



***Wisconsin Energy  
Corporation***

**July 2013**

## Cautionary Statement Regarding Forward-Looking Information

Much of the information contained in this presentation is forward-looking information based upon management's current expectations and projections that involve risks and uncertainties. Forward-looking information includes, among other things, information concerning earnings per share, rate case activity, earnings per share growth, cash flow, dividend growth and dividend payout ratios, share repurchases, construction costs and capital expenditures, investment opportunities, rate base, and future electric sales. Readers are cautioned not to place undue reliance on this forward-looking information. Forward-looking information is not a guarantee of future performance and actual results may differ materially from those set forth in the forward-looking information.

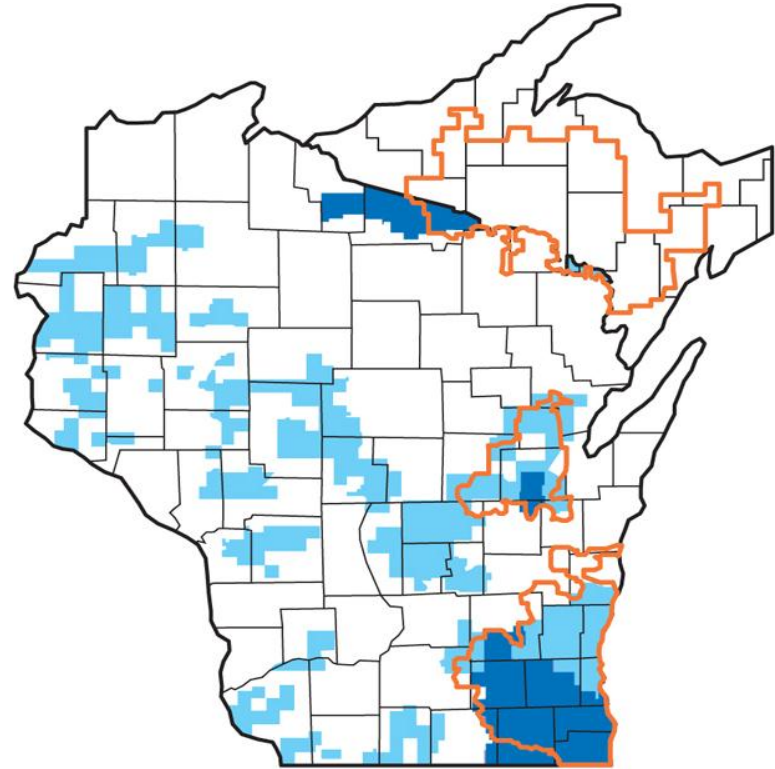
In addition to the assumptions and other factors referred to in connection with the forward-looking information, factors that could cause Wisconsin Energy's actual results to differ materially from those contemplated in any forward-looking information or otherwise affect our future results of operations and financial condition include, among others, the following: general economic conditions, including business and competitive conditions in the company's service territories; timing, resolution and impact of future rate cases and other regulatory decisions; availability of the company's generating facilities and/or distribution systems; unanticipated changes in fuel and purchased power costs; key personnel changes; varying weather conditions; increased competition in our electric and gas markets, including retail choice and alternative electric suppliers, and continued industry consolidation; cyber-security threats; construction risks; equity and bond market fluctuations; the impact of recent and future federal, state and local legislative and regulatory changes; current and future litigation and regulatory investigations; changes in accounting standards; and other factors described under the heading "Factors Affecting Results, Liquidity and Capital Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operations and under the headings "Cautionary Statement Regarding Forward-Looking Information" and "Risk Factors" contained in Wisconsin Energy's Form 10-K for the year ended December 31, 2012 and in subsequent reports filed with the Securities and Exchange Commission.

Wisconsin Energy expressly disclaims any obligation to publicly update or revise any forward-looking information.

# Overview

## Retail Electric and Gas Utilities

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



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

# Investment Thesis

## An “Earn and Return” Company with a Low Risk Profile

- Positive free cash flow
- Targeted EPS growth of 4%-6%
- Best in class dividend growth - targeting a 60% dividend payout ratio in 2014 and 65%-70% in 2017
  - Implies 7%-8% dividend growth annually 2015-2017
- \$300 million share buyback program authorized through 2013
  - \$162.9 million completed through March of 2013
- Proven management team that has delivered strong financial results and operational excellence
- Constructive regulatory climate

*A Track Record of Performance*

## **Consistent Earnings and Dividend Growth**

Wisconsin Energy is the only company in the

- S&P Electric Index
- S&P Utilities Index
- Philadelphia Utility Index
- Dow Jones Utilities Average

that has grown earnings per share and dividends per share every year since 2003

*A Track Record of Performance*

# Industry Leading Total Shareholder Returns

	One Year	Three Year	Five Year	Ten Year
<b>Wisconsin Energy</b>	<b>8.9%</b>	<b>63.0%</b>	<b>76.2%</b>	<b>285.2%</b>
S&P Utilities Index	1.3%	28.2%	1.9%	169.7%
S&P Electric Index	-0.5%	24.6%	-4.5%	167.8%
Philadelphia Utility Index	-0.6%	25.3%	0.3%	166.6%
Dow Jones Utilities Average	1.4%	29.1%	4.8%	209.7%

Annualized returns for periods ending 12/31/2012

Source: Bloomberg; assumes all dividends are reinvested and returns are compounded daily

## *A Track Record of Performance*

# Leading Reliability and Customer Satisfaction



- Named the most reliable utility in the Midwest
- Eighth time in the past 11 years
- During 2012, achieved highest customer satisfaction ratings in past decade ... likely best ever
- More than 350,000 proactive customer interactions annually



*A Track Record of Performance*

## **Power the Future Investments – Natural Gas**

*Meeting the Region's Energy Needs*

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**Capacity** 1,090 MW

**Investment** \$664 million

**ROE** 12.7%

**Equity** 53%

**In Service Dates**

Unit 1 – July 2005

Unit 2 – May 2008

**Cost Per Unit  
of Capacity** \$609/kW





*A Track Record of Performance*

# Power the Future Investments – Coal

*Meeting the Region's Energy Needs*

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**Capacity** 1,030 MW<sup>1</sup>

**Investment** \$2 billion<sup>1</sup>

**ROE** 12.7%

**Equity** 55%

**In Service Dates**

Unit 1 – February 2010, Unit 2 – January 2011

**Cost Per Unit  
of Capacity** Approximately  
\$1,950/kW



<sup>1</sup> All capacity and investment amounts reflect WEC ownership only.  
Demonstrated capacity for the coal units is 1,057 MW – value shown in table is amount guaranteed in lease agreement.

# **Dramatic Change in Environmental Performance**

- From 2000 to 2013...

- Power plant capacity

up 50%



- Emissions of

nitrogen oxide

sulfur dioxide

mercury

particulate matter

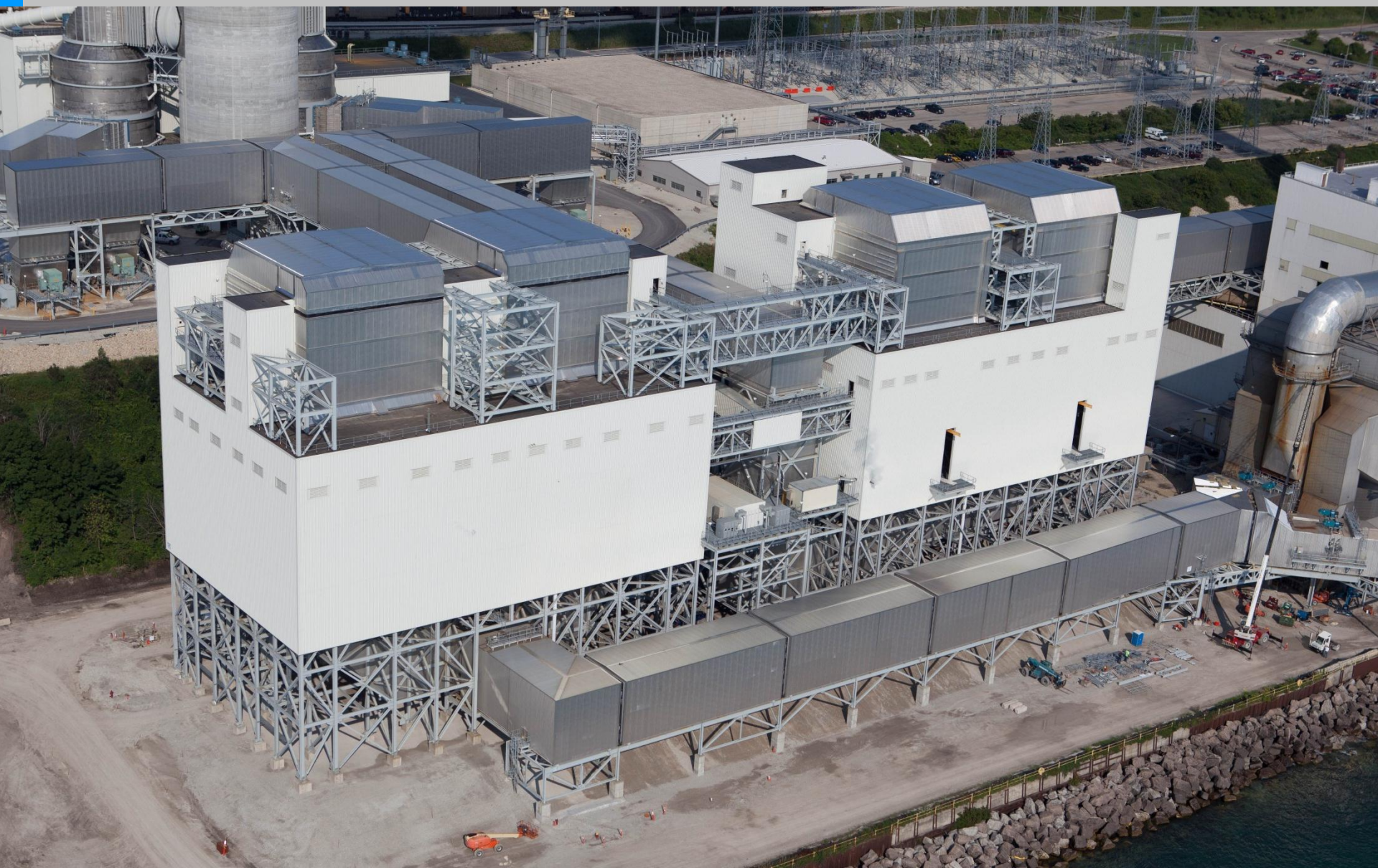
down 80%





*A Track Record of Performance*

# **State of the Art Emission Controls**



# Strong Financial Foundation

## Positive Cash Flow ...

- Project more than \$500 million of free cash flow from 2013-2017
- Expect free cash annually after reaching 2017 dividend target

## Solid credit ratings ...

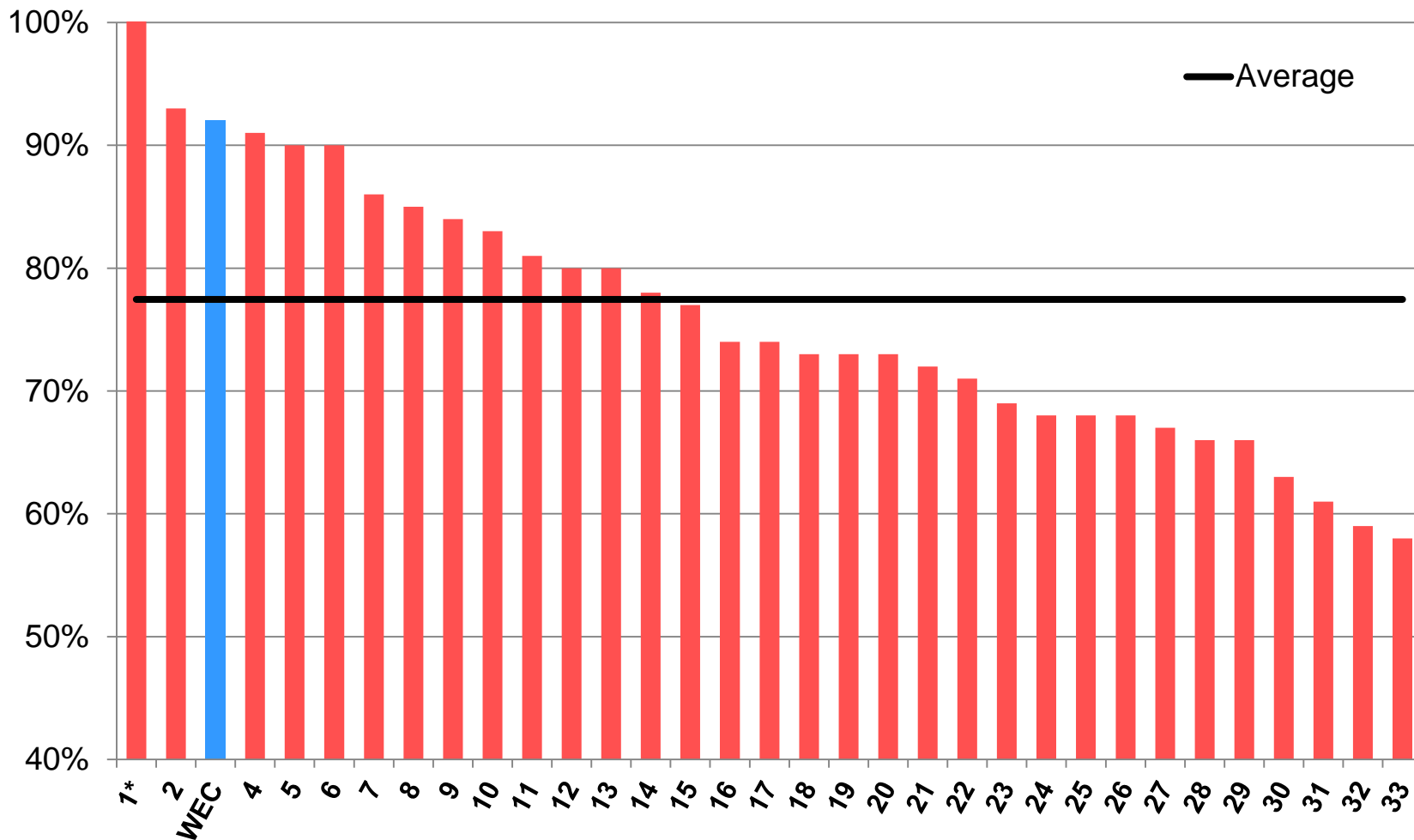
	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
WEC	A3	A-	A-
WE	A2	A-	A
WG	A2	A-	A-

## Well Funded Pension ...

- More than 99% funded at year end 2012
- More than \$330 million in contributions in 2011 and 2012

# Pension Funding Status

Percentage Funded through 2012



Major US Utilities

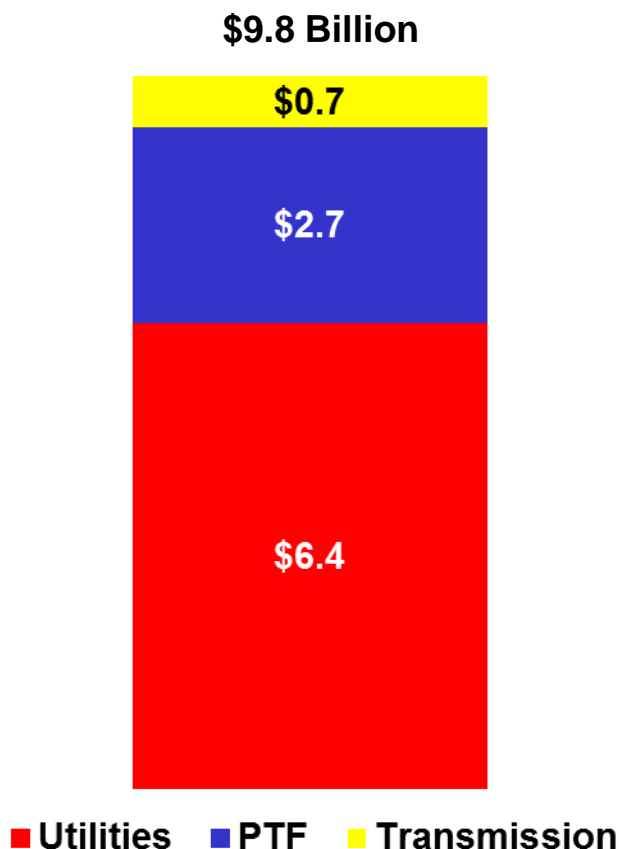
\*Company 1 is more than 100% funded

Source: Wolfe Research and company filings



# Summary of our Core Business

Rate Base and Power the Future Investment at 12/31/12



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

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



*Where We Go From Here*

# Major Segment Earnings for 2011 – 2013

*Projecting earnings per share growth of 4-6% annually from the 2011 base*

	<u>2011A</u>	<u>2012A</u>	<u>2013E</u>
<b>Electric and Gas Utilities</b>	\$1.44	\$1.55	\$1.55 to \$1.65
<b>Power the Future <sup>(1)</sup></b>	\$0.66	\$0.69	\$0.71
<b>Wholesale Electric Transmission <sup>(2)</sup></b>	\$0.16	\$0.17	\$0.18
<b>Unallocated holding company debt <sup>(3)</sup></b>	(\$0.08)	(\$0.06)	(\$0.06)
	<hr/> \$2.18	<hr/> \$2.35	<hr/> \$2.38 to \$2.48

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

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

<sup>(3)</sup> Includes unallocated holding company debt and other miscellaneous corporate costs



# Delivering the Future

- From 2013 through 2017, our plan is to invest \$3.2 to \$3.5 billion in needed infrastructure projects that will:
  - Renew and modernize our grid
  - Add clean, renewable energy to our fleet
  - Meet new environmental standards

*Where We Go From Here*

# Delivering the Future – Electric Overview

Between now and 2017,  
we plan to:

- Rebuild 2,000 miles of electric distribution lines that are more than 50 years old
- Replace:
  - 18,500 power poles
  - 20,000 transformers
  - Hundreds of substation components



*Where We Go From Here*

# Delivering the Future – Gas Overview

Between now and 2017,  
we also plan to:

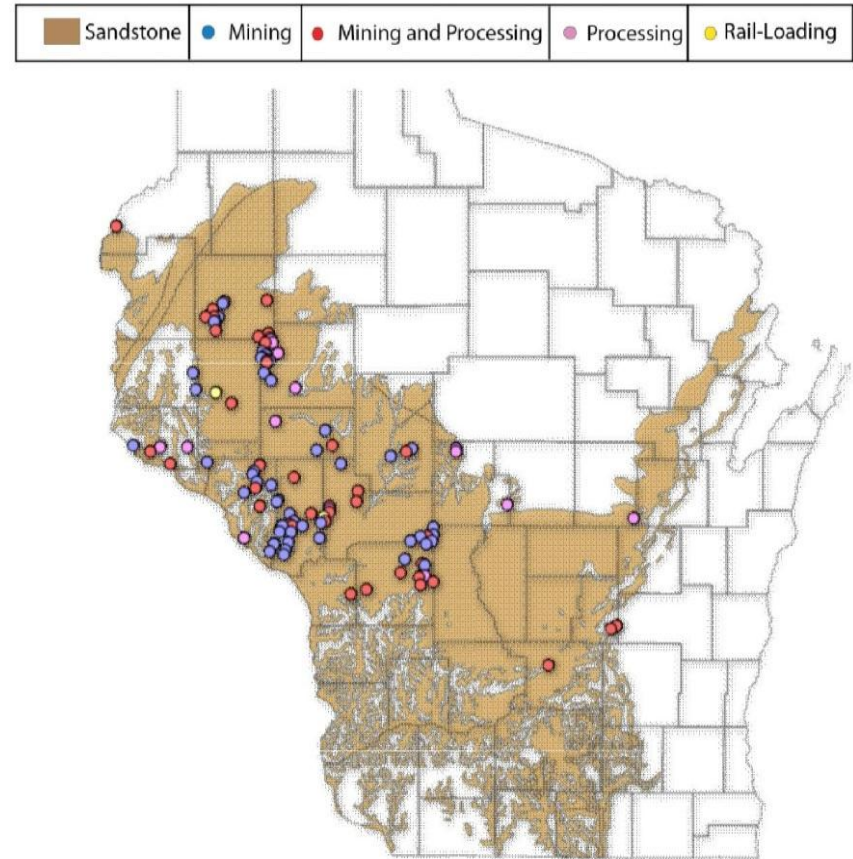
- Replace:
  - 1,250 miles of fiberglass, plastic and steel gas mains
  - 83,000 individual gas distribution lines
  - 233,000 meter sets



# Western Wisconsin Gas Expansion

- Additional natural gas capacity needed to address reliability and to meet growth in customer demand
  - Demand driven in part by propane conversion and frac sand mining
- Seeking approval from the Wisconsin Commission
- Expected initial investment: \$150-\$170 million

## Sand Plants – Wisconsin

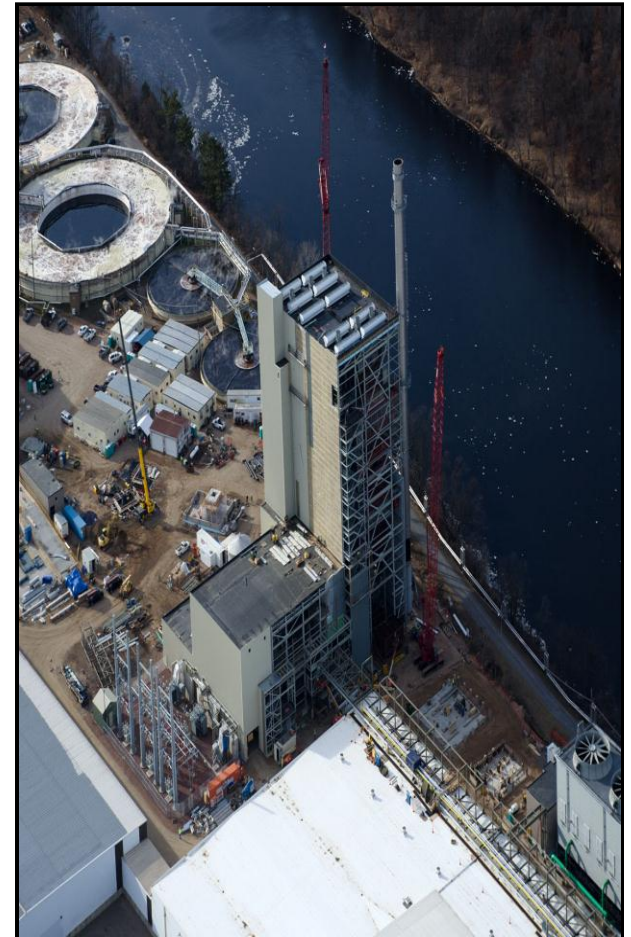




*Where We Go From Here*

# Renewable Energy Investments

- Biomass Plant
  - 50MW
  - Projected investment of approximately \$260 million
  - Approved by Wisconsin Commission and Domtar Inc.
  - Targeting completion by the end of 2013
  
- Montfort Wind Energy Center
  - 30MW
  - Purchased from a subsidiary of NextEra Energy, Inc.
  - Purchase price of \$27 million
  - Approved by Wisconsin Commission and completed in December 2012
  
- We expect to be in compliance with the Wisconsin renewable portfolio standard through 2020



# *Where We Go From Here*

## **Valley Power Plant**

- In 2012 announced plans to convert Valley from coal to natural gas
- Targeting completion of the conversion for late 2015 or early 2016
  - Follows completion of a \$26 million gas pipeline upgrade with expected completion in 2014
- Currently seeking regulatory approvals
- Valley conversion cost: \$65 to \$70 million



# Twin Falls Hydroelectric Powerhouse

- In 2012 announced plans to build a new powerhouse at Twin Falls
  - Existing powerhouse is in need of repair
- Seeking regulatory approvals in 2013
- Expect to begin construction in fall of 2013 with completion in 2016
- Expected cost: \$60 to \$65 million



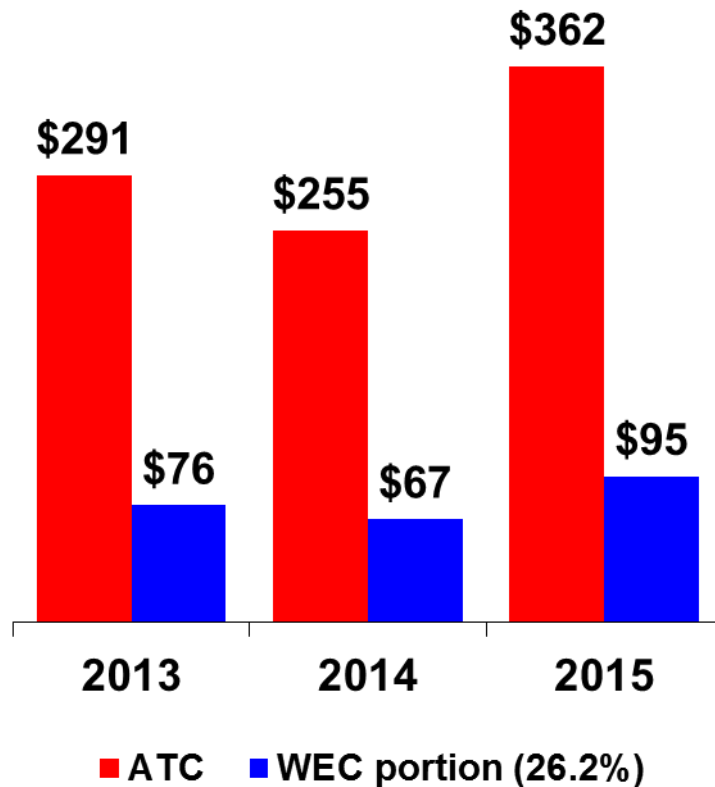


## **Wolverine Joint Venture at Presque Isle Power Plant**

- Signed joint venture agreement with Wolverine Power Cooperative for environmental upgrades at the Presque Isle Power Plant
  - Wolverine will invest \$130-\$140 million for sulphur dioxide and NO<sub>x</sub> controls
  - In return, Wolverine will receive a pro rata ownership share in the plant
  - We will continue to be the majority owner and operator of the facility
- Joint Venture would reduce our ownership in the plant, but would not reduce rate base
- Seeking regulatory approvals in 2013
- Work is scheduled to begin in 2014 and be completed by 2016

# Growth at American Transmission Company

## Projected Capital Expenditures (Millions of Dollars)



## Key Assumptions

- ATC rate base at year end 2013 is projected to be about \$2.8 billion
- ATC projects a need for \$3.9-\$4.8 billion of transmission improvements in its footprint from 2012 to 2021
- Implies average \$43 million effective annual rate base growth for WEC from 2013 to 2015
- Excludes potential transmission projects outside ATC's traditional footprint

## **Multiple Opportunities Being Evaluated**

- Additional capital for fuel blending at the Oak Creek Expansion units
- Divestiture of energy assets by the State of Wisconsin
- New transmission projects outside of Wisconsin and Michigan through our 26.2 percent ownership of American Transmission Company
- Investment required to meet future EPA rules

## **Industry Leading Dividend Growth**

- The board of directors raised the quarterly dividend in July to 38.25 cents a share – equivalent to an annual rate of \$1.53 a share
  - This represents a 12.5% increase over the previous quarterly rate
  - Accelerates our dividend action that was planned for the first quarter of 2014
- We're targeting a 60 percent payout ratio in 2014
- The board of directors also approved a target payout ratio of 65-70 percent in 2017
  - Supports 7-8 percent increases from 2015-2017

# Financial Flexibility for Share Repurchases

- The board of directors has authorized management to purchase up to \$300 million of Wisconsin Energy common stock through end of 2013
- Buyback program was more than 50 percent complete at the end of March 2013
  - Repurchased 4.93 million shares at an average price of \$33.03 a share
  - Invested \$162.9 million

# Key Takeaways on Wisconsin Energy

An “Earn and Return” Company with a Low Risk Profile

- Power the Future program now complete
  - Highly visible earnings and strong cash flow
  - Have received final regulatory approvals and rate treatment is in place
- Well managed utility franchises with rate base growth
- Investment in American Transmission Company provides an additional regulated growth opportunity
- Positioned to deliver among the best risk-adjusted returns in the industry
  - Positive free cash flow
  - Best in class dividend growth story

# Appendix



*Where We Go From Here*

## **Wisconsin Jurisdiction Rate Case Summary**

- Public Service Commission of Wisconsin (PSCW) authorized 2.6% increase in net customer bills in 2013 and 2014 (after applying expected proceeds from a renewable energy tax grant)
  - Non-fuel rate increase prior to credits:
    - 4.8% or \$133 million in 2013 and 1.0% or \$28 million in 2014
- Final costs approved for Oak Creek Expansion
  - Over 99.5% of total actual project costs recovered
  - \$24 million for fuel flexibility deferred
- 2013 fuel cost plan approved
- Next Cases:
  - 2014 – fuel cost plan
  - 2015 – base rate case

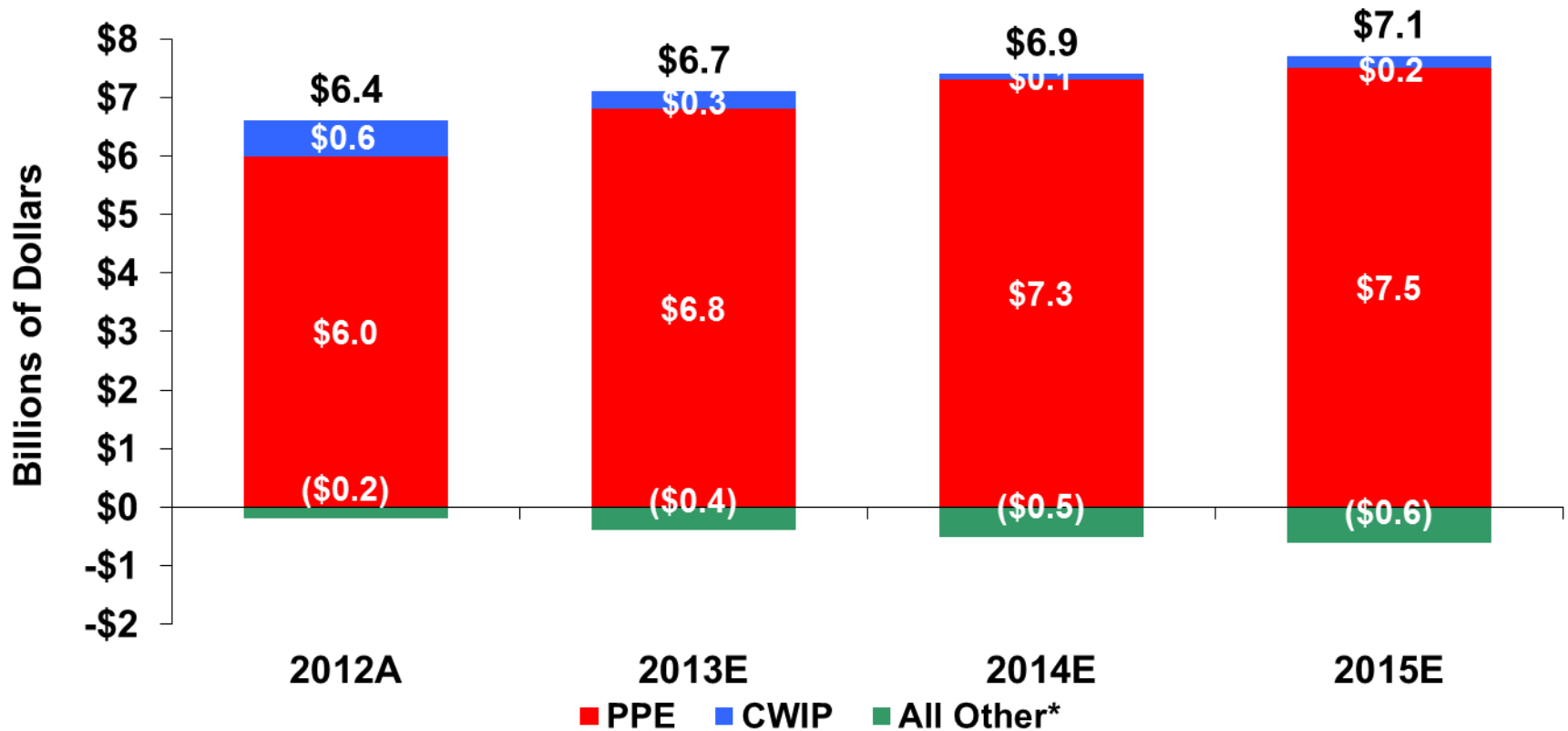
## **Reconciliation of 2013 O&M to 2012**

- Reinstatement of amortization holiday adds \$148 million to O&M for 2013
  
- However, the 2013 Wisconsin rate order includes several offsets to O&M:
  - Extension of recovery period for certain regulatory assets
  - Significant reduction of escrowed bad debt expense
  
- Overall, we expect our 2013 O&M costs to be flat to approximately 2 percent higher than our actual O&M for 2012

# Where We Go From Here

## Projected Rate Base

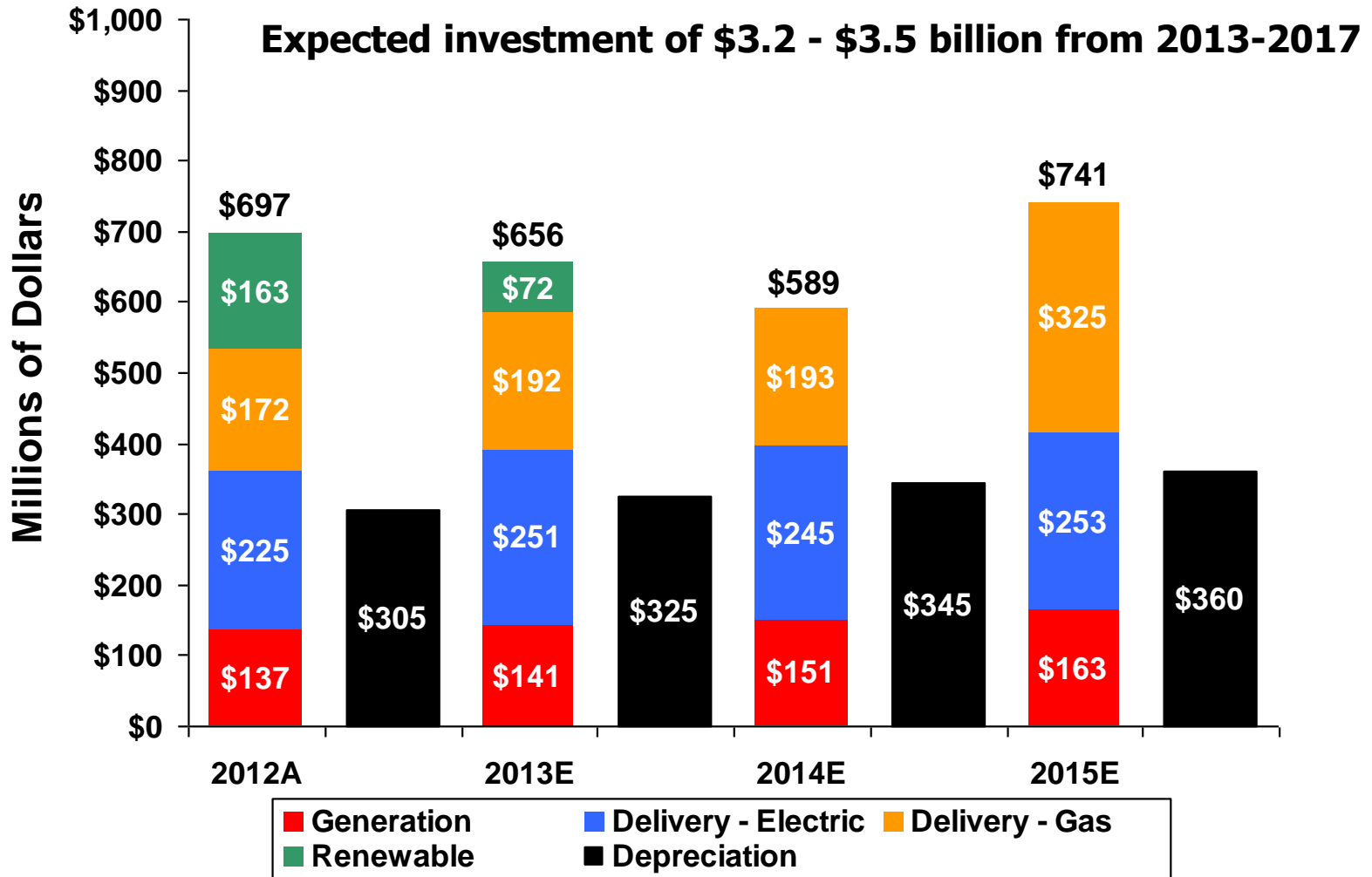
### Average Total Utility Rate Base



\*All other is comprised of customer advances, def. taxes, inventory and implied working capital.

*Where We Go From Here*

# Strong capital investment in the retail utility



## *Where We Go From Here*

# **DATC**

- Non-exclusive joint venture between Duke Energy and ATC (DATC) announced in April 2011
  - Adds potential investment opportunities outside ATC's current footprint
  - Ownership is split 50/50 between Duke and ATC
- DATC has proposed transmission projects for MISO's Midwest Transmission Expansion Plan
  - Seven new transmission lines, located in five Midwestern states
  - Total cost of approximately \$4 billion
  - Phased in over the next 10 years
  - FERC has approved an ROE at the MISO rate of 12.38%
  - Projects are subject to MISO and regulatory approval
- DATC acquired interest in California's Path 15 transmission line
  - An existing 84-mile, 500-kilovolt transmission line in central California
  - 72 percent interest for approximately \$56 million
  - Small earnings uplift starting in 2013
- Overall DATC impact on WEC
  - No significant capital deployment expected until 2015

*Where We Go From Here*

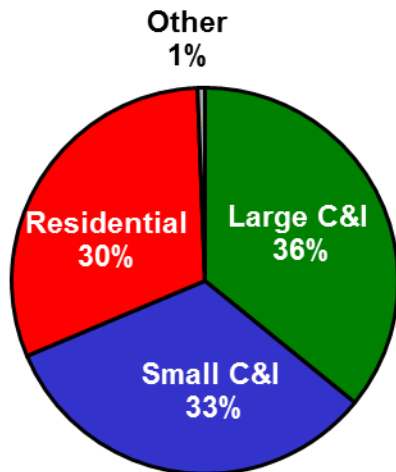
# Forecast of Electric Sales

	<b>2013 Forecast vs. 2012 Actual</b>	<b>2013 Forecast vs. 2012 Normalized</b>
Residential	-2.3%	0.1%
Small C&I	0.2%	0.3%
Large C&I (ex. Mines)	-0.9%	0.2%
Total Large C&I	-3.2%	-2.4%
Total Retail	-1.8%	-0.7%

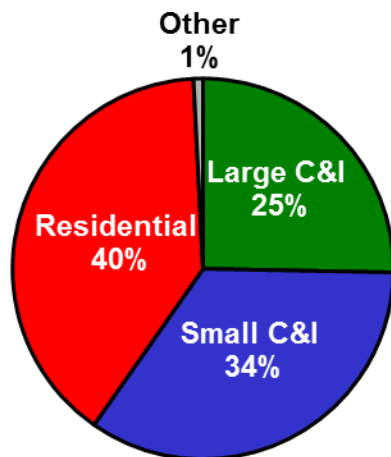
# A Track Record of Performance

## Electric Retail Customer Base

2012 Retail KWh Sales Mix



2012 Retail Revenues



C&I Sector Small & Large	% of 2012 Electric C&I Sales
Office	12.1%
Mining	11.1%
Retail	6.4%
Primary Metals	6.0%
Health Care	5.7%
Food	5.0%
Paper & Products	4.7%
Education	4.6%



# Regulatory Environment

## ■ Wisconsin Commission

- 3 Commissioners
- Gubernatorial appointment, Senate confirmation
- Chairman: Gubernatorial appointment
- Terms
  - 6 year—staggered terms

## ■ Michigan Commission

- 3 Commissioners
- Gubernatorial appointment, Senate confirmation
- Chairman: Gubernatorial appointment
- Terms
  - 6 year—staggered terms

Wisconsin Commissioners			
Name	Party	Began Serving	Term Ends
<b>Phil Montgomery</b> Chairman	R	03/2011	03/2017
<b>Eric Callisto</b>	D	05/2008	03/2015
<b>Ellen Nowak</b>	R	07/2011	03/2019

Michigan Commissioners			
Name	Party	Began Serving	Term Ends
<b>John D. Quackenbush</b> Chairman	R	10/2011	07/2017
<b>Greg R. White</b>	I	12/2009	07/2015
<b>Sally Talberg</b>	I	07/2013	07/2019