

WISCONSIN ELECTRIC POWER COMPANY (WEPCO) CASE (A)

INTRODUCTION

For more than a decade, WRI's Sustainable Enterprise Program (SEP) has harnessed the power of business to create profitable solutions to environment and development challenges. BELL, a project of SEP, is focused on working with managers and academics to make companies more competitive by approaching social and environmental challenges as unmet market needs that provide business growth opportunities through entrepreneurship, innovation, and organizational change.

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It was early January 1992, and Ted Blocker, Director of the Environmental Department at Wisconsin Electric Power Company (WEPCO), sat waiting for the consultants to present the findings from their just-compiled benchmarking study of WEPCO's environmental programs. Ted felt good about the company's progress in the past year on the environmental front and began to think about those accomplishments.

Outside the organization, WEPCO had increased its efforts to play a key leadership role in the community on environmental issues. It sponsored Vision 2000, a day-long forum for business, non-profit groups and governmental officials to discuss issues and recognize "unsung heroes" for their creative environmental initiatives. It sponsored numerous community activities, like the Tree Party at the Zoo for Earth Day and Arbor Day. Stuart McAlister, CEO, served on a number of outside environmental boards, as did many WEPCO employees. WEPCO had been recognized nationally for its efforts with prestigious awards, like the Environmental Achievement Award Council, the Edison Award from the Edison Electric Institute, the Friend of the Environment from the Wisconsin Manufacturers and Commerce Association, and the Governor's Award for Hazardous Waste Reduction.

Inside the organization a new *Environmental Commitment* statement was issued by Chairman McAlister in October 1990. The Environmental Working Group, and interdepartmental team, had helped generate the *Environmental Commitment*, along with launching new environmental initiatives throughout the Company.

The newly-recrafted long-range Strategic Plan for the first time included a separate “Environmental Goals” section addressing work to be done to put the *Environmental Commitment* in place.

Despite the Company’s progress, Ted knows the job wasn’t complete. Given rapid growth in environmental regulations, monitoring, and community relations, the workload of his Department was becoming harder to manage. Defining priorities and the role they should play was getting murky, as more operations department took on environmental responsibilities of their own. Ted decided that outside assessment of WEPCO’s environmental performance and the role of the Environmental Department would help future planning. A well-established consulting firm was engaged to benchmark WEPCO’s environmental performance in relation to top environmental performers in other large companies. Ted ended his reflections on the past year as the lead consultant began her presentation. He wanted to listen carefully because he knew he would be called upon to respond with a formal action plan to any issues the consultants raised.

COMPANY BACKGROUND

WEPCO is an investor-owned utility providing generation, transmission, distribution and sale of electric energy to a 12,600 square mile area covering southeastern Wisconsin (including metropolitan Milwaukee), east and north central portions of Wisconsin, and the Upper Peninsula of Michigan. At year-end 1991, WEPCO had 907,871 electricity customers and annual electricity sales of 25 billion kilowatt hours.

WEPCO is almost 100 years old. Started in 1896 as Milwaukee Electric Railway and Light Company, it became Wisconsin Electric Power Company in 1938. WEPCO is the largest of seven subsidiaries of Wisconsin Energy Corporation (WEC) (See Exhibit 1 for WEC’s 1991 Consolidated Income Statement). WEC’s other principal utility subsidiary is Wisconsin Natural Gas Company, serving 271,718 gas customers. Five non-utility subsidiaries are managed within WEC’s corporate structure.

WEPCO’s generating system consists of 23 power plants including: one nuclear plant, five coal-fired plants, 16 hydroelectric plants, and one combustion turbine plant. Four fuel sources are used from which the following shares of electrical generation result: 69% coal, 29% nuclear, 1% hydroelectric, and less than 1% natural gas or oil. The average power capacity of WEPCO’s generation system is 4,786,000 kilowatts, the amount needed to operate about 80 million 60 watt light bulbs.

WEPCO has prided itself on taking a strong role in community and environmental issues. Employees attribute this ethic to leadership, and a state-wide value of caring for their natural resources:

“I think we are in a state that has always valued and prized responsible environmentalism.”

“In the early 1980s the economy in Milwaukee was going down the tubes. The community needed someone to step in and take leadership and Mr. Young, our CEO at the time, did that. Start McAlister has said in speeches that he wants to put environmental stewardship on the same plane as the effort we gave to economic and community development in the 1980s.”

WEPCO NOW

WEPCO had recently experienced leadership changes following the retirement of several longstanding corporate officials. Stuart McAlister was elected Chairman of the Board, President and Chief Executive Officer of WEC in April 1991. In June 1990, he had been appointed Chairman and CEO of WEPCO. Mr. McAlister was 47 years old and had 16 years experience at WEPCO, having joined the company in 1975 as Director of Corporate Planning. Jim Austin was named President and Chief Operating Officer of WEPCO in June 1990, and became a Vice President of WEC in April 1991.

Due to these leadership changes and serious issues concerning future energy needs and competitive pressures in the electric utility marketplace WEPCO, was undergoing a period of major upheaval. These pressures and the programs put in place by company leadership to prepare for them are discussed below.

Meeting Future Energy Needs

WEPCO was in a period of growth to prepare for future energy needs. Over the past four years it had planned a number of programs on the energy conservation, or “demand-side” of the business. This was a major drift from traditional “supply-side” or energy generation aspects of the electric utility business. This trend is due to increasing pressure – from both internal and external sources – on the electric utility industry for energy conservation to promote environmental progress. In 1987, the Wisconsin Public Service Commission gave WEPCO a mandate to design programs that would result in a peak demand reduction goal of 250 megawatts by year-end 1990. This goal is equivalent to the energy produced by one small power plant. The goal had been met, with 312 net megawatts of conservation resulting from all demand-side management (DSM) programs as of December 1991. WEPCO projected that DSM programs would enable the company to reduce annual demand in the year 2000 by 10% from the level which would have occurred otherwise.

DSM programs were still relatively new in the electric utility industry. WEPCO worked aggressively to change thinking toward conservation on a number of levels: (1) within the company, (2) among its customers and the public at large, and (3) among other businesses and contractors. In the State of Wisconsin, heavy emphasis is placed on documentation of conservation activities. In the current “Advance Plan” process required by the Public Service Commission, WEPCO had to project generation needs through the year 2010. These projections were based on extensive statistical analyses of demographic and economic forces. Exhibit 2 displays the total projected load and electric supply sources for WEPCO until the year 2010. As the projection chart shows,

despite WEPCO's DSM progress, energy needs called for significant new generation. As a result, WEPCO was in a major expansion mode – planning a new coal-fired power plant, extensive renovations at another power plant, and installing a number of gas-fired combustion turbine generating units to meet peak demand needs projected for the mid- to late-1990s.

Competitive Pressures

WEPCO faced growing competition within the industry and limited resources within the Company. Bruce Rosen, Manager of Environmental Affairs, discussed this challenge:

“The utility industry is, in fact, becoming more competitive. It's not really just a series of individual monopolies around the country, there is competition that is starting to make its way around the fringes of service territories. As a result of that, the fact that we want to keep our rates at or lower than our sister utility rates, there's been a lot of pressure for cost control.”

WEPCO engaged in a difficult battle each year over budgets and rate setting, involving a number of stakeholders. WEPCO filed its application, including extensive data about expenditure and revenue requirements, with the Public Service Commission (PSC). The PSC performed an audit, public hearings were held where there was extensive review and comment by individual citizens and public interest groups. These public hearing were followed by technical hearings, and finally, decision by the Commissioners on a new rate schedule. For 1992, WEPCO requested an 8.4% rate increase to cover the additional costs of doing business, including regulatory requirements and new construction for added generation capacity; a 5.1% rate increase was authorized.

Corporate Culture Change

Chairman McAlister began an internal change program to update WEPCO's corporate culture and to maintain the corporation's leadership position in a more competitive environment. Mr. McAlister described the culture change to a group of employees in the fall of 1990:

“You may have heard that Wisconsin Electric is changing – let me tell you why. Our company is well on its way toward becoming a participative, team-oriented company that deals with competition, deregulation and other changes in the industry. This has resulted in accelerated change within the company because we used to be a bureaucratic, top-down, control-oriented company that operated as a heavily regulated monopoly. We have gone through extensive team-building within the company and with the leaders of our unions. We are opening up communication, breaking down barriers, exchanging ideas and getting on with our mission being the energy supplier of choice and adding value for our customers, community, employees and stockholders.”

There were significant training efforts under way to teach the new team style. Other visible signs of change include Mr. McAlister's unannounced visits to work locations to interact with employees and phasing out of the old Executive Dining Room.

Ted Blocker describes the progress of the change:

"I feel very positive about the real progress being made. Are we there yet? No, not at all, but I think we have made continuous progress. Today the important thing is that we are moving ahead and it is very clear to all of us that teamwork and responsiveness is the expectation against which we are being held accountable."

Strategic Planning

Mr. McAlister undertook a new strategic planning process in 1991. One manager described the previous strategic planning process:

"It was a group of upper-management people who sat in a vacuum and created something. It was put out and then we were asked to take that document and look at our own process of involvement."

The new process encouraged widespread participation. Six teams were assembled: (1) Operations, (2) Employees, (3) Corporate Culture, (4) Customer Service, (5) Investors, and (6) Community.

Each of these teams worked to reach a consensus on goals and specific annual action plans.

ENVIRONMENTAL ROLES AND RESPONSIBILITIES

Commitment to environmental issues and performance was widespread at WEPCO. This commitment started with company leadership, was evident in the many innovative environmental programs, the work of the Environmental Department, and the Environmental Working Group.

Environmental Leadership

Soon after assuming leadership, Chairman McAlister charged an interdepartmental task force to draft language for a new environmental commitment. The *Wisconsin Commitment* was published in October 1990 and is shown in Exhibit 3. It was communicated to WEPCO employees through newsletters, brochures, and departmental and executive briefings.

The recent Strategic Planning initiative also gave credence to the importance environmental issues received within the organization. In each of the six strategy teams, environmental issues continued to arise as a major theme, causing a seventh Environmental Team to be added. The resulting seventh goal in the Strategic Plan was:

“Improve the compatibility of our operations with the environment and promote environmental awareness through community leadership and employee communication.”

The seven sub-strategies included in this goal are shown in Exhibit 4.

Environmental Programs

One example of an innovative initiative that has received national awards was WEPCO’s Smart Money and Appliance Turn-In Program. The Smart Money Program was begun in 1987 as the cornerstone of WEPCO’s demand-side management programs. WEPCO managed Smart Money programs for farms, new construction, commercial, industrial, and residential customers. Under these programs a combination of cash rebates and loans were offered for installation of energy-saving features in lighting, appliances, insulation, and ventilation systems. WEPCO marketing consultants were available for work with Smart Money participants to point out areas for improvement, provide technical assistance and facilitate monetary incentives.

The Appliance Turn-In (APTI) Program was a key component of the residential Smart Money Program. Under this program, customers could turn in old working appliances (whether or not they were replaced by new energy-efficient ones) for savings bonds or cash. WEPCO picked up the appliances in homes and arranged for disposal with outside contractors and through salvage yards, lessening the impact on municipal landfills. Statistics since the program’s inception in 1987 through year-end 1991 were:

**2444,000 inefficient refrigerators, freezers, and air conditioners turned in*

**The volume of appliances removed from customer’s homes in the program’s first four years would fill a 5-acre landfill to a depth of 18 feet.*

**More than 33,000 tons of coal (three train loads) has been saved in power plants*

In 1989, several features were added to the APTI program. While other electric utilities ran similar APTI programs, WEPCO was the first to look creatively at management of the hazardous wastes contained in the old appliances. Many old appliances contain PCB’s (poly-chlorinated biphenyls), a substance banned in the U.S. in 1979, and CFCs (chlorofluorocarbons), a known contributor to ozone-layer depletion. These mistakes can escape when old appliances are shredded or landfilled. Working jointly with a contractor called Appliance Recycling Centers of America (ARCA), processes were designed to capture and dispose of PCBs, and capture and prepare CFCs for safe reuse before the appliances were shredded for metal recycling.

Environmental Department

WEPCO’s environmental activities were coordinated by its Environmental Department. Responsibility for internal environmental functions rested jointly with the Environment Department and three other departments: (1) Engineering and Construction; (2) Nuclear Power; and (3) System Operations. These “operations” departments had environmental compliance responsibilities integrated into ongoing activities. Responsibility for external

community-oriented environmental initiatives rested with the Environmental Department, along with two other departments – Consumer Relations and Public Affairs.

The Environmental Department was formed in 1973, when Ted Blocker was hired as its new Director. It was unusual for public utilities at that time to have separate environmental departments and of company leadership was credited for foresight. Top environmental professionals from around the country were recruited into the Department.

The diversity of issues the Department handled grew over time. Dr. Blocker discusses this growth:

“In the 1970s and early 1980s, there was a primary focus on a new generation, building new facilities. Licensing presented a substantial challenge for us. We still have a substantial baseload of work in that same area; it’s more challenging today to get licenses for new facilities, as well as maintain licenses for existing facilities. Superimposed on that, in the mid-1980s we developed an involvement with emerging issues and started to tend away from just straight operations and toward more proactive involvement.

The key issue that stands out is Acid Rain. In the mid 1980’s Wisconsin Electric, in recognition of our customer’s wishes, took the position that we should put the scientific or technical considerations aside and be responsive to very strong feelings on the part of our customers that something reasonable and prudent should be done. We, in conjunction with our state government, Department of Natural Resources, and our Public Service Commission supported a state Acid Rain bill that required real limits on sulfur dioxide emissions and we started fairly active support in Washington for similar national legislation. That was the beginning of a very significant change where Wisconsin electric in the environmental area became far more proactive. Today, of course, the kinds of issues are different; they include global warming, EMF [Electric and Magnetic Fields], solid waste disposal, toxics, groundwater contamination. As a corporation we are trying to be on top of these issues and have a seat at the decision making table.”

There were three divisions within Environmental Department (see Exhibit 5 for organizational chart): (1) Environmental Affairs (2) Laboratory Services, and (3) Research and Development.

The Environmental Affairs Division’s responsibilities fell into four areas. The first area was environmental licensing support for new generation, hydro-generation and transmission facilities, including acquisition of applicable regulatory permits. Preparing environmental impact reports and environmental documents for the Public Service Commission’s Advance Plan process were included within this function. The second Environmental Affairs responsibility area was operational support. This included compliance monitoring and permit renewals for existing facilities, assistance on technical environmental issues like PCBs, underground storage tanks, property evaluations, MGP (Manufactured Gas Plant) site investigations, and compliance assurance audits. The third area of responsibility was issues management, which included review of proposed and

final legislation and regulations, and analysis of impact on operations, plus analysis of environmental issues such as global climate change and EMF (electro-magnetic field). The fourth area of responsibility was the environmental stewardship function, which was also supported by Consumer Relations and Public Affairs. Environmental Affairs provided support to the Speaker's Bureau and other community-oriented environmental activities.

Laboratory Services was the second division within the Environmental Department. Its responsibilities include analysis and testing services, instrument calibrations and materials testing. It also maintained a state-certified lab which provided a large array of environmental analytical services. It coordinated in-house research projects and maintained an active relationship with the Electric Power Research Institute, a research consortium supported by electric utilities nationwide.

Environmental Working Group

Cross-functional teams and special task forces were used to address many environmental issues and projects. On a construction project, such as a proposed new power plant, an interdisciplinary team of employees from throughout the company was appointed, headed by a Project Administrator. The project team for new site selection included representatives from real estate and facilities management, environmental, engineering and construction, system operations, fuels, public affairs and the regional office in the area.

An ongoing Environmental Working Group (EWG) was formed in 1990 to develop and support the new internal and community-oriented environmental initiatives. At first, the group consisted entirely of representatives from the Environmental, Public Affairs, and Consumer Relations Departments. This initial working group identified the need to develop and publish a corporate environmental brochure to communicate to employees and the community the good environmental work WEPCO was doing. Based on analysis of a customer survey the small group decided that a larger group, representing more departments, needed to broaden its community outreach perspective.

The EWG met regularly, its 23 members representing seven departments and Wisconsin Natural Gas Company. Updates on environmental initiatives throughout the company were presented and noted in the EWG minutes, serving as an interdepartmental communications vehicle. Examples of activities in 1991 included the erection of peregrine falcon nesting sites at four power plant locations, increased communications with satellite officers to encourage use of WEPCO properties as regional recycling centers, participation in the National Recycling Congress Conference held in Milwaukee, and plans to get an early start on complying with provisions in the Clean Air Act which required large employers in Southeastern Wisconsin to develop programs to reduce the number of employee commuting miles by 25 percent.

The EWG had been challenged with integrating WEPCO's cultural changes into its work. EWG members discussed the impact the culture change made on the environmental initiatives going on simultaneously at WEPCO:

“From my perspective, we would not be anywhere near as far along as we are now on environmental programs. Since the team training process was started almost two years ago now, the feedback mechanisms are far improved in this company. There is always the thought that whoever is that representative or whatever level that person is, it is important to seek input, ideas, concerns, and suggestions. It's not done in the vacuum anymore or it's not done by a select layer of individuals in each department. It is definitely going back to find common ground. It's automatic now, and I don't think we recognize it so much, but we definitely do it.”

Challenges Facing the Environmental Department

The Environmental Department's workload had risen steadily in the past decade. At the same time, staff resources stayed relatively level (see Exhibit 6 for a comparison of staff level to rise in federal legislation). Ted Blocker discussed how this increasing workload was handled:

“Over the years we have taken the approach that we must be responsive to the needs of our customer departments. Despite the rapid rise of regulation, we have managed to meet those needs without adding staff. Technology has helped substantially to meet the workload, use of computers, E-mail, and data processing for our data sets. A professional today is much more capable of being self-sufficient and can be more productive. Beyond that, we believe in staff development and people stretching themselves to move around and challenge themselves in other areas than those they were originally trained for.”

Recently, Operations Department staff had expressed concern with the level of service that the Environmental Department provided. Environmental Department staff were aware of these concerns and frustrated by them.

Environmental staff expressed the need for work on two other issues facing the Department. First was the lack of a comprehensive risk management program. Risk assessment was done for new projects and new regulatory issues, however there was no preexisting risk assessment data. Second was the lack of measurable performance measurement systems for environmental programs. Throughout WEPCO, due to serious budget cutbacks, departments were being called upon to justify their programs in measurable terms that were tied directly to business goals. Many of the environmental performance measures were qualitative and anecdotal. The EWG brainstormed on this issue and planned to investigate other companies' performance systems.

BENCHMARKING WEPCO'S ENVIRONMENTAL PERFORMANCE

In the summer of 1991, Ted Blocker suggested to top management that an outside consultant be hired to work with the Environmental Department to assess WEPCO's environmental performance in relation to top environmental performers nationwide (both utilities and other industries). Ted offered his reasons for suggesting this study:

“The 1990s is really the decade of corporate America. While we felt we were doing a good job, we didn't know if that was true; it's a very subjective thing. I was a little concerned we were being myopic. Plus we had a new senior management team with a very different style. It seemed to make sense that it was a good time for us to look at ourselves, to try and find out how good we are and to learn from a benchmarking effort. While I really did think we were good, I thought that we could learn from other folds, not just in our industry. I was particularly interested in some other industries because I felt that perhaps the utility industry as a whole has not as much on the cutting edge of environmental stewardship.”

Chairman McAlister and President Austin concurred with the study.

Scope of the Study

In the Fall of 1991, A.T. Kearney, a well-known Midwestern consulting firm, was engaged to benchmark Wisconsin Electric's environmental performance with other leading companies primarily in the chemical and consumer products industries. An interdepartmental task force was named to work with the consultant to determine the scope of the study, review progress reports, comment on findings, and help develop appropriate recommendations. The task force consisted of representatives from the Environmental, Information Services, Consumer Relations, Accounting, Systems Operations, and Human Resources Departments; Ted Blocker served as Chair.

The task force set forth six questions to be answered:

- 1) “Are we really achieving a leadership posture in environmental management? How do we compare with the ‘the best of the best’?”
- 2) “Are our goals sufficiently clear and appropriately challenging?”
- 3) “Is our actual performance – tangible terms – truly in keeping with our aspirations and stated values?”
- 4) “Is there clear comprehension of responsibilities, the right emphasis on the right topics, and crisp, proficient decision-making?”
- 5) “Given the recent transition in top management responsibilities, are organizational arrangements for guidance of environmental matters at WEPCO fully in keeping with existing and anticipated leadership requirements?”

- 6) “Are there *realistic* ways in which we could obtain further improvement, within appropriate cost parameters?”

Twelve evaluative criteria, divided into two primary areas, were used for the benchmarking study. In the area of Corporate Commitment the criteria were: (1) Senior management commitment, (2) Corporate environmental policy, and (3) External communications/public relations. In the area of Functional Implementation the criteria were: (1) Strategic environmental plan, (2) Internal communications, (3) Internal integration, (4) Risk assessment, (5) Audit programs, (6) Issues management, (7) Waste minimization, (8) Environmental MIS, and (9) Financial tracking.

The consultants conducted the study over a four month period. They reviewed written background materials and held interviews with employees at all levels of the company. Interview questions focused on three topics: (1) Role, leadership and performance of the Environmental Department, (2) Understanding and use of the corporate environmental commitment, and (3) Interdepartmental coordination on environmental issues.

The Consultant’s Report

Ted ended his personal reflections and listened intently as the consultants began their presentation.

“Ted, we want to thank you and everyone here at Wisconsin Electric for the cooperative spirit we were shown throughout this study. We want to walk you through the report today – the good things we found, and the not so good. On the surface, our findings suggest room for improvement. You have to remember that you asked us to compare you with the best of the best. Your company has said it wants to be in the forefront; you’ve set your hurdles higher. You want to be on the cutting edge. Are you there yet? No, you’re not the Jolly Green Giant. But what we did find is a proactive environmental culture at every level of your organization, which is rare indeed. There’s a good seed bed here – the pH is right.”

The consultants noted that WEPCO had the “potential to excel in environmental management,” and that the “Corporate Environmental Commitment is an excellent foundation to build on.” Other specific strengths they discussed were:

- Strong top management environmental philosophy
- Active leadership role in important national/regional issues (including taking difficult positions on complex subjects)
- Proactive environmental orientation permeates management ranks, involvement in positive undertakings sought out/expected
- Many positive program initiatives at various stages of maturity
- Generally, top human resources involved in environmental programs throughout the company

Four “issues” or “findings” were highlighted as problem areas:

1. “Commitment” is not yet translated into a comprehensive, actionable “gamble plan” for the future:
 - Implementation strategy is poorly articulated, a source of confusion
 - Insufficiently clear linkage to business fundamentals
 - While there is intent to go beyond compliance, when to do so, at what cost, and how to measure benefits is unclear.
2. The company’s environmental “walk” does not yet match its “talk”:
 - Highly rated “commitment” criteria and externally oriented programs most advanced
 - Substantive, internally oriented undertakings notably less rigorous.
3. A critical weakness is lack of a comprehensive environmental risk assessment program, without which:
 - No overall profile of environmental risks can be assembled
 - Judgment standards relied upon in identifying/reporting risks vary
 - Management priorities are difficult to set and adhere to
 - Capital and operating and maintenance needs for environmental risk reduction are identified only on an issue- or project- specific basis.
4. Widely held perceptions of insufficiently vigorous environmental leadership below top management level:
 - Environmental Department not viewed as providing requisite stimulus
 - Lack of policy-making vehicle with officer-level involvement, regarded internally as ‘management gap’, is inconsistent with expressions of corporate environmental intent.

Ted tried to mask his disappointment as the consultants ended their formal presentation and everyone looked to him to say something:

“Well, you guys are right, there is both good and bad news here. We want to thank you for the fine and comprehensive job you’ve done. You have given us a lot to think about.”

NEXT STEPS

Following the meeting, Ted Blocker and Bruce Rosen sat in Ted’s office discussing the report:

“You know, Bruce, the Kearney people are right, we chose the best of the best against which to be benchmarked. Even so, my view was that we were better than they said we were. While that is a minor surprise, I am not sure it is all that significant. The importance of the report is not whether we are substantially better or lesser than or similar to Company A, B, C. The real significance is more the internal feedback we got and whatever comes out of this. To that extent the report is very appropriate, very timely and I am very pleased that the report can be a catalyst to help us coalesce some of our

thinking and say it's time to do something. Whenever you go to the doctor you are hoping to get a clean bill of health, you hope you don't have any warts, diseases or so forth; well it turns out we have a few warts and a few diseases."

Bruce was about to respond as Stuart McAlister walked into Ted's office:

"So, how did the meeting go with the Kearney folks?"

Ted swallowed hard to regain his composure and think of a diplomatic response.

"Well, Stuart, there is both good and bad news here. Let me forward to you the written report and set up a meeting with you later this week after Bruce and I have had time to draft an action plan to respond to some of the issues raised. Then we can answer any questions you have and get your input on our proposed action plan."

Wisconsin Energy Corporation

Exhibit 1

CONSOLIDATED INCOME STATEMENT

Year Ended December 31

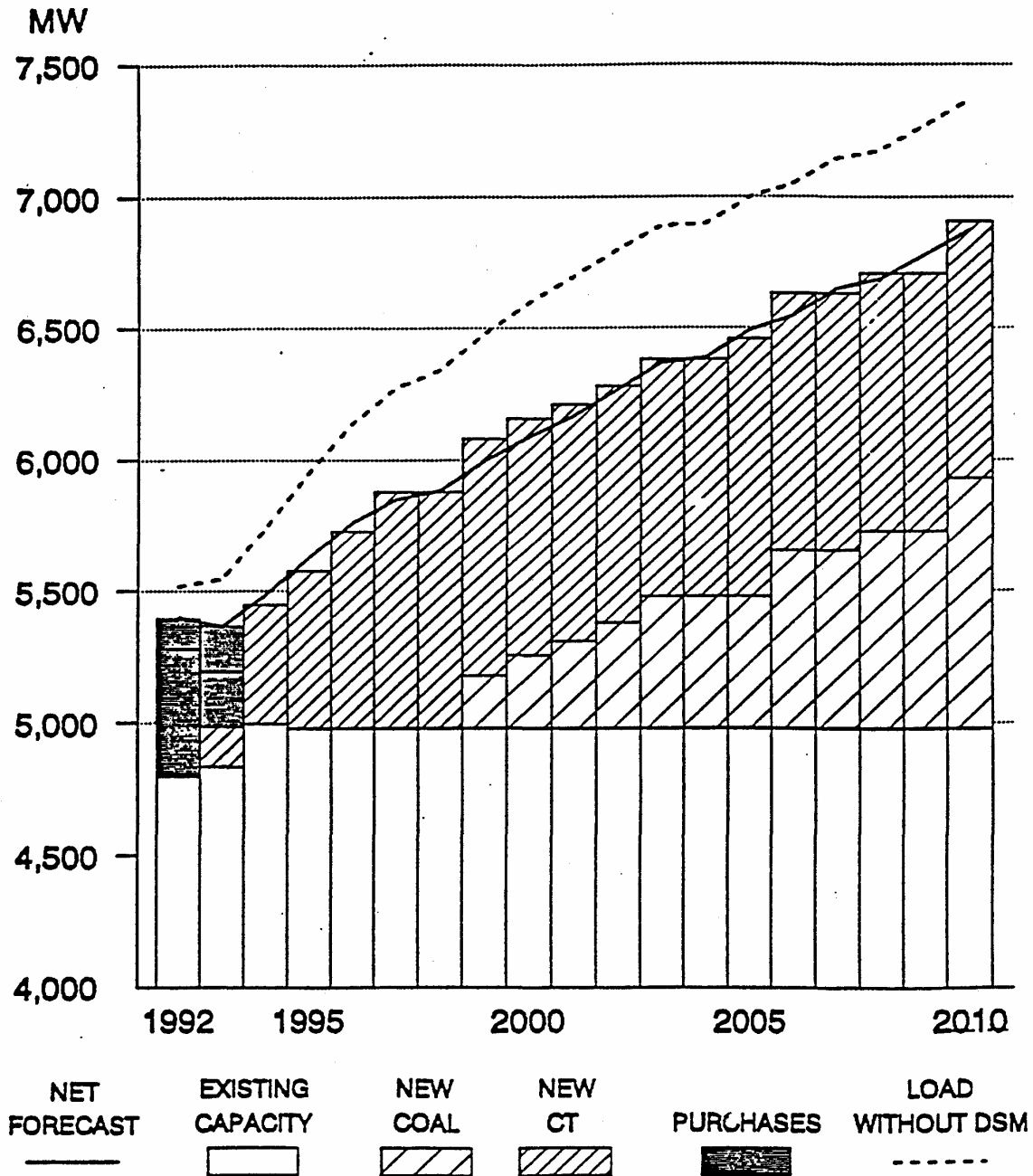
	<i>(Thousands of Dollars)</i>		
	1991	1990	1989
<i>Operating Revenues</i>			
Electric	\$1,292,809	\$1,208,045	\$1,245,701
Gas	233,120	222,331	235,360
Steam	12,986	12,126	12,292
<i>Total Operating Revenues</i>	<i>1,538,915</i>	<i>1,442,502</i>	<i>1,493,353</i>
<i>Operating Expenses</i>			
Fuel (Note D)	291,271	263,889	290,074
Purchased power	65,261	50,916	31,387
Cost of gas sold	148,386	144,717	151,992
Other operation expenses (Note H)	333,056	304,485	293,936
Maintenance	142,197	133,697	150,440
Depreciation (Note B)	146,696	144,720	141,767
Taxes other than income taxes	61,840	67,571	65,498
Federal income tax (Note C)	78,494	62,853	75,791
State income tax (Note C)	18,106	15,925	18,721
Deferred income taxes — net (Note C)	7,133	18,056	15,892
Investment tax credit — net (Note C)	(4,848)	(5,558)	(6,158)
<i>Total Operating Expenses</i>	<i>1,287,592</i>	<i>1,201,271</i>	<i>1,229,340</i>
<i>Operating Income</i>	<i>251,323</i>	<i>241,231</i>	<i>264,013</i>
<i>Other Income and Deductions</i>			
Interest income	20,803	35,970	22,953
Allowance for other funds used during construction (Note E)	7,423	5,917	4,953
Miscellaneous — net	1,356	2,280	(6,141)
Federal income tax (Note C)	250	(7,485)	464
State income tax (Note C)	(1,047)	(2,627)	(1,204)
<i>Total Other Income and Deductions</i>	<i>28,785</i>	<i>34,055</i>	<i>21,025</i>
<i>Income Before Interest Charges and Preferred Dividend</i>	<i>280,108</i>	<i>275,286</i>	<i>285,038</i>
<i>Interest Charges</i>			
Long-term debt	82,984	85,048	86,074
Other interest	7,830	3,836	3,217
Allowance for borrowed funds used during construction (Note E)	(5,941)	(6,248)	(4,138)
<i>Total Interest Charges</i>	<i>84,873</i>	<i>82,636</i>	<i>85,153</i>
<i>Preferred Dividend Requirement of Subsidiary</i>	<i>5,928</i>	<i>5,928</i>	<i>5,928</i>
<i>Net Income</i>	<i>\$ 189,307</i>	<i>\$ 186,722</i>	<i>\$ 193,957</i>
<i>Average Number of Shares of</i>			
<i>Common Stock Outstanding (Thousands)</i>	<i>67,358</i>	<i>67,358</i>	<i>67,358</i>
<i>Earnings Per Share of Common Stock</i>	<i>\$2.81</i>	<i>\$2.77</i>	<i>\$2.88</i>

Exhibit 2

WISCONSIN ELECTRIC LOADS & SUPPLY

NET FORECAST

PRELIMINARY UPDATE EXPANSION PLAN



The purpose of this statement is to describe Wisconsin Electric Power Company's commitment to environmental stewardship. As part of its corporate mission, Wisconsin Electric Power Company is committed to improving the quality of life in the area it serves. Consistent with its mission, we will continue to improve the compatibility of our operations with the environment. We pledge environmental accountability for our activities and will lead by example to the communities we serve.

Exhibit 3

WISCONSIN ELECTRIC ENVIRONMENTAL COMMITMENT

As principles to guide its actions, Wisconsin Electric —

- ▶ includes environmental factors as an integral part of its planning and operating decisions.
- ▶ recognizes the contribution every employee can make toward the environmental performance of the company and encourages all employees to be accountable for environmental stewardship.
- ▶ communicates and reinforces environmental values throughout the company.
- ▶ practices responsible environmental stewardship of all company-owned properties and natural resources under its management.
- ▶ minimizes adverse environmental impacts of its operations by:
 - meeting or surpassing environmental standards,
 - investing in energy efficiency and conservation measures, and
 - supporting company recycling and waste reduction programs.
- ▶ supports research and takes advantage of advances in the areas of clean fuel and control technologies, environmental effects, energy efficiency, renewable energy resources, and health concerns associated with utility operations.
- ▶ accepts accountability for its operations; responds to environmental incidents by reacting quickly and effectively and informing appropriate parties promptly.
- ▶ provides public participation opportunities and supports communications with the community on environmental issues; continues to foster constructive working relationships with environmental organizations, community leaders, the media and government agencies.
- ▶ participates with government and others in creating responsible laws and regulations to safeguard the environment, community and workplace.
- ▶ commits employee and management resources to support and implement these principles; periodically reviews its performance to ensure that its programs and practices are consistent with these principles.

Chairman and
Chief Executive Officer

Exhibit 4

Wisconsin Electric Power Company
Strategic Plan
Environmental Goal 7

7. Improve the compatibility of our operations with the environment and promote environmental awareness through community leadership and employee communication.

7.1 Ensure that all company operations, products, and services, including work performed by contractors, continue to meet or surpass applicable regulatory requirements.

7.2 Participate in the development of environmentally sound transportation systems in our service territory.

7.3 Develop a more aggressive program to address EMF concerns among employees and the general public.

7.4 Continue to develop, expand and support recycling and other by-product utilization, energy conservation and pollution prevention programs.

7.5 Expand employee and public environmental education efforts.

7.6 Expand the existing information program to communicate the company's environmental commitment and performance to the media, public, employees, regulators and shareholders.

7.7 Continue to provide opportunities for public input to decision making on environmental issues and expand working relationships with public and private organizations.

Exhibit 5

ENVIRONMENTAL DEPARTMENT

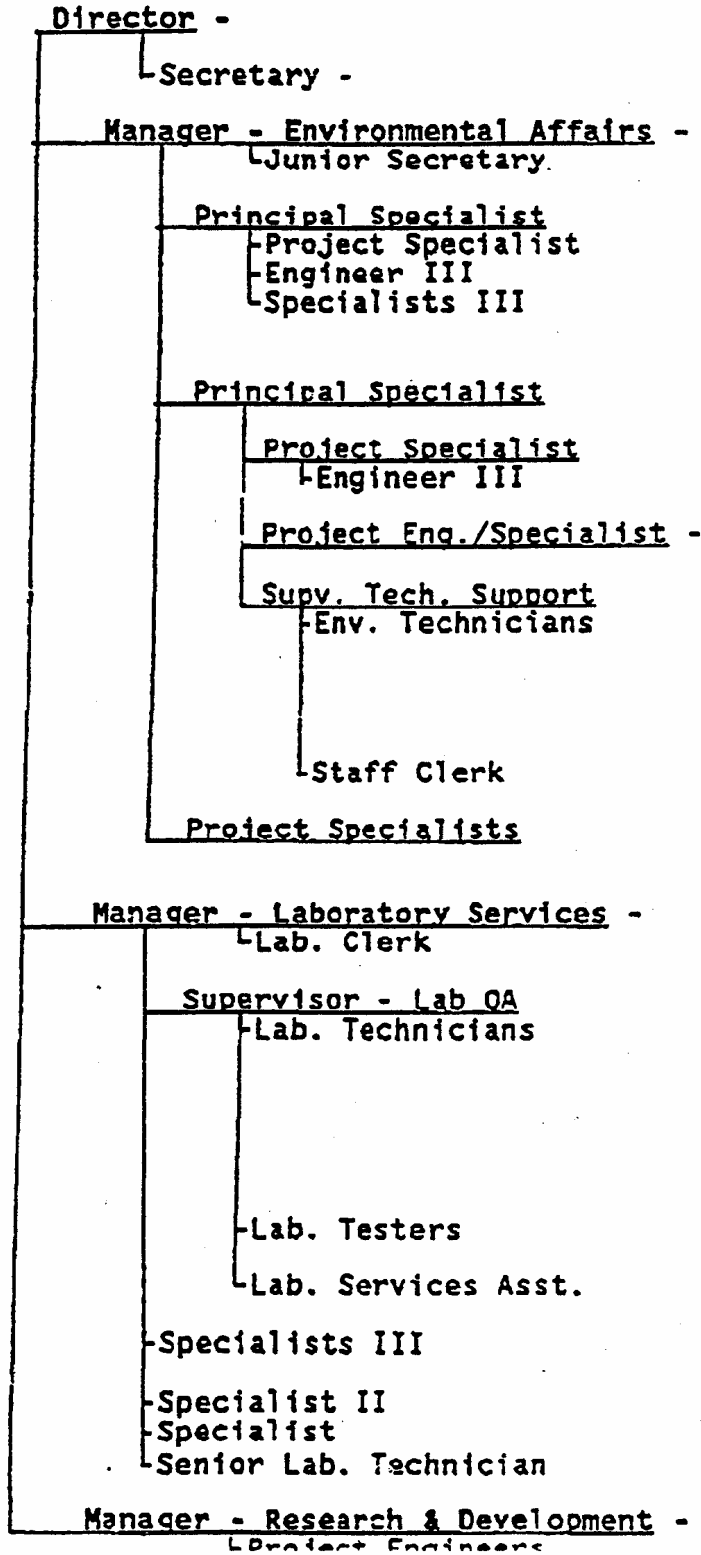


Exhibit 6

ENVIRONMENTAL STAFFING AND FEDERAL LEGISLATION

