

***Wisconsin Energy  
Corporation***

**June 2014**

## 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, debt redemptions, construction costs and capital expenditures, investment opportunities, corporate initiatives, 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.

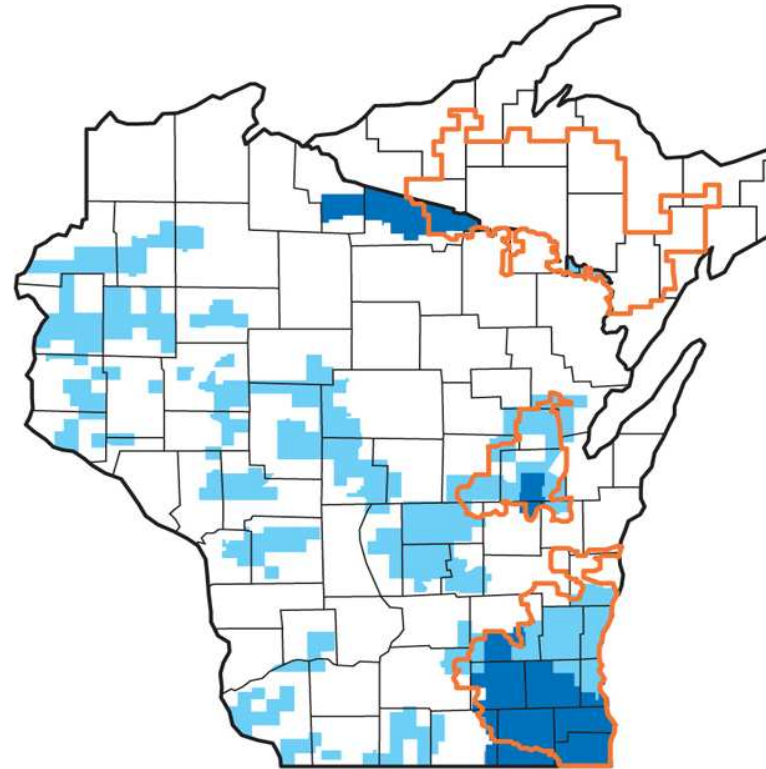
In addition to the assumptions and other factors referred to in connection with the forward-looking information, factors that could cause Wisconsin Energy's actual results to differ materially from those contemplated in any forward-looking information or otherwise affect our future results of operations 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; continued industry consolidation; our ability to continue to mitigate the impact of Michigan customers switching to an alternative electric supplier; cyber-security threats; construction risks; equity and bond market fluctuations; the impact of any 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, 2013 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 dividend payout ratio of 65%-70% of earnings in 2017
  - Implies 7%-8% dividend growth annually 2015-2017
  - In January, the board authorized an increase in the quarterly dividend to 39 cents a share
- \$300 million share buyback program authorized from 2014 through 2017
- Proven management team that has delivered strong financial results and operational excellence
- Balanced 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**

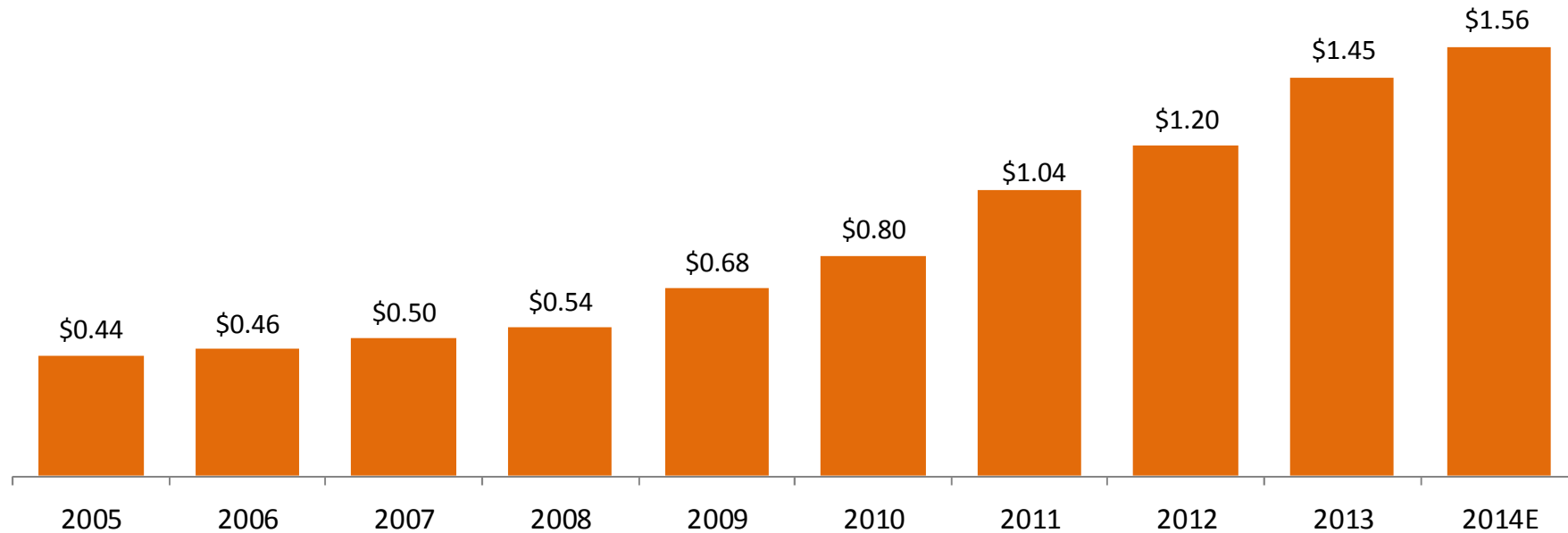
	<b>One Year</b>	<b>Three Year</b>	<b>Five Year</b>	<b>Ten Year</b>
<b>Wisconsin Energy</b>	<b>16.1%</b>	<b>55.5%</b>	<b>131.8%</b>	<b>227.1%</b>
S&P Utilities Index	13.2%	37.5%	62.3%	141.8%
S&P Electric Index	7.8%	29.7%	38.7%	132.4%
Philadelphia Utility Index	11.0%	31.6%	53.0%	137.1%
Dow Jones Utilities Average	12.7%	37.1%	64.2%	170.5%

Annualized returns for periods ending 12/31/2013

Source: Bloomberg data, assumes all dividends were reinvested and returns were compounded daily

*A Track Record of Performance*

## **Industry Leading Dividend Growth**



*Targeting dividend payout ratio of 65 - 70 percent of earnings in 2017*

## *A Track Record of Performance*

# **Leading Reliability and Customer Satisfaction**



- Named the most reliable utility ...
  - In the U.S. in 2013
  - In the Midwest nine of the past 12 years
- During 2013, achieved highest customer satisfaction ratings in past decade ... likely best ever



*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*

**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.

*A Track Record of Performance*

# **Dramatic Change in Environmental Performance**

- From 2000 to 2014...

- Power plant capacity

up 50%



- Emissions of

nitrogen oxide

sulfur dioxide

mercury

particulate matter

down 80%



*A Track Record of Performance*

## **Strong Financial Foundation**

### **Positive Cash Flow ...**

- Project \$500 million of free cash flow from 2014-2018
- Expect to generate free cash flow each year after reaching target dividend payout ratio in 2017

### **Solid credit ratings ...**

	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
WEC	A2	A-	A-
WE	A1	A-	A
WG	A1	A	A-

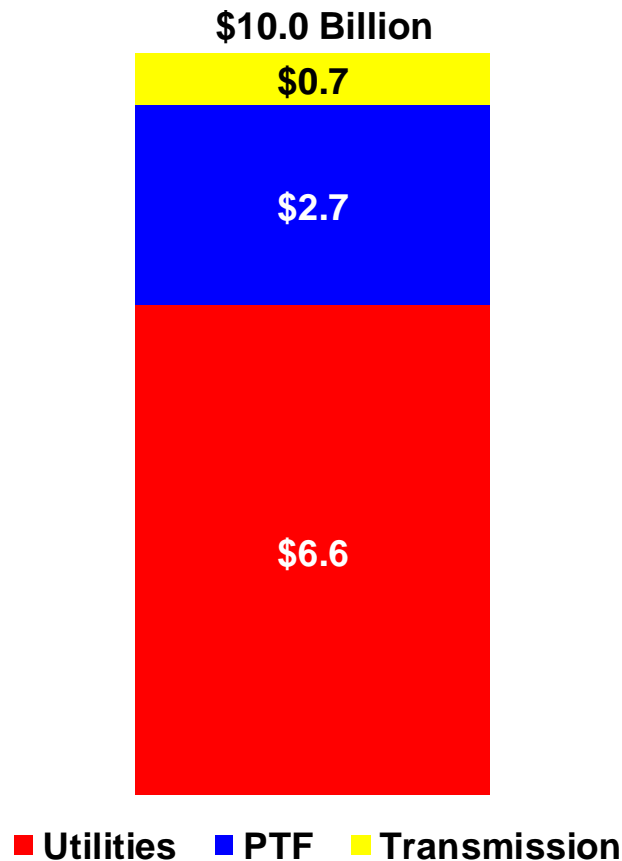
### **Well-Funded Pension ...**

- Over 100% funded at year-end 2013
- More than \$330 million in contributions in 2011 and 2012

## A Track Record of Performance

# Summary of our Core Business

Rate Base and Power the Future Investment at 12/31/13



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

- **Retail Electric and Gas Utilities**
  - 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

*Where We Go From Here*

## Major Segment Earnings for 2012 – 2014

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

	<u>2012A</u>	<u>2013A</u>	<u>2014E</u>
<b>Electric and Gas Utilities</b>	\$1.55	\$1.67	\$1.72 to \$1.78
<b>Power the Future <sup>(1)</sup></b>	\$0.69	\$0.72	\$0.73
<b>Wholesale Electric Transmission <sup>(2)</sup></b>	\$0.17	\$0.18	\$0.19
<b>Unallocated holding company debt <sup>(3)</sup></b>	(\$0.06)	(\$0.06)	(\$0.06)
	<hr/> \$2.35	<hr/> \$2.51	<hr/> \$2.58 to \$2.64

<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



*Where We Go From Here*

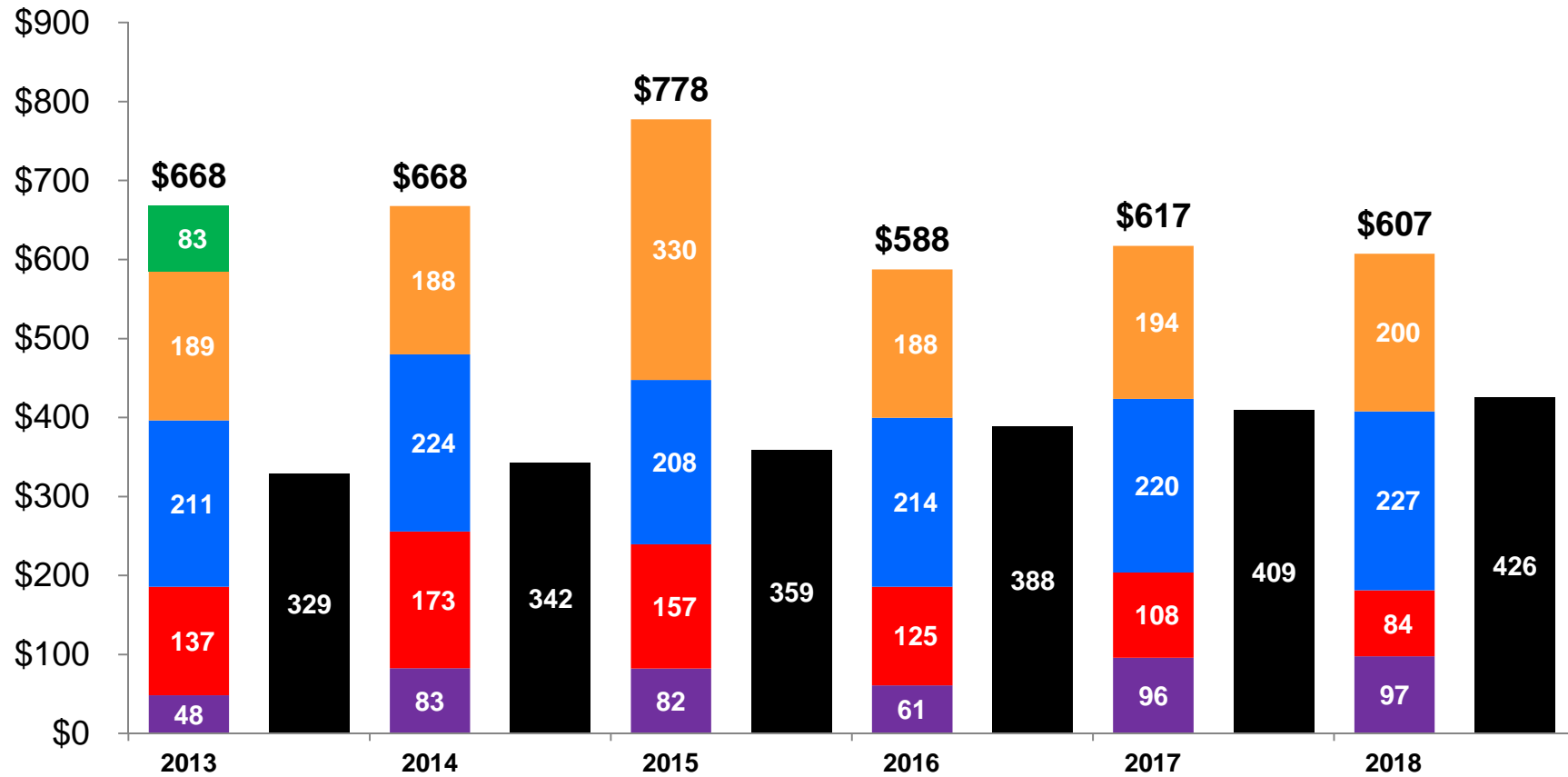
## **Delivering the Future**

- From 2014 through 2018, our plan is to invest \$3.2 to \$3.5 billion in needed infrastructure projects that will:
  - Renew and modernize our grid
  - Meet new environmental standards
  - Reduce our operating costs for customers
  
- From 2014 through 2023, our plan is to invest \$6.5 to \$7.1 billion in needed infrastructure

Where We Go From Here

# Five-Year Capital Investment in our Retail Utilities

(Projected Investment, In millions)



■ Customer Service & IT ■ Generation ■ Delivery - Electric ■ Delivery - Gas ■ Renewables

Depreciation expected to average \$375 million annually over the five-year period





*Where We Go From Here*

## **Delivering the Future – Electric Overview**

Between 2014 and 2018,  
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 2014 and 2018, we also plan to:

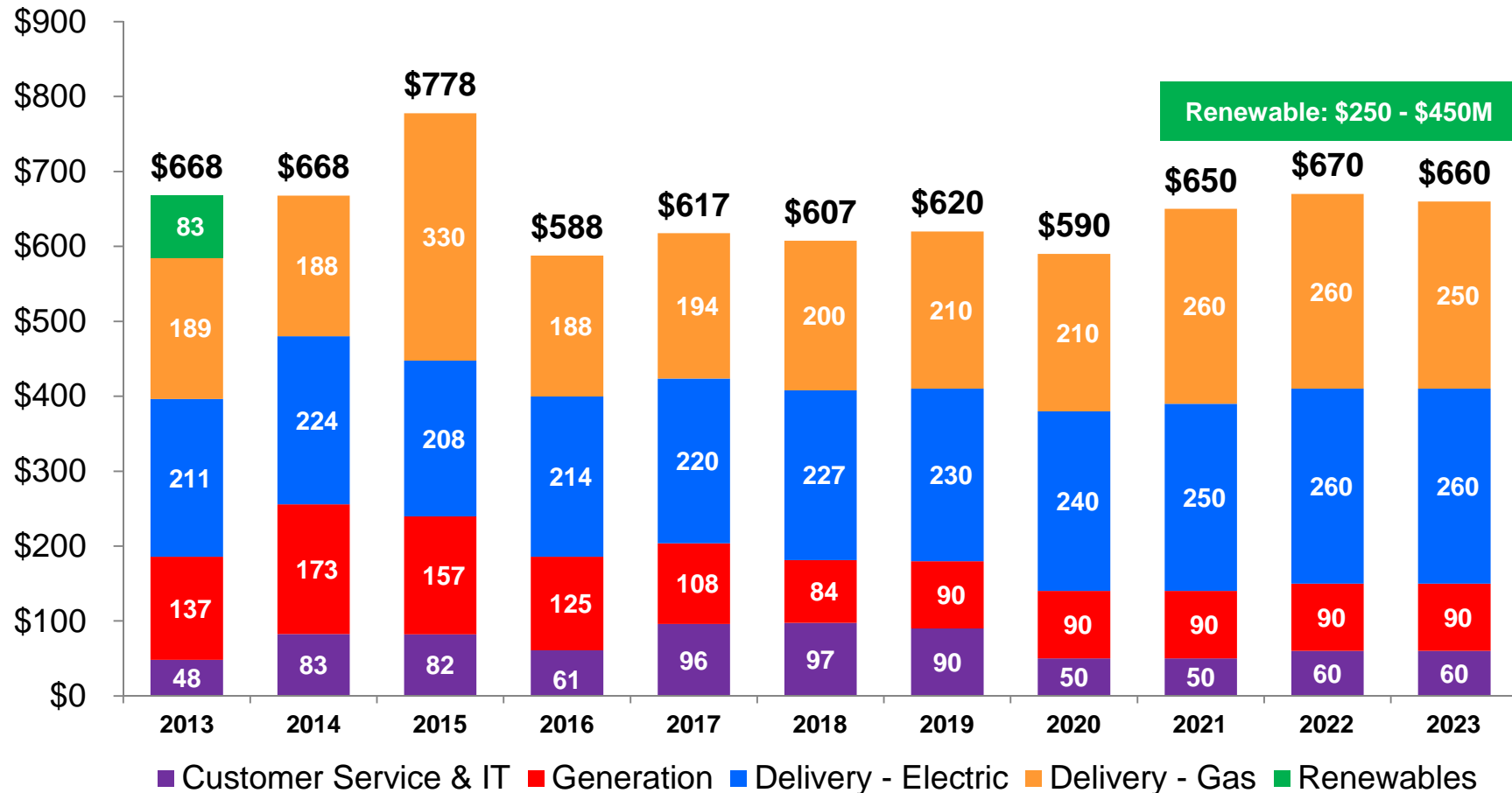
- Replace:
  - 1,100 miles of vintage plastic and steel gas mains
  - 83,000 individual gas distribution lines
  - 233,000 meter sets



Where We Go From Here

# Ten-Year Capital Investment in our Retail Utilities

(Projected Investment, In millions)



Depreciation expected to average \$425 million annually over the ten-year period

*Where We Go From Here*

# Ten-Year Capital Projection 2014 - 2023

***\$6.5 to \$7.1 billion investment  
in our core business***



## **Plus Additional Growth Opportunities**

- ATC – Traditional Footprint
  - \$3.0 to \$3.6 billion
  - WEC Ownership 26.2%
- DATC – Outside ATC Traditional Footprint
  - \$4.0 billion +
  - WEC Interest 13.1%
- Natural Gas Expansion/Conversion
- State of Wisconsin Energy Assets
- Share Repurchases

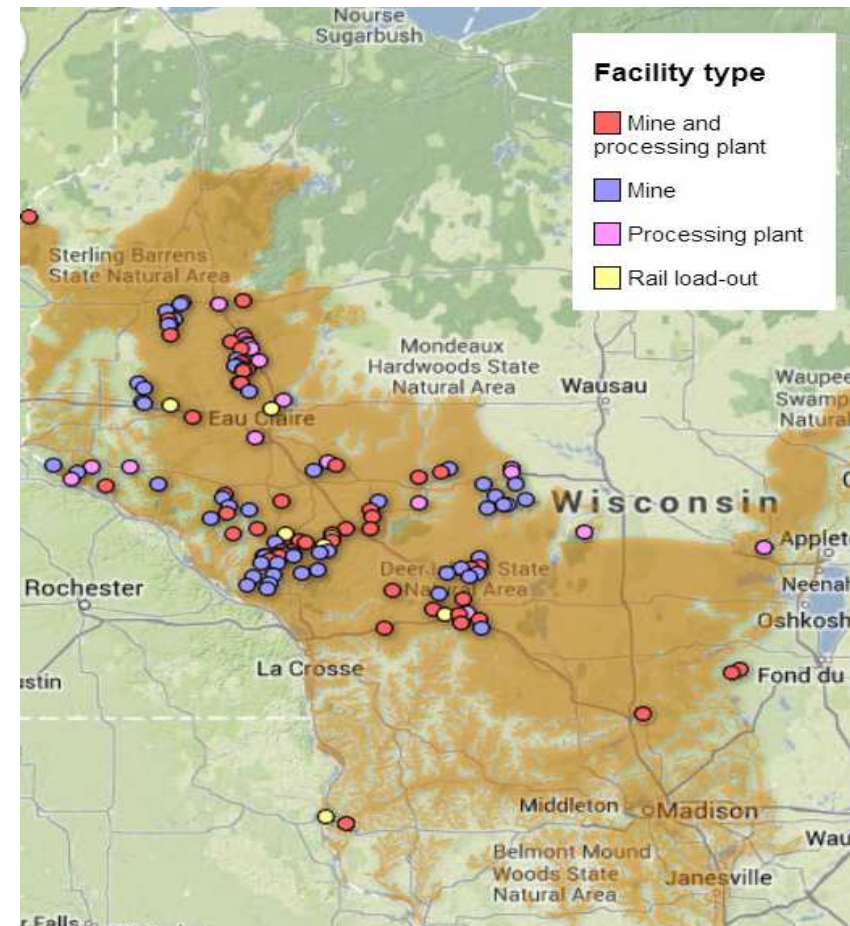


## Where We Go From Here

# Western Wisconsin Gas Expansion

- Additional natural gas distribution capacity needed to address reliability and to meet growth in customer demand
  - Propane conversion - ten municipalities have passed franchise resolutions to receive natural gas service
  - Frac sand mining - increase from 10 to 115 licensed sand mining operations since 2010
- Seeking approval from the Wisconsin Commission
  - Environmental surveys complete
- Expected initial investment for the 85-mile lateral: \$150 to \$170 million

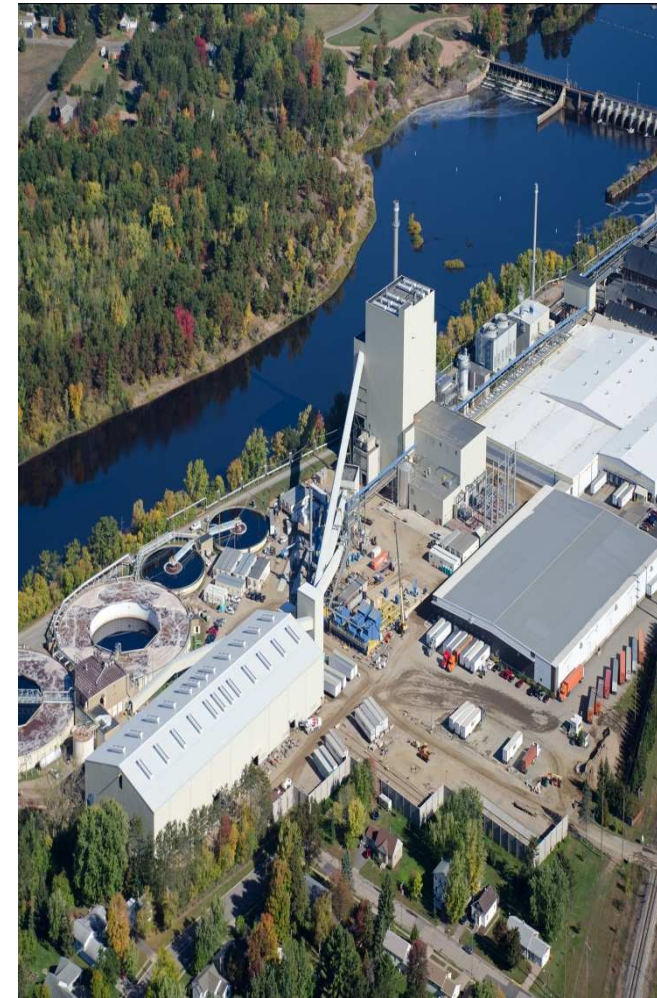
## Sand Plants – Wisconsin



*Where We Go From Here*

# Renewable Energy Investments

- Biomass plant completed
  - 50MW
  - Investment of \$269 million
  - Commercial operation began in November of 2013
- Renewable fleet in place
  - Glacier Hills Wind Park (162 MW, in service since 2011)
  - Blue Sky Green Field Wind Park (145 MW, in service since 2008)
  - Montfort Wind Energy Center (30 MW, purchased in 2012)
- We expect to be in compliance with the Wisconsin renewable portfolio standard through 2022



## *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
  - Follows completion of a \$26 million gas pipeline upgrade with expected completion in 2014



- Projected conversion cost for Valley: \$65 to \$70 million



*Where We Go From Here*

# Twin Falls Hydroelectric Powerhouse

- In 2012 announced plans to build a new powerhouse at Twin Falls
  - Existing powerhouse is in need of repair
- Construction began in the fall of 2013 with scheduled completion in 2016
- Expected cost: \$60 to \$65 million





*Where We Go From Here*

## **Wisconsin Rate Case Summary**

- Wisconsin has biennial rate cycle
  - Two year forward looking test years
  - Apply in 2014 for 2015 and 2016 rates
- Settlement for ROE, capital structure, and base rate changes reached in May
  - Wisconsin Electric ROE of 10.2%, Wisconsin Gas ROE of 10.3%
  - Wisconsin Electric capital structure unchanged (at 51% equity midpoint), Wisconsin Gas equity component increased to 49.5% (from 47.5%)
  - Non-fuel electric rate increase of \$41.5 million or 1.4% in 2015
- Remainder of the case will focus on rate design and 2015 fuel recovery
- Expect final order this fall

*Where We Go From Here*

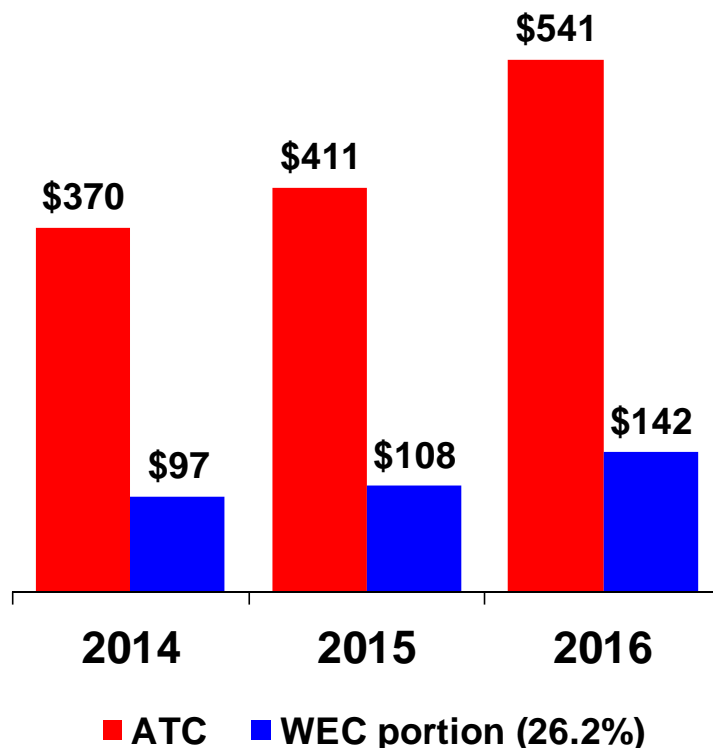
## **Michigan Retail Choice**

- Two iron ore mines in Michigan's Upper Peninsula switched to an alternate energy supplier effective September 1, 2013
- Entered into 'System Support Resource' agreement with MISO at the end of January for payments to support operation of Presque Isle power plant for one year
- RFP process to sell the plant did not produce any bids
- Assessing long-term alternatives

*Where We Go From Here*

# Growth at American Transmission Company

## Projected Capital Expenditures (Millions of Dollars)



## Key Assumptions

- ATC rate base at year end 2014 is projected to be about \$2.9 billion
- ATC projects a need for \$3.0-\$3.6 billion of transmission improvements in its footprint from 2013 to 2022
- Implies average \$68 million effective annual rate base growth for WEC from 2014 to 2016
- Excludes potential transmission projects outside ATC's traditional footprint

# Where We Go From Here

## DATC



- Joint venture between Duke Energy and ATC (DATC)
  - Ownership is split 50/50 between Duke and ATC
- DATC has identified three distinct investment opportunities
  - California's Path 15 transmission line (purchased interest on April 30, 2013)
  - Transmission projects in the Midwest
    - Approximately \$4 billion of potential investment over ten years
  - Zephyr Power Transmission Project

*Where We Go From Here*

## **Industry Leading Dividend Growth**

- The board of directors raised the quarterly dividend in January to 39 cents a share – equivalent to an annual rate of \$1.56 a share
  - Represents a 30% increase over the rate in effect during 2012
- The board of directors also affirmed a target payout ratio of 65-70 percent of earnings in 2017
  - Supports 7-8 percent dividend increases from 2015-2017

*Where We Go From Here*

## **Financial Flexibility for Share Repurchases**

- The board of directors has authorized management to purchase up to an additional \$300 million of Wisconsin Energy common stock from 2014 – 2017
  
- From May, 2011 through March 31, 2014:
  - Repurchased 8.1 million shares at an average price of \$36.58 a share
  - Invested \$296.4 million

*Where We Go From Here*

## **Holding Company Debt Retirement**

- Our free cash position enables us to consider the early retirement of holding company obligations
  
- Two major debt instruments at the holding company
  - \$200 million bond with a 6.2% coupon expiring in 2033
  - \$500 million hybrid security with a 6.25% coupon converting to a floating rate in 2017
  
- Timing and magnitude of retirement depends on several factors including interest rates and our potential capital investments

# 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
- 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



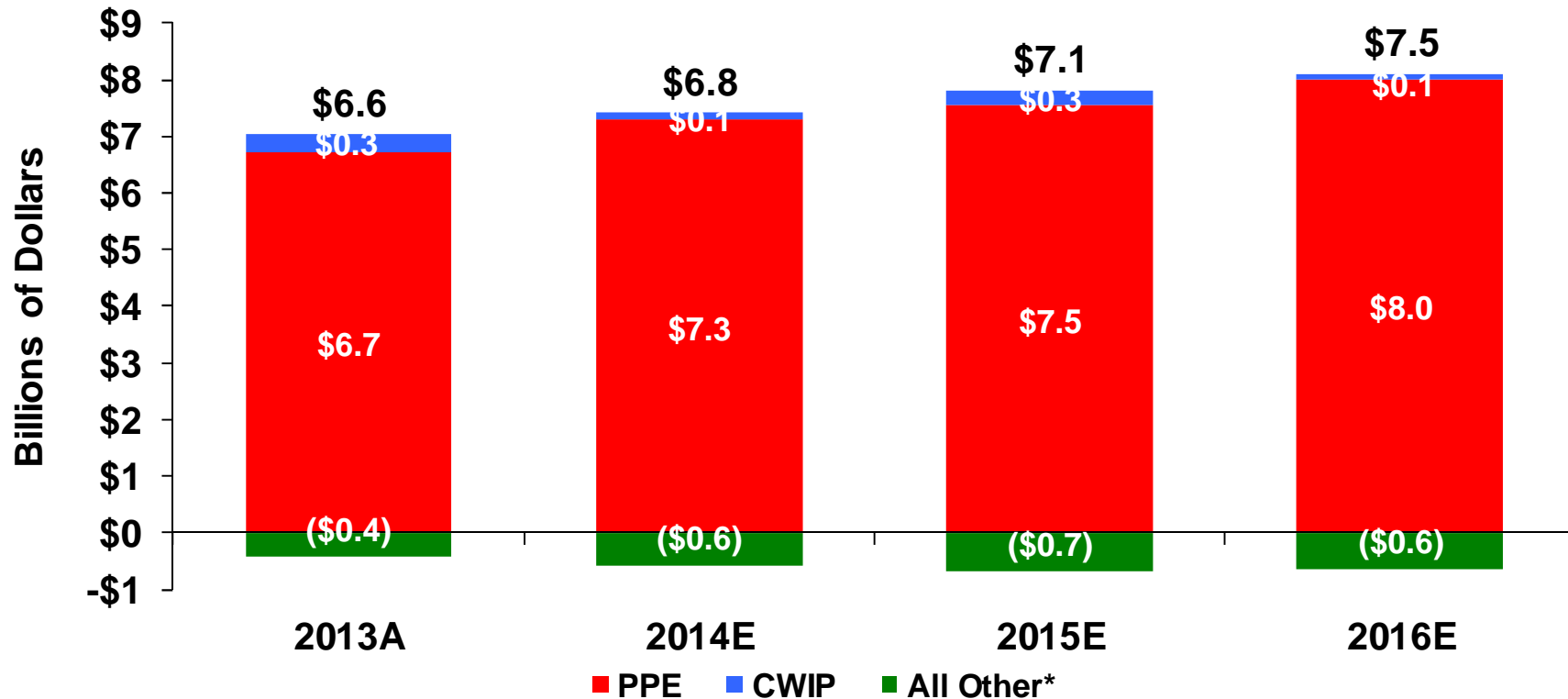


# **Appendix**

# Where We Go From Here

## Projected Rate Base

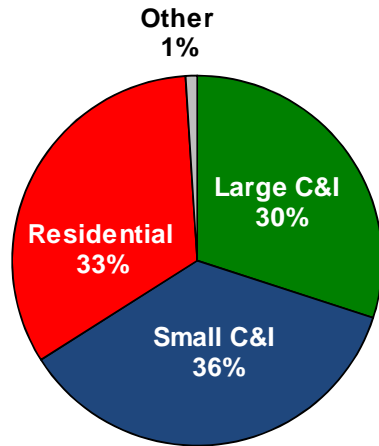
Average Total Utility Rate Base



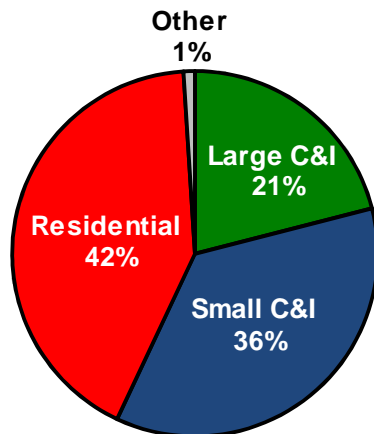
\*All other is comprised of customer advances, def. taxes, inventory and implied working capital.

# Electric Retail Customer Base

2013 Retail KWh Sales Mix\*



2013 Retail Revenues\*



C&I Sector Largest Segments*	% of 2013 Electric C&I Sales
Office	13.5%
Retail	7.0%
Primary Metals	6.6%
Health Care	6.3%
Food	5.7%
Education	5.3%
Hospitality	5.0%
C&I Machinery	4.7%

\*Excludes Michigan Retail Choice Customers

# Forecast of Electric Sales\*

	<b>2014 Forecast vs. 2013 Actual</b>	<b>2014 Forecast vs. 2013 Normalized</b>
Residential	-0.6%	0.4%
Small C&I	-0.4%	0.3%
Large C&I (ex. Mines)	1.0%	0.9%
Total Retail w/o Mines	0.0%	0.5%

\*Delivered Volumes

# Forecast of Electric Sales\*

	<b>2014 Forecast vs. 2013 Actual</b>	<b>2014 Forecast vs. 2013 Normalized</b>
Residential	-0.6%	0.4%
Small C&I	-0.6%	0.1%
Large C&I (ex. Mines)	-0.7%	-0.8%
Total Retail w/o Mines	-0.6%	-0.1%

\*Supply and Distribution Volumes

# 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