



***Wisconsin Energy  
Corporation***

# **Appendix**

**May 2015**

*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*

## **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.

# Strong Financial Foundation

## Positive Cash Flow ...

- Project \$300 million of free cash flow from 2015-2019
- 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 <sub>(1)</sub>	A2	A-	A-
WE	A1	A-	A
WG	A1	A	A-

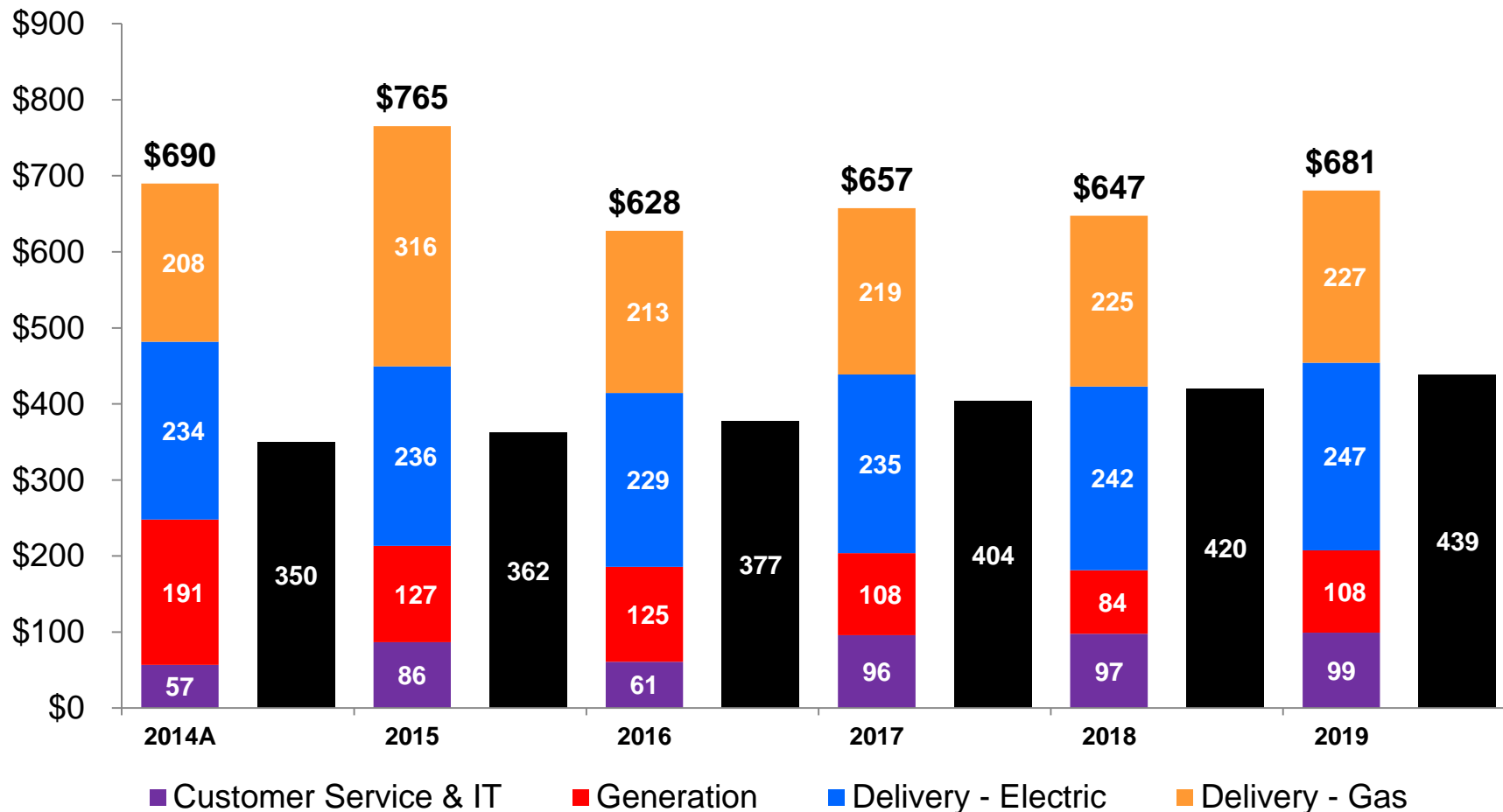
(1) S&P placed WEC on negative outlook; Moody's placed WEC on review for downgrade; Fitch placed WEC on ratings watch negative

## Well-Funded Pension ...

- Over 100% funded at year-end 2014

# Five-Year Capital Investment in our Retail Utilities

(Projected Investment, In millions)



## *Where We Go From Here*

# Ten-Year Capital Projection 2015 - 2024

***\$6.6 to \$7.2 billion investment  
in our core business***



### **Plus Additional Growth Opportunities**

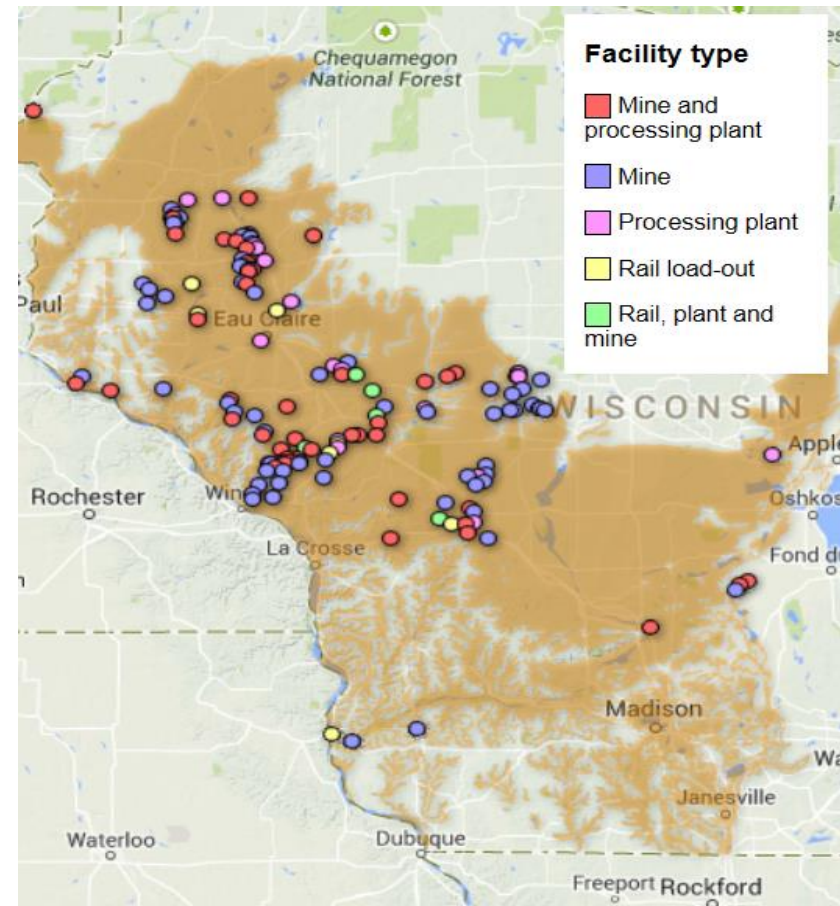
- ATC – Traditional Footprint
  - \$3.3 to \$3.9 billion
  - WEC Ownership 26.2%
- DATC – Outside ATC Traditional Footprint
  - \$4.0 billion +
  - WEC Interest 13.1%
- Natural Gas Expansion/Conversion
- State of Wisconsin Energy Assets

## 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
  - Frac sand mining - increase from 10 to 121 licensed sand mining operations since 2010
  - Propane conversion - ten municipalities have passed franchise resolutions to receive natural gas service
- Received approval from the Wisconsin Commission
- Expected initial investment for the 85-mile lateral: \$175 to \$185 million
- Projected completion expected in the fourth quarter of 2015

## Sand Plants – Wisconsin

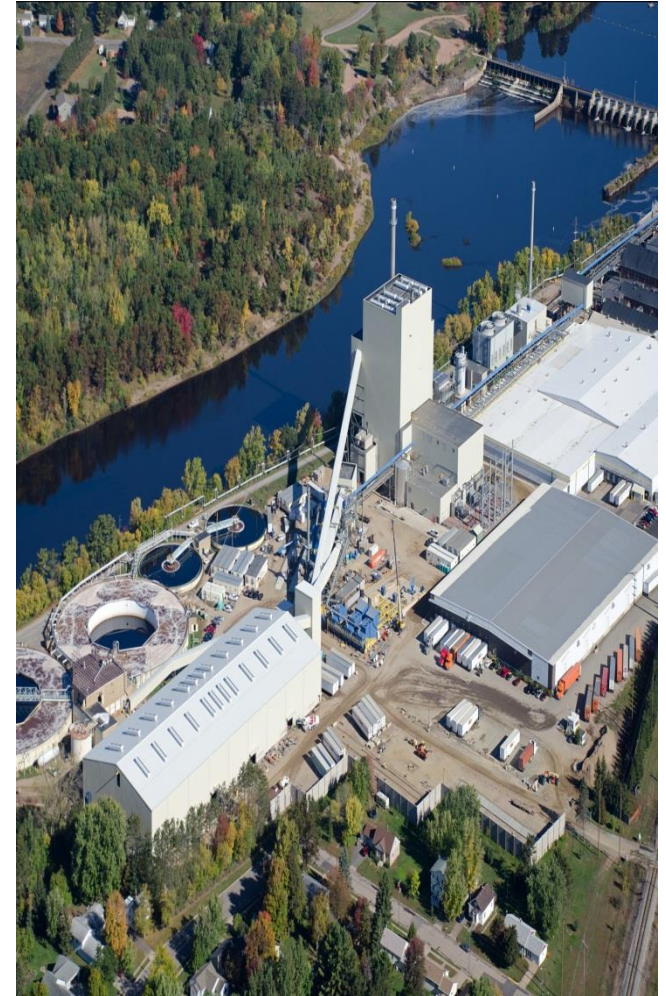




*Where We Go From Here*

# 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 2023



*Where We Go From Here*

# Valley Power Plant

- Converting Valley from coal to natural gas
- Unit 1 conversion completed in November
- Targeting completion of project in late 2015
  - Follows construction of a \$30 million gas pipeline upgrade (now in service)



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

*Where We Go From Here*

# Twin Falls Hydroelectric Powerhouse

- Building a new powerhouse at Twin Falls as 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*

# Oak Creek Plant Projects

- Goal: enable our Oak Creek expansion units to burn both Powder River Basin (PRB) and bituminous coal
- In July, asked the Wisconsin Commission to approve \$21 million of additional capital for plant modifications that will enable testing of up to 100% PRB coal
- In October, asked the Wisconsin Commission to approve investment of \$58 million for fuel handling and an expanded storage facility
- Objective is to have the flexibility to burn up to 100% PRB coal on a sustained basis

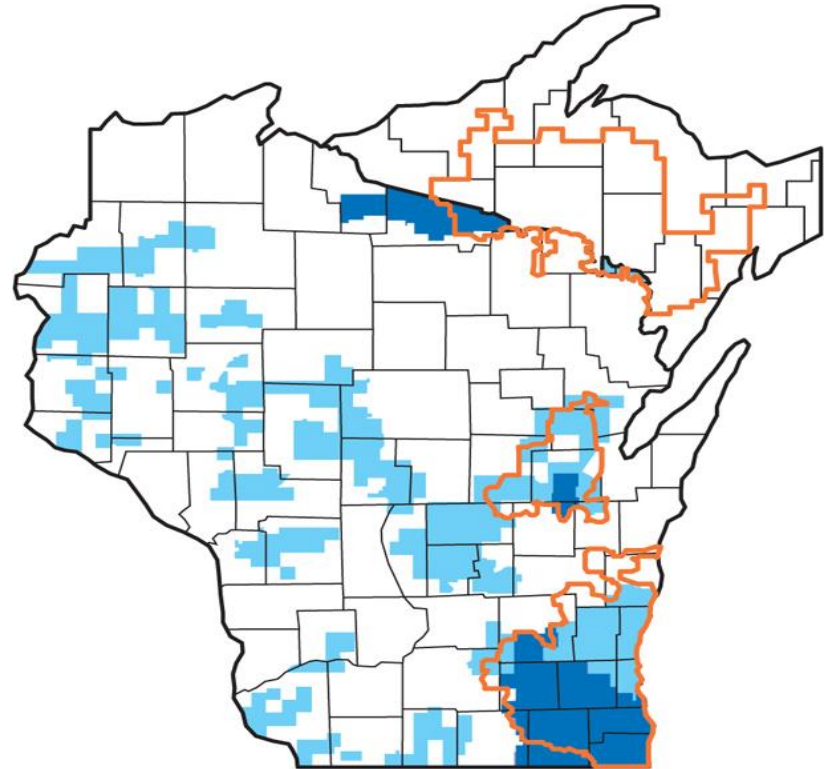


# **Amended Michigan Settlement**

- Entered into an agreement in March with the Michigan Governor, Attorney General of Michigan, MPSC Staff and owners of the two iron ore mines in the Upper Peninsula (UP) of Michigan
  - Wisconsin Electric retains ownership of Presque Isle Power Plant and its electric distribution assets in the UP
  - Iron ore mines have entered into long-term contracts to purchase power
  - If requested, would either invest in and/or purchase power from a new power plant (which would enable the retirement of the Presque Isle plant)
  - WEC would potentially create a new Michigan only subsidiary for our current UP customers
- System Support Resource (SSR) payments no longer in effect

# Stand Alone Service Territory

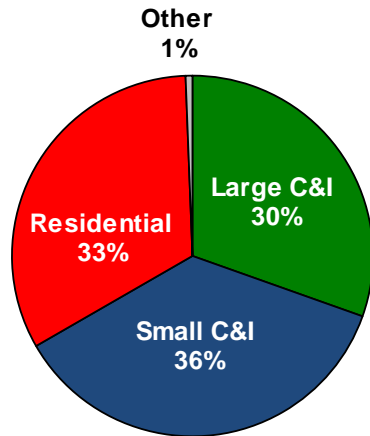
- Largest electric and gas company in Wisconsin
  - 1.1 million electric customers
  - 1.1 million natural gas customers



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

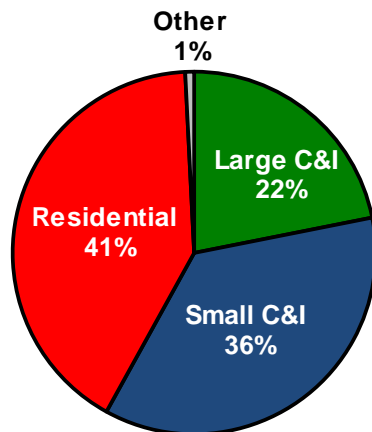
# Electric Retail Customer Base

2014 Retail KWh Sales Mix\*



C&I Sector Largest Segments*	% of 2014 Electric C&I Sales
Office	12.5%
Retail	6.3%
Primary Metals	5.9%
Health Care	5.3%
Food	5.2%
Education	4.8%
Hospitality	4.8%
C&I Machinery	4.7%

2014 Retail Revenues\*



\*Excludes Michigan Retail Choice Customers

## *Service Territory and Economy*

# Forecast of Electric Sales\*

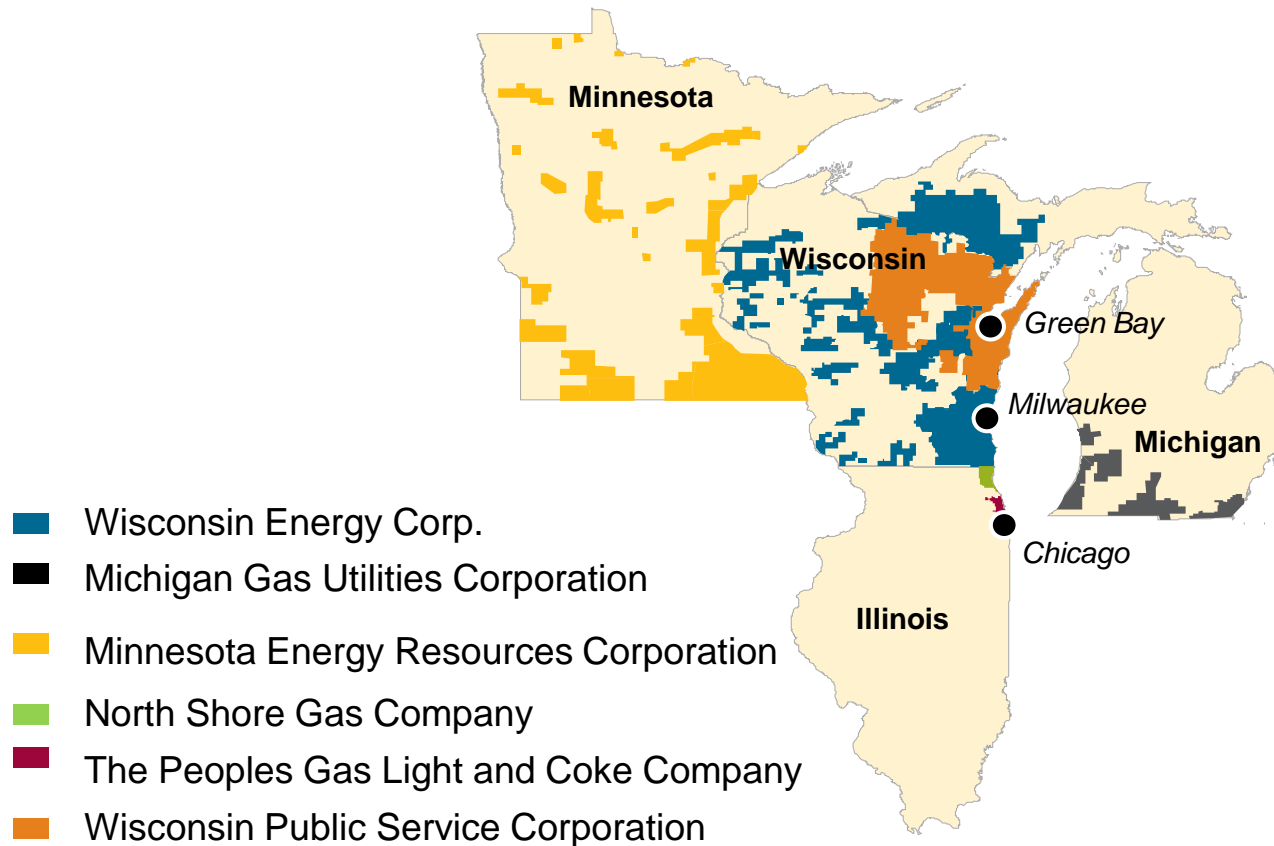
	<b>2015 Forecast vs. 2014 Actual</b>	<b>2015 Forecast vs. 2014 Normalized</b>
Residential	2.0%	0.2%
Small C&I	0.5%	0.3%
Large C&I (ex. Mines)	0.3%	-0.3%
Total Retail w/o Mines	0.9%	0.1%

\*Delivered Volumes or Supply and Distribution Volumes



# *Service Territory and Economy*

## **Combined Company Operating Company View**



# 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>Ellen Nowak</b> Chairman	R	07/2011	03/2019
<b>Mike Huebsch</b>	R	03/2015	03/2021
<b>Phil Montgomery</b>	R	03/2011	03/2017

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

# Regulatory Environment

## ■ Illinois Commission

- 5 Commissioners
- Gubernatorial appointment, Senate confirmation
- Chairman: Gubernatorial appointment
- 5 year staggered terms

## ■ Minnesota Commission

- 5 Commissioners
- Gubernatorial appointment, Senate confirmation
- Chairman: Gubernatorial appointment
- 6 year staggered terms

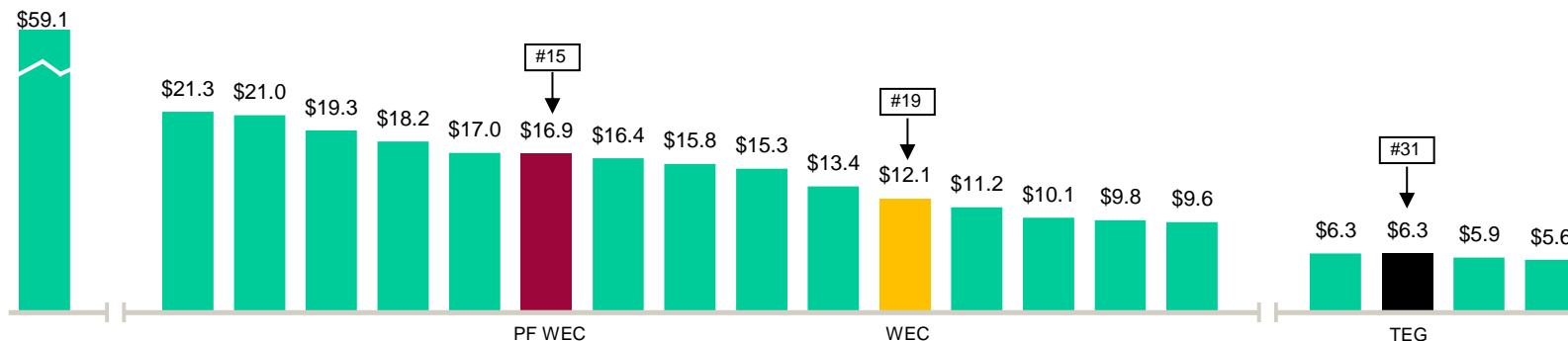
Name	Party	Began Serving	Term Ends
<b>Brien Sheahan</b> Chairman	R	01/2015	01/2019
<b>Miguel del Valle</b>	D	02/2013	01/2018
<b>Sherina Maye</b>	I	03/2013	01/2018
<b>Ann McCabe</b>	R	03/2012	01/2017
<b>John Rosales</b>		03/2015	01/2019

Name	Party	Began Serving	Term Ends
<b>Beverly Jones Heydinger</b> Chair	D	07/2012	01/2017
<b>John Tuma</b>	R	02/2015	01/2021
<b>Nancy Lange</b>	D	02/2013	01/2019
<b>Dan Lipschultz</b>	R	01/2014	01/2020
<b>Betsy Wergin</b>	R	08/2008	01/2016

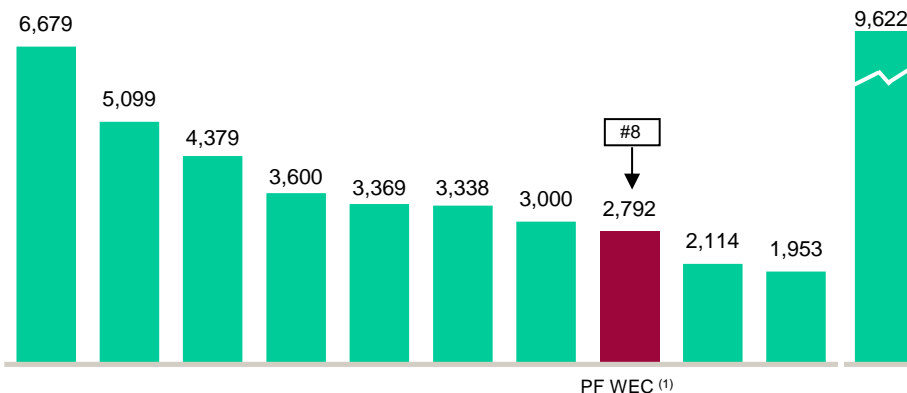
# Financial Summary

## Pro Forma Company Size Relative To Peers

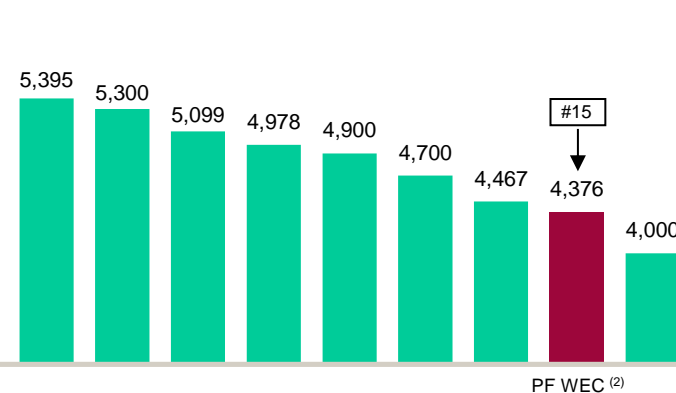
### Publicly Traded Electric and Gas Utilities - Market Value (in \$ billions)



### U.S. Gas Customers (in thousands)



### U.S. Electric & Gas Customers (in thousands)



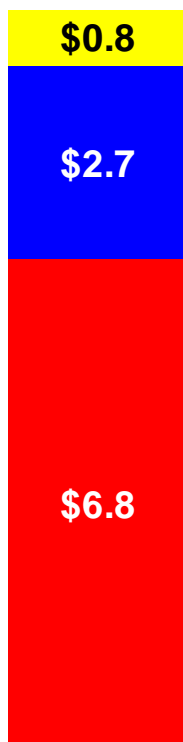
■ Source: FactSet, Company Filings, and Investor Presentations. Market data as of 12/31/2014. PF WEC market cap based on pro forma shares of 320 million.

1. Represents 1,703,000 TEG gas customers and 1,089,000 WEC gas customers.

2. Represents 2,153,000 TEG gas and electric customers and 2,223,040 WEC gas, steam and electric customers.

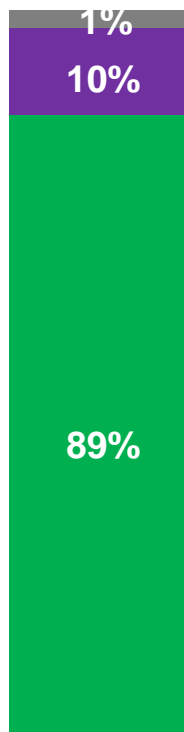
# WEC Rate Base Investment – end of 2014

\$10.3 Billion



■ Utilities ■ PTF ■ Transmission

Jurisdictional Mix



■ WI ■ FERC ■ MI

## ■ Retail Electric and Gas Utilities

- Wisconsin, Michigan, and FERC jurisdictions
- Growth driven by projected capital spend averaging \$700 million per year, primarily for electric and gas infrastructure renewal (Deliver the Future)

## ■ Power the Future

- 12.7% ROE fixed in lease agreements

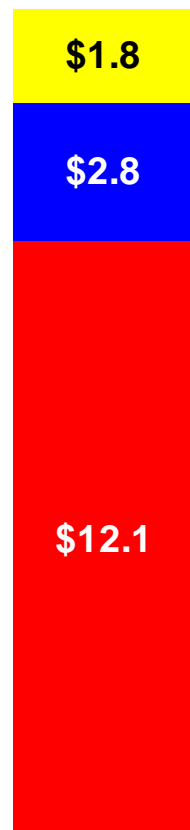
## ■ Wholesale Electric Transmission

- 12.2% ROE with true-up
- 26.2% of ATC's rate base
- Projected investment averaging \$360 million per year (our share: \$94 million)

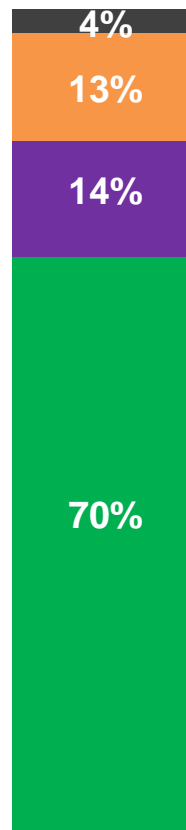
Note: Power the Future value is book value of investment.

## Pro Forma Rate Base Investment – end of 2015

\$16.7 Billion



Jurisdictional Mix



■ Utilities ■ PTF ■ Transmission ■ WI ■ FERC ■ IL ■ MI/MN

Note: Power the Future value is book value of investment.

### Retail Electric and Gas Utilities

- Wisconsin, Illinois, Michigan, Minnesota, and FERC jurisdictions
- Growth driven by average annual capital spend of \$1.4 billion per year, e.g.
  - Deliver the Future and Wisconsin Public Service reliability project (SMRP)
  - Environmental investments at Wisconsin Public Service
  - Natural gas infrastructure in Chicago

### Power the Future

- 12.7% ROE fixed in lease agreements

### Wholesale Electric Transmission

- 12.2% ROE with true-up
- 60% of ATC's rate base
- Average annual investment of \$360 million per year (our share \$216 million)

# Financial Summary

## Dividend Parity – Illustrative Example

(based on current dividend rates per share)

	<u>Per Share</u>
<b>DIVIDEND EXCHANGE RATIO</b>	
Wisconsin Energy 10 trading day average closing price at effective merger close date <sup>(1)</sup>	\$51.01
x Stock consideration exchange ratio	1.128x
= Value of stock consideration	\$57.54
+ Value of cash consideration	\$18.58
<hr/>	<hr/>
= Total transaction consideration	\$76.12
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/ Wisconsin Energy 10 trading day average closing price at effective merger close date <sup>(1)</sup>	\$51.01
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= Dividend Exchange Ratio	1.492x
 <b>ADJUSTED DIVIDEND</b>	
Current Integrys dividend	\$2.72
÷ Dividend Exchange Ratio	1.492x
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Implied Wisconsin Energy adjusted dividend	\$1.82
Current Wisconsin Energy dividend	\$1.69
Wisconsin Energy dividend uplift for parity	\$0.13 or 7.9%

1. For illustrative purposes, assumes Wisconsin Energy's 10 trading day average closing price at the effective merger close date is equal to Wisconsin Energy's closing stock price as of February 17, 2015.

# Integrys Overview

## Integrys Energy Group Company Structure

Regulated

Unregulated

Divestitures



PEOPLES GAS  
NATURAL GAS DELIVERY

NORTH SHORE GAS  
NATURAL GAS DELIVERY

MINNESOTA  
ENERGY  
RESOURCES

MICHIGAN  
GAS UTILITIES

ATC  
AMERICAN TRANSMISSION COMPANY

TRILLIUM CNG

integrys  
energy services

Combo Utility	Natural Gas Utility	Electric Transmission	Compressed Natural Gas & Solar	Divestitures
<ul style="list-style-type: none"> <li>WPS has 450,000 electric customers, 326,000 natural gas customers and 2,660 MW of generation capacity</li> <li>2015 Rate Base: \$2.5 bn</li> </ul>	<ul style="list-style-type: none"> <li>Peoples Gas, located in Illinois, has 828,000 customers                             <ul style="list-style-type: none"> <li>2015 Rate Base: \$1.7 bn</li> </ul> </li> <li>North Shore Gas, located in Illinois, has 159,000 customers                             <ul style="list-style-type: none"> <li>2015 Rate Base: \$0.2 bn</li> </ul> </li> <li>Minnesota Energy Resources has 219,000 customers                             <ul style="list-style-type: none"> <li>2015 Rate Base: \$0.2 bn</li> </ul> </li> <li>Michigan Gas Utilities has 171,000 customers                             <ul style="list-style-type: none"> <li>2013 Rate Base: \$0.2 bn</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>ATC has \$3.6 bn total assets, Integrys Energy Group owns 34.07% of ATC</li> </ul>	<ul style="list-style-type: none"> <li>Trillium CNG is a leading provider of CNG to fleets, and also offers complete facility design, construction, operation and maintenance services.</li> <li>Rooftop solar business for small commercial/industrial and residential customers</li> </ul>	<ul style="list-style-type: none"> <li>Sale of IES competitive retail energy supply business closed November, 2014.</li> </ul>






UPPCO sale closed in August of 2014 to Balfour Beatty Infrastructure Partners

Source: Company filings and investor presentation. Company figures as of 02/27/2015.



# Integrlys Overview

## Integrlys Regulated Utilities – Regulatory Rate Base and Return on Equity

	PGL	NSG	MERC	MGU	WPS	
						
	Natural Gas	Natural Gas	Natural Gas	Natural Gas	Natural Gas	Electric
<b>Retail last authorized, IL/MN</b>						
Rate base/investment (\$ millions)	1,670	217	190			
Allowed ROE	9.05%	9.05%	9.35%			
Authorized regulatory equity %	50.33%	50.48%	50.31%			
Date of decision	2/11/2015	2/11/2015	10/28/2014			
<b>Retail last authorized, MI</b>						
Rate base/investment (\$ millions)				210 <sup>(1)</sup>	2	14
Allowed ROE				10.25%	14.25%	10.60%
Authorized regulatory equity %				48.62% <sup>(1)</sup>	42.40%	56.39%
Date of decision				11/14/2013	6/7/1983	12/4/2007
<b>Retail last authorized, WI</b>						
Rate base/investment (\$ millions)					357 <sup>(2)</sup>	1,866 <sup>(2)</sup>
Allowed ROE					10.20%	10.20%
Authorized regulatory equity %					50.28%	50.28%
Date of decision					12/18/2014	12/18/2014
<b>Wholesale last authorized</b>						
Rate base/investment (\$ millions)						293 <sup>(3)</sup>
Allowed ROE						
Authorized regulatory equity %						
Date of decision						

Notes:

- (1) The MGU rate case was settled with no stated rate base value. \$210 million corresponds to MGU's filed amount with deferred taxes included in the capital structure. Rate base would be \$177 million, and the common equity ratio would be 50.12%, with deferred taxes in rate base.
- (2) Wisconsin includes working capital.
- (3) Service provided under FERC Tariff and Market-Based Rate Contracts, each of which is formula based.

# Non-GAAP Earnings Measures

- Adjusted earnings (non-GAAP earnings), which generally exclude nonoperational items that are not associated with the company's ongoing operations, are provided as a complement to, and should not be considered as an alternative to, reported earnings presented in accordance with GAAP.
- The excluded items are not indicative of the company's operating performance. Therefore, we believe that the presentation of adjusted earnings is relevant and useful to investors to understand Wisconsin Energy's operating performance.
- Management uses such measures internally to evaluate the company's performance and manage its operations.