



Wisconsin Electric POWER COMPANY
231 W. MICHIGAN, P.O. BOX 2046, MILWAUKEE, WI 53201

April 13, 1983

Nuclear Regulatory Commission
Washington, D.C. 20555

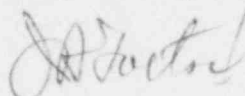
Gentlemen:

In accordance with the regulations of your Commission, there is enclosed a copy of each of the following:

1. Annual Report of Wisconsin Electric Power Company which includes certified financial statements of the Company and its subsidiaries (consolidated);
2. Certified financial statements of Wisconsin Electric Power Company (corporate).

The abovementioned reports are being filed with your Commission pursuant to 10CFR, Section 50.71 of the Nuclear Regulatory Commission Regulations as Wisconsin Electric Power Company is the holder of Facility Operating License Nos. DPR-24 and DPR-27 issued by your Commission under Dockets 50-266 and 50-301, respectively.

Very truly yours,


Secretary

J. H. Goetsch

Enclosures

MOOY

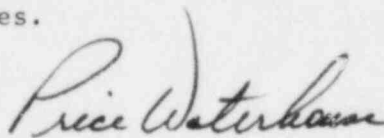
WISCONSIN ELECTRIC POWER COMPANY

**Financial Statements
for the Year 1982**

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
the Stockholders of
WISCONSIN ELECTRIC POWER COMPANY

In our opinion, the accompanying balance sheet and statement of capitalization and the related statements of income, retained earnings, undistributed subsidiary earnings, and changes in financial position present fairly the financial position of Wisconsin Electric Power Company (parent company only) at December 31, 1982 and 1981, and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.


PRICE WATERHOUSE

Milwaukee, Wisconsin
January 27, 1983

WISCONSIN ELECTRIC POWER COMPANY

INCOME STATEMENT

Year Ended December 31

	1982	1981	1980
	(Thousands of Dollars)		
Operating Revenues			
Electric	\$974,896	\$870,106	\$761,232
Steam	10,897	9,341	8,162
Total Operating Revenues	<u>985,793</u>	<u>879,447</u>	<u>769,394</u>
Operating Expenses			
Fuel (Notes A and G)	263,126	257,163	216,615
Purchased power	37,310	30,509	63,203
Other operation expenses (Note B)	175,767	152,103	140,054
Maintenance	99,951	82,366	73,851
Taxes other than income taxes	44,657	40,602	31,807
Depreciation (Note C)			
Straight line	76,803	70,799	61,538
Deferred income taxes (Note D)	15,625	28,061	21,044
Federal income tax (Note D)	66,668	31,558	(243)
Investment tax credit adjustments - net (Note D)	9,102	14,453	30,728
State income tax (Note D)	13,944	8,991	2,115
Total Operating Expenses	<u>802,953</u>	<u>716,605</u>	<u>640,712</u>
Operating Income	182,840	162,842	128,682
Other Income and Deductions			
Equity in earnings of subsidiaries	10,241	3,858	5,328
Interest income	8,889	9,998	4,852
Allowance for other funds used during construction (Note F)	4,588	3,155	5,330
Miscellaneous - net (Note M)	(6,935)	(125)	(195)
Federal income tax (Note D)	(706)	(4,064)	(1,901)
State income tax (Note D)	(184)	(729)	(314)
Total Other Income and Deductions	<u>15,893</u>	<u>12,093</u>	<u>13,100</u>
Income Before Interest Charges	198,733	174,935	141,782
Interest Charges			
Long term debt	61,399	62,388	49,289
Allowance for borrowed funds used during construction (Note F)	(2,812)	(3,557)	(8,338)
Other	8,501	10,602	18,343
Total Interest Charges	<u>67,088</u>	<u>69,433</u>	<u>59,294</u>
Net Income	<u>\$131,645</u>	<u>\$105,502</u>	<u>\$ 82,488</u>

The notes on pages 9 through 14 are an integral part of the financial statements.

WISCONSIN ELECTRIC POWER COMPANY

RETAINED EARNINGS STATEMENT

Year Ended December 31

	<u>1982</u>	<u>1981</u>	<u>1980</u>
	(Thousands of Dollars)		
Balance, January 1	\$283,598	\$248,649	\$228,247
Additions			
Net income	131,645	105,502	82,488
Equity in earnings of subsidiaries	(10,241)	(3,858)	(5,328)
Dividends received from subsidiaries	5,520	2,588	5,175
	<u>410,522</u>	<u>352,881</u>	<u>310,582</u>
Deductions			
Dividends - cash			
Preferred stock	15,087	15,087	13,294
Common stock - \$1.902, \$1.76 and \$1.657 per share*	61,434	54,175	48,469
	<u>76,521</u>	<u>69,262</u>	<u>61,763</u>
Cost of issuing capital stock	289	21	170
	<u>76,810</u>	<u>69,283</u>	<u>61,933</u>
Balance, December 31	<u>\$333,712</u>	<u>\$283,598</u>	<u>\$248,649</u>

*The amounts for 1981 and 1980 have been restated to reflect the July 1982 3-for-2 common stock split.

STATEMENT OF UNDISTRIBUTED SUBSIDIARY EARNINGS

Year Ended December 31

	<u>1982</u>	<u>1981</u>	<u>1980</u>
	(Thousands of Dollars)		
Balance, January 1	\$ 24,664	\$ 23,394	\$ 23,241
Equity in earnings of subsidiaries	10,241	3,858	5,328
Dividends received from subsidiaries	<u>(5,520)</u>	<u>(2,588)</u>	<u>(5,175)</u>
Balance, December 31	<u>\$ 29,385</u>	<u>\$ 24,664</u>	<u>\$ 23,394</u>

The notes on pages 9 through 14 are an integral part of the financial statements.

WISCONSIN ELECTRIC POWER COMPANY

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31

	1982	1981	1980
	(Thousands of Dollars)		
Financial Resources Provided			
Operations			
Net income	\$131,645	\$105,502	\$ 82,488
Depreciation - straight line	76,803	70,799	61,538
- deferred income taxes	15,625	28,061	21,044
Accumulated deferred investment tax credits	7,215	12,008	26,232
Nuclear fuel expense	11,165	7,573	8,431
Amortization of precertification expenditures	9,137	8,358	5,906
Write-off of additional construction costs	5,000	-	-
Undistributed subsidiary earnings	(4,721)	(1,270)	(153)
Allowance for funds used during construction	(7,400)	(6,712)	(13,668)
Total from operations	<u>244,469</u>	<u>224,319</u>	<u>191,818</u>
Common stock	30,152	25,260	21,767
Preferred stock	-	-	24,906
Long term debt	6,904	-	148,970
Sale of nuclear fuel	27,112	23,042	66,501
Release of construction funds held by trustees	1,641	2,578	20,633
Normalization of income taxes - precertification expenditures	(3,363)	(4,141)	9,939
Contributions and advances in aid of construction	3,543	2,494	2,623
Deferred charges/credits and other	3,131	(6,472)	6,263
	<u>\$313,589</u>	<u>\$267,080</u>	<u>\$493,420</u>
Financial Resources Used			
Construction expenditures	\$122,906	\$141,558	\$277,861
Nuclear fuel	22,617	32,813	31,260
Dividends	76,521	69,262	61,763
Additional investment in subsidiaries	-	15,000	-
Retirement of long term debt	60,374	3,556	13,112
Reduction of short term borrowings	14,983	55,061	59,260
Construction funds held by trustees	6,923	-	-
Increase (decrease) in working capital (other than short term borrowings and long term debt due currently)	9,265	(50,170)	50,164
	<u>\$313,589</u>	<u>\$267,080</u>	<u>\$493,420</u>
Increase (Decrease) in Components of Working Capital			
Cash and temporary cash investments	\$(29,621)	\$ 41,772	\$(10,970)
Accounts receivable and accrued utility revenues	2,482	9,289	8,931
Fossil fuel	21,365	(16,400)	40,603
Notes receivable from subsidiaries	11,210	(25,893)	9,400
Accounts payable and accrued liabilities	2,506	(55,100)	(6,815)
Other	1,323	(3,838)	9,015
	<u>\$ 9,265</u>	<u>\$(50,170)</u>	<u>\$ 50,164</u>

The notes on pages 9 through 14 are an integral part of the financial statements.

WISCONSIN ELECTRIC POWER COMPANY

BALANCE SHEET

DECEMBER 31

ASSETS

	1982	1981
	(Thousands of Dollars)	
Utility Plant		
Electric	\$2,155,979	\$2,114,435
Steam	19,259	18,483
	<u>2,175,238</u>	<u>2,132,918</u>
Accumulated provision for depreciation	(931,717)	(849,422)
	<u>1,243,521</u>	<u>1,283,496</u>
Construction work in progress	328,959	264,489
Nuclear fuel (Note A)	46,300	46,976
Net Utility Plant	<u>1,618,780</u>	<u>1,594,961</u>
Other Property and Investments		
Nonutility property	4,921	3,823
Accumulated provision for depreciation	<u>(2,037)</u>	<u>(1,006)</u>
Net nonutility property	2,884	2,817
Investment in subsidiary companies (Note G)	<u>70,892</u>	<u>66,172</u>
Total Other Property and Investments	73,776	68,989
Construction Funds Held by Trustees	6,976	1,694
Current Assets		
Cash	6,995	5,086
Temporary cash investments	6,920	38,450
Accounts receivable (Note E)	44,674	43,324
Accrued utility revenues	68,930	67,800
Accounts receivable from subsidiary companies (Note G)	2	-
Notes receivable from subsidiary companies (Note G)	14,421	3,211
Fossil fuel (at average cost)	104,694	83,329
Materials and supplies (at average cost)	39,544	38,312
Prepayments and other assets	<u>5,511</u>	<u>5,420</u>
Total Current Assets	291,691	284,932
Deferred Charges and Other Assets	16,547	33,955
	<u>\$2,007,770</u>	<u>\$1,984,531</u>

The notes on pages 9 through 14 are an integral part of the financial statements.

WISCONSIN ELECTRIC POWER COMPANY

BALANCE SHEET

DECEMBER 31

LIABILITIES

	1982	1981
	(Thousands of Dollars)	
Capitalization (See Capitalization Statement)		
Common Stock Equity (Note H)	\$ 775,173	\$ 690,186
Preferred Stock - Redemption Not Required (Note I)	160,451	160,451
Preferred Stock - Redemption Required (Note J)	25,000	25,000
Long Term Debt (Note K)	694,498	689,320
Total Capitalization	<u>1,655,122</u>	<u>1,564,957</u>
Current Liabilities		
Long term debt due currently (Note K)	-	59,119
Notes payable to banks (Note L)	-	14,983
Accounts payable	58,013	62,202
Accounts payable to subsidiary companies (Note G)	213	580
Payroll and vacation accrued	14,435	12,096
Taxes accrued - income and other	63,249	66,082
Interest accrued	23,292	18,082
Other	4,784	7,450
Total Current Liabilities	<u>163,986</u>	<u>240,594</u>
Deferred Credits and Other Liabilities		
Accumulated deferred investment tax credits	114,909	107,694
Nuclear fuel costs accrued	30,891	30,578
Unamortized accrued utility revenues	10,930	13,662
Other	6,439	5,230
Total Deferred Credits and Other Liabilities	<u>163,169</u>	<u>157,164</u>
Contributions in Aid of Construction	25,493	21,816
Commitments and Contingencies (Note M)	<u>\$2,007,770</u>	<u>\$1,984,531</u>

The notes on pages 9 through 14 are an integral part of the financial statements.

WISCONSIN ELECTRIC POWER COMPANY

CAPITALIZATION STATEMENT

DECEMBER 31

	1982	1981
	(Thousands of Dollars)	
COMMON STOCK EQUITY * (Note H)		
Common Stock (\$10 par value; authorized 41,000,000 shares; issued 33,216,164 and 31,732,460 shares)	\$ 332,162	\$ 317,325
Premium on Capital Stock	79,914	64,599
Retained Earnings	333,712	283,598
Undistributed Subsidiary Earnings	29,385	24,664
Total Common Stock Equity	<u>775,173</u>	<u>690,186</u>
PREFERRED STOCK - Cumulative		
Six Per Cent. Preferred Stock - \$100 par value; authorized 45,000 shares; 44,508 shares issued	4,451	4,451
Serial Preferred Stock - \$25 par value; authorized 5,000,000 shares; unissued	-	-
Serial Preferred Stock - \$100 par value; authorized 2,360,000 shares		
3.60% Series - 260,000 shares issued	26,000	26,000
8.90% Series - 400,000 shares issued	40,000	40,000
7.75% Series - 300,000 shares issued	30,000	30,000
8.80% Series - 600,000 shares issued	60,000	60,000
Total Preferred Stock - Redemption Not Required (Note I)	<u>160,451</u>	<u>160,451</u>
10.875% Series - 250,000 shares issued, redeemable at par	25,000	25,000
Total Preferred Stock - Redemption Required (Note J)	<u>25,000</u>	<u>25,000</u>
LONG TERM DEBT (Note K)		
First Mortgage Bonds		
Series	Due	
3-1/4%	1982	-
10.20%	1982	9,119
3-1/8%	1984	50,000
3-7/8%	1986	16,848
13-3/4%	1986	21,207
11.40%	1987	17,177
4-1/8%	1988	21,420
5 %	1990	80,000
4-3/4%	1991	70,000
4-1/2%	1993	22,191
5-7/8%	1996	26,701
6-1/2%	1997	22,426
6-7/8%	1997	26,701
6-5/8%	1998	3,620
6-7/8%	1998	5,049
6.10%	1999-2008	37,188
6.25%	1999-2008	11,507
7-1/4%	1999	37,790
8-3/8%	1999	37,907
8-1/2%	1999	9,822
6.45%	2004	33,621
8-3/4%	2006	25,000
6.45%	2006	1,000
6.50%	2007-2009	38,973
8-7/8%	2008	39,537
		11,729
		12,000
		59,990
		4,000
		10,000
		80,000
		<u>657,740</u>
		<u>718,008</u>
Debentures (Unsecured)		
7% Series due 1993		31,165
Note (Unsecured)		31,942
7-1/4% due 1985		7,000
Unamortized Discount - net		(1,407)
Long Term Debt Due Currently		(1,511)
Total Long Term Debt		<u>(59,119)</u>
Total Capitalization		<u>694,498</u>
		<u>\$1,655,122</u>
		<u>\$1,564,957</u>

*The amounts for 1981 have been restated to reflect the July 1982 3-for-2 common stock split.

The notes on pages 9 through 14 are an integral part of the financial statements.

WISCONSIN ELECTRIC POWER COMPANY

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

General

The accounting records of the company and its utility subsidiary are kept as prescribed by the Federal Energy Regulatory Commission, modified for requirements of the Public Service Commission of Wisconsin (PSCW). The company owns all of the common stock of Wisconsin Natural Gas Company (Wisconsin Natural) and Badger Service Company. The company carries its investments in subsidiaries in accordance with the equity method of accounting.

Revenues

Meters are read and accounts are billed monthly. Since January 1, 1977 utility revenues have been recognized on the accrual basis and include estimated amounts for service rendered but not billed. Accrued utility revenue of \$32 million at December 31, 1976 is being recorded as revenue in equal amounts over a ten year period as prescribed by the PSCW.

Fuel

The cost of fossil and nuclear fuel is expensed in the period consumed.

Nuclear fuel expense includes an estimate for offsite storage of spent nuclear fuel after removal from the reactor. No salvage value is recognized for spent nuclear fuel.

Property

Electric utility property is recorded at original cost, and steam utility and nonutility property is recorded at cost. Additions to utility property and significant replacements are charged to utility plant at cost. Cost includes material, labor and allowance for funds used during construction (see Note F). Replacements of minor items of property are charged to maintenance expense. The cost of depreciable property, together with removal cost less salvage, is charged to accumulated provision for depreciation when property is retired.

Income Taxes

Deferred income tax accounting is practiced in respect to significant timing differences. The federal investment tax credit is accounted for on the deferred basis and is reflected in income ratably over the life of the related property.

Debt Premium, Discount and Expense

Long term debt premium or discount and expense of issuance are amortized by the straight line method over the lives of the debt issues. Unamortized amounts pertaining to debt reacquired for sinking fund purposes are written off currently.

A - Rental Expense

Total rental expense was \$39,918,000 in 1982, \$33,116,000 in 1981 and \$27,828,000 in 1980. This includes charges of \$36,948,000 in 1982, \$30,442,000 in 1981 and \$25,551,000 in 1980 relating to the company's nuclear fuel leasing arrangement with Wisconsin Electric Fuel Trust (Trust). The nuclear fuel is leased for a period of 60 months or until the removal of the fuel from the reactor, if earlier. Lease payments include charges for the cost of fuel burned, financing costs and a management fee. In the event the company or the Trust terminates the lease, the Trust would recover its unamortized cost of nuclear fuel from the company. Under the lease terms, the company is in effect the ultimate guarantor of the Trust's commercial paper and line of credit borrowings financing the investment in nuclear fuel.

The nuclear fuel lease has been treated as an operating lease in the financial statements and by the PSCW in determining revenue requirements. The value of the leased fuel is not included in the company's rate base. Had the lease been accounted for as a capital lease, an asset and corresponding liability equal to the unamortized cost of the leased nuclear fuel would have been recorded at December 31 in the amounts of \$53,036,000 in 1982 and \$53,241,000 in 1981.

B - Pension Plans

Several noncontributory pension plans cover all eligible employees. Normal employee pension cost is accrued and funded currently. Unfunded prior service liability is amortized over periods from ten to thirty years. Pension expense was \$13,622,000 in 1982, \$10,383,000 in 1981 and \$8,120,000 in 1980.

A comparison of accumulated plan benefits and plan net assets available for benefits is shown below.

	<u>December 31</u>		
	<u>1982</u>	<u>1981</u>	<u>1980</u>
	(Thousands of Dollars)		
Actuarial present value of accumulated plan benefits:			
Vested benefits	\$137,345	\$124,568	\$110,324
Nonvested benefits	9,386	7,059	5,201
	<u>\$146,731</u>	<u>\$131,627</u>	<u>\$115,525</u>
Net plan assets	<u>\$166,155</u>	<u>\$125,295</u>	<u>\$120,020</u>

The weighted average rate of return used in determining the actuarial present value of accumulated plan benefits was 7.0%.

C - Depreciation

Depreciation expense is accrued at straight line rates certified by the PSCW. Depreciation rates include estimates of salvage and plant removal costs. Nuclear plant depreciation rates provide for an amount to cover estimated plant decommissioning costs.

Additional depreciation is accrued in accordance with the PSCW requirements, which is equal to the tax effects of timing differences related to property and nuclear fuel including principally the use for tax purposes of accelerated depreciation methods (see Note D).

Straight line depreciation as a percent of average depreciable utility plant was 3.8% in 1982, 3.6% in 1981 and 3.5% in 1980.

D - Income Tax Expense

Below is a summary of income tax expense and a reconciliation of total income tax expense with the tax expected at the federal statutory rate.

	1982	1981	1980
	(Thousands of Dollars)		
Current tax expense	\$ 81,502	\$ 45,342	\$ 4,087
Investment tax credit adjustments - net	9,102	14,453	30,728
Deferred taxes charged to depreciation expense	15,625	28,061	21,044
Total tax expense	<u>\$106,229</u>	<u>\$ 87,856</u>	<u>\$ 55,859</u>
Income before income taxes	<u>\$237,874</u>	<u>\$193,358</u>	<u>\$138,347</u>
Expected tax at federal statutory rate	\$109,422	\$ 88,945	\$ 63,640
Allowance for funds used during construction	(3,403)	(3,088)	(6,287)
Equity in earnings of subsidiaries	(4,711)	(1,775)	(2,451)
State income tax net of federal tax reduction	9,842	7,476	4,508
Investment tax credit restored	(5,276)	(4,698)	(3,733)
Other (no item over 5% of expected tax)	355	996	182
Total tax expense	<u>\$106,229</u>	<u>\$ 87,856</u>	<u>\$ 55,859</u>

The aggregate amount of deferred income taxes included in the accumulated provision for depreciation at December 31 was \$211,427,000 in 1982 and \$188,879,000 in 1981.

E - Accounts Receivable

Accounts receivable are shown on the balance sheet after deducting an accumulated provision for doubtful accounts in the amount of \$2,151,000 for 1982 and \$1,428,000 for 1981. Uncollectible account write-offs net of recoveries were \$4,236,000 in 1982, \$2,865,000 in 1981 and \$2,244,000 in 1980.

F - Allowance for Funds Used During Construction (AFDC)

AFDC is included in utility plant accounts and represents the cost of borrowed funds used during plant construction and a rate of return on stockholders' capital used for construction purposes. On the income statement the cost of borrowed funds (before income taxes) is a reduction of interest expense and the return on stockholders' capital is an item of noncash other income.

The company has been limited by the PSCW to capitalizing AFDC only on construction work in progress exceeding 12.5% of its net investment rate base in 1982 and 10% of its net investment rate base in 1981 and 1980. Revenues granted by the PSCW in rate orders include the equivalent of a return on investment in construction work in progress below this limit. AFDC was capitalized in 1982, 1981 and 1980 at a rate of 7% approved by the PSCW.

G - Transactions with Subsidiary Companies

In December 1981 the company contributed capital of \$15,000,000 to Wisconsin Natural; this amount is classified as an investment in subsidiary companies.

The company renders managerial, financial, accounting, legal, data processing and other services to Wisconsin Natural, which in turn renders to the company certain accounting and other services. These services are billed at cost by the respective companies. The company also purchased gas in the amount of \$10,451,000 in 1982, \$11,854,000 in 1981 and \$21,558,000 in 1980 from Wisconsin Natural for electric generation at rates approved by the PSCW. To take advantage of the company's access to short term funds at a lower cost than that available to Wisconsin Natural, the company makes loans to the subsidiary at an interest rate approximating the cost to the company.

H - Common Stock and Premium on Capital Stock

In July 1982 the company executed a 3-for-2 stock split and issued 10,808,826 additional common shares pursuant thereto. The par value of the common stock was not changed as a result of the stock split, and accordingly common stock was increased and premium on common stock was decreased \$108,088,000. In addition, \$131,000 was paid to stockholders in lieu of fractional shares equivalent to 6,192 full shares.

Sales of common stock under the company's Automatic Dividend Reinvestment and Stock Purchase Plan (ADRSP) and Tax Reduction Act Stock Ownership Plan (TRASOP) are summarized below.

	1982	1981	1980
Shares issued (restated for 3-for-2 stock split)			
ADRSP	1,291,058	1,257,908	1,090,614
TRASOP	198,838	372,883	382,475
Proceeds from sales			
ADRSP	\$25,819,000	\$19,199,000	\$15,551,000
TRASOP	\$ 4,333,000	\$ 6,061,000	\$ 6,216,000

Proceeds from sales over the \$10 par value of common stock sold are reflected as premium on capital stock.

I - Preferred Stock - Redemption Not Required

The Serial Preferred Stock is redeemable in whole or in part at the option of the company at the following redemption prices plus any accrued dividends.

<u>Series</u>	<u>Redemption Price Per Share</u>
3.60%	\$101
3.90%	\$104 to December 1, 1985 and \$101 thereafter
7.75%	\$104 to November 1, 1986 and \$101 thereafter
8.80%	\$108.80 to January 1, 1984; \$105.87 to January, 1989; \$102.94 to January 1, 1994 and \$101 thereafter

J - Preferred Stock - Redemption Required

In 1980 the company issued 250,000 shares of Serial Preferred Stock, 10.875% Series. The redemption at \$100 par value of 6,250 shares is required annually on each September 1, from 1990 through 2009, with redemption of the remaining shares required on September 1, 2010. In addition to the mandatory redemption, the company may at its option redeem the stock at \$110.13 to September 1, 1983 and at declining amounts thereafter to \$100 after September 1, 2009. In the event of default in the payment of dividends or in the mandatory redemption requirements, no dividends or other distribution shall be declared on junior stock. In addition, no dividend shall be declared on any preferred stock class or series except ratably on all preferred shares according to their respective dividend rates.

K - Long Term Debt

The maturities and sinking fund requirements through 1987 for the aggregate amount of long term debt outstanding at December 31, 1982 are shown below. Of the annual sinking fund requirements, \$3,690,000 may be satisfied by certifying additional mortgaged property.

1983	\$ 5,720,000
1984	49,101,000
1985	55,490,000
1986	75,825,000
1987	28,524,000

Future sinking fund requirements have been anticipated by advance purchases of bonds to the extent of \$2,229,000 and certification of property in the amount of \$3,690,000. Sinking fund requirements for 1983 have been satisfied.

Substantially all utility plant and nonutility property is subject to the lien of the applicable mortgage.

L - Notes Payable and Commercial Paper

Unused lines of credit for short term borrowing amounted to \$90,350,000 at December 31, 1982. In support of various informal lines of credit from banks, the company has agreed to maintain unrestricted compensating balances. With the exception of funds required for daily operations, the cash balance shown on the balance sheet at December 31, 1982 as well as \$300,000 of non-interest bearing certificates of deposit included in temporary cash investments represent compensating balances.

M - Commitments and Contingencies

Construction expenditures for 1983 through 1986 are estimated to be \$692 million. Estimated construction expenditures for this four year period include \$81 million for completion of the 580-megawatt Unit 2 coal-fired generating station at the Pleasant Prairie Power Plant and \$36 million for the 25% share in the 380-megawatt Edgewater Unit 5 coal-fired generating station which is being constructed by Wisconsin Power and Light Company. The other estimated construction expenditures are primarily for improvements to existing power plants, for additions to and replacements of portions of the distribution and transmission system, for new service centers and for other buildings and equipment. At December 31, 1982 construction work in progress includes \$41,136,000 of company-financed expenditures relating to Edgewater Unit 5.

In April 1982 American Can Company (American Can) commenced an action against the company in U.S. District Court seeking unspecified damages for alleged breaches by the company of an Agreement dated January 16, 1975, providing for the purchase and use by the company of a fuel derived from refuse. The complaint was amended on May 5, 1982 to specify damages of \$41,500,000. On May 18, 1982 the company filed a counterclaim against American Can for damages in excess of \$20,000,000. Although the result of litigation cannot be predicted with certainty, the company does not believe the ultimate outcome of this litigation will have a material adverse impact on the company's financial statements.

In January 1982 the PSCW issued an order directing the company to write off \$5,000,000 of its investment in Pleasant Prairie Power Plant Unit 1, representing certain additional construction costs incurred to place Unit 1 in operation by June 30, 1980. The PSCW deemed this expenditure imprudently incurred and directed a refund to customers of approximately \$900,000 of related revenues previously held subject to refund. The PSCW denied the company's request for a rehearing on this matter and in March 1982 the company wrote off the \$5,000,000 of construction costs and made provision for the ordered refund of revenues. Subsequently, the Milwaukee County Circuit Court dismissed the company's petition for review and reversal of the PSCW order in this matter. An appeal of the Circuit Court's order has been filed and in July the Circuit Court granted the company's motion to relieve it from the refund obligation pending outcome of the appeal. Management believes the additional construction costs incurred were prudent and should be recognized for rate-making purposes.

In 1979 the company wrote off its share (\$2.3 million after income tax effect) of certain capitalized expenditures related to the discontinued Koshkonong nuclear plant project. In late 1979 the Brown County Circuit Court found that such expenditures were prudently made and were not to be charged to the stockholders and, therefore, reversed and remanded the order to the PSCW for modification. The Circuit Court order, which had been reversed by a 1981 Wisconsin Court of Appeals decision, has been upheld by a November 1982 decision of the Wisconsin Supreme Court. The company has not restored the write-off to income pending an order from the PSCW.

WISCONSIN ELECTRIC POWER COMPANY

DIRECTORS

Frederick M. Belmore	*Charles S. McNeer
Russell W. Britt	*Donald K. Mundt
Sol Burstein	*John P. Reeve
Richard L. Johnson	*Morris W. Reid
*Jon G. Udell	

(*) Member of Executive Committee; all other directors are alternate members

OFFICERS

Charles S. McNeer Chairman of the Board and Chief Executive Officer
Russell W. Britt President and Chief Operating Officer
Sol Burstein Executive Vice President
John W. Boston Senior Vice President
Thomas J. Cassidy Senior Vice President
Nicholas A. Ricci Senior Vice President
Robert H. Gorske Vice President and General Counsel
Richard A. Abdoo Vice President - Corporate Planning
Carlyle W. Fay Vice President - Nuclear Operations
John H. McLean Vice President - Customer Relations
Russell A. Niles Vice President - Division Operations
Huberto R. Platz Vice President - Engineering and Construction
Richard E. Skogg Vice President - Operating Services
John E. Speaker Vice President - Communications
Kenneth E. Wolters Vice President - System Operations
John H. Goetsch Secretary
Jerry G. Rimmel..... Treasurer
Richard R. Piltz Controller
John W. Fleissner Assistant Secretary
Gordon A. Willis Assistant Treasurer

GENERAL OFFICES

231 West Michigan Street, P.O. Box 2046, Milwaukee, Wisconsin 53201