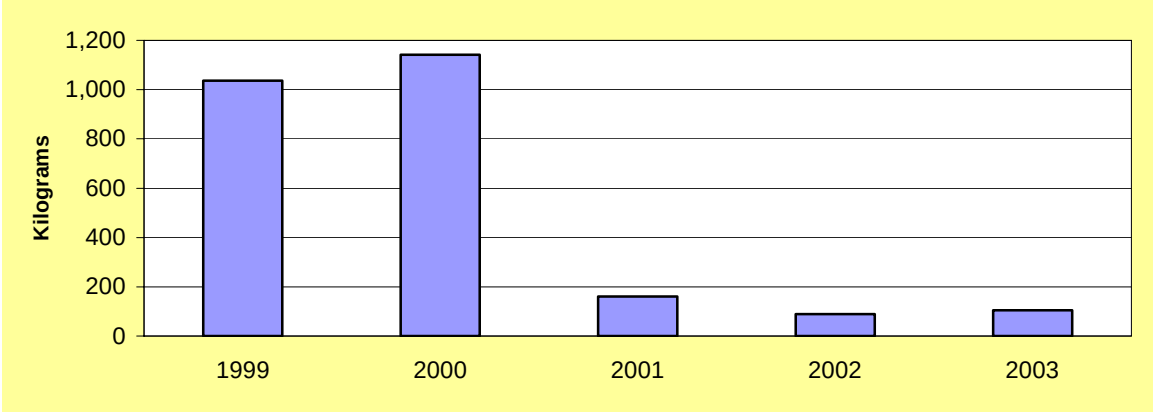
Projects with Others. This flexible, non-regulatory program encourages private-sector investment in technologies that reduce or sequester greenhouse gas emissions in developing countries. The Rio Bravo Carbon Sequestration Pilot Project, a carbon sequestration and sustainable forestry management program in Belize, Central America, is expected to mitigate 2.4 million metric tons of carbon over 40 years. (For more information on the Rio Bravo project, see the "Natural Habitats and Biodiversity" section of this report.) We Energies is working jointly with other U.S. utilities in the Utilitree and Powertree programs to purchase sub-tropical forest land for both protection from intensive agricultural development and sequestration of carbon. The Decin Repowering Project in the Czech Republic replaced 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 reduced CO_2 emissions by nearly 8,000 metric tons every year since 1997.

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.

Climate Leaders. We Energies joined the EPA's Climate Leaders program in 2002 and has worked with the EPA in establishing the company's greenhouse emissions inventory.

SF_6 Emissions Reduction Partnership for Electric Power Systems. Sulfur hexafluoride (SF_6) is used in electrical equipment including circuit breakers, substations and electric switchgear. In 1999, We Energies joined the EPA's SF_6 Emissions Reduction Partnership, committing to voluntarily reduce SF_6 emissions to less than five percent of its equipment's nameplate capacity. We Energies has achieved this goal for the past three years. Reduced emissions have also occurred due to the transfer of transmission assets to American Transmission Corporation.

We Energies SF_6 Emissions, 1999-2003



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.
- 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.

- 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.

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

ENVIRONMENTAL PERFORMANCE

Land Management

Wisconsin Energy Corporation (WEC) actively manages its properties to maximize both environmental and community value. This includes restoring previously used properties and managing other lands for their habitat and recreational value.

Restoring and Redeveloping Urban Properties

WEC actively remediates degraded areas and protects and restores native ecosystems and species in such areas.

Brownfields. Many former industrial sites sit vacant in areas that WEC companies serve. The strength of WEC's companies inherently depends upon the vitality of the neighborhoods and cities in which they operate and serve. These "brownfield" sites are known or suspected to be contaminated, and many lie in central urban areas. We Energies' southeastern Wisconsin service area has the largest number of brownfields in the state. WEC applies smart growth principles to investigate, remediate and redevelop brownfields and to minimize development of previously undeveloped open spaces, or "greenfields."

WEC continues to be a key supporter in the redevelopment of the Menomonee River Valley, once the industrial center of Milwaukee and currently the location of We Energies' Valley Power Plant. We Energies is working in partnership with the Menomonee Valley Partners, Inc., Menomonee Valley Business Association, city of Milwaukee and the Wisconsin Department of Natural Resources in seeking 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 supports 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.

WEC's real estate subsidiary, Wispark, focuses an increasing segment of its work on redeveloping urban sites in southeastern Wisconsin. During 2003, Wispark continued to redevelop key urban sites in Milwaukee, including:

- **Boston Store Property** – Besides helping to retain 650 office and 150 retail jobs in the retail and office sections of this site, during 2003 Wispark completed the development and leasing of 74 apartment units in the upper floors.
- **Matthews Building** – Leasing continued on this renovated mixed-use commercial and retail property connected to the Grand Avenue Mall complex.
- **Pabst City** – Working with another partner, Wispark continued with mixed-use housing, commercial, retail and entertainment concepts for redevelopment of the 22-acre former Pabst Brewery complex.

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 ended, the equipment was removed, and the sites were cleaned using the technology that existed at the time. We Energies has investigated and remediated former MGP sites where coal tar or other by-product residues remain.

During 2003, We Energies continued remediation and monitoring efforts at the Wisconsin sites listed below.

Appleton	Working with the city of Appleton, Appleton Redevelopment Authority and others, the company excavated more than 450 metric tons of contaminated soils and sediments along the Fox River. Removed materials were thermally treated.
Burlington	Riverbank soils and sediments were treated in-situ along this site bordering the Fox River and downtown Burlington. Part of the site has been used for a new river crossing, while the remainder will be available for development.
Fort Atkinson	Remediation of this site was formally completed in 2003.
Kenosha	Final remedial activities and monitoring continued at the site during 2003, prior to the site being made available for future redevelopment by the city of Kenosha.
Milwaukee	The Third Ward site has been partially developed for commercial and retail mixed use. Groundwater monitoring at the site continues.
Waukesha	Groundwater monitoring continued to assess the benefits of thermal treatment of over 5,000 tons of soil during 2001.
Racine	Groundwater monitoring and maintenance of a hydraulic gradient control system continued in 2003.
Neenah	During 2003, the company continued to work with the existing owner of this site to develop potential remediation options.

St. Francis Property Restoration. In May 2003, We Energies started excavating, consolidating and in some cases removing 13,600 metric tons of coal from the former Lakeside Power Plant that operated from the 1920s to the early 1980s. Residual coal ash on the site also was properly managed. While the plant was removed after it closed, some residual coal and ash remained at the site. Removal of this material will allow the site to be redeveloped for residential, commercial, open space or other uses.

Recreational Use of Company Lands

We Energies works with communities and other parties in seeking and allowing appropriate recreational use of company lands. This ranges from the use of the vast recreational lands and campgrounds within the Wilderness Shores hydroelectric lands, to the use of a closed landfill by a model airplane club. At Wilderness Shores Recreational Area, 33 semi-wilderness recreation areas are available, along with access to canoeing and boating, fishing, hunting, bird watching, hiking, cross-country skiing and snowshoeing.

During 2003, We Energies' support of compatible recreational land use was highlighted during an "Outdoor Wisconsin" segment on Wisconsin public television describing the Ozaukee Interurban Recreational Trail. This 32-mile paved trail through Ozaukee County, Wisconsin, follows the path

of the former electric interurban passenger trains that were once operated by a predecessor company of Wisconsin Electric Power Company.

ENVIRONMENTAL PERFORMANCE

Natural Habitats and Biodiversity

Wisconsin Energy Corporation (WEC) and its subsidiaries seek to sustain and enhance biodiversity and sensitive natural habitats. The corporation uses a variety of sound conservation practices to manage for multiple uses (aesthetics, biodiversity, cultural resources, forestry, recreation, water quality, and wildlife) on lands it owns. The corporation also supports stewardship efforts that reach beyond corporate properties across state and national borders.

Biodiversity: Lands

About 80 percent of the land owned by We Energies (some 26,000 hectares) 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. 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 are included in the company's Wilderness Shores Agreement with several state and federal resource management agencies, and 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.

The Wilderness Shores Agreement provides three key benefits for the affected lands, including:

- **Shoreline protection**. Approximately 483 kilometers (km) of shoreline are protected from development.
- **Land management**. A total of 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**. In 2003, We Energies contributed $69,457 to fund local projects that improve local fisheries, provide land protection, or provide other environmental benefits. Funding in 2003 focused on four key projects: a) an assessment of fish populations in the Brule River; b) surveys of lake sturgeon stocking success; c) movement patterns of lake sturgeon in the White Rapids project area; and d) Michigamme Reservoir wetlands studies.

We Energies also owns or manages land around its power plants (about 1,000 ha) and transmission lands (about 1,200 ha). These lands serve as buffers to those operations and 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 four years (2000–2003).

The company remains as the leader in the development of two forest carbon sequestration projects in the Rio Bravo Conservation and Management Area of northwestern Belize, Central America. Working in conjunction with The Nature Conservancy, other non-profit organizations and several U.S. and Canadian energy companies, this $5.6 million program seeks to purchase and manage 14,200 ha of endangered sub-tropical forest, wetland and pine savanna. Working with the Programme for Belize, the partnership seeks to reduce, avoid and mitigate 2.4 million metric tons of carbon over 40 years through land protection and sustainable forest management.

WEC (often operating through the WEC Foundation) routinely makes financial contributions to organizations devoted to preserving and protecting lands and waters for future generations. These funds help a variety of non-profit organizations enhance wise stewardship of the natural features in areas where WEC 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. Receiving organizations and associated projects or activity during 2003 are listed in the accompanying table.

Organization	**Project or Activity**
Aspen Institute	Sponsor energy conference
Bethel Horizons Nature Center	Prairie restoration
Cable Natural History Museum	Online educational program
Conservation Fund	Corporate member
Cooperative Education Service – Fallen Timbers	Environmental education program
Elwood May Environmental Center	Watershed education
Fellow Mortals	Wildlife rehabilitation and education
Fox-Wolf Basin 2000	Water quality project
Friends – Arboretum	Sponsor meeting
Friends – Center Alliance	Kestrel nest box program
Friends – Fred Smith Inc.	Nature trail
Friends – Milwaukee's Rivers	Environmental education program
Friends – Schlitz Audubon Center	Environmental education program
Gordon Bubolz Nature Preserve	Environmental education program
Growing Power	Environmental sustainability project
Heckrodt Wetland Reserve	Environmental education program
Invasive Plants Association of Wisconsin	Invasive species education project
Kenosha / Racine Land Trust	Capacity building project
Kewaunee County School District	Environmental education program
Kinnickinnic River Land Trust	Prairie restoration
Marsh Haven Nature Center	Environmental education program
Middleton Hills Conservancy	Oak savanna restoration
Milwaukee Recreation Department	Prairie management
Moosewood Nature Center	Environmental education program
National Arbor Day Foundation	Tree education program
Natural Resources Foundation	Besadny grant supporter
Nature Conservancy – Wisconsin	Corporate member
Neenah Parks and Recreation Department	Environmental education program
Neosho Schools	Wetland education project
Ozaukee Washington Land Trust	Land stewardship and restoration
Patrick Marsh School	Environmental learning project
Pecatonica School	Fish education and oak savanna restoration

Pewaukee School	Pond restoration
Pier Wisconsin	Freshwater education program
Pine View Wildlife Rehabilitation Center	Wildlife rehabilitation and education
Riveredge Nature Center	Wildlife education program
Root-Pike Watershed Initiative	Grant making support
Sand County Foundation	Partner
Trees for Tomorrow	Environmental education program
Trout Unlimited	River habitat restoration
Urban Ecology Center	Restoration and educational program
UW-Extension	Sponsor of lake fair
UWM Foundation	Sponsor of environmental contest
Wehr Nature Center	Prairie seed collection
West Bend School	Wildlife education
Wildlife in Need Center	Wildlife rehab and education
Wildlife Unlimited of Dickinson County	General support
Wisconsin Academy of Science, Arts and Letters	Sponsor meeting
Wisconsin Clean Cities	Clean airport project event sponsor
Wisconsin Wetlands Association	Invasive species education project
Woodland Dunes Nature Center	Environmental education project
YWCA	Environmental education project

Biodiversity: Impacts

The generation and distribution of energy can affect the environment in many ways, but neither WEC's professional staff nor outside agencies have found any indication 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.

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 Company (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, coordinating 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) and other interested parties, We Energies developed a new approach to the siting and installation of gas pipelines. This consensus methodology is helping the company more rigorously examine forests and other habitats, reduce the impacts caused by crossing wetlands and streams, avoid potentially sensitive lands, and restore soil productivity in agricultural land. We Energies is using this robust

siting and construction protocol during the installation of the 55 km Ixonia and the 27 km Port Washington gas pipeline laterals started in 2003.

Protected and Sensitive Areas: Impacts

None of WEC's activities affect world heritage sites or biosphere reserves. The World Conservation Union (often referred to as the IUCN) recognizes six categories of protected areas. Listed below are areas where the corporation has had direct, positive impacts. The corporation is unaware of any negative impact it has had on these areas.

IUCN Category	Area and Activity
Category 1 – Strict nature reserve / wilderness protection areas managed mainly for science or wilderness protection	**Sturgeon River Wilderness, Marquette County, Michigan** – Forested tract in the Ottawa National Forest, owned by We Energies and part of the Sturgeon River Gorge Wilderness area.
Category 4 – Habitat / species management areas	**Rio Bravo Conservation and Management Area, Belize** – We Energies funds forest protection and sustainable forestry project to increase carbon sequestration in sub-tropical forests and other habitats.
	Spread Eagle Barrens, Florence County, Wisconsin – Prescribed fires are used to restore this rare bracken grassland barrens owned by We Energies within the Spread Eagle Barrens State Natural area.
	Bain Station Prairie, Kenosha County, Wisconsin – We Energies manages this land with prescribed fires and other management techniques to restore this wet-mesic prairie. Habitat for rare plants, including prairie white-fringed orchid.
	Wetland Areas, Wisconsin – We Energies manages 12 restored and created marshes on company properties in Ozaukee and Manitowoc counties. The company is also protecting and restoring wetlands along the 55 km Ixonia and 27 km Port Washington gas pipeline projects.
Category 5 – Protected landscapes	**Rio Bravo Conservation and Management Area, Belize** – We Energies provides funding to purchase and protect diverse forest and Bajo wetlands that would otherwise be cleared for agriculture.
	Spread Eagle Barrens, Florence County, Wisconsin – We Energies is continuing to develop and maintain a geographic information system (GIS) for this area.
	Wilderness Shores, Marinette and Florence Counties, Wisconsin, and Dickinson, Iron and Menominee Counties, Michigan – Shoreland areas adjacent to We Energies hydroelectric reservoir are managed for ecological, aesthetic

values and recreational opportunities.

Fumee Lake Natural Area, Dickinson County, Michigan – We Energies assists the county in monitoring breeding bird populations in this diverse forest complex.

Category 6 – Managed Resource Protected Areas

Rio Bravo Conservation and Management Area, Belize – See above.

Wilderness Shores, Marinette and Florence Counties, Wisconsin, and Dickinson, Iron and Menominee Counties, Michigan – See above.

Ulao Creek Watershed, Ozaukee County, Wisconsin – As the watershed's largest landowner, We Energies works with the Ulao Creek Partnership to protect this land within a rapidly urbanizing area.

Protecting and Restoring Native Ecosystems and Lands

In addition to the areas noted above, WEC companies actively support several natural resource stewardship activities.

Bird Conservation. In 2001, We Energies was the first corporation to endorse the Wisconsin Bird Conservation Initiative. Now, more than 130 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 play a leadership role in directing this and several other comprehensive wildlife conservation planning efforts coordinated with the WDNR.

Bald Eagle. We Energies continues to incorporate a Bald Eagle Protection Plan into all of its land management plans. The plan protects nesting eagles from disturbance, protects 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 in Wisconsin and Michigan.

Osprey. Whenever ospreys use either We Energies or Edison Sault Electric distribution structures for their nests, company field crews construct taller (and presumably better) alternative nesting structures for the birds nearby. This prevents the sticks that fall from osprey nests from causing electrical service interruption and reduces the risk of a bird being electrocuted. Ospreys currently use more than 25 platforms erected by the two companies in Wisconsin and Michigan's Upper Peninsula. Beginning in 2003, We Energies also is supporting a reintroduction program for osprey in southeastern Wisconsin and is hosting a Web site that is tracking radio-equipped osprey.

Peregrine Falcon. In 2003, peregrine falcons were nesting in four of five nest boxes at We Energies' coal-fueled power plants. A total of 63 peregrines fledged from We Energies' nest boxes between 1999 and 2003. More than half of the peregrines fledged in Wisconsin since 1992 have come from nest boxes located at power generating facilities.

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 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.

Prairie White-Fringed Orchid. We Energies continues to help the prairie white-fringed orchid recover on a company-owned site (Bain Station Prairie, Kenosha County, Wisconsin) where the orchid once grew. The company uses mowing and prescribed fires to clear woody vegetation and promote re-growth of native plants, including the orchid.

Invasive Species. We Energies supports several activities aimed at controlling invasive plants and animals such as buckthorn, Eurasian water milfoil, garlic mustard, purple loosestrife and the zebra mussel. The company contributes to help other agencies and groups produce educational materials about invasive species and the threat they pose to biodiversity.

Threatened Species. We Energies and Edison Sault Electric have identified 22 IUCN 2002 Red List threatened species that exist in their service territories. The companies know of no adverse effects to any of these species caused by company activities.

ENVIRONMENTAL PERFORMANCE

Recovered and Recycled Materials

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

We Energies promotes recycling of materials by including this requirement in its specifications for construction materials to increase recycled material content. The company also participates in associations and university research into 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, including:

- Wisconsin Green Building Alliance
- U.S. Environmental Protection Agency (EPA) Resource Conservation Challenge Coal Combustion Products Program (C2P2)
- Waste Cap Wisconsin
- American Coal Ash Association
- Utility Solid Waste Activity Group
- Electric Power Research Institute (EPRI)
- University of Wisconsin – Milwaukee Center for By-Product Utilization.

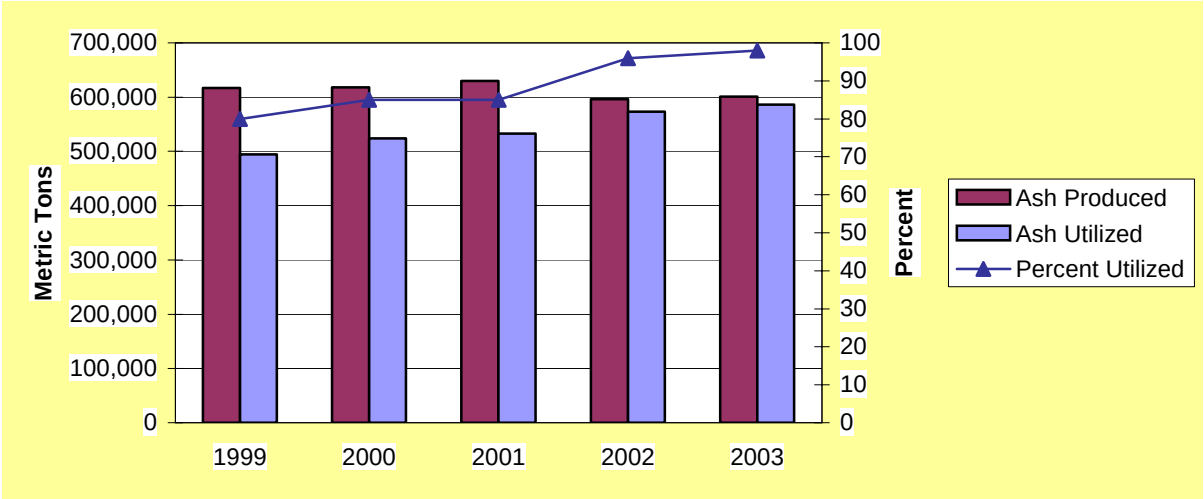
Beneficial Use of Coal Combustion Products

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 combustion gases in power plant electrostatic precipitators and baghouses).

In 2003, the company beneficially used 98 percent of these coal combustion products system-wide (versus a national average rate of 36 percent in 2002). Because of the success of We Energies' program to recover and reburn ash previously buried in landfills, the company actually utilized 105 percent of 2003 ash production from its five coal plants in Wisconsin. In the past five years, We Energies provided 2.5 million metric tons of coal combustion products for beneficial utilization. Most of it is sold as construction materials, generating revenue that supports competitive electric rates. These sales avoid the cost of landfilling and the long-term use of land for this purpose.

Although the concrete and cement market remains the leading application for We Energies' coal combustion 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 products.

We Energies Combustion Products Produced and Utilized, 1999-2003



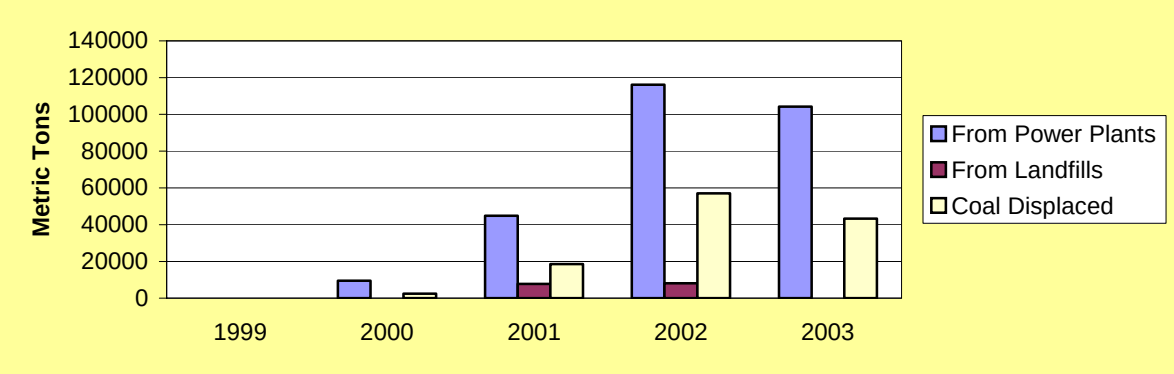
Coal Ash Reburn

We Energies continues 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 (P4) in January 2000 and expanded reburning to ash recovered from landfills in February 2001, after receiving approval under Wisconsin's first Environmental Cooperative Agreement. The patented process can use either dry high-carbon fly ash directly from the company's older power plants, or 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. Reburning enables We Energies to landfill less ash and recover valuable land for redevelopment, all without increasing power plant emissions. Additionally, 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 2003, P4 burned 97,914 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 68,767 cubic meters of landfill space. This reburn process also avoided the purchase of 400 railroad car loads of coal, or approximately 41,700 metric tons of purchased fuel. Presque Isle Power Plant burned 6,178 metric tons of high-carbon bottom ash, saving 4,339 cubic meters of landfill space. This avoided the purchase of 1,520 tons of coal, or the equivalent of approximately 15 railroad cars of coal at Presque Isle.

We Energies continued to promote this technology to other utilities in 2003 by presenting at four industry conferences, including an international conference in Milan, Italy. During 2003, the company actively worked with the U.S Department of Energy, American Society of Mechanical Engineers, American Concrete Institute and others to disseminate information on recovery and reburn processes. 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 avoid building new landfills.

We Energies Coal Ash Reburn, 1999-2003



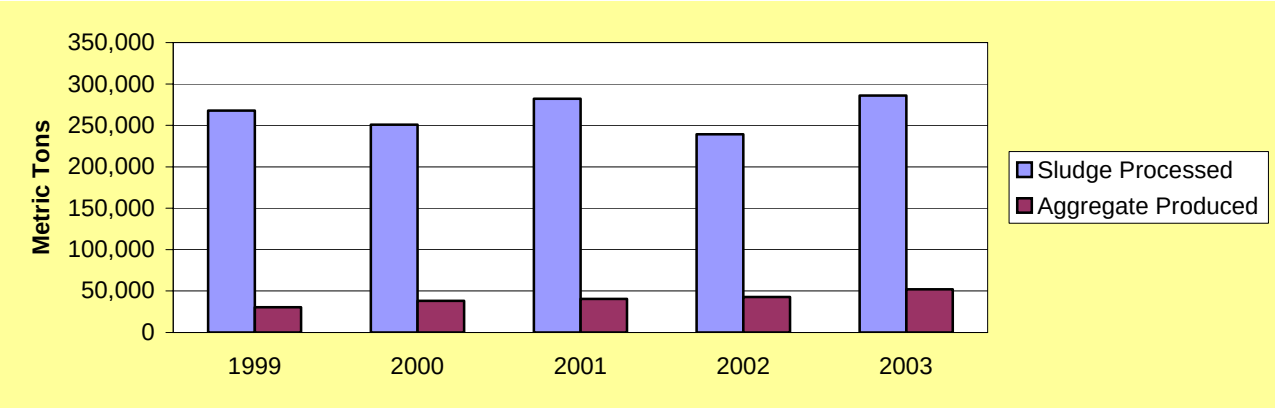
Coal Ash Recovery

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 23,471 metric tons (16,484 cubic meters) of coal ash from the P4 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 for this use, conserves energy and extends the life of the company's licensed landfills. This process is covered by U.S. patent 6,637,354.(For more information on We Energies' beneficial use of coal combustion products, see the "Waste Management" section of this report.)

Paper Mill Sludge

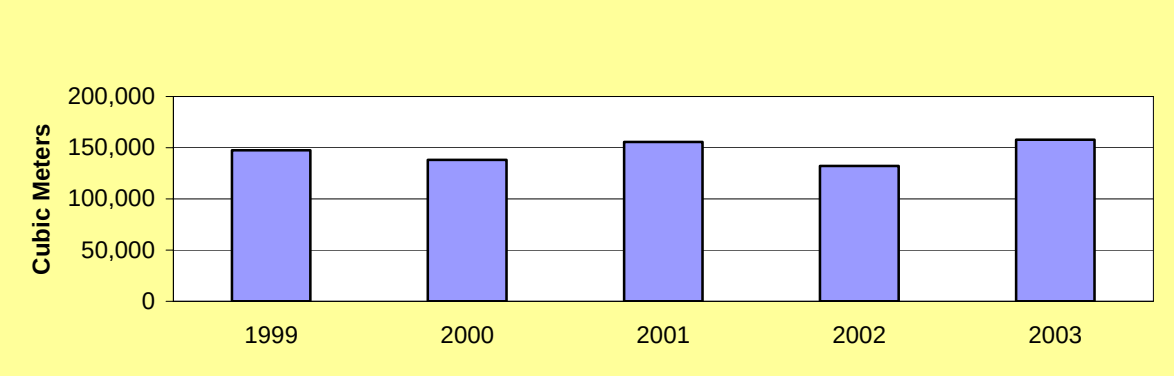
WEC's Minergy subsidiary uses innovative technology to dry, melt and convert sludge from paper mills in Wisconsin's Fox River Valley to glass aggregate, which is sold to the construction industry for blasting grit, abrasives, roofing shingle granules and other uses. Since 1999, the Minergy Glass Aggregate 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 where it would decompose and release greenhouse gases. The plant has capacity to process all the paper mill sludge produced in Winnebago County, Wisconsin, a key paper-making area. To date, the Minergy plant has yielded more than 200,000 metric tons of aggregate, replacing the extraction and processing of other natural resources to make construction materials.

Minergy Aggregate Plant Production, 1999-2003



Minergy's drying process converts water in the paper mill 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 landfill, increasing leachate collection and treatment as well as the risk of groundwater contamination.

Minergy Paper Mill Wastewater Treatment, 1999-2003



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

Other Initiatives

We Energies has several other ongoing programs to increase use of recovered and recycled materials. These are outlined below.

Antifreeze	Capturing and recycling used antifreeze from vehicles, heavy equipment and heat exchangers in power plants.
Cleaning solvents	Use non-chlorinated recyclable solvents for parts cleaners and equipment cleaning at power plants and service centers.
Computers	Sell or recycle used computers and ancillary equipment to certified recyclers; contributions to non-profit organizations.
Meters and transformers	Repair, rebuild and reuse electric and gas meters and electric transformers taken out of service; use a certified vendor to recycle those units no longer usable.
Paper and production inks	Use water-based inks and recycled paper (at least 10 percent post-consumer fiber) for customer bills, inserts and envelopes.
Paper and wood products	Work with regional recyclers to collect and market used paper and corrugated cardboard.
Recycled concrete and asphalt	Crush and recycle concrete for use as backfill on internal construction projects; utilize company fly ash in new concrete projects; developed and promote cold in-place recycled asphalt process that uses self-cementing fly ash.

Scrap metal	Capture and recycle copper and aluminum wire, electrical cable, steel pipe and structural steel, and shipping containers.
Surplus assets	Donate surplus furniture, office and telecommunications equipment, and vehicles.
Toner cartridges	Work with a certified regional supplier to recover, reprocess and use plastic and metal toner cartridges from printers.
Wood mulch	Pruned tree material from distribution maintenance is shredded and chipped and made available to customers.

ENVIRONMENTAL PERFORMANCE

Renewable Energy and Energy Efficiency

Renewable Energy

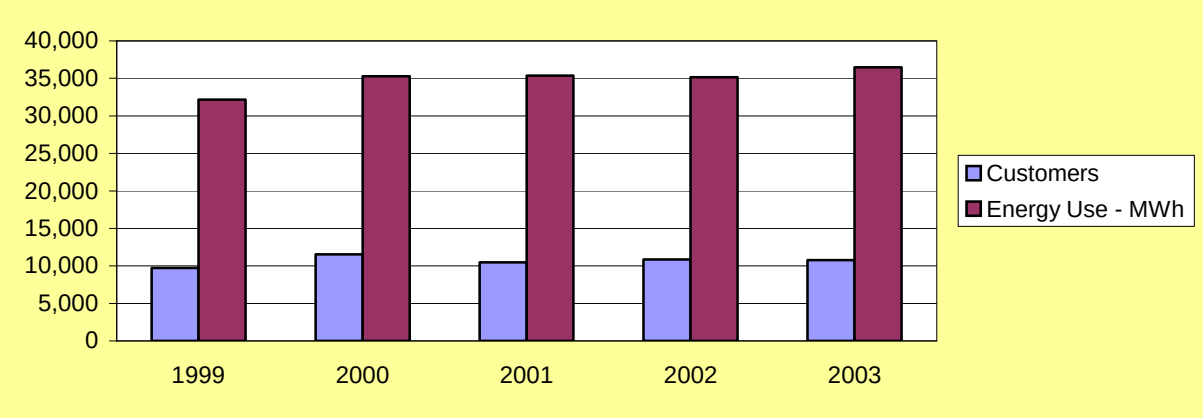
We Energies produces or purchases more than 140 megawatts of renewable energy capacity from a variety of sources inside and outside of Wisconsin. Some of it is used for the company's Energy for Tomorrow® residential and commercial renewable energy program, while much of the remainder is used to satisfy the state's Renewable Portfolio Standard requirement (see more below). Edison Sault Electric's primary source of electric power is from a hydroelectric facility at the eastern end of Lake Superior in Sault St. Marie, Michigan.

Energy for Tomorrow® renewable energy program

In 2003, We Energies' Energy for Tomorrow® renewable energy program was one of only six utility 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. At the end of 2003, 10,760 residential and commercial customers were enrolled in the program, purchasing 36,456 megawatt hours of electricity. During the year the number of business customers enrolled in the program increased from 95 to 269, making 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 2003 came from:

- We Energies' wind turbines in the Town of Byron, Wisconsin (8 percent).
- The Badger Wind facility in Montfort, Wisconsin (11 percent).
- Small hydroelectric plants in Wisconsin owned by Cedarburg Hydroelectric Corp., Rock River Power & Light, and North East Wisconsin Hydro (6 percent).
- Three landfill gas facilities in southeastern Wisconsin (75 percent).

We Energies Energy for Tomorrow Program Customers and Energy Use, 1999-2003



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

Edison Sault Electric Renewable Energy Program

In 2003, Edison Sault Electric Company (ESE) offered its customers the option of purchasing additional renewable energy. ESE's renewable energy program allows customers, who agree to pay

a higher rate, to have an increased percentage of their electricity generated from renewable sources. The company generates and purchases about 40 percent of its power needs from hydroelectric facilities on the St. Mary's River draining Lake Superior. The remaining 60 percent of power needs are purchased from other utilities. This power is mostly generated by coal and nuclear power generation sources. Customers wishing to have more than 40 percent of their energy coming from renewable sources are able to voluntarily increase the percentage of their power that is derived from renewable resources. These levels can be either 60, 80 or 100 percent renewable. The program was initiated in December 2003 and sold 6,659 kWh of renewable energy to 30 customers.

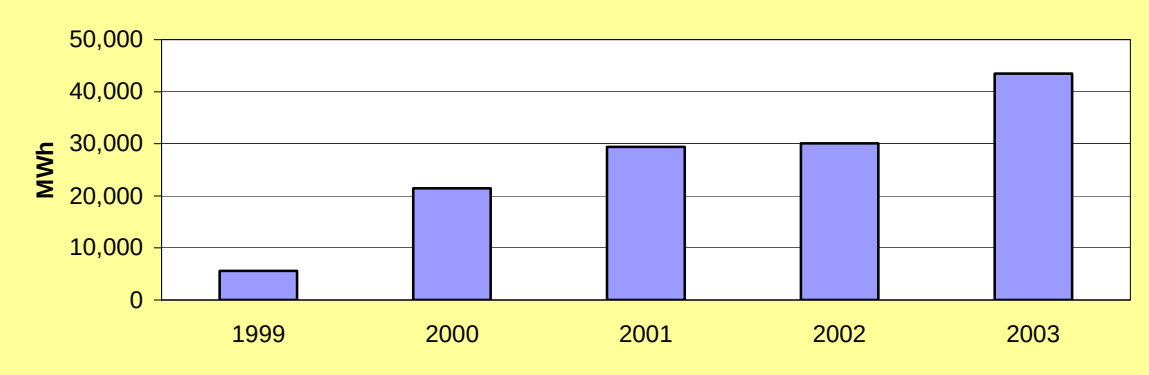
WEC Renewable Energy Generation Sources

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.

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.

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 in each of the past five years as the total throughput of biomass and plant efficiencies have increased.

Minergy Renewable Energy Generation, 1999-2003



Solar power. We Energies uses limited amounts of solar photovoltaic cells in its renewable energy mix. We Energies' solar generation is supplied by customer-owned solar generation, all of which are on the customer side of the meter applications.

Wind power. We Energies continues to operate two wind turbines in the Town of Byron, Wisconsin, that provide a combined 1.32 megawatts of capacity, or enough for about 360 homes. In 2003, the two wind turbines generated 3,010 megawatt hours of electricity. We Energies continues to purchase 25.5 megawatts from the 30-megawatt Badger Wind facility owned and operated by FPL Energy in Montfort, Wisconsin.

In 2003, We Energies signed contracts with Navitas Energy and Midwest Wind Energy for the entire electrical output from three wind farms to be constructed in Wisconsin. The 20-year power purchase agreements represent a 400 percent increase in wind generation in Wisconsin. Construction of the three wind farms is expected to begin in 2005, upon extension of the federal Production Tax Credit (PTC). Delay in passing the PTC extension will delay the construction of the three wind farms.

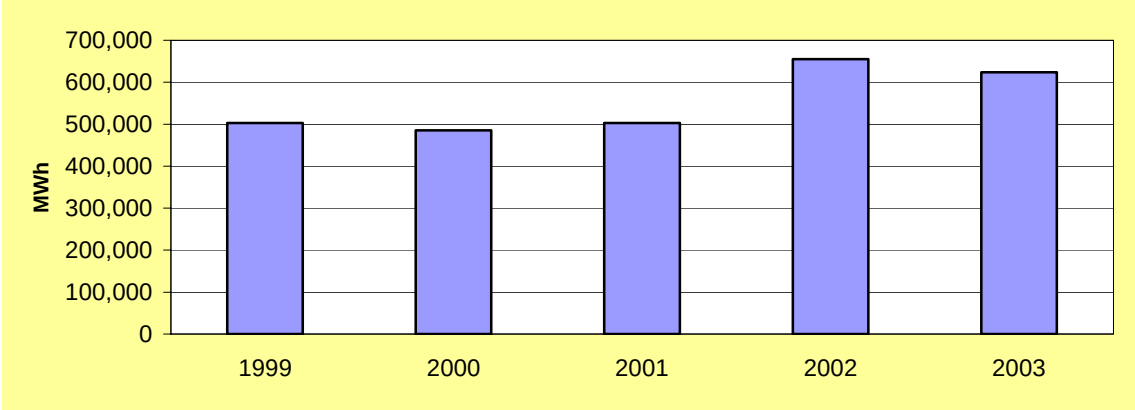
Wisconsin Renewable Portfolio Standard

Passed in 1998, Wisconsin Act 204 required 50 megawatts of new renewable energy to be on-line in Wisconsin by year-end 2000. We Energies met its 27 megawatt portion of that requirement by purchasing wind generation from FPL Energy's Montfort Wind Farms in southwestern Wisconsin, and from other renewable energy sources.

In February 2000, Wisconsin adopted the Renewable Portfolio Standard (RPS) legislation that requires state utilities to provide increasing amounts of energy sold to retail customers to be generated from renewable energy sources – rising from 0.5 percent in 2001 to 2.2 percent by 2011. 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 its 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.

We Energies Total Renewable Energy, 1999-2003



We Energies' Renewable Energy Target

In 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 We Energies' Wisconsin retail electric sales come from renewable energy sources by 2011. We Energies formed and continues to work with the Renewable Energy Collaborative in conjunction 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.

Energy Efficiency

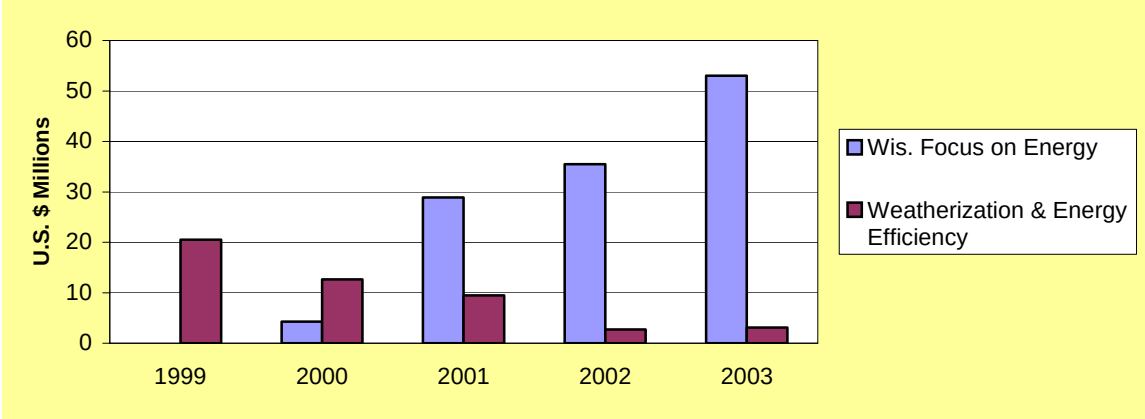
We Energies helps customers use energy more efficiently and use less power during times of peak demand, such as at the height of the air conditioning season. Since the late 1980s, energy efficiency programs have reduced the company's peak demand by more than 500 megawatts.

Working with 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.

Focus on Energy. This public-private partnership is a coordinated group of programs administered by 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 toward weatherization and energy efficiency programs. During 2003, We Energies provided over $53 million to the state for the program through a customer surcharge and direct contributions.

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.

We Energies Energy Efficiency Payments, 1999-2003



Targeted Home Performance. 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 2003-2004. *Focus on Energy* administers the program that targets limited income customers (150 to 200 percent of the federal poverty guidelines) who historically have not been eligible for state and federal weatherization programs. Eligible customers receive a home energy assessment and follow-up installation of a comprehensive list of qualifying energy efficiency improvements. We Energies is providing additional funding to *Focus on Energy* by covering customer contribution and the cost of electronically commutated motors (ECM) in high-

efficiency furnaces. This pilot program is being offered in southeastern Wisconsin and in the Fox Valley area.

Milwaukee Weatherization, Rehabilitation and Asset Preservation Partnership. In collaboration with the Social Development Commission, We Energies is partnering with Milwaukee's Weatherization, Rehabilitation and Asset Partnership (Milwaukee WRAP). We Energies funds the conservation components of Milwaukee WRAP, which is sponsored by the Ford Foundation as part of Ford Foundation's Asset Building & Community Development grants program. The Ford grant is administered by the Energy Programs Consortium. The WRAP pilot program was established in 2002 to develop innovative delivery systems that combine energy efficiency, housing renovation/weatherization and social service programs to increase and preserve the affordability of home ownership in low-income households. The WRAP program's goal is to reduce maintenance costs, particularly energy costs, and enable low-income home owners to increase the value of their homes and neighborhoods.

Energy Efficiency Planning, Design and Implementation
WEC's *Power the Future* approval by the Public Service Commission of Wisconsin in November of 2003 led to the development of an Energy Efficiency Procurement Plan to achieve 55 megawatts of energy efficiency reductions with electrical customers by the end of 2008. The plan includes 13 programs serving all customer segments. Twenty percent of the reduction is expected to come from load management programs.

Energy Building Code Collaborative (EBCC). WEC's *Power the Future* plan includes an increased emphasis on and commitment to energy conservation. The EBCC was formed to enhance energy efficiency in Wisconsin. The energy efficiency aspects of Wisconsin's residential, commercial and rental unit codes are being reviewed, and the EBCC will propose technically feasible, economically justified and environmentally beneficial changes to the codes.

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 periods of high electric demand. 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 ore mines in Michigan's Upper Peninsula allow We Energies to ask these customers to reduce load at times of high system demand.

Voluntary Load Reduction. We Energies has created three voluntary load reduction programs that provide industrial and large commercial customers with an opportunity to share cost savings when a power purchase can be avoided, or a power sale can be made, during extreme price spikes in the wholesale spot market. The programs are:

- ***Power Market Incentives***^{SM} is offered to the largest We Energies industrial customers who can reduce load by 500 kW in exchange for market-based compensation.
- ***Dollars for Power***^{SM} is offered to industrial and large commercial customers who enroll 50 kW at pre-established bid prices.
- ***PMI-Pool*** is offered to customers, marketers or agents who combine sites (We Energies customer accounts) so that a pool can benefit from the same features as the Power Market

Incentives[SM] program. Each participating account is required to have a minimum of 100 kW and the pool is required to have a minimum of 500 kW.

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 Sept. 15. Customers can choose one of the following options. Credits are reflected monthly on their energy bills.

- **$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 an annual discount, customers allow We Energies to remotely interrupt electric load if capacity becomes tight. While We Energies provides as much notice as possible, it 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.
- **Curtailable.** 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.

ENVIRONMENTAL PERFORMANCE

Spills

During 2003, Wisconsin Energy Corporation (WEC) reported 31 individual spill events to the Wisconsin Department of Natural Resources and the Michigan Department of Environmental Quality. All reported spills occurred within We Energies' generation and distribution systems, and in all instances company personnel or contracted services 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. Beyond immediate cleanup, long-term corrective actions may include policy and procedural changes, equipment modifications and training. Some minor spills, including some that were reported, were the result of accidents by people who were not employees.

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). Where a potential hazard may exist to employees or surrounding properties, facilities develop preventive and emergency action plans in cooperation with local and state regulatory officials. These plans are reviewed and updated periodically.

Five of the reported spills were related to the corporation's investigation and subsequent remediation of long-term releases at historic properties, including some that had been recently purchased. One example is the former Balco property located adjacent to We Energies' Valley Power Plant in Milwaukee, Wisconsin. Purchased in 2002 to accommodate changes in a major traffic interchange, We Energies purchased and cleaned up this historic industrial site. Investigation by the company resulted in finding, and subsequently remediating, long-term spills at the site.

Neither Minergy nor Edison Sault Electric had any reportable spills or releases during 2002.

A complete listing of the spills reported in 2003 is contained in the environmental data appendix. Spills that occurred before 2003 were presented in the 2001 and 2002 WEC Performance Reports.

ENVIRONMENTAL PERFORMANCE

Transportation

Wisconsin Energy Corporation (WEC) continually works to reduce the environmental impact of business travel and other transportation related to business activities 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.
- Promoting the use of clean, domestic-fueled natural gas vehicles (NGVs).
- Supporting programs that encourage employees to carpool or ride public transportation to work.

Coal Combustion Products

We Energies beneficially used 98 percent of its coal combustion products (fly ash and bottom ash) in 2003. This beneficial use reduces the truckloads of ash taken to landfills and the diesel fuel for equipment to 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. The company's coal ash reburn at its Pleasant Prairie Power Plant also reduces the need to mine and transport coal from Wyoming.

Commuter Choice Programs

We Energies seeks to minimize impacts on regional air quality due to vehicle emissions related to employees' daily commutes to work. The primary focus of the company's commuting programs are the more than 1,500 employees who work in the company's downtown Milwaukee headquarters. Approximately 300 employees participated in these programs during 2003.

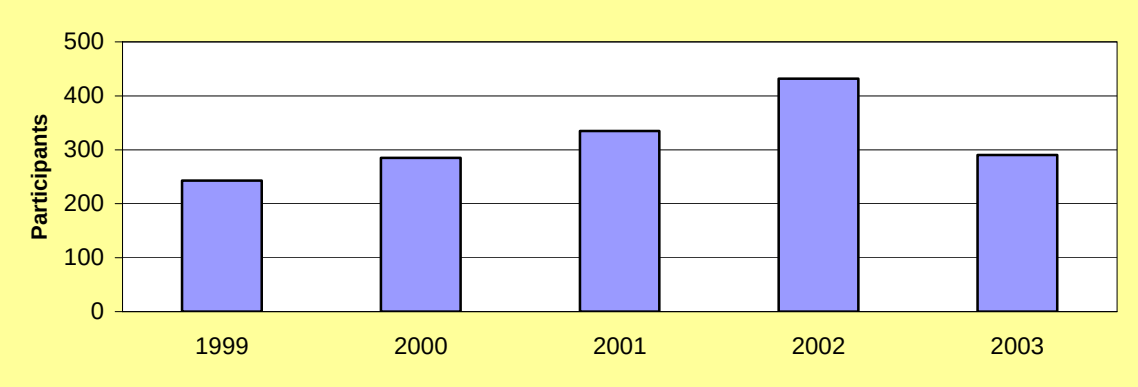
Bicycling. We Energies continued its bicycle commuting program in 2003, holding a "Bike to Work" day and a commuter challenge in which 40 employees participated. Those employees biked a total of 23,864 miles in 1,523 employee-days between May and October. Bike commutes averaged 15.6 miles per day.

Bus transit. To help reduce traffic congestion and vehicular emissions, We Energies allows employees who live in the metropolitan Milwaukee area to pay for bus transit coupons with pre-tax dollars or to buy company-subsidized transit value passes. For bus pass costs, employees pay $18.50 per month and the company pays $23.50. Employees who live outside of counties served by mass transit can receive $26 per month toward coach bus service to Milwaukee. Approximately 250 employees participated in the program during 2003. Employees who ride the bus, but occasionally need a car, are provided free parking 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 in downtown Milwaukee. Three-person and larger car pools receive 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 Program Participation, 1999-2003



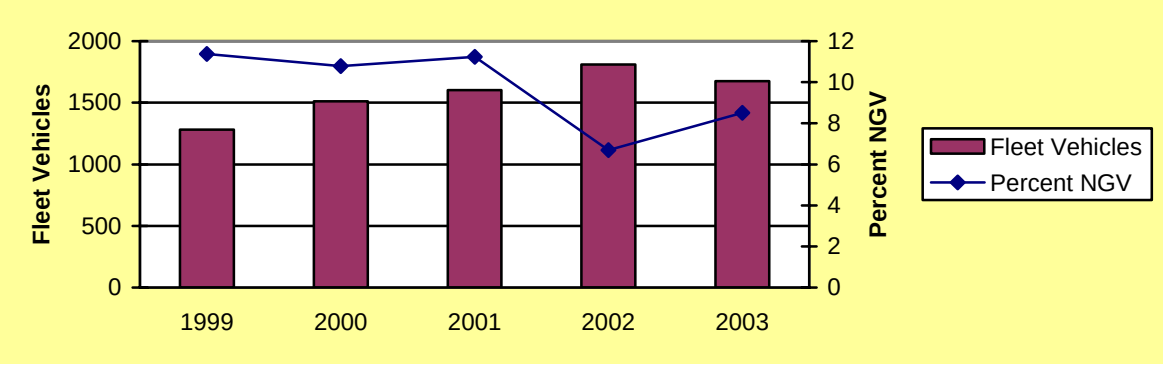
Facility Location

The Minergy Glass Aggregate plant in Neenah, Wisconsin processes paper mill sludge and is centrally located among the area's primary paper sludge generators within Wisconsin's Fox River Valley. By contrast, landfills that previously received the sludge are located in remote rural areas. Consequently, the Minergy plant has significantly reduced trucking distances for paper sludge management. A traffic survey showed that the Minergy plant reduces sludge hauling distances by an average of 33 kilometers per truckload.

Natural Gas Vehicles

We Energies uses compressed natural gas in its fleet to meet the 1992 Energy Policy Act's requirements that alternative fuel providers operating 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 2003, We Energies has operated the largest natural gas vehicle (NGV) fleet in Wisconsin. In 2003, more than eight percent of the company's on-road fleet consisted of NGVs. We Energies used more than 61,400 gasoline equivalent liters of natural gas (based on Btu content) in 2003.

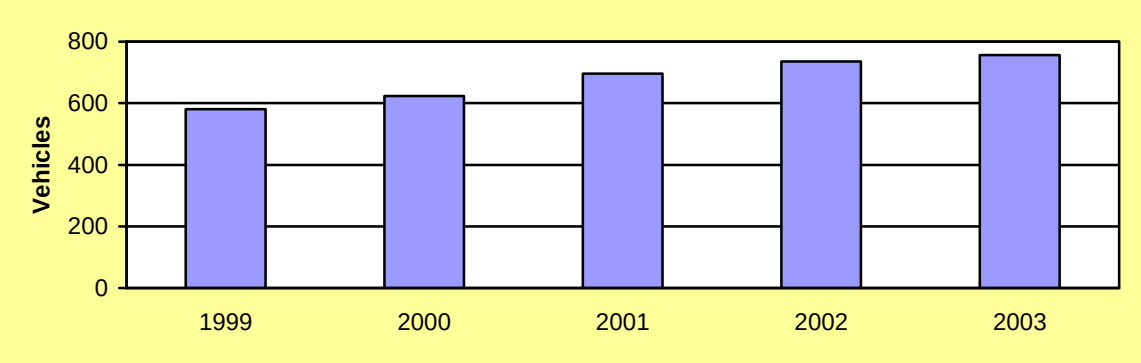
We Energies Fleet Composition, 1999-2003



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 Natural Gas Vehicles. We Energies works with Wisconsin Clean Cities-Southeast Area, Inc., a trade organization that promotes the alternative fuels industry. Clean Cities has recognized We Energies as being responsible for placing more than 700 NGVs on Wisconsin's roads from 1999-2003. Among these are NGVs leased and driven by We Energies employees.

Natural Gas Vehicles on the Road through We Energies Programs, 1999-2003



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. In addition to these public fueling stations, there are nine private CNG stations, including three serving school bus fleets in the company's service territory.

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

ENVIRONMENTAL PERFORMANCE

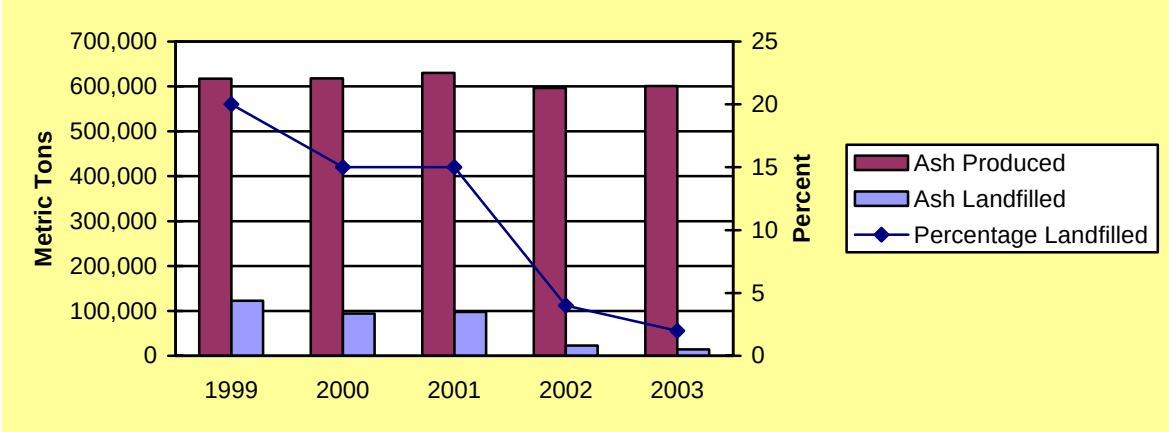
Waste Management

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 risk. (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

We Energies' coal-fueled power plants produce 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 these coal combustion products, the company has continually reduced the amount of ash sent to landfills. During 2003, We Energies land-filled only 14,500 metric tons of ash, or just two 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 2003, the company completed construction of an ash landfill extension adjacent to the company's existing landfill in Michigan. We Energies anticipates this will be the last landfill the company builds, as the company's overall goal is to sell all of its ash for beneficial uses and products. (For information on how We Energies uses power plant ash, see the "Recycled and Recovered Materials" section of this report.)

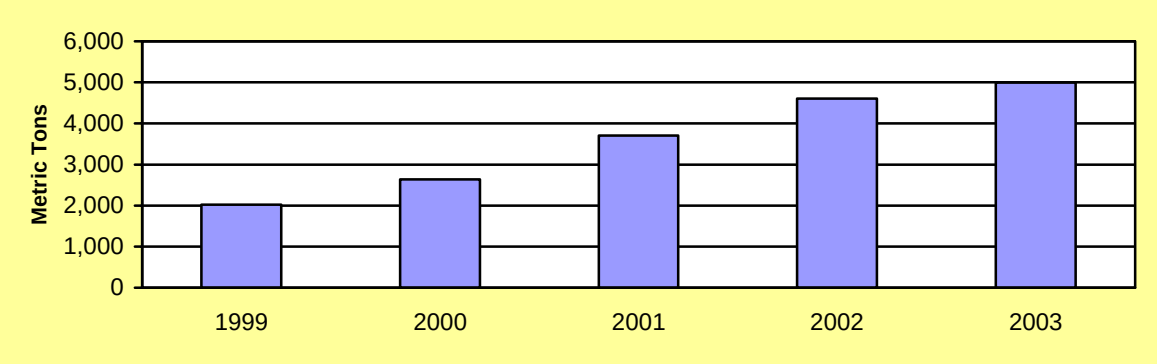
We Energies' Coal Ash Produced and Landfilled, 1999-2003



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

In the past five years, the Minergy Glass Aggregate plant in Neenah Wisconsin has sent approximately 17,000 metric tons of fly ash to the Winnebago County landfill. However, over that same period, the plant has eliminated the landfilling of more than 1.3 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, 1999-2003 (metric tons)



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, and have identified minor waste streams that could be reduced (by using substitutes) or recycled. Environmental awareness and solid waste management training programs for We Energies employees reinforce these practices.

Hazardous Waste

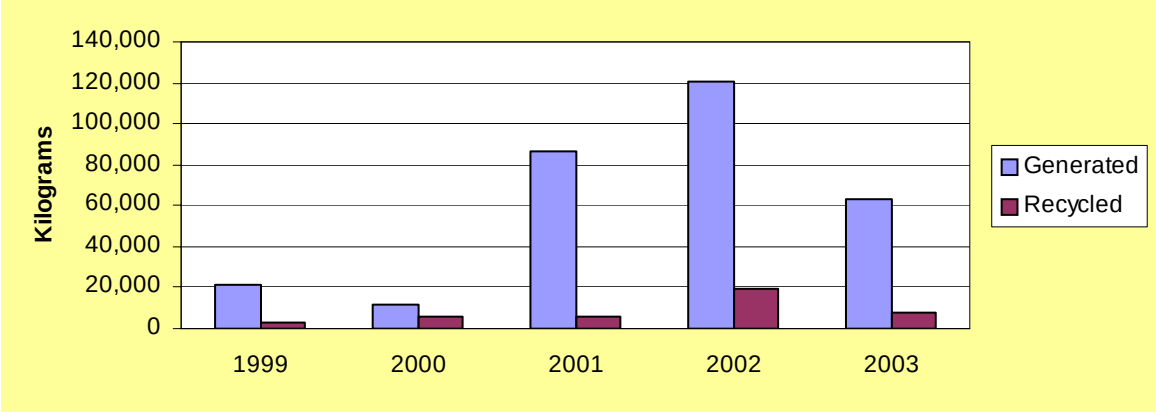
We Energies and Edison Sault Electric Company (ESE) generate hazardous waste regulated by the Resource Conservation and Recovery Act (RCRA). We Energies is the primary generator of these wastes, with only minor occasional quantities of materials generated by ESE. No hazardous waste has been generated by Minergy during the past three years.

We Energies' overall generation of hazardous waste as a direct result of energy production and distribution has generally declined through efforts to eliminate or substitute the use of specific materials. Where possible, materials are recycled. These include used batteries, lamps and electronic waste. During 2003, more than 12 percent of this waste was recycled.

We Energies generates hazardous waste during property clean-up and remediation projects. During 2001-2003 more than half of the hazardous waste generated by the company originated due to special projects to remediate former manufactured gas plants (MGP), acquired contaminated properties, and chemical storage tank removals. Therefore, the overall hazardous waste generation reflects a proactive approach to restore and redevelop previously contaminated properties now owned by the company.

Both We Energies and ESE continue voluntary programs to either replace or upgrade electrical equipment (e.g., capacitors, breakers, regulators, transformers) that were originally manufactured containing PCB oils. This reduces the risk to the environment in the event of a spill. All removed PCB wastes are properly disposed of or destroyed.

We Energies Hazardous Waste Generated, 1999-2003

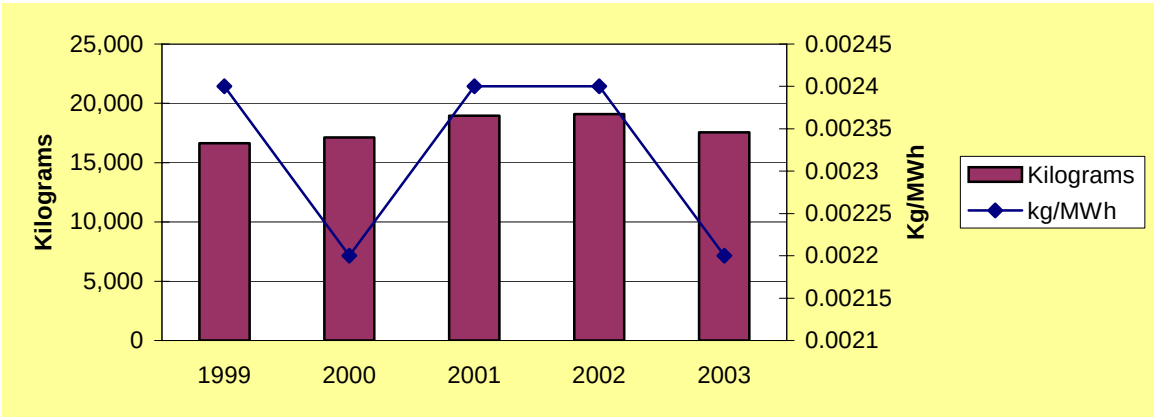


NOTE: Includes hazardous waste from coal and nuclear power plants and electric and gas distribution operations. Charting waste generated per megawatt-hour is not included as it is misleading; all hazardous waste generation is not necessarily a function of electric generation.

Nuclear Spent Fuel

We Energies' Point Beach Nuclear Plant generated 17,552 kilograms (or approximately 0.0022 kilograms per megawatt-hour) of radioactive spent fuel during 2003. Upon removal from the nuclear reactor, spent fuel assemblies are stored in a specially designed water-filled pool inside the plant, and then eventually removed from the pool and placed in dry storage within 103-metric ton steel and secure reinforced concrete casks. The ultimate destination for the spent fuel will be the national repository at Yucca Mountain, Nevada.

We Energies Nuclear Spent Fuel, 1999-2003

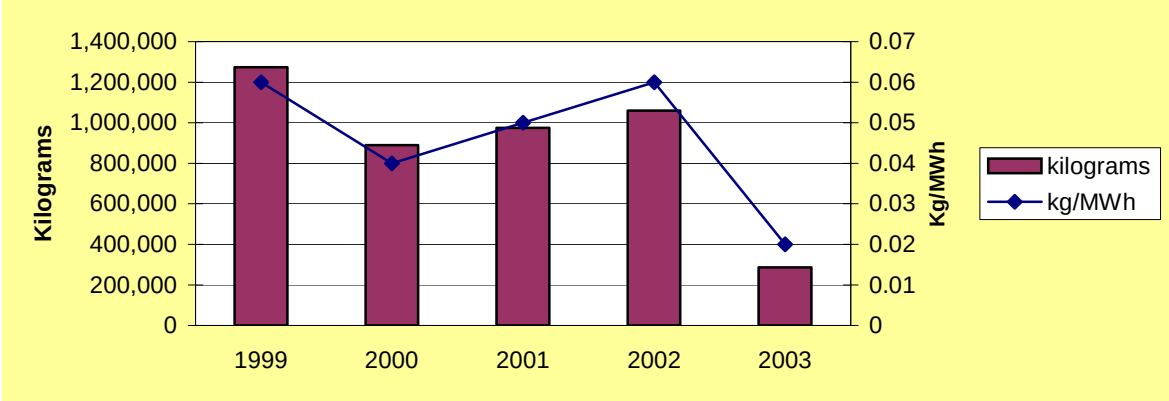


Toxics Release Inventory Land Releases

We Energies has submitted Toxics Release Inventory (TRI) reports to the U.S. Environmental Protection Agency (EPA) since reporting first became required in 1999. We Energies' releases to land decreased by nearly 80 percent from 1999 to 2003. For reporting year 2003, EPA changed the way "source reduction and recycling activities" were classified. As a result, several of We Energies' applications involving coal combustion products (specifically, waste stabilization, soil stabilization and cold in-place asphalt recycling) were more accurately categorized to be "source reduction" activities and therefore were not considered to be releases for 2003.

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, vanadium and other compounds (See figure below). For information on the company's TRI releases to air and water, see the "Air Emissions" and "Water Effluents" sections of this report.

We Energies TRI Land Emissions, 1999-2003



NOTE: We Energies TRI land releases include: benzo(ghi)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. These are briefly outlined below.

Batteries	All lead acid, metal hydroxide, nickel-cadmium and alkaline batteries are collected and managed by certified vendors.
Circuit boards	Printed circuit boards and other electronic equipment are recycled by certified vendors for the recovery of lead, copper and other metals.
Electric transformers	Distribution transformers are either rebuilt internally by We Energies for reuse, or sold for scrap value to a certified recycler specializing in this type of equipment.
Lighting material	Used fluorescent and incandescent lamps are managed by certified recyclers to recover glass, metal, and trace amounts of mercury and lead. Some lighting ballasts contain poly-chlorinated bi-phenyls (PCBs) that are sent to a separate disposal facility.
Mercury	Mercury-containing waste from retired metering and monitoring equipment is managed by a certified recovery and disposal facility.

ENVIRONMENTAL PERFORMANCE

Water Effluents

Power Plants

Wisconsin Energy Corporation's (WEC) primary discharges to water consist of cooling water used by the coal-, natural gas- and nuclear-fueled power plants operated by We Energies. All We Energies power plants have National Pollutant Discharge Elimination System (NPDES) permits issued by the Wisconsin Department of Natural Resources or 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 wastewater 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 also are monitored in some of the power plant discharges. Whole effluent toxicity testing is required at some plants to ensure that the effluent does not harm aquatic life in the receiving water.

Plant staff monitor temperatures on the intake and discharge ends of the plant since water temperature can affect aquatic life. Comprehensive studies have demonstrated that warm water discharges from these plants do not significantly affect aquatic organism biodiversity. We Energies' 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 occasional, minor exceedances, We Energies' power plants consistently comply with all NPDES permit requirements.

Total suspended solids (TSS) and pH monitoring is required by the plant NPDES permits. Monitoring generally occurs daily, weekly or monthly, depending on the specific plant permit. The TSS limits are a monthly average of 30 milligrams per liter and a daily maximum of 100 milligrams per liter. Some plant outfalls also have a TSS mass limitation. Plant permit discharge limits for pH are typically a minimum of 6.0 and a maximum of 9.0, depending on the facility.

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. Oil and grease results for We Energies' power plants are usually less than the detection limit of 0.7 millgrams per liter. From 1999 through 2003, the maximum reported O&G values at We Energies' power plants, representing one time events, were as follows:

- Concord Generating Station 3 mg/l
- Germantown Power Plant 9 mg/l
- Milwaukee County Power Plant 2 mg/l
- Oak Creek Power Plant 2 mg/l (for 2000-2003)
- Paris Generating Station 1 mg/l
- Pleasant Prairie Power Plant 5 mg/l
- Point Beach Nuclear Plant 11 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. 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 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 typically are less than the detection level, which varies from 0.010 to 0.020 milligrams per liter, because these facilities dechlorinate the effluent prior to discharge. No TRC exceedances were reported in 2003.

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 collect and analyze monthly samples to measure recoverable copper and aluminum in the water. Almost all of the aluminum in the water is simply what occurs naturally in Lake Michigan. Both the copper and aluminum concentrations in the cooling water discharge are well below levels allowed by Wisconsin water quality standards.

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 them harm. We Energies' facilities passed all toxicity testing between 1999 and 2003.

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.

Presque Isle Power Plant

On May 14, 2003, an earthen dam owned and operated by an unaffiliated utility failed at the Silver Lake Basin in Michigan's Upper Peninsula, resulting in excessive flooding of the Dead River. On May 15, 2003, the earthen dam at the Marquette Tourist Park also failed, causing catastrophic flooding of the lower Dead River and Presque Isle Power Plant. As a result of the flood, the Presque Isle Power Plant was not operational from May 15 until June 8, when the first generating unit returned to service. All units were brought back into service before the end of July 2003.

Because of the flood, an oil sheen was noted on the water draining from a plant warehouse. Oil released was estimated to be less than 10 gallons. The Pollution Emergency Alert System, National Response Center and the U.S. Coast Guard were all notified and steps were taken to remedy the situation. No other releases from the plant occurred as a result of the flood.

Hydroelectric Plants

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. We Energies studies conducted during the 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 issues at Michigamme Falls were addressed in 2002 with a new turbine generator and increased minimum flows. Continued monitoring occurred in 2003 and 2004 to ensure that the problem has been resolved. Plans are being developed to address similar situations at the other two dams. Monitoring at Peavy Falls was expanded in 2003 to ascertain the downstream extent of the low DO regions in the river segment that connects Peavy discharge with Michigamme Falls flowage. At Way Dam, the plant began spilling water (which sends more highly oxygenated water downstream) when the DO dropped below 5.0. During July through early October 2003, the plant only spilled water instead of generating electrical power

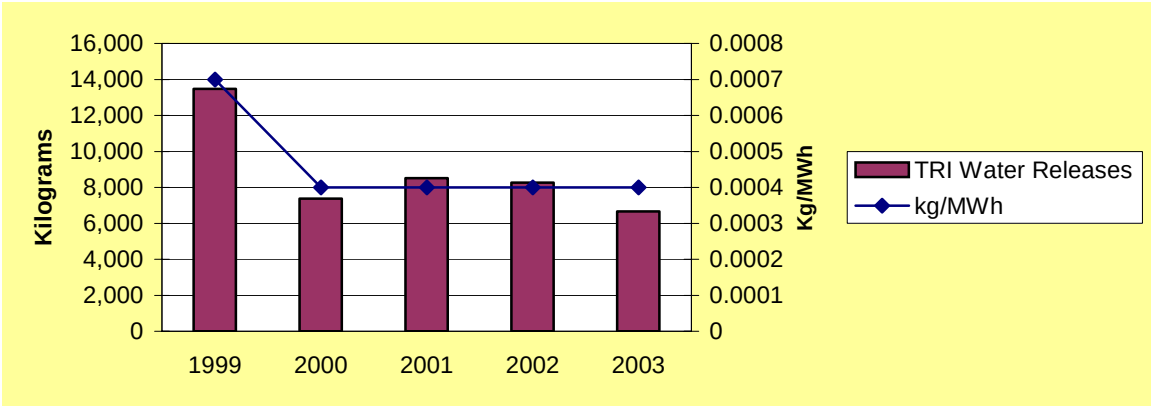
The licenses also require We Energies to periodically measure sediment levels and analyze fish for contaminants that may accumulate in the sediments retained by the dams. Selective hydroelectric facilities are sampled annually.

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 reporting first became required in 1999. We Energies' releases to water decreased by nearly 50 percent between 1999 and 2003 due to waste minimization and changes in effluent flow rates at some power plants. The main TRI reportable water releases have been 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.

We Energies TRI Water Emissions, 1999-2003



NOTE: We Energies' TRI water releases include benzo(ghi)perylene and compounds of barium, chromium, copper, lead, manganese, mercury, nickel, thallium and zinc.

Minergy's Neenah, Wisconsin facility had no reportable TRI releases to water during 2003 or prior years.

See the "Environmental Compliance" section for more information. For more information on water use and watershed impacts, see the "Water Use" section of this report.

ENVIRONMENTAL PERFORMANCE

Water Use

Wisconsin Energy Corporation (WEC) uses large amounts of surface water mainly because the corporation's primary utility business, We Energies, needs water to cool its six major 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 after passing through the plant, except that it is slightly warmer. More than 99.9 percent of the water goes back to the lake or river from which it was drawn. Based on extensive studies, this cooling water has minimal impact on aquatic ecosystems. Certain fish species can be injured or killed if drawn into We Energies' cooling water systems. To address this problem, the company has developed fish protection systems.

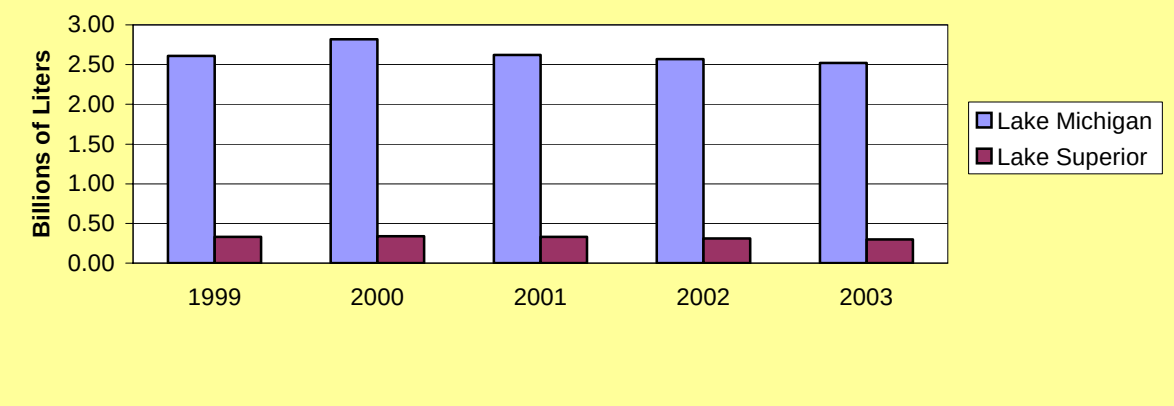
The We Energies' power plants and associated water bodies include the following

- Presque Isle Power Plant (Michigan) — Lake Superior
- Point Beach Nuclear Plant — Lake Michigan
- Port Washington Power Plant — Lake Michigan
- Oak Creek Power Plant — Lake Michigan
- Pleasant Prairie Power Plant — Lake Michigan
- Valley Power Plant — Menomonee River

We Energies' Presque Isle Power Plant withdraws and discharges its cooling water and treated wastewater into Lake Superior. The plant returns 99.9 percent of the cooling water withdrawn, and the quality of the water returned to the lake is better than required by the state of Michigan and the federal Great Lakes Water Quality Initiative. The heat in the cooling water discharges are within the plant's state permit discharge limits.

The Oak Creek, Pleasant Prairie and Port Washington power plants and Point Beach Nuclear Plant draw cooling water from Lake Michigan. Oak Creek, Point Beach and Port Washington use open cycle cooling and have impacts similar to Presque Isle Power Plant. Because of its distance from Lake Michigan (8 km), Pleasant Prairie Power Plant uses two mechanical draft cooling towers to reject heat to the atmosphere through a wet evaporative cooling process. The cooling towers release a total of 37.8 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.

We Energies Great Lakes Water Use, 1999-2003

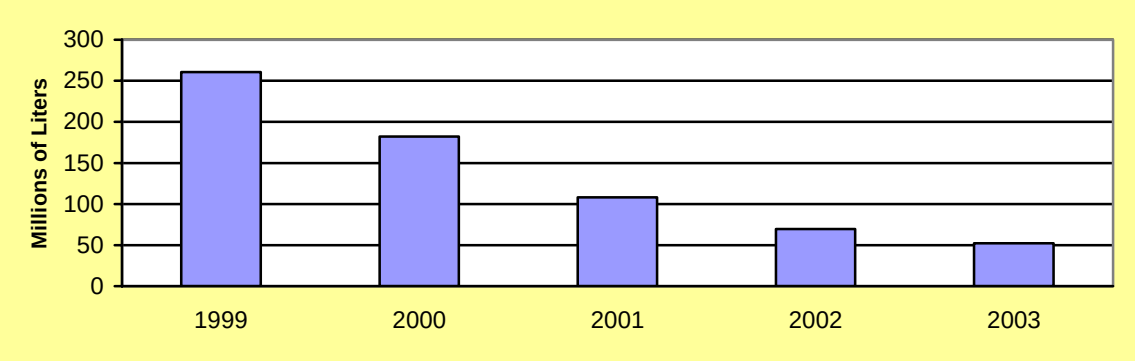


The Valley Power Plant in Milwaukee, Wisconsin withdraws water from the Menomonee River a short distance upstream from its confluence with Lake Michigan. The plant uses open cycle cooling and discharges water to the South Menomonee Canal, which feeds back into the Menomonee River. The plant affects the river and Milwaukee Harbor by inducing additional circulation of water into the lower segment of the river. The plant's thermal effects comply with federal and state requirements.

The Milwaukee County Power Plant uses water purchased from the City of Milwaukee. Water use by the plant is a small percentage of the other plants due to its size and the use of closed loop cooling towers.

We Energies' three combustion turbine 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. Water also is used for NO_x control. Purified groundwater is injected into the combustion process to reduce flame temperatures to levels needed to minimize NO_x production and emissions to the air. The water used for NO_x control is lost to the atmosphere.

We Energies Groundwater Use for Power Generation, 1999-2003



For more information on thermal and other water discharges, see the "Water Effluents" section of this report.

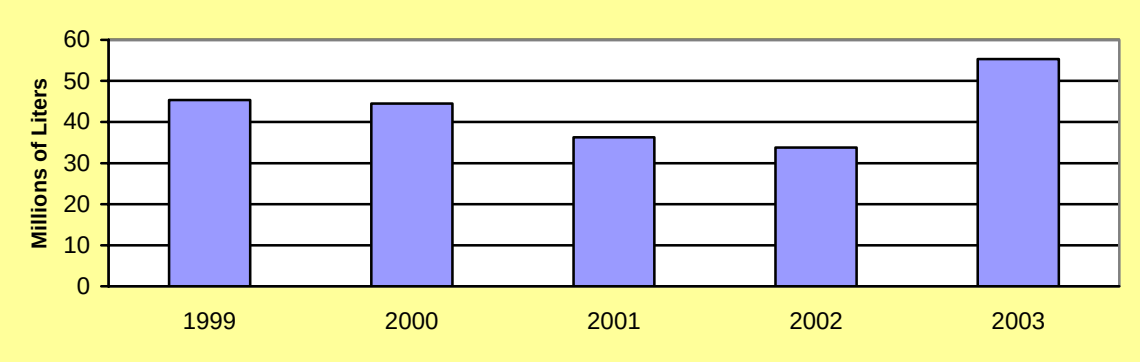
We Energies also "uses" water at 14 hydroelectric power plants on rivers in Wisconsin and Michigan's Upper Peninsula. Under licenses granted by the Federal Energy Regulatory Commission, the company is required to operate these plants in a manner that maintains state water quality standards for downstream temperature and dissolved oxygen. Except for occasional difficulty in maintaining dissolved oxygen levels at three of the dams, the company's hydroelectric facilities have met the standards 100 percent of the time. For more information on these water quality standards, see the "Water Effluents" section of this report.

Edison Sault Electric Company's hydroelectric plant operates on the St. Mary's River on the U.S./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 downstream from Lake Superior.

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 illustrated below.

Minergy Water Use, 1999-2003



Watersheds

WEC's primary impact on watersheds is its use of cooling water for its power plants located in the Lake Michigan and Lake Superior watersheds. 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 meet existing state and federal standards.

The Germantown combustion turbine (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 rural locations, these natural gas-fueled plants have no adverse impacts on these watersheds, including the groundwater aquifers.

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. The Brule and Pine hydro facilities have fish protection systems to reduce fish entrainment, and 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. 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 enhance the "quality of life" in the rivers downstream of these projects by providing aquatic species a better opportunity to reproduce and complete their life cycles.

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 are 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.-Canadian

agreement. However, in 2002 the Commission 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 restrictions 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.

SOCIAL PERFORMANCE

Employment

Employee performance is critical to the corporation's success. In 2004, all employees have been asked to focus on enterprise-wide performance. Individual performance will be measured by a common set of behaviors and leadership competencies. In announcing the leadership success model in November 2003, Wisconsin Energy Corporation (WEC) President, Chairman and Chief Executive Officer Gale Klappa said, "We need to hold each other accountable for demonstrating the top four competencies directly linked with business success -- customer focus, sense of urgency, delivering results and financial discipline. These competencies will be included in the performance plans of all management employees in 2004."

Net Job Creation and Turnover

In 2003, total employment fell by a slight margin. Below is a detailed chart showing the number of WEC employees as of December 31, 2003:

WEC Employee Count 2003*

	Full Time Employees		Part Time Employees		Total Employees	Represented By Labor Agreement
	Reg	Temp	Reg.	Temp		
Wisconsin Electric	4950	62	131	3	5146	3542
Wisconsin Gas LLC	649	0	52	0	701	567
Edison Sault	66	0	3	0	69	47
WEC Holding Co.	12	0	1	0	13	0
We Power	32	0	0	0	32	0
Wisvest	15	0	0	0	15	0
Wispark	13	0	0	1	14	0
Minergy	35	0	0	3	38	0
Northern Tree Service	11	0	0	0	11	0
WICOR Industries	2941	0	11	0	2952	98**
WEC Total	8724	62	198	7	8991	4254

*Data includes full-time and part-time regular and seasonal employees
** Foreign employees

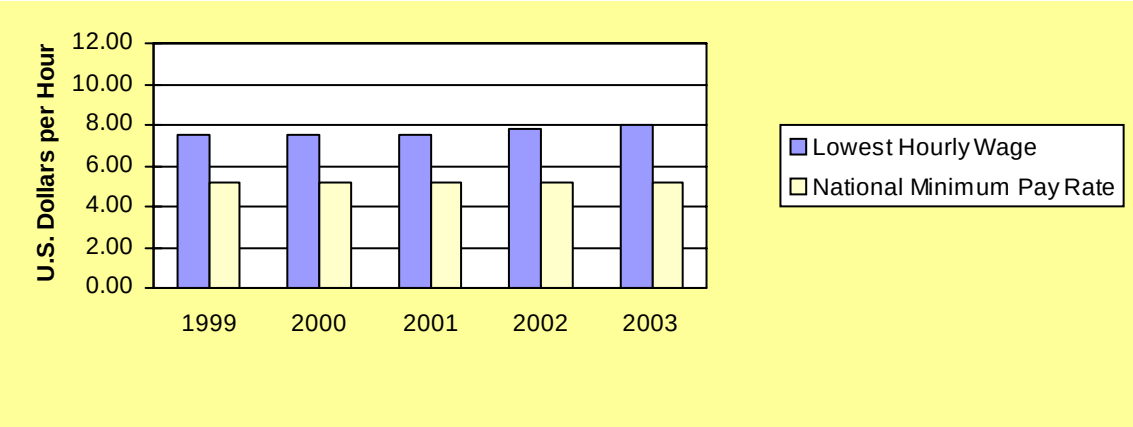
We Energies centralized the process for filling vacancies, or adding to staff, in order to better manage costs associated with labor. The attrition rate was two percent. At Edison Sault Electric the attrition rate was just under three percent.

Wages and Benefits

Over the last five years, We Energies' lowest wages were higher than the National Minimum Wage of $5.15.

Managing benefits costs has become critical to controlling the costs of all WEC companies. Benefits represent on average 34 percent of a We Energies' employee's wages, and 33 percent at Edison Sault Electric.

We Energies Lowest Pay, 1999-2003



Every October, We Energies employees can choose from several benefit options, including health, dental, life and accident insurance, vision care discounts, prescription drugs, long-term disability, purchase of additional vacation time, and pre-tax health and dependent care saving accounts. We Energies offers flexible work hours, holidays, vacation and sick leave, cellular telephone and personal computer plans, retirement savings plan, and tuition reimbursement. The company offers many training programs. It also provides a paid-time-off program, including Family Medical Leave. Employees are eligible for a cash-balance pension plan, which includes a company contribution of five percent of base salary, and a credit of at least four percent of salary, which may vary based on financial results.

The Employee Mutual Benefit Association (EMBA) is a fraternal organization offering sickness and accident insurance (disability). The EMBA manages many social and recreational programs for active and retired employee participation. It also manages the 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.

The WEC daughters and sons scholarships are given to eligible college-bound children of WEC employees and retirees. The ConSern scholarship program is another benefit that offers affordable and convenient ways to help cover the costs of higher education.

The We Energies Learning and Development training council promotes continuous skill enhancement through a variety of targeted training programs for all employees. We Energies joined other area businesses in offering training to skilled workers interested in utility work. The company awarded Utilities Construction Certificates to the first graduating class in 2003. The company offers several training programs, such as:

- Customer Relations and Conflict Management training
- Workplace Harassment Prevention
- Communication Skills
- Ethics Learning
- Electric and Gas Fundamentals & Overview
- Foundation for Leadership and Excellence in Interpersonal Communications
- Leading Diverse Teams
- Safety & Ergonomics Training

SOCIAL PERFORMANCE

Labor/Management Relations

Union Representation

Labor unions represent 4,109 of 5,847 We Energies' employees (70 percent). Following 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, 164 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), 472 employees.** Represents fossil-fueled plant operations and maintenance employees, as well as maintenance employees in downtown Milwaukee.
- **Local 7-0018 Paper, Allied-Industrial, Chemical & Energy Workers (PACE), 203 employees.** Represents employees in gas, water, metering and supply in Milwaukee, Wisconsin, and other portions of southeastern Wisconsin.
- **Local 7-0018-1, PACE, 225 employees.** Represents employees in certain office, clerical and customer service functions in southeastern Wisconsin.
- **Local 7-0018-2, PACE, 10 employees.** Represents employees in custodial functions in southeastern Wisconsin.
- **Local 7-0111, PACE, 67 employees.** Represents employees in gas, maintenance, metering, supply, customer service, office and technical functions in Lake Geneva, Wisconsin, and surrounding areas.
- **Local 12005, United Steel Workers of America (U.S.W.A.), 189 employees.** Represents employees in gas, maintenance, supply and metering functions in several southern Wisconsin counties.

At Edison Sault Electric Company, **47 employees** (70 percent) 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.

At the Edison Sault Electric Company, employee input on procedures is formally sought at monthly operations meetings and at an annual "all hands" meeting.

SOCIAL PERFORMANCE

Health and Safety

Employee and public safety are of utmost importance at Wisconsin Energy Corporation (WEC). Unfortunately, 2003 was a year where We Energies experienced one employee fatality.

Public Safety

WEC is committed to educating the public about the potential hazards of its energy systems and products.

We Energies personnel work closely with the news media to enlist their help in educating the public about being safe around electrical and natural gas services. The company uses visuals, such as “Mr. Ouch” labels, to warn people, especially children, to stay away from electrical equipment. It also provides emergency first responder safety training for local police and fire departments. In 2003, the company continued its public safety campaign. Safety messaging appeared during the summer on multiple media channels throughout the service territory.

The Customer Services department implemented a plan to identify and address existing electric and natural gas service to vacant, abandoned or boarded up properties. This new initiative will not only increase public safety, but also decrease the possibility of energy and equipment theft.

The company implemented measures in response to raised threat levels. Employees are encouraged to be alert to unknown individuals or suspicious people or activities.

As part of National Safety Month, the We Energies' Public Safety Committee introduced a public safety hazard awareness video titled, “Keeping the Public Safe: Make the Call.” The video reinforces the important role employees play in reporting public safety hazards and encourages employees to “make the call” if they spot a public safety hazard.

We Energies promotes safety to targeted audiences (children, adults, employees and others) as well as to the general public. Events include:

- Excavator Safety Meetings, focused on preventing damage to underground and overhead utility facilities.
- Electric safety presentations to school children. We Energies Kids PowerFest teaches children about electricity and its safe use and features displays, games, activities and exhibits.
- “Energy Park” at the Wisconsin State Fair, where adults and children learn about electric and natural gas safety through literature, demonstrations and a children’s play.
- Lineman’s and Gas Operators’ rodeos, where teams compete in activities that enhance skills and safety.

Edison Sault Electric Company continued drafting the new Eyes and Ears Public Safety program for the general public and in the local schools. This is expected to be rolled out in 2004.

We Energies formalized its focus on managing business continuity issues. A new position, assistant vice president – Business Continuity, was established to lead the development and implementation of business continuity and recovery plans throughout the organization. Employees from a number of departments participated in drills to test the company's readiness to respond to a variety of power supply and transmission service situations in the summer months.

Employee Safety

In 2003, the Wisconsin Council of Safety and the Department of Workforce Development recognized We Energies with the 2002 Wisconsin Corporate Safety Award in the utility category. However, in 2003 the company's safety performance was not satisfactory. In the summer of 2003, We Energies experienced one fatality. A full investigation followed the accident, and although proper procedures were in place, the company reinforced the importance of following established procedures.

At Edison Sault Electric Company, 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. In 2004, Edison Sault Electric Company will establish formal plans to continue improved safety results.

Ergonomics Initiatives

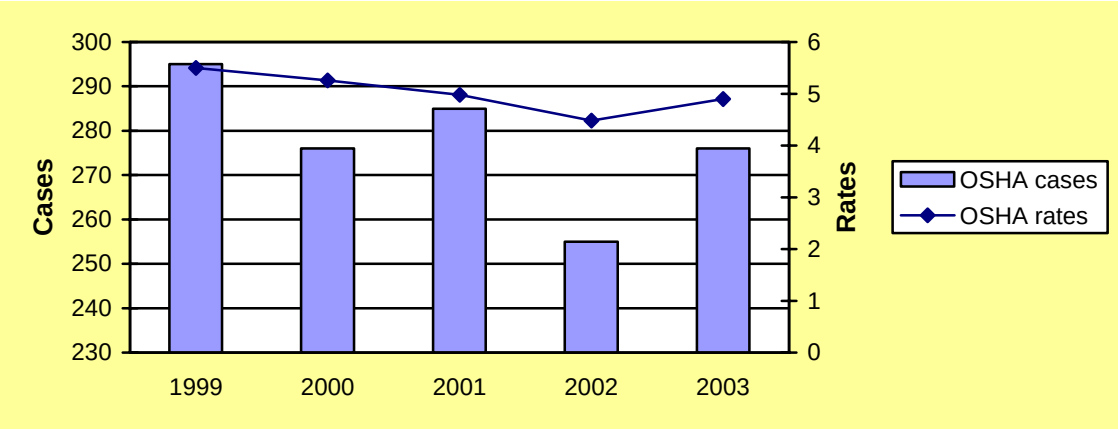
The Electric Power Research Institute (EPRI) continued its second and third ergonomics studies for underground workers, capitalizing on the successful reception of the overhead ergonomics study. The second handbook for manual and vault applications will be published in early 2004, the third in 2005. We Energies has been the host utility for these studies, and benefits from being directly involved in formulating ergonomics solutions. The EPRI studies are conducted under the direction of experts at Marquette University in Milwaukee, Wisconsin.

We Energies entered into a contract at the end of 2003 with the Gas Technology Institute and seven other utilities to also analyze ergonomics in gas operations' occupations. These will be conducted with researchers from the University of Wisconsin-Madison, Marquette University, and the University of Utah. Short-term ergonomics projects for custodians, maintenance workers and cafeteria staff have been done with the Milwaukee School of Engineering. In each case, the studies have been well-received and implemented.

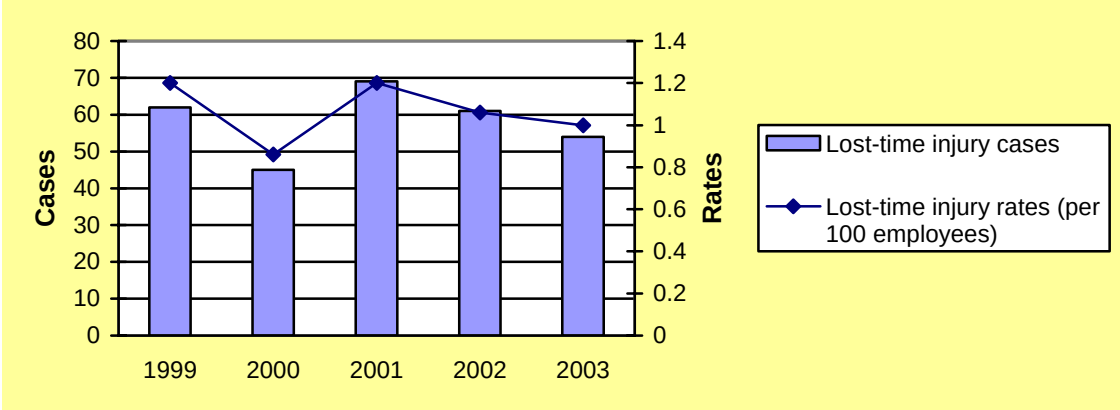
Standard Injury & Lost Day Rates

Safety performance has been inconsistent at We Energies. Beginning in 2001, safety performance includes data for Wisconsin Gas Company (now Wisconsin Gas LLC).

We Energies OSHA Statistics, 1999-2003

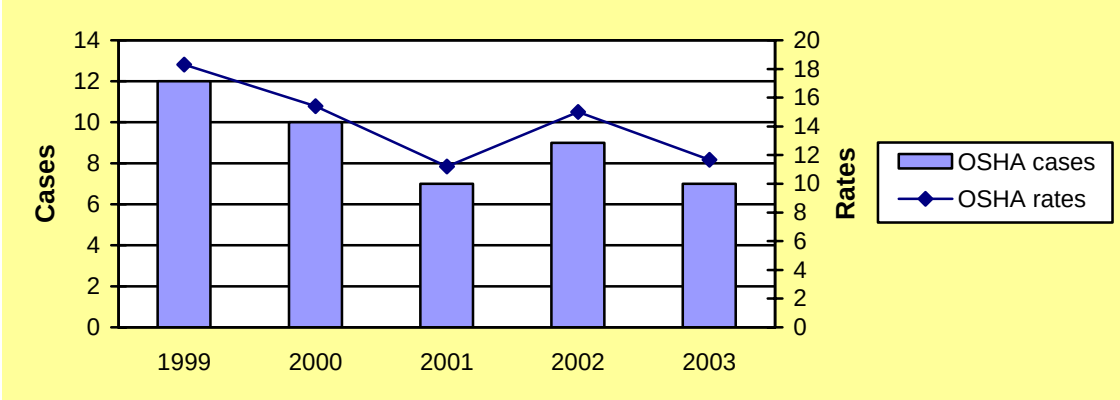


We Energies Lost Time Injury Statistics, 1999-2003

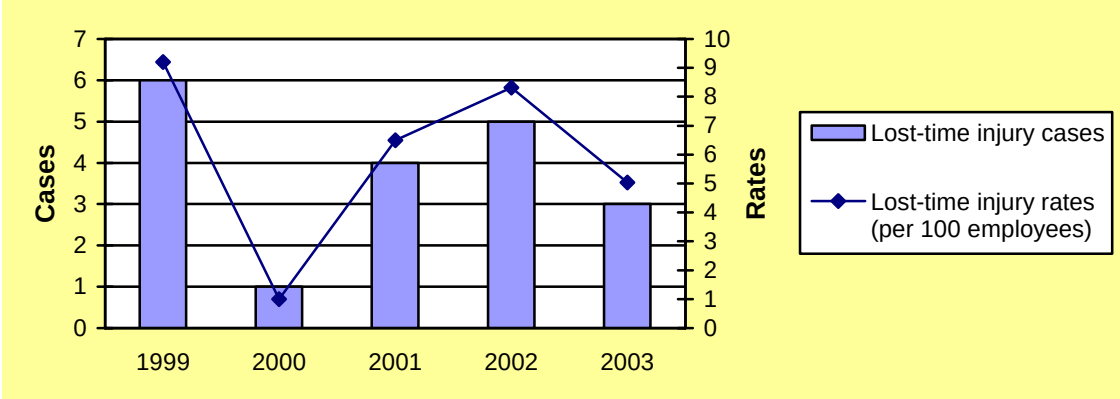


Edison Sault Electric Company's safety performance has also been inconsistent:

Edison Sault Electric Company OSHA Statistics, 1999-2003



Edison Sault Electric Company Lost Time Injury Statistics, 1999-2003



Policy and Programs on HIV/AIDS

At least once each year, We Energies and Edison Sault Electric Company 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. The companies comply with the OSHA Blood-Borne Pathogen Standard.

Employee Health

We Energies offers a variety of resources, including the LifeStyle Rewards (LSR) incentive program which rewards employees for positive health behaviors. In 2003, more than 3,200 employees registered for the program. To support their continued efforts, employees who completed the program received $300 paid in monthly installments over a calendar year. In 2003, LSR awards totaled $543,400 (payable in 2004). That's a significant increase from the $482,700 paid in 2003 for 2002 LSR participants.

A comparison in medical claims cost between Lifestyle Rewards participants and non-participants showed that LSR participants were 6 percent less costly than non-participants. Maintaining low risk status is an important cost factor. A risk appraisal is done for every LSR participant. The aggregate findings showed that 66 percent of participants fall into the low risk category. During the 2003 fall registration for LSR 2004, the company initiated an effort to re-engage past participants as well as newer participants. It was called the 'Buddy-Up' program and was designed to create additional support for employees new to the LSR program. Initial results show the company was successful in reaching 400 new/past participants through 325 current program participants.

In 2003, We Energies received the Wellness Council of America's Silver Well Workplace Award for its outstanding health promotion at work. Locally, We Energies supports workplace wellness through its involvement with the Wellness Council of Wisconsin.

SOCIAL PERFORMANCE

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. For example, the WEC Foundation sponsored the YMCA Black Achievers program, designed to support and encourage African-American youth in the areas of academics, careers and leadership development.

Policies and Initiatives

Policies cover equal employment opportunity and affirmative action for minorities, women, veterans and individuals with disabilities.

Education

We Energies held its fourth diversity summit during 2003 to expand employees' knowledge of different cultures and the challenges companies face in attracting and retaining employees. We Energies also conducts diversity training and education workshops for employees throughout the year.

Promotion and Recruitment

The WEC board of directors approved the inclusion of workforce diversity strategies as a key enterprise goal for 2004 to be reflected in management's compensation. Although based on qualitative assessment, it does highlight the importance of setting the right strategies to attract, hire and promote women and minorities at all levels of the corporation.

We Energies, 1999-2003

	2003	2002	2001	2000	1999
Officials & Managers at We Energies	225	247	222	146	149
% Women Officials & Managers	19%	19%	23%	20%	28%
% Minority Officials & Managers	10%	10%	7%	7%	7%
% Women on BOD	10%	11%	11%	30%	20%
% Minorities on BOD	30%	33%	20%	20%	11%
% of all employees who are women	31%	31%	31%	28%	23%
% of all employees who are minority	12%	13%	13%	10%	10%

Supplier Diversity

In 2003, supplier diversity became a company-wide goal for We Energies under the leadership of the director, Supplier Diversity Initiative. Although the company did not meet the goal of $25 million first and second tier expenditures, it made progress toward increasing direct and second tier expenditures with women and minorities. Results were:

- $10,119,021 in direct spending
- $10,413,944 in second tier spending

In 2003, the initiative redefined which dollars would be considered for inclusion in the results for supplier diversity. Also, all vendors must show proof of Minority/Women Business Enterprise (M/WBE) certification.

WEC sponsored the National Association of Minority Contractors (NAMC) 34th Annual National Conference in the summer of 2003.

The director, Supplier Diversity Initiative, was selected as the state of Wisconsin's Department of Commerce 2003 Supplier Diversity Executive of the Year. Other recognition included:

- Wisconsin Supplier Development Council's Vision Award
- The Business Council (an affiliate of the Metro Milwaukee Association of Commerce) Supplier Diversity Award of Distinction
- National Association of Minority Contractors-Wisconsin Chapter Corporate Award

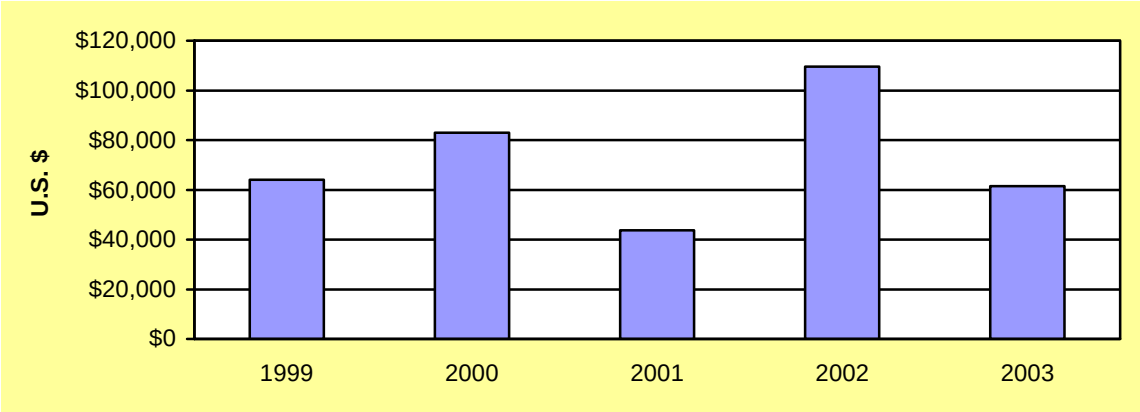
SOCIAL PERFORMANCE

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's PACs 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 make the decisions on how and where dollars are spent.

WEC - PAC Disbursements, 1999-2003



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 WEC Code of Business Conduct also prohibits employees from obtaining access to or using any sensitive company information for any purpose other than the performance of that employee's assigned duties."

Bribery and Corruption

WEC's Code of Business Conduct addresses situations that could lead to corruption, bribery and other improper or illegal behavior on the part of an employee. 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. In 2003, WEC implemented an e-learning online training program for the Code of Business Conduct. All management employees were required to participate in the training and also to obtain certification at the end of the course. In 2004, it is expected that all remaining employees will participate.

SOCIAL PERFORMANCE

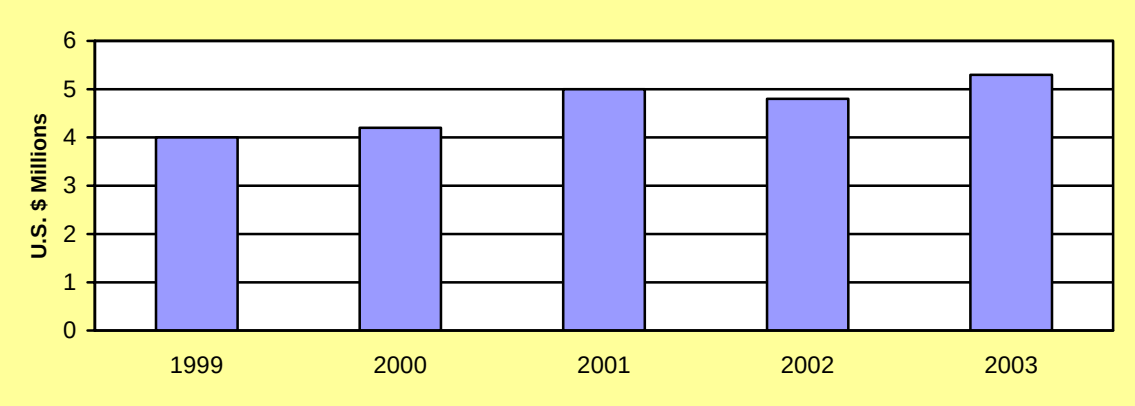
Community Investment

The WEC Foundation supports charitable organizations to enhance quality of life and advance WEC business interests. A six-member board of directors advises the Foundation. Separate employee panels approve and recommend grant amounts.

In 2003, 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.
- Employee panels advising on grant decisions.

WEC Foundation Distributions, 1999-2003



Grants are given to:

- Demonstrate good corporate citizenship
- Encourage and support employee involvement through matching gifts programs
- Support organizations that are needy – emergency funds, food banks
- Enhance environmental initiatives
- Support corporate initiatives and priorities

In 2003, the WEC Foundation:

- Invested $5.3 million in communities in which it does business (over $67 million over the past 21 years).
- Gave more than $1 million to United Way agencies throughout Wisconsin and Upper Michigan.
- Was one of eight local corporations whose annual combined corporate and employee gifts to the United Way of Greater Milwaukee exceeded $1 million.
- Gave 1.41 percent of WEC's net pre-tax income. (The average giving among United States utilities was 0.8 percent of net pre-tax income in 2002.)
- Matched more than $830,000 in active and retired employee gifts to the arts, environmental initiatives and schools.

In addition to the Foundation, WEC and its subsidiaries participate in many events and programs. We Energies 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 served by the company. Employees donated more than 7,200 hours of service to the community in 2003. This figure reflects *Team Energy* activities as well as the outreach efforts of various departments and business units. This is an increase of more than 1,200 hours over the 2002 total employee volunteer hours. Examples include:

- 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.
- The *We're ready to learn* project, which provided Lands' End backpacks and duffel bags and school supplies to more than 2,500 children for the start of a new school year.
- Team Energy sent 120 employee volunteers to 42 schools to read Dr. Seuss books during the National Education Association's (NEA) *Read Across America* program.
- Through the 2003 Team Energy *Holiday Gift Giving* program, more than 1,500 holiday gifts were collected and distributed by 18 agencies in the Wisconsin and Michigan service territories.
- We Energies had the largest corporate team and placed third in total fund raising with over $12,000 for the Metro Milwaukee Heart Walk.
- Point Beach Energy Center held its seventh annual Super Science Bowl. The event matched 13 high school teams in a competition of knowledge and analytical thinking.
- We Energies sponsored the 9th *Take a Child to Work Day*.
- Employee volunteers raised $27,520 for the ALS (Amyotrophic Lateral Sclerosis - Lou Gehrig's disease) Association of Southeast Wisconsin by staffing a parking lot over the 11-day run of the Wisconsin State Fair
- We Energies raised more than $3,500 through a Harley motorcycle raffle in support of the Next Door Foundation's new family center in Milwaukee's Metcalfe Park area. In addition, company employees planted flowers and helped clean up the neighborhood.

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.

SOCIAL PERFORMANCE

Human Rights

Human rights are assured by the Constitution of the United States. 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

We Energies supports the freedom of its employees to choose representatives for collective bargaining and to engage in good faith in collective bargaining with recognized bargaining representatives.

Supply Chain Decisions

Supply Chain has implemented the following policies to ensure We Energies does business with qualified suppliers who share the company's philosophies:

- **Compliance Certificate.** Suppliers and contractors hired by the company must sign a non-discrimination compliance certificate.
- **Direct Hire Sharing Philosophy.** We Energies 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.
- **Project Labor Agreement.** An agreement by and between WEC 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 WEC'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

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' prices and services are regulated by the Public Service Commission of Wisconsin, and in the state of Michigan, they are 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).

SOCIAL PERFORMANCE

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.

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.

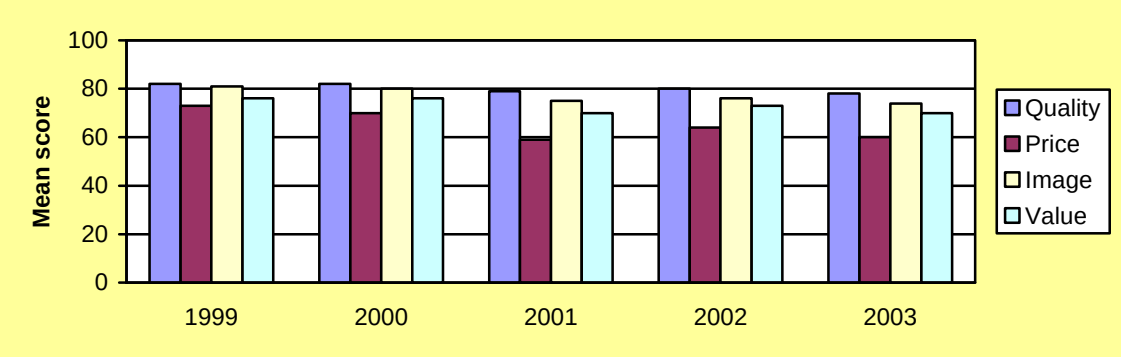
Advertising

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 meets all BBB *OnLine* Reliability participation and BBB membership standards.

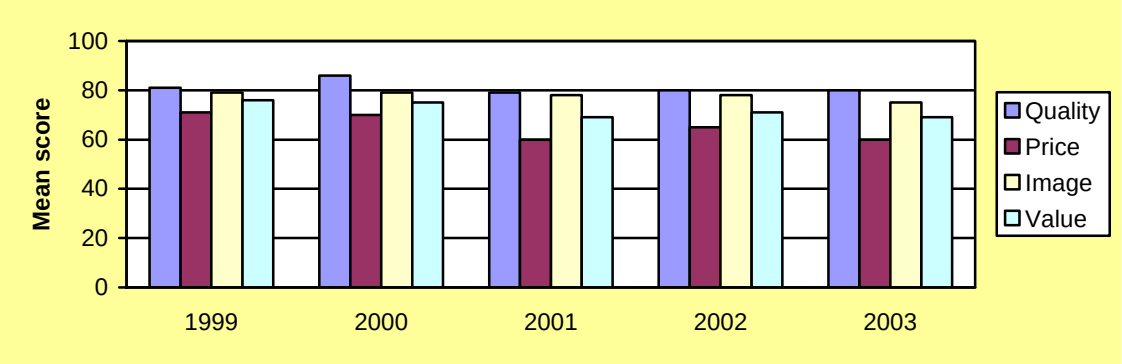
Customer Satisfaction

Several WEC subsidiaries track customer satisfaction. Customer Value Added (CVA) research was the primary means We Energies used to determine customers' perceptions of its products and services in 2003. Each quarter, the results were compared to those of other regional utilities. The CVA information helped measure progress in moving toward excellence in customer service. It also enabled We Energies' leadership to prioritize projects and resources affecting performance based on what the customer identified 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 tracked perceptions of its **image** as a company. The tables below show the overall mean scores for CVA, based on a maximum of 100 points. CVA has declined over the past five years, and the company lags most other utilities in many of the attributes.

We Energies Consumer CVA, 1999-2003



We Energies Business CVA, 1999-2003



We Energies is not satisfied with these results. A number of initiatives were launched in 2003 to help improve customer satisfaction. Key initiatives included:

- Establishing a “We Care” call back program, where employees initiate thousands of call backs per week to customers who have experienced an outage, have had a new service installed or contacted us for general service. The purpose of the call is to ensure that the customer is completely satisfied with the service provided.
- Making Wisconsin Home Energy Assistance Program funds available for low-income qualifying customers to help pay their energy bills.
- Launching the Employee Customer Care Line, designed to enable all employees to respond to customer concerns or dissatisfactions at any time.
- Initiating a customer communications campaign to address customer price perception. The perceptions that residential customers have about the cost of their energy influences their overall satisfaction with their energy service and the value they attach to that service. The company also introduced an online energy calculator.
- Maintaining a Medical Alert program that targets customers who have a critical, life threatening condition and are neither ambulatory nor independent. This program protects this group of customers from a disconnection for non-payment of their energy bill. In addition, information is sent annually to these customers regarding the need and means by which they should prepare for outages.
- Initiating the "Stay Connected" effort by contacting customers through bill messages, phone calls and letters, with the goal of helping customers understand their payment options if they are behind on their energy bills.
- Installing meters with advance technology that will automatically read customers’ energy meters, detect outages, etc.
- Communicating the many programs aimed at helping customers manage their heating costs, including:
  - Budget Billing - customers pay the same pre-set energy charge each month.
  - Energy Efficiency - helping customers make energy efficient choices in their homes and offering the free *101 Energy Saving Tips* brochure.
  - Payment Plans - setting up a payment plan to pay off old balances, while keeping current on new balances.

We Energies also measures its customer service performance by reviewing the results of the J.D. Power Electric Utility Midsize Business Customer Satisfaction Study results. It improved its ranking in the 2003 study by moving out of the fourth quartile into the third quartile, ranking

seventh out of 11 utilities in the Midwest utility region category and 29th out of 43 utilities nationally.

In 2004, the company's customer satisfaction measures will better identify performance results based on actual work performed as required by new or existing customers, and their contact experience with the company's employees. It also will continue to monitor its position in the J.D. Power study.

Edison Sault Electric Company only measures customer satisfaction every five years. The next survey is scheduled for 2005. The company's previous survey indicated an 89 percent favorable customer satisfaction rate and only a 2.3 percent unfavorable customer satisfaction rate.

SOCIAL PERFORMANCE

Recognition and Awards Received

Wisconsin Energy Corporation (WEC) and its subsidiaries have received a variety of awards for their business, social and environmental accomplishments. For 2003:

- WEC received an award from the Coalition for Environmentally Responsible Economies (CERES) and the Association of Chartered Certified Accountants (ACCA) at the first CERES-ACCA U.S Sustainability Reporting Awards program in New York City. The award reflects the success of WEC's first Performance Report, which the company released in December 2002
- We Energies received the prestigious **ReliabilityOne** award for superior electric system reliability in 2003 in the Midwest region. The award is given by PA Consulting Group, the industry's largest management consulting firm.
- We Energies was awarded the 2003 Award of Appreciation from the Next Door Foundation for their support of the non-profit family center in the Metcalfe Park area of Milwaukee.
- Team Energy was selected as the Outstanding Employee Volunteer program for 2003 by the Volunteer Center of Waukesha County.
- Team Energy and the youth board of the Volunteer Center of Waukesha County were recognized by the Points of Light Foundation with an award of excellence for the Join Hands Day gardening project at the Women's Center.
- We Energies was named a **Tree Line USA** award winner. The National Arbor Foundation, along 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.
- Fourteen We Energies employees received Electric Power Research Institute (EPRI) recognition at the EPRI Delivery and Applications Awards ceremony in Monterey, California, for their contribution to ergonomics research and the publication of the "*Ergonomics Handbook for the Electric Power Industry: Overhead Distribution Line Workers Intervention.*"
- We Energies was recognized with four awards at the National Fuel Funds Network conference in Sacramento, California for its efforts to increase awareness and raise money for the Keep Wisconsin Warm Fund (KWWF). Awards were received for:
  - fund-raising items - the Stormy, Sunshine and Dutchess plush toys;
  - the bill insert that requested customer donations;
  - the television announcement that requested customer donations; and
  - the Web site that provided customers with information about KWWF and a link to encourage donations.

In June 2004 WEC was named the 2004 winner of the electric power industry's highest honor, the Edison Award, in recognition of the corporation's innovation and leadership in expanding the markets for coal combustion products

Data Appendix

ECONOMIC PERFORMANCE

Retained Earnings

WEC Retained Earnings (U.S. $ millions), 1999-2003

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**
Net Income – 2003	244.3
Dividends – 2003	(93.7)
Retained Earnings – 12/31/2003	**$1,510.1**

Distributions to Capital Providers

WEC Distributions to Capital Providers (U.S. $ millions), 1999-2003

	2003	2002	2001	2000	1999
Interest paid	$205.7	$235.6	$228.3	$223.6	$156.1
Dividends paid on common stock	$93.7	$92.4	$93.8	$165.3	$182.3

Payroll and Benefits

WEC Utility Operations - Summary of Wages & Benefits (U.S. $ millions), 1999-2003

	2003	2002	2001	2000	1999
Utility Companies	$561.2	$545.6	$513.9	$549.3	$445.5

Taxes Paid

WEC Utility Operations - Summary of Total Taxes Paid (U.S. $ millions), 2002-2003

Jurisdiction	2003	2002
Federal (U.S.)	$237.3	$219.0
Wisconsin	$222.5	$206.5
Other	$13.4	$14.2
Total	$473.2	$439.7

* Total taxes paid for the utility operations was included in the performance report beginning in 2002. Prior to 2002, the performance report only included WEC's total consolidated income taxes paid. Total consolidated income taxes paid remains in "financial highlights" of the economic performance section of this report.

Total Payments

We Energies Total Payments (U.S. $ millions), 1999-2003

	2003	2002	2001	2000	1999
Check Payments	$784.1	$894.1	$1,020.0	$920.2	$1,166.7
Wire Payments	$2,619.8	$2,275.0	$1,889.5	$1,283.9	$1,270.0
Total	$3,403.9	$3,169.1	$2,909.5	$2,204.1	$2,436.7

We Energies Total Payments to Suppliers by Country (U.S. $ million), 2000-2003

Country	2003	2002	2001	2000
United States	$3,225.9	$3,118.6	$2,759.6	$2,153.1
Canada	$178.0	$50.5	$149.7	$50.8
Other	$ -	$ -	$0.2	$0.2
Total	$3.403.9	$3,169.1	$2,909.5	$2,204.1

Cost of Goods, Materials and Services

We Energies Cost of Purchased Goods, Materials and Services (U.S. $ millions), 2000-2003

	2003	2002	2001
Non-Fuel	$668.3	$633.0	$632.9
Fuel	$278.6	261.9	289.6
Purchased Power	$268.5	217.9	200.4
Total	$1,215.4	$1,112.8	$1,112.9

Contract Payments

We Energies Contracts Paid According to Terms (U.S. $ millions), 2000-2003

	2003	2002	2001	2000
Total # of Invoices Paid	135,792	140,338	138,039	128,845
# of Invoices Paid Late	11,577	12,269	15,987	11,000
# of Invoices Paid According to Terms	124,215	128,069	122,052	117,845
% Invoices Paid Late	8.5%	8.7%	11.6%	8.5%
% Invoices Paid According to Terms	91.5%	91.3%	88.4%	91.5%

ENVIRONMENTAL PERFORMANCE

Air Emissions

We Energies Air Emissions, 1999-2003[1]

	2003	2002	2001	2000	1999
NOx	31,210,035	39,920,889	45,083,226	48,421,312	49,134,899
SO2	75,594,722	80,346,491	90,089,163	99,645,287	107,802,140
PM	980,768	1,026,247	1,132,841	1,247,784	1,568,614
VOCs	334,974	328,350	348,222	393,856	376,808

1. All units in kilograms.

We Energies Air Emissions Rates, 1999-2003

Year	Emission	megawatt-hours[1]	kg/MWhr
2003	NO_X	19,362,569	1.61
	PM		0.051
	SO_2		3.90
	VOCs		0.017
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		0.060
	SO_2		4.57
	VOCs		0.02
2000	NO_X	20,999,179	2.31
	PM		0.060
	SO_2		4.75
	VOCs		0.02
1999	NO_X	20,345,393	2.42
	PM		0.080
	SO_2		5.30
	VOCs		0.02
Four Year Average	**NO_X**	**20,046,080**	**2.34**
	PM		**0.06**
	SO2		**4.57**
	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, 1999-2003[1]

	2003	2002	2001	2000	1999
NOx	376,046	347,455	332,580	279,789	253,687
SO2	5,958	49,909	131,055	134,300	166,892
PM	8,055	10,455	13,147	10,915	11,686
VOCs	1,148	3,727	4,784	3,845	4,227

1. All units in kilograms.

Minergy Air Emissions Rates, 1999-2003

Year	Emission	megawatt-hours[1]	kg/MWhr
2003	NO_X	192,803	1.95
	PM		0.04
	SO_2		0.03
	VOCs		0.005
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**		**2.52**
	PM		**0.09**
	SO_2		**0.89**
	VOCs		**0.03**

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.

We Energies Mercury Emissions to Air, 1999-2003[1]

	2003	2002	2001	2000	1999
Mercury	531.1	550.0	524.5	515.7	484.5
kg/MWh	0/000027	0.00003	0.000027	0.000025	0.000024

1. All units in kilograms.

We Energies TRI Releases to Air, 1999-2003[1,2]

	2003	2002	2001	2000	1999
TRI Air Releases	1,154,211	1,280,500	1,650,412	2,233,319	3,001,269
kg/MWh	0.06	0.07	0.08	0.11	0.15

1. All units in kilograms.
2. We Energies TRI air releases 1999-2003 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.

Minergy TRI Releases to Air, 1999-2003[1]

	2003	2002	2001	2000	1999
TRI Air Releases	200	5,425	39,251	32,414	87,570

1. All units in kilograms.

Energy Use

Propane Use by We Energies Plants, 1999-2003 (liters)

	2003	2002	2001	2000	1999
Propane	20,246	23,591	66,718	177,274	113,705

Summary of We Energies Fuel Usage to Generate Electricity, 1999-2003

Fuel	Power Plant	2003	2002	2001	2000	1999
Coal (metric tons)	Bridgeport[1]	NA	NA	846,163	699,272	0
	Milwaukee Co.	47,629	47,878	46,059	48,435	50,873
	Oak Creek	2,964,818	2,739,423	2,888,818	3,099,804	2,726,982
	Pleasant Prairie	4,571,776	4,508,999	4,756,257	4,783,185	4,944,385
	Port Washington	327,776	362,304	459,128	581,530	429,760
	Presque Isle	1,527,720	1,582,614	1,632,175	1,724,086	1,600,845
	Valley	655,171	661,439	638,989	625,907	573,401
	Total	**10,094,890**	**9,902,657**	**11,267,589**	**11,562,219**	**10,326,246**
Natural Gas (therms)	Concord	3,911,629	5,482,920	6,149,032	12,895,276	20,476,023
	Germantown[2]	2,352,906	4,441,990	4,032,344	4,527,386	0
	New Haven[3]	NA	NA	1,737,200	114,130	1,049,390
	Paris	7,914,148	8,999,640	10,072,265	16,870,939	24,803,923
	Total	**14,178,683**	**18,924,550**	**21,990,841**	**34,407,731**	**46,329,336**
Nuclear Fuel[4](kg)	Point Beach	17,552	18,938	18,958	17,138	16,630
	Total	**17,552**	**18,938**	**18,958**	**17,138**	**16,630**
Oil (Nos. 2 & 6) (liters)	Bridgeport	NA	NA	23,144,704	28,637,761	236,449,410
	Concord	565,515	68,501	17,468	4,986,650	2,794,965
	Germantown	4,213,072	2,377,741	6,321,484	12,412,306	19,219,057
	New Haven	NA	NA	453,996,294	435,207,593	330,768,218
	Paris	341,816	2,897,519	3,963	4,699,899	489,401
	Total	**5,120,403**	**5,343,760**	**483,483,913**	**485,944,209**	**589,721,051**
Jet A Fuel (liters)	Bridgeport	NA	NA	116,080	59,522	118,870
	Total	NA	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.

We Energies Electric Energy Account, 1999-2003[1] (megawatt hours)

	2003	2002	2001	2000	1999
Electric Generation					
Steam	19,149,605	18,855,733	20,131,193	21,255,493	20,560,033
Nuclear	8,061,236	7,980,080	8,045,072	7,659,374	7,060,422
Hydro-Conventional	345,614	446,296	353,904	350,288	395,681
Hydro-Pumped Storage	-	-	-	-	-
Other	213,350	275,759	166,867	302,193	382,816
Net Generation	27,769,905	27,557,868	28,697,036	29,567,348	28,398,952
Purchased Generation	4,489,402	4,315,709	3,427,670	3,275,359	3,763,910
Net Exchanges	36,194	103,453	2,705		(320)
Net Transmission	(80,695)	(72,000)	(18,802)	(13,350)	(14,400)
Total	**32,208,806**	**31,905,030**	**32,108,609**	**32,875,545**	**32,181,680**
Electric Sales (Retail)					
Sales to Ultimate Customers	27,794,852	27,723,451	27,123,225	27,562,755	26,877,396
Use by Company[2]	79,743	75,013	78,413	79,327	72,000
Electric Losses	1,539,260	1,615,890	1,603,008	1,645,539	1,696,158
Total	**32,208,806**	**31,905,030**	**32,108,609**	**32,875,545**	**32,181,680**

1. As reported in FERC Form 1.
2. Use by electric department only, excluding station use.

We Energies Gas Energy Account, 1999-2003[1] (millions therms)

	2003	2002	2001	2000	1999
Customer Class					
Residential	853.1	817.1	756.3	803.8	769.4
Commercial/Industrial	492.5	463.1	427.7	462.1	445.8
Interruptible	27.5	29.4	25.8	35.2	45.3
Total Gas Sold	**1,373,7**	**1,309.6**	**1,209.8**	**1,301.1**	**1,260.5**
Transported Gas	**797.5**	**811.7**	**787.4**	**897.1**	**903.7**
Total Gas Delivered	**2,171.2**	**2,121.3**	**1,997.2**	**2,198.2**	**2,164.2**

1. As reported in SEC Form 10-K.

Minergy Energy Account, 1999-2003 (megawatt hours)

	2003	2002	2001	2000	1999
Energy Generation[1]	192,802	176,867	177,910	149,281	166,142
Total	**192,802**	**176,867**	**177,910**	**149,281**	**166,142**
Energy Sales					
Electric[2]	43,845	30,064	29,383	21,488	5,596
Steam[3]	88,803	94,754	91,295	84,793	95,584
Use by company[4]	53,595	52,049	57,232	43,000	64,962
Total	**192,802**	**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.
4. A portion of the steam generated at the Glass Aggregate Plant is used internally for various plant operations.

We Energies Average Fuel Mix Used to Generate Electricity, 2001-2003 (percent)

Fuel	Standard			Energy for Tomorrow®[1]			Regional Average[3]		
	2003	**2002**	**2001**	**2003**	**2002**	**2001**	**2003**	**2002**	**2001**
Coal	67.1	67.1	68.1				70.4	70.7	70.7
Nuclear	27.4	27.5	26.8				23.1	22.6	22.6
Gas	3.2	4.2	3.3				4.5	4.7	4.7
Oil	<0.1	<0.1	0.1				0.6	0.6	0.6
Renewable Fuels									
Biofuel	<0.1								
Biomass	<0.1	<0.1	<0.1				0.1	0.1	0.1
Hydro[2]	1.2	0.2	1.1	5.7	7.9	7.5	0.6	0.6	0.6
Landfill gas	0.6	<0.1	0.4	75.0	75.0	74.7			
Solar									
Solid waste incineration	<0.1	<0.1	<0.1				0.2	0.2	0.2
Wind	0.3	0.3	0.1	19.3	17.1	17.8			<0.1
Wood	<0.1	<0.1	<0.1				0.4	0.4	0.4
Renewable Fuels Total	**2.1**	**0.6**	**0.6**	**100**	**100**	**100**	**0.8**	**0.7**	**0.8**

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 includes 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.

Expenses And Research

We Energies Environmental Expenditures, 1999-2003[1]

	2003	**2002**	**2001**	**2000**	**1999**
Capital	$15	77	49	37	44
O & M	$51	46	45	41	37

1. All units in millions of dollars.

We Energies Environmental Research, Development & Demonstration Activity Expenses

Description of EPRI Environmental Project	2003	2002	2001	2000	1999
Ash Utilization					
Ash Alloy Project (with DOE, UWM)	$0	$0	$101,135	$100,000	$100,000
Miscellaneous Ash Utilization studies	125,700	154,400	100,800	98,000	87,600
Fine particulate matter					
ARIES / SCOPE	50,000	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					
CO_2 Sequestration	100,000				
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	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	136,000	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	6,000	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	**$457,7000**	**$676,100**	**$885,235**	**$1,150,200**	**$949,900**

Greenhouse Gases

We Energies Greenhouse Gas Emissions, 1999-2003

Year	Gas	metric tons	GWP[1]	CO_2 Equivalents (metric tons)	megawatt-hours[2]	ton/MWhr
2003	CO_2	19,920,328	1	19,920,328	18,790,755	1.060
	CH_4	204	23	4,692		0.00025
	N_2O	151	296	44,696		0.00238
				19,969,716		**1.063**
2002	CO_2	19,642,557	1	19,642,557	18,512,927	1.061
	CH_4	201	23	4,623		0.00025
	N_2O	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_2O	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_2O	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_2O	155	296	45,880		0.00226
				21,097,650		**1.037**
Total				**103,618,651**	**98,356,559**	**1.054**

1. Global warming potential.
2. Generation using fossil fuels.

We Energies Greenhouse Gas Reductions, 1999-2003[1]

Year	Gas	metric tons	GWP	CO_2 Equivalents (metric tons)	megawatt-hours[2]	ton /MWhr
2003	CO_2	4,035,010	1	4,035,010	18,790,755	0.215
2002	CO_2	4,094,209	1	4,094,209	18,512,927	0.221
2001	CO_2	4,250,908		4,250,908	19,711,055	0.216
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				**20,633,891**	**98,356,559**	**0.210**

1. As reported in the U.S. Department of Energy 1605(b) Climate Challenge program.
2. Net megawatt-hours from fossil fueled generation.

Minergy Glass Aggregate Plant Greenhouse Gas Emissions, 1999-2003

Year	Gas	metric tons	GWP	CO_2 Equivalents (metric tons)	megawatt-hours[1]	metric ton /MWhr
2003	CO_2	112,864	1	112,864	132,684	0.851
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				**405,721**	**585,640**	**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, 1999-2003

Year	Gas	metric tons	GWP	CO_2 Equivalents (metric tons)	megawatt-hours	metric ton /MWhr
2003	CO_2	194,406	1	194,406	132,684	1.465
	CH_4	36,063	23	829,449		6.251
				1,023,885		**7.716**
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	1.580
	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**

Net Greenhouse Gas Emissions from Energy Facilities, 1999-2003 (metric tons CO_2 equivalents)

Emissions	2003	2002	2001	2000	1999
Minergy	112,864	93,755	73,207	64,507	61,388
We Energies	19,969,716	19,691,284	20,814,044	22,045,957	21,097,650
Total	**20,082,580**	**19,785,039**	**20,887,251**	**22,110,464**	**21,159,038**
Reductions/Offsets					
Minergy	1,023,885	763,984	1,099,876	975,379	1,073,677
We Energies	4,035,010	3,667,366	3,851,292	4,253,994	3,999,770
Total	**5,058,895**	**4,431,350**	**4,951,168**	**5,229,373**	**5,073,447**
Net Emissions (tons)	**15,023,685**	**15,353,689**	**15,936,083**	**16,881,091**	**16,085,591**
megawatt-hours	18,923,439	18,637,744	19,831,733	21,104,687	20,444,596
Net Emission Rate (metric ton/MWhr)	**0.794**	**0.824**	**0.804**	**0.800**	**0.787**

SF_6 Emissions Reduction Partnership Performance, 1999-2003

Year	SF_6 Nameplate Capacity (kg)	5 Percent Goal	Actual Emissions (kg)	Goal Met	CO2 Equivalent Emissions (metric tons)
2003	2,185	109	105	Yes	2,220
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

Recovered and Recycled Materials

We Energies Coal Combustion Products Produced and Utilized, 1999-2003[1]

	2003	2002	2001	2000	1999
Produced	600,904	596,266	629,936	617,869	617,027
Utilized	586,411	573,354	532,423	523,729	494,097
Percent Utilized	98	96	85	85	80

1. All units in metric tons.

We Energies Coal Ash Reburn, 1999-2003[1]

	2003	2002	2001	2000	1999
From Power Plants	104,092	116,134	44,868	9,496	0
From Landfills	0	8,203	7,760	0	0
Coal Displaced	43,256	56,985	18,682	2,464	80

1. All units in metric tons.

Minergy Paper Mill Sludge Utilized and Aggregate Produced, 1999-2003[1]

	2003	2002	2001	2000	1999
Sludge Processed	285,998	239,399	282,128	250,779	267,749
Aggregate Produced	52,114	42,902	40,382	38,395	30,310

1. All units in metric tons.

Renewable Energy and Energy Efficiency

We Energies Energy for Tomorrow® Program Customers and Energy Use, 1999-2003 (megawatt-hours)

Year	Customers at Year End	Energy Use (MWh)
2003[1]	10,760	36,456
2002	10,872	35,161
2001	10,487	35,360
2000	11,546	35,262
1999	9,726	32,162
Total		**71,617**

1 The 2003 energy use includes 1,785 megawatt hours utilized by We Energies facilities.

We Energies Hydroelectric Power Generation, 1999-2003 (megawatt-hours)

	2003	2002	2001	2000	1999
Hydroelectric generation	380,686	446,296	353,905	350,288	395,681

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**

1. 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.
2. Purchased power agreement with the U.S. Government.

We Energies Renewable Energy, 1999-2003 (megawatt-hours)

	2003	2002	2001	2000	1999
Energy for Tomorrow®	36,456	35,161	33,360	35,262	32,162
Renewable Portfolio Standard	431,331	312,986	124,803	0	0
Other[1]	155,724	307,116	372,698	449,696	470,348
Total	623,511	655,263	502,510	484,958	502,510

1 The "Other" category includes the amount of hydroelectric energy not allowed by Wisconsin's Renewable Portfolio Standard.

Minergy Renewable Energy Generation, 1999-2003 (megawatt-hours)

	2003	2002	2001	2000	1999
Renewable Generation	43,485	30,064	29,383	21,488	5,596

We Energies Energy Efficiency Initiatives, 1999-2003 (dollars)

Initiative	2003	2002	2001	2000	1999
Wisconsin Focus on Energy program	$53,055,712	$35,594,257	$28,900,000	$4,300,000	$0
Energy Center of Wisconsin dues + Low-income Weatherization + Energy Efficiency Programs	$3,140,807	$2,728,500	$9,522,707	$12,705,855	$20,511,634
Total	**$56,860,880**	**$38,322,757**	**$38,422,707**	**$17,005,855**	**$20,511,634**

Spills

Year	Location	Substance Involved	Quantity (liters)	Corrective Action
2003	Port Washington Power Plant	Turbine Oil	<0.5	Visible oil sheen on cooling water discharge to Lake Michigan. Sorbant booms deployed, equipment tested, and repaired.
	Port Washington Power Plant	Lube Oil	Unknown	Lube oil released from vent to ground in switch yard. Source eliminated, soil excavated, and bio-treated.
	Valley Power Plant	Water & Diesel Fuel	18.9	Temporary storage tank for remediation leaked to pavement and ground. Sorbants deployed, soil excavated, and tank removed from service.
	Oak Creek Power Plant	Oil	37.8	Visible oil sheen on cooling water discharge to Lake Michigan. Sorbant booms deployed and equipment repaired.
	Valley Power Plant	Petroleum	Unknown	Historic contamination being evaluated. Cleanup in progress.
	Whitewater Substation	Transformer Oil	3,785	Collapse of Oil Tanker. Spill contractor called out. Oil transferred to different tanker truck and contaminated gravel and soil removed.
	Valley Power Plant/Balco Property	Petroleum Contamin-ation	Unknown	Release from underground storage tank. Cleanup of newly acquired property. Contractor/consultant remediation.
	Bear Creek Substation	Transformer Oil	Unknown	Historic contamination/site remediation. Gravel/soil removed for bio-treatment.
	Mason Creek	Drilling Mud	Unknown	Released drilling mud. Removed recoverable spilled material.
	Apple Creek Substation	Transformer Oil	Unknown	Historic contamination/site remediation. Gravel/soil removed for bio-treatment.
	Former Ludwin Property	Diesel Fuel & Gasoline	Unknown	Historic contamination/site remediation of newly acquired property.
	Everett Street Substation	Cable Oil	3,028 – 3,785	Cable pipeline connection failure. Repaired and oil recovered from sump and manhole.
	Grange Ave. & Forest Home Ave., Hales Corners, WI	Diesel Fuel	75.7	Vehicle accident. Contractor recovered product.
	Valley Power Plant	Diesel Fuel	56.9	Leak from diesel generator. Equipment repaired and contaminated gravel/soil removed for bio-treatment.

	Port Washington Power Plant	Diesel Fuel	75.7	Contractor fuel tank leak. Contaminated soil removed for bio-treatment.
	Presto Co., Appleton, WI	Transformer Oil	18.9	Transformer bushing leak. Transformer repaired, solid surfaces cleaned, and contaminated gravel/soil removed.
	Private Property, Milwaukee, WI	Transformer Oil	56.8	Transformer replaced, surfaces cleaned, and contaminated sod/soil removed. Area restored.
	Kenosha Bulk Substation	Transformer Oil	189.3	Transformer over pressure. Transformer repaired, solid surfaces cleaned, and contaminated gravel, soil, and concrete removed. Gravel/soil bio-treated, concrete landfilled.
	Private Property, Merton, WI	Hydraulic Oil	151.4	Company vehicle hydraulic line break. Sod and soil excavated and bio-treated.
	Private Property, Milwaukee, WI	Transformer Oil	18.9	Transformer failure. Transformer replaced and contaminated sod and soil removed. Area restored.
	City Gate Station, New Berlin, WI	Odorant	Unknown	Excavated and treated soil to remove odorant.
	Lakeside Substation	Transformer Oil	Unknown	Historic contamination/site remediation. Gravel/soil to be removed for bio-treatment.
	Valley Power Plant	Diesel Fuel & Water	75.7 – 113.6	Accidental overflow of remediation system. Liquid vacuumed up and soil removed for bio-treatment.
	Port Washington Power Plant	Transformer Oil	Unknown	Switch Yard - Historic contamination/site remediation. Gravel/soil removed for bio-treatment.
	Ninety Sixth Street Substation	Transformer Oil	Unknown	Historic contamination/site remediation. Gravel/soil removed for bio-treatment.
	Port Washington Power Plant	Hydraulic Pump Oil	0.5	Oil released from dewatering pump and oil reached outfall 001. Sorbant booms deployed to catch oil.
	Lincoln Substation	Transformer Oil	Unknown	Historic contamination/site remediation. Gravel/soil removed for bio-treatment.
	Port Washington Power Plant	Transformer Oil	Unknown	Historic contamination/site remediation. Gravel/soil removed for bio-treatment.
	West Bend Substation	Transformer Oil	18.9	Transformer bushing leak. Gravel/soil removed for bio-treatment.

	Random Lake Substation	Transformer Oil	Unknown	Historic contamination/site remediation. Gravel/soil removed for bio-treatment.
	Port Washington Service Center	Diesel Fuel	151.4	Damaged fuel pump. Contaminated gravel/soil removed for bio-treatment.

Transportation

We Energies Commuter Choice Programs, 1999-2003

Commuter Choice Program		2003	2002	2001	2000	1999
Bicycling	Bike to Work Days	1	3	2	NA	NA
	Commuter Challenge	40	50	29	NA	NA
Bus	Coupons	98	95	66	81	81
	Value Pass	143	149	99	60	60
Carpools	(3+ person)	12	25	35	56	56
	(2 person)	26	56	58	70	70
	(outlying)[1]	11	54	48	18	18
Total Commuter Participants		**290**	**432**	**335**	**285**	**243**

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

We Energies Fleet Composition, 1999-2003

	2003	2002	2001	2000	1999
Non-NGV Vehicles	1,600	1,688	1,422	1,349	1,137
NGV Vehicles	143	121	180	163	146
Total Fleet	1,743	1,809	1,602	1,512	1,283
Percent Fleet NGV	8.2	6.7	11.2	10.8	11.4

NGVs on Road Through We Energies Programs, 1999-2003

	2003	2002	2001	2000	1999
We Energies Employees	35	35	25	15	5
Other Companies	721	701	671	608	575
Total	756	736	696	623	580

Waste Management

We Energies Hazardous Waste Generated, 1999-2003[1]

	2003	2002	2001	2000	1999
Generated	63,247	120,706	86,616	11,499	21,872
Recycled	7,989	19,307	5,426	5,429	2,932

1. All units in kilograms.

We Energies Coal Ash Produced and Landfilled, 1999-2003

	2003[1]	2002	2001	2000	1999
Produced	600,904	596,266	629,935	617,869	617,027
Landfilled	14,500	22,912	97,512	94,140	122,930
Percent Landfilled	2	4	15	15	20

1. All units in metric tons.

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

	2003	2002	2001	2000	1999
Total Landfilled	4,993	4,606	3,710	2,636	2,022

We Energies Nuclear Spent Fuel, 1999-2003

	2003	2002	2001	2000	1999
Kilograms	17,552	18,938	18,958	17,138	16,630
Kg/MWh	0.0022	0.0024	0.0024	0.0022	0.0024

We Energies TRI Releases to Land, 1999-2003[1]

	2003	2002	2001	2000	1999
TRI Land Releases	286,338	1,059,310	973,858	888,955	1,273,275
kg/MWh	0.02	0.06	0.05	0.04	0.06

1. All units in kilograms.

Water Effluents

We Energies TRI Releases to Water, 1999-2003

	2003	2002	2001	2000	1999
TRI Water Releases[1]	6,667	8,270	8,513	7,380	13,477
kg/MWh	0.0004	0.0004	0.0004	0.0004	0.0007

1. All units in kilograms.

SOCIAL PERFORMANCE

Wages and Benefits

We Energies Pay Compensation, 1999-2003

	2003	2002	2001	2000	1999
National Premium Pay Rate	5.15	5.15	5.15	5.15	5.15
Lowest Hourly Wage	8.03	7.80	7.50	7.50	7.50

Standard Injury, Lost Day & Absentee Rates

We Energies Safety Statistics 1999-2003

	2003	2002	2001*	2000	1999
OSHA cases	276	255	285	276	295
OSHA rates	4.90	4.48	4.98	5.26	5.50
Lost time injury cases	54	61	69	45	62
Lost time rates (per 100 employees)	1.0 (1 fatality)	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, Inc. by WEC.

Edison Sault Electric Company Safety Statistics 1999-2003

	2003	2002	2001	2000	1999
OSHA cases	7	9	7	10	12
OSHA rates	11.67	15.00	11.20	15.40	18.30
Lost time injury cases	3	5	4	1	6
Lost time rates (per 100 employees)	5.03 (0 fatalities)	8.32 (0 fatalities)	6.50 (0 fatalities)	1.00 (0 fatalities)	9.20 (0 fatalities)

Political Lobbying and Contributions

PAC Disbursements 1999-2003

Organization	2003	2002	2001	2000	1999
Wisconsin Energy Corporation Political Action Committee (WEPAC - a federal PAC)	$14,100	$12,750	$9,500	$19,750	$25,202
Better Government Committee (BGC -- a state PAC)	11,090	25,700	5,150	4,475	8,500
Michigan Political Action Committee (MIPAC -- a state PAC)	207	11,098	2,816	7,050	525
Personal Contribution Account (PCA Conduit – a state PAC)	36,040	59,989	26,325	51,743	29,846
Total	**$61,437**	**$109,537**	**$43,791**	**$83,018**	**$64,073**

Summary – WEC Lobbying Activities and Expenditures, 1999-2003

	2003	2002	2001	1999 & 2000
Lobbying Hours State & Federal	1,691	3,079	3,695	6,420
Lobbying Expenditures State & Federal	$1,133,438	$1,000,314	$866,602	$1,035,256

Community Investment

WEC Foundation Distributions, 1999-2003

	2003	2002	2001	2000	1999
Dollars ($US Millions)	$5.3	$4.8	$5.0	$4.2	$4.0

Customer Satisfaction

Consumer CVA, 1999-2003

	2003	2002	2001	2000	1999
Quality	78	80	79	82	82
Price	60	64	59	70	73
Image	74	76	75	80	81
Value	70	73	70	76	76

Business CVA, 1999-2003

	2003	2002	2001	2000	1999
Quality	80	80	79	86	81
Price	60	65	60	70	71
Image	75	78	78	79	79
Value	69	71	69	75	76